

TDHCA #

03028

Region 4



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Green Street Apartments**

TDHCA #: **03028**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4 Site Address: 2440 Green Street
 City: Longview County: Gregg Zip Code: 75602
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 79 Elderly: 0 Handicapped/Disabled 6 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Wilhoit Green Street Apartments

Principal Names	Principal Contact	Percentage Ownership
Wilhoit Green Street Housing, LLC	Justin Zimmerman	.01% of Owner
Zimmerman Properties, LLC	Justin Zimmerman	99.9% Owner of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation	\$592,722	Allocation over 10 Years:	\$5,927,220
Credits Requested	\$597,838	Eligible Basis Amount:	\$601,015
		Equity/Gap Amount	\$592,722

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	6	5	11
40%	0	0	4	4	8
50%	0	0	8	8	16
60%	0	0	21	23	44
MR	0	0	0	0	0
Total	0	0	39	40	
Total LI Units:					79
Owner/Employee Units:					1
Total Project Units:					80
Applicable Fraction:					99.00

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

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	\$6,008,771	Average Square Feet/Unit	1,064
Gross Building Square Feet	86,480	Cost Per Net Rentable Square Foot	\$70.62
Total Net Rentable Area Square Feet:	85,080	Credits per Low Income Uni	\$7,503

INCOME AND EXPENSE INFORMATION

Effective Gross Income	\$443,826
Total Expenses:	\$285,453
Net Operating Income	\$158,373
Estimated 1st Year Debt Coverage Ratio	1.30

FINANCING

Permanent Principal Amount:	\$1,340,000
Applicant Equity:	\$0
Equity Source:	NA
Syndication Rate:	\$0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Zimmerman Properties, LLC	Market Analyst:	Apartment Market Data Research
Housing GC:	Zimmerman Properties Const., LLC	Originator/UW:	NA
Engineer:	KAW Valley Engineers	Appraiser:	Novogradac & Company
Cost Estimator:	NA	Attorney:	Kendall R. McPhail, LLC
Architect:	Parker & Associates	Accountant:	Novogradac & Company, LLC
Property Manager	Wilhoit Properties, Inc.	Supp Services	Texas Inter-Faith Management Co.
Syndicator:	Alliant Capital	Permanent Lender	Alliant Capital, LTD

PUBLIC COMMENT SUMMARY Note: "O" = Oppose, "S" = Support, "N" = Neutral, "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 with Jurisdiction:	Comment from Other Public Officials:
Local Official: NC	Max Sandlin, US House Representative, District 1, S
TX Representative: Tommy Merritt, District 7, S	William Ratliff, Lieutenant Governor of Texas, S
TX Senator: Bill Ratliff, District 1, N	Sidney Bell-Willis, Council Member, S
US Representative: Ralph Hall, S	
US Senator:	
General Summary of Comment: Broad Support	

DEPARTMENT EVALUATION	
Points Awarded: 97	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by \$44,000 or any combination of additional debt plus initial deferred developer fee totaling the same amount.

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

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

- Score Meeting a Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals. families with different levels of income.

Explanation: This Development scored competitively in its region. To prevent Justin Zimmerman from exceeding the \$1.6 credit cap only 03025 or 03028 could be recommended because together they exceed \$1.6 million. Because this development is smaller and therefore more absorbable in Longview (in light of the other recommended award in Longview) and to better meet regional allocation goals, this development was selected instead of 03028.

Robert Onion, Manager of Awards and Allocation	Date	Brooke Boston, Director of Multifamily Finance Production	Date
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Edwina Carrington, Executive Director	Date
Chairman of Executive Award and Review Advisory Committee	

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board	Date
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Developer Evaluation

Project ID # **03028**

Name: **Green Street Apartments**

City: **Longview**

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 0

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

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

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by Sara Carr Newsom Date iday, June 06, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by R Meyer Date 6 /4 /2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by EEF Date 6 /4 /2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by H Cabello Date 6 /10 /2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

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

Reviewed by Stephanie Stuntz Date 6 /6 /2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

DATE: June 9, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03028

DEVELOPMENT NAME

Green Street Apartments

APPLICANT

Name: Wilhoit Green Street Apartment, LP **Type:** For Profit
Address: 1730 East Republic Road, Suite F **City:** Springfield **State:** MO
Zip: 65804 **Contact:** Justin Zimmerman **Phone:** (417) 883-1632 **Fax:** (417) 883-6343

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: Wilhoit Green Street Housing, LLC **(%):** 0.01 **Title:** Managing General Partner ("MGP")
Name: Zimmerman Properties, LLC ("ZP") **Title:** Developer and 99.9% Owner of MGP
Name: O'Brien Companies, LLC **Title:** Co-Developer and 0.1% Owner of MGP
Name: Zimmerman Investments, LLC ("ZI") **Title:** 100% Owner of ZP
Name: Justin & Leah Zimmerman **Title:** 50% Owner of ZI
Name: Vaughn C. Zimmerman Revocable Trust **Title:** 25% Owner of ZI
Name: Rebecca A. Zimmerman Revocable Trust **Title:** 25% Owner of ZI
Name: Kelly M. Holden **Title:** Sole member of O'Brien Companies, LLC

PROPERTY LOCATION

Location: 2440 Green Street **QCT** **DDA**
City: Longview **County:** Gregg **Zip:** 75602

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$597,838	N/A	N/A	N/A

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

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

Set-Aside(s): General Rural TX RD Non-Profit Elderly At Risk

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$592,722 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 by \$44,000 or any combination of additional debt plus initial deferred developer fee totaling the same amount.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 80 **# Rental Buildings:** 5 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** N/A yrs
Net Rentable SF: 85,080 **Av SF:** 1,064 **Common Area SF:** 1,400 **Gross Bldg SF:** 86,480

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 15% brick veneer 85% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

1,400 SF community building with club room, management offices, fitness room, kitchen, restrooms, swimming pool, and equipped children's play area are located at the entrance to the property. In addition perimeters fencing with limited access gates are also planned for the site.

Uncovered Parking: 160 spaces **Carpports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Green Street Apartments is a relatively dense 13.33 units per acres new construction development of 80 affordable income housing located in south Longview. The development is comprised of 5 evenly distributed medium garden style walk-up residential buildings each with 8 two-bedroom/ two-bath units, 8 three- bedroom/ two-bath units.

Architectural Review: The building elevations and unit floor plans are attractive and functional. The units all have covered balconies or patios with storage closets.

Supportive Services: Supportive Services will be optional to the tenants and the cost will be included in the rent. These services will be provided by Texas Interfaith Housing and will consist of: financial counseling, education counseling, and family counseling.

Schedule: The Applicant anticipates construction to begin in December of 2003, to be completed in February of 2005, to be placed in service in February of 2005, and to be substantially leased-up in February of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 6.0 acres 261,360 square feet **Zoning/ Permitted Uses:** C-1
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Longview is located in the northeastern part of the state, approximately 125 miles east of Dallas and 60 miles west of Shreveport, LA in Gregg County. The site is an irregularly-shaped parcel located in the southern part of Longview. The site is situated on the east side of Green Street.

Adjacent Land Uses:

- **North:** Bostic Drive and residential dwellings
- **South:** A vacant lot, United Wholesale Florist, and residential neighborhoods
- **East:** Bostic Drive and residential dwellings
- **West:** South Green Street and an abandoned lumberyard across the street

Site Access: Access to the property is from the north or south along South Green Street. The development is

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

to have one main entry from the west side of the property. Access to the property is very good. The subject site has excellent access via Estes Parkway and Karnes Road (State Loop 281). From these two thoroughfares, one can easily connect to Interstate 20 and reach any area of Longview.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within five miles of major grocery, shopping centers, police and fire station, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on May 15, 2003 and found the location to be acceptable for the proposed development. The inspector noted the back of the property appeared to have a low spot used for drainage.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February, 2003 was prepared by Apex Geoscience Inc. and contained the following findings and recommendations:

Findings: The on-site debris should be removed from the property and properly disposed at a landfill.

Recommendations: No significant adverse environmental conditions as defined by ASTM Practice E 1527-00 were documented at the site during the course of this study.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 80 of the units (100% of the total) will be reserved for low-income tenants. 11 of the units (14%) will be reserved for households earning 30% or less of AMGI, 8 units (10%) will be reserved for households earning 40% or less of AMGI, 16 of the units (20%) will be reserved for households earning 50% or less of AMGI, 45 of the units (56%) will be reserved for households earning 60% or less of AMGI and the remaining one unit will be employee occupied.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$19,260	\$21,960	\$24,720	\$27,480	\$29,700	\$31,860

MARKET HIGHLIGHTS

A market feasibility study dated March 11, 2003 was prepared by Apartment MarketData Research Services and highlighted the following findings:

Definition of Market/Submarket : “For this analysis we utilized a primary market area comprising a 7.5 Mile Radius Trade Area in Longview, Gregg County, Texas” (p. 3)

Population: The estimated 2000 population of the defined market area was 86,694 and is expected to increase by 3% to approximately 89,591 by 2007. Within the primary market area there were estimated to be 33,405 households in 2000.

Total Local/Submarket Demand for Rental Units: “The available affordable rental units in this sub-market are typically older and do not offer popular amenities and services.” (p. 9)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	8	99.3%	17	1%
Resident Turnover	2,751	0.3%	2,391	99%
Other Sources: pent-up demand	12	0.4%		%
TOTAL ANNUAL DEMAND	2,771	100%	2,408	100%

Ref: p. 8

Inclusive Capture Rate: The Market Analyst concluded an acceptable capture rate of 8.7%. The

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Underwriter calculated an inclusive capture rate of 10% based upon a supply of unstabilized comparable affordable units of 240 divided by a revised demand of 2,408.

Market Rent Comparables: The Market Analyst surveyed comparable apartment projects totaling 1,662 units in the market area. “The report reflects solid demand, as did the overall macro market, for all of the competitive projects in the micro-market reviewed.” (p. 106)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed *	Program Max	Differential	Market	Differential
2-Bedroom (30%)-938 ft	\$247	\$247	\$0	\$524	-\$277
2-Bedroom (40%)-938 ft	\$351	\$351	\$0	\$524	-\$173
2-Bedroom (50%)-938 ft	\$454	\$454	\$0	\$524	-\$70
2-Bedroom (60%)-938 ft	\$557	\$557	\$0	\$524	+\$33
2-Bedroom (30%)-1,022 ft	\$247	\$247	\$0	\$537	-\$290
2-Bedroom (40%)-1,022 ft	\$351	\$351	\$0	\$537	-\$186
2-Bedroom (50%)-1,022 ft	\$454	\$454	\$0	\$537	-\$83
2-Bedroom (60%)-1,022 ft	\$557	\$557	\$0	\$537	+\$20
3-Bedroom (30%)-1,105 ft	\$283	\$283	\$0	\$661	-\$378
3-Bedroom (40%)-1,105 ft	\$402	\$402	\$0	\$661	-\$259
3-Bedroom (50%)-1,105 ft	\$521	\$521	\$0	\$661	-\$140
3-Bedroom (60%)-1,105 ft	\$640	\$640	\$0	\$661	-\$21
3-Bedroom (30%)-1,189 ft	\$283	\$283	\$0	\$661	-\$378
3-Bedroom (40%)-1,189 ft	\$402	\$402	\$0	\$661	-\$259
3-Bedroom (50%)-1,189 ft	\$521	\$521	\$0	\$661	-\$140
3-Bedroom (60%)-1,189 ft	\$640	\$640	\$0	\$661	-\$21

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100) * Adjusted to the maximum 2003 tax credit rents per 5/19/03 correspondence with Applicant.

Submarket Occupancy Rates: “The current occupancy of the market area is 94.4%, as a result of ever increasing demand.” (p. 10)

Absorption Projections: “Absorption in the Primary Market Area has been steady over the last decade. Today, the area is 94.4% occupied. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject’s units.” (p. 10)

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

OPERATING PROFORMA ANALYSIS

Income: At the time the Applicant was completing this application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. Based on the Applicant’s intention to charge maximum program rents and ability, according to the Market Analyst to achieve these rents, the Underwriter used the 2003 maximum rents in this analysis with the exception of the 60% two-bedroom units which exceed the Market Analyst’s rents. This results in an increase of \$38.4K in potential gross rent over the Applicant’s original potential gross rent. If the full maximum tax credits could be achieved on all units, an additional \$6.7K in potential gross could be achieved. Moreover, if the employee occupied unit is charged maximum tax credit rents, an additional \$6.7K in potential gross income could be projected. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant’s total expense estimate of \$3,400 per unit is within 5% of a TDHCA database-derived estimate of \$3,568 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly management fee (\$9.7K lower) repairs and maintenance (\$8.3K higher), utilities (\$7.3K lower), water, sewer, trash (\$6.1K higher) and property tax (\$10.6K lower). The Underwriter discussed these differences with the Applicant but the Applicant indicated only that they used averages of their properties statewide and felt comfortable with the overall expense conclusion.

Conclusion: The Applicant’s original estimated income 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

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Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in gross rents, the Underwriter's estimated debt coverage ratio (DCR) of 1.34 exceeds the program maximum standard of 1.30. This suggests that the project could support a minimum additional debt service of \$3,874 annually. This results in a potential \$44,000 in serviceable debt, and may reduce the need for other funds. If the maximum tax credit rents could be achieved in this market additional increases in debt would be likely and they would affect the credit recommendation.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: (16.23) acres	\$138,770	Assessment for the Year of:	2003
Prorated: 1 acre	\$8,550	Valuation by:	Gregg County Appraisal District
Prorated: 13.988 acres	\$51,300	Tax Rate:	2.27167
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	10/ 31/ 2003	Anticipated Closing Date:	9/ 30/ 2003
Acquisition Cost:	\$275,000	Other Terms/Conditions:	\$5,000 Earnest Money
Seller:	TC Investment Properties, LLC	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION	
Acquisition Value:	The acquisition price of \$ 137,500 is assumed to be reasonable since the acquisition is an arm's-length transaction and even though the total purchase price for 11 acres was \$275,000 the prorated price for 6 acres to be developed would be \$150,000 which is more than the acquisition price of \$137,500.
Off-Site Costs:	The Applicant claimed off-site costs of \$85,000 for off-site utilities, off-site paving and entry signage and provided sufficient third party certification through a professional engineer to justify these costs.
Sitework Cost:	The Applicant's claimed sitework costs of \$6,438 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
Direct Construction Cost:	The Applicant's direct construction cost estimate is \$96.2K or 3% lower than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate, and is therefore regarded as reasonable as submitted.
Ineligible Costs:	The Applicant incorrectly included \$26,003 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.
Fees:	The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.
Conclusion:	The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$5,545,400 is used to determine a credit allocation of \$579,602 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

03

FINANCING STRUCTURE			
INTERIM CONSTRUCTION or GAP FINANCING			
Source:	Alliant Capital, LTD	Contact:	Anthony Palaigos
Principal Amount:	\$1,340,000	Interest Rate:	underwriting rate of 6%

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MULTIFAMILY UNDERWRITING ANALYSIS**

Additional Information: Chase Manhattan Bank Prime plus 1.75%
Amortization: N/A yrs **Term:** 2 yrs **Commitment:** LOI Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: Alliant Capital, LTD **Contact:** Anthony Palaigos
Principal Amount: \$1,340,000 **Interest Rate:** underwriting rate of 8%
Additional Information: 305 basis points plus the 30 year U.S. Treasury Rate
Amortization: 30 yrs **Term:** 30 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$117,989 **Lien Priority:** 1st **Commitment Date** 2/ 11/ 2003

CDBG-FUNDS

Source: City of Longview **Principal Amount:** \$2,000

LIHTC SYNDICATION

Source: Alliant Capital, LTD **Contact:** Anthony Palaigos
Address: 340 Royal Poinciana Way, Suite 305 **City:** Palm Beach
State: FL **Zip:** 33480 **Phone:** (861) 833-5205 **Fax:** (861) 833-2694
Net Proceeds: \$4,662,667 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 78¢
Commitment LOI Firm Conditional **Date:** 2/ 11/ 2003
Additional Information: _____

APPLICANT EQUITY

Amount: \$4,102 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The stated underwriting rate is based on the stated spread but is considered to be of the very high end of reasonableness for this underwriting cycle. Any reduction in rate (which should be possible in this interest rate environment) at carryover or close of construction loan will result in an excess of funds based upon the maximum DCR and the gap method of calculating tax credits would require a reduction in the recommended credit allocation.

CDBG Funds: The Applicant indicated that a \$2,000 application was made to the City of Longview Community Development Block Grant Program. The documentation provided suggests that \$1,000 was requested for infrastructure and \$1,000 was requested for assisting frail and elderly. Generally any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds required will meet this requirement, but it is also uncertain if the development will be successfully awarded these funds. The Underwriter removed the funds from basis which resulted in a small decline in the recommended credit amount. If the funds are ultimately not awarded to benefit this development, it will still be feasible without such funds and the difference will be made up with additional deferred develop fees.

LIHTC Syndication: Alliant Capital, LTD has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,662,666 based on a syndication factor of 78%. The funds would be disbursed in a three-phased pay-in schedule:

1. 10% will be funded upon the latest to occur of: (a) the Limited Partner's admission into the Partnership, (b) closing of all of the construction financing for the Project, and (c) receipt of commitments for all of the permanent financing for the Project;
2. 80% will be funded in monthly installments based upon the progress of construction upon the latest to occur of (a) funding of all of the proceeds of the construction financing for the Project, (b) November 1, 2003, and (c) satisfaction of all conditions precedent to the payment set forth in paragraph b.1 of this section;

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3. 10% will be funded upon the latest to occur of: (a) lien-free completion of construction of all the improvements sufficient for all units to be placed in service, (b) the issuance of all required permanent certificates of occupancy permitting immediate occupancy of all 80 units, (c) receipt of commitments from financial intuitions for all of the permanent financing for the Project, (d) Stabilized Operations, (e) receipt of the final cost certification, (f) permanent loan closing, (g) the issuance of an IRS Form 8609 for each building, (h) six months after payment of the Investor's third installment of its capital contribution and (i) satisfaction of all conditions precedent to the payment set forth in paragraphs B.1 and B.2 of this section; such funds to be used for hard and soft costs as required;

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$4,102 amounts to 1% of the total fees. This normal deferred developer fee means any increase in debt or reduction in cost will result in a loss of tax credits. On the other hand it allows the development maximum flexibility when it comes to any potential future cost overruns.

Financing Conclusions: The project can support an additional \$44,000 in first lien debt and still provide a 1.30 debt coverage ratio (DCR). This fact reduces the project's gap of actual need to \$4,622,771. Consequently, the Underwriter recommends a maximum tax credit allocation not to exceed \$592,722 annually. The Applicant initially anticipated the need to defer \$4,102 in developer fee, but based on the Underwriter's analysis, it is anticipated there will not be a need to defer a portion of the developer fee. In the event of a cost overrun or the CDBG funds not being approved all of the developer fees will be available to defer in order to maintain financial feasibility.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms are all related entities. These are common relationships 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.
- Zimmerman Properties, LLC which is wholly owned by Zimmerman Investments, LLC; therefore, have combined financial statements which represent 99.9% ownership of the General Partner, submitted an unaudited joint personal financial statement as of September 30, 2002 reporting total assets of \$12.2M and consisting of \$96.6K in cash, \$14.6K in receivables, \$1.0M in real property, and \$11.1M in business interests and personal property. Liabilities total \$7.6M, resulting in a net worth of \$4.6M.
- The principals of the General Partner, Justin and D. Leah Zimmerman, submitted a joint unaudited financial statement as of September 30, 2002 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project. Justin Zimmerman and Rebecca Zimmerman, the principal of the General Partner, listed participations in several states other than Texas showing that he has completed 13 LIHTC/affordable housing developments totaling 994 units since 1999.

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 significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:		Date:	June 9, 2003
	_____ <i>Carl Hoover</i>		_____
Director of Real Estate Analysis:		Date:	June 9, 2003
	_____ <i>Tom Gouris</i>		_____

MULTIFAMILY COMPARATIVE ANALYSIS

Green Street Apartments, Longview, LIHTC #03028

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (30%)	3	2	2	938	\$308	\$247	\$742	\$0.26	\$60.54	\$52.78
TC (40%)	2	2	2	938	412	\$351	703	0.37	60.54	52.78
TC (50%)	4	2	2	938	515	\$454	1,818	0.48	60.54	52.78
TC (60%)	10	2	2	938	618	\$524	5,240	0.56	60.54	52.78
EO	1	2	2	938		\$0	0	0.00	60.54	52.78
TC (30%)	3	2	2	1,022	308	\$247	742	0.24	60.54	52.78
TC (40%)	2	2	2	1,022	412	\$351	703	0.34	60.54	52.78
TC (50%)	4	2	2	1,022	515	\$454	1,818	0.44	60.54	52.78
TC (60%)	11	2	2	1,022	618	\$537	5,907	0.53	60.54	52.78
TC (30%)	3	3	2	1,105	357	\$283	849	0.26	74.00	56.60
TC (40%)	2	3	2	1,105	476	\$402	804	0.36	74.00	56.60
TC (50%)	4	3	2	1,105	595	\$521	2,084	0.47	74.00	56.60
TC (60%)	11	3	2	1,105	714	\$640	7,040	0.58	74.00	56.60
TC (30%)	2	3	2	1,189	357	\$283	566	0.24	74.00	56.60
TC (40%)	2	3	2	1,189	476	\$402	804	0.34	74.00	56.60
TC (50%)	4	3	2	1,189	595	\$521	2,084	0.44	74.00	56.60
TC (60%)	12	3	2	1,189	714	\$640	7,680	0.54	74.00	56.60
AVERAGE:	80			1,064	\$568	\$495	\$39,584	\$0.47	\$67.27	\$54.69

INCOME Total Net Rentable Sq Ft: **85,080**

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month:	\$5.00	
Other Support Income: (describe)			
POTENTIAL GROSS INCOME			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	
Employee or Other Non-Rental Units or Concessions			
EFFECTIVE GROSS INCOME			

	TDHCA	APPLICANT
	\$475,011	\$436,632
	4,800	4,800
	0	
	\$479,811	\$441,432
	(35,986)	(33,108)
	0	
	\$443,826	\$408,324

USS Region	4
IREM Region	
Per Unit Per Month	\$5.00
% of Potential Gross Rent	-7.50%

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	7.38%	\$410	0.39
Management	6.15%	341	0.32
Payroll & Payroll Tax	13.93%	773	0.73
Repairs & Maintenance	6.78%	376	0.35
Utilities	3.71%	206	0.19
Water, Sewer, & Trash	6.82%	379	0.36
Property Insurance	3.83%	213	0.20
Property Tax	9.53%	528	0.50
Reserve for Replacements	3.61%	200	0.19
Other Expenses: Supp.Serv & Com	2.58%	143	0.13
TOTAL EXPENSES	64.32%	\$3,568	\$3.36
NET OPERATING INC	35.68%	\$1,980	\$1.86

	TDHCA	APPLICANT
	\$32,773	\$30,750
	27,293	\$17,572
	61,818	\$58,615
	30,085	\$38,346
	16,468	\$9,200
	30,281	\$36,400
	17,016	\$22,000
	42,279	\$31,677
	16,000	\$16,000
	11,440	\$11,440
	\$285,453	\$272,000
	\$158,372	\$136,324

	PER SQ FT	PER UNIT	% OF EGI
	\$0.36	\$384	7.53%
	0.21	220	4.30%
	0.69	733	14.36%
	0.45	479	9.39%
	0.11	115	2.25%
	0.43	455	8.91%
	0.26	275	5.39%
	0.37	396	7.76%
	0.19	200	3.92%
	0.13	143	2.80%
	\$3.20	\$3,400	66.61%
	\$1.60	\$1,704	33.39%

DEBT SERVICE			
Alliant Capital	26.58%	\$1,475	\$1.39
CDBG-City of Longview	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00
NET CASH FLOW	9.10%	\$505	\$0.47

	TDHCA	APPLICANT
	\$117,989	\$117,989
	0	
	0	
	\$40,383	\$18,335
	1.34	1.16
	1.30	

\$1.39	\$1,475	28.90%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.22	\$229	4.49%

CONSTRUCTION COST	Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		2.26%	\$1,719	\$1.62	
Off-Sites		1.40%	1,063	1.00	
Sitework		8.47%	6,438	6.05	
Direct Construction		54.01%	41,048	38.60	
Contingency	5.00%	3.12%	2,374	2.23	
General Req'ts	5.85%	3.65%	2,777	2.61	
Contractor's G & A	1.95%	1.22%	926	0.87	
Contractor's Profit	5.85%	3.65%	2,777	2.61	
Indirect Construction		4.92%	3,743	3.52	
Ineligible Costs		1.33%	1,013	0.95	
Developer's G & A	4.78%	3.88%	2,949	2.77	
Developer's Profit	9.71%	7.88%	5,988	5.63	
Interim Financing		2.05%	1,561	1.47	
Reserves		2.14%	1,625	1.53	
TOTAL COST		100.00%	\$75,999	\$71.46	
Recap-Hard Construction Costs		74.13%	\$56,339	\$52.97	

	TDHCA	APPLICANT
	\$137,500	\$137,500
	85,000	85,000
	515,000	515,000
	3,283,803	3,187,634
	189,940	215,000
	222,157	222,157
	74,052	74,052
	222,157	222,157
	299,400	299,400
	81,003	81,003
	235,950	235,950
	479,050	479,050
	124,868	124,868
	130,000	130,000
	\$6,079,881	\$6,008,771

	PER SQ FT	PER UNIT	% of TOTAL
	\$1.62	\$1,719	2.29%
	1.00	1,063	1.41%
	6.05	6,438	8.57%
	37.47	39,845	53.05%
	2.53	2,688	3.58%
	2.61	2,777	3.70%
	0.87	926	1.23%
	2.61	2,777	3.70%
	3.52	3,743	4.98%
	0.95	1,013	1.35%
	2.77	2,949	3.93%
	5.63	5,988	7.97%
	1.47	1,561	2.08%
	1.53	1,625	2.16%
	\$70.62	\$75,110	100.00%
	\$52.14	\$55,450	73.83%

SOURCES OF FUNDS			
Alliant Capital	22.04%	\$16,750	\$15.75
CDBG-City of Longview	0.03%	\$25	\$0.02
LIHTC Syndication Proceeds	76.69%	\$58,283	\$54.80
Deferred Developer Fees	0.07%	\$51	\$0.05
Additional (excess) Funds Required	1.17%	\$889	\$0.84
TOTAL SOURCES			

	TDHCA	APPLICANT
	\$1,340,000	\$1,340,000
	2,000	2,000
	4,662,667	4,662,667
	4,102	4,102
	71,112	2
	\$6,079,881	\$6,008,771

	RECOMMENDED
	\$1,384,000
	2,000
	4,622,771
	0
	0
	0
	\$6,008,771

Developer Fee Available \$715,000
% of Dev. Fee Deferred 0%
15-Yr Cumulative Cash Flow \$739,868.57

MULTIFAMILY COMPARATIVE ANALYSIS(continued)
Green Street Apartments, Longview, LIHTC #03028

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.43	\$3,524,864
Adjustments				
Exterior Wall Finish	2.05%		\$0.85	\$72,260
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(85,931)
Floor Cover			1.92	163,354
Porches/Balconies	\$29.24	8200	2.82	239,768
Plumbing	\$615	240	1.73	147,600
Built-In Appliances	\$1,625	80	1.53	130,000
Stairs/Fireplaces	\$865	40	0.41	34,600
Floor Insulation			0.00	0
Heating/Cooling			1.47	125,068
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$65.08	1,400	1.07	91,108
Other:			0.00	0
SUBTOTAL			52.22	4,442,690
Current Cost Multiplier	1.03		1.57	133,281
Local Multiplier	0.88		(6.27)	(533,123)
TOTAL DIRECT CONSTRUCTION COSTS			\$47.52	\$4,042,848
Plans, specs, survy, bld prm	3.90%		(\$1.85)	(\$157,671)
Interim Construction Interest	3.38%		(1.60)	(136,446)
Contractor's OH & Profit	11.50%		(5.46)	(464,928)
NET DIRECT CONSTRUCTION COSTS			\$38.60	\$3,283,803

PAYMENT COMPUTATION

Primary	\$1,340,000	Term	360
Int Rate	8.00%	DCR	1.34

Secondary	\$2,000	Term	
Int Rate	0.00%	Subtotal DCR	1.34

Additional	\$4,662,667	Term	
Int Rate		Aggregate DCR	1.34

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$121,864
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$36,509

Primary	\$1,384,000	Term	360
Int Rate	8.00%	DCR	1.30

Secondary	\$2,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	\$4,662,667	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

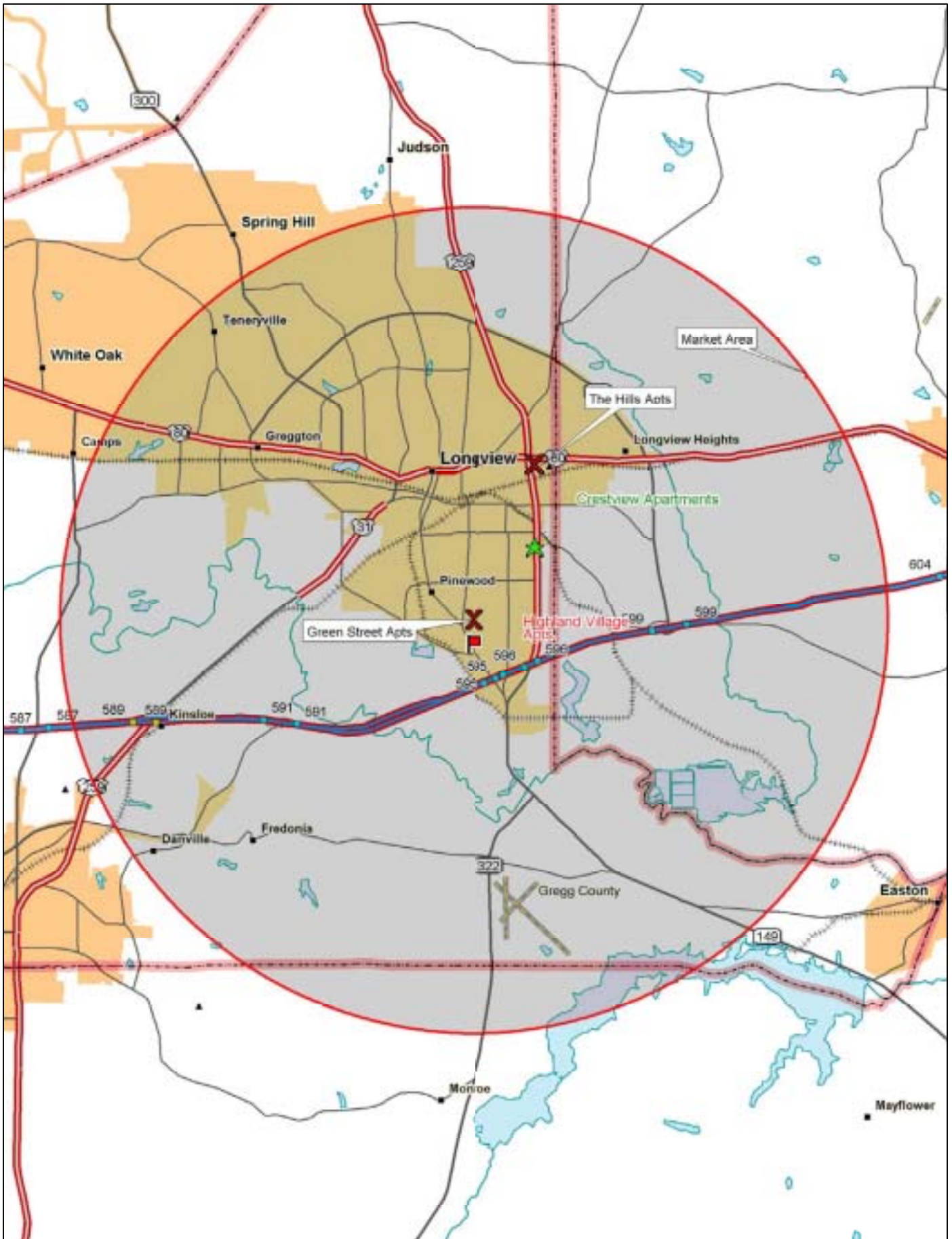
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$475,011	\$489,262	\$503,940	\$519,058	\$534,629	\$619,782	\$718,497	\$832,935	\$1,119,395
Secondary Income	4,800	4,944	5,092	5,245	5,402	6,263	7,260	8,417	11,312
Other Support Income: (describe)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	479,811	494,206	509,032	524,303	540,032	626,045	725,758	841,352	1,130,707
Vacancy & Collection Loss	(35,986)	(37,065)	(38,177)	(39,323)	(40,502)	(46,953)	(54,432)	(63,101)	(84,803)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$443,826	\$457,140	\$470,854	\$484,980	\$499,530	\$579,092	\$671,326	\$778,251	\$1,045,904
EXPENSES at 4.00%									
General & Administrative	\$32,773	\$34,084	\$35,448	\$36,866	\$38,340	\$46,647	\$56,753	\$69,049	\$102,209
Management	27,293	28,112	28,955	29,824	30,718	35,611	41,283	47,858	64,317
Payroll & Payroll Tax	61,818	64,290	66,862	69,537	72,318	87,986	107,048	130,241	192,788
Repairs & Maintenance	30,085	31,289	32,540	33,842	35,195	42,821	52,098	63,385	93,825
Utilities	16,468	17,126	17,811	18,524	19,265	23,439	28,517	34,695	51,357
Water, Sewer & Trash	30,281	31,493	32,752	34,062	35,425	43,100	52,438	63,798	94,437
Insurance	17,016	17,697	18,405	19,141	19,906	24,219	29,466	35,850	53,067
Property Tax	42,279	43,970	45,729	47,558	49,460	60,176	73,213	89,075	131,853
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	11,440	11,898	12,374	12,868	13,383	16,283	19,810	24,102	35,677
TOTAL EXPENSES	\$285,453	\$296,598	\$308,181	\$320,219	\$332,729	\$403,054	\$488,333	\$591,763	\$869,429
NET OPERATING INCOME	\$158,372	\$160,542	\$162,673	\$164,761	\$166,800	\$176,038	\$182,993	\$186,488	\$176,475
DEBT SERVICE									
First Lien Financing	\$121,864	\$121,864	\$121,864	\$121,864	\$121,864	\$121,864	\$121,864	\$121,864	\$121,864
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	\$36,509	\$38,678	\$40,810	\$42,898	\$44,937	\$54,174	\$61,129	\$64,624	\$54,611
DEBT COVERAGE RATIO	1.30	1.32	1.33	1.35	1.37	1.44	1.50	1.53	1.45

LIHTC Allocation Calculation - Green Street Apartments, Longview, LIHTC #03028

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	\$137,500	\$137,500		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$515,000	\$515,000	\$515,000	\$515,000
Off-site improvements	\$85,000	\$85,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$3,187,634	\$3,283,803	\$3,187,634	\$3,283,803
(4) Contractor Fees & General Requirements				
Contractor overhead	\$74,052	\$74,052	\$74,052	\$74,052
Contractor profit	\$222,157	\$222,157	\$222,157	\$222,157
General requirements	\$222,157	\$222,157	\$222,157	\$222,157
(5) Contingencies				
	\$215,000	\$189,940	\$185,132	\$189,940
(6) Eligible Indirect Fees				
	\$299,400	\$299,400	\$299,400	\$299,400
(7) Eligible Financing Fees				
	\$124,868	\$124,868	\$124,868	\$124,868
(8) All Ineligible Costs				
	\$81,003	\$81,003		
(9) Developer Fees				
Developer overhead	\$235,950	\$235,950	\$235,950	\$235,950
Developer fee	\$479,050	\$479,050	\$479,050	\$479,050
(10) Development Reserves				
	\$130,000	\$130,000		
TOTAL DEVELOPMENT COSTS	\$6,008,771	\$6,079,881	\$5,545,400	\$5,646,378

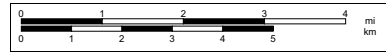
Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		\$2,000	\$2,000
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,543,400	\$5,644,378
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$7,206,420	\$7,337,691
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$7,206,420	\$7,337,691
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		\$601,015	\$611,963

Syndication Proceeds	0.7799	\$4,687,451	\$4,772,837
Total Credits (Eligible Basis Method)		\$601,015	\$611,963
Syndication Proceeds		\$4,687,451	\$4,772,837
Requested Credits		\$597,838	
Syndication Proceeds		\$4,662,670	
Gap of Syndication Proceeds Needed		\$4,622,771	
Credit Amount		\$592,722	



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 Zoom Level: 10-4 Datum: WGS84

Scale 1 : 150 000
 1" = 2.27 mi



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TDHCA #

03053

Region 4



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Millpoint Townhomes**

TDHCA #: **03053**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4 Site Address: 751 Kilgore Drive
 City: Henderson County: Rusk Zip Code: 75652
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 76 Elderly: 0 Handicapped/Disabled 6 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Millpoint Townhomes, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Millpoint Affordable Housing, L.L.C.	James E. Washburn	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$515,338** Allocation over 10 Years: **\$5,153,380**
 Credits Requested: **\$527,733** Eligible Basis Amount: **\$515,338** Equity/Gap Amount: **\$568,670**

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	0	36	40	76
MR	0	0	0	0	0
Total	0	0	36	40	
Total LI Units:					76
Owner/Employee Units:					0
Total Project Units:					76
Applicable Fraction:					100.00

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost: \$6,619,600 Average Square Feet/Unit: 1,113
 Gross Building Square Feet: 87,092 Cost Per Net Rentable Square Foot: \$78.25
 Total Net Rentable Area Square Feet: 84,592 Credits per Low Income Uni: \$6,781

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$470,724
 Total Expenses: \$275,573
 Net Operating Income: \$195,151
 Estimated 1st Year Debt Coverage Ratio: 1.12

FINANCING

Permanent Principal Amount: \$2,184,415
 Applicant Equity: \$415,951
 Equity Source: Deferred Developer Fee
 Syndication Rate: \$0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: LCJ Management, Inc.	Market Analyst: The Gerald Teel Company
Housing GC: LCJ Construction	Originator/UW: NA
Engineer: RLK Engineering	Appraiser: The Gerald Teel Company
Cost Estimator: LCJ Construction	Attorney: Crain, Caton & James
Architect: Salem & Associates	Accountant: Marshall, Shafer & Spalding
Property Manager: LCJ Management, Inc.	Supp Services: Texas Inter-Faith Housing Co.
Syndicator: Boston Capital	Permanent Lender: MunieMae Midland Mortgage, LLC

PUBLIC COMMENT SUMMARY Note: "O" = Oppose, "S" = Support, "N" = Neutral, "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 with Jurisdiction:	Comment from Other Public Officials:
Local Official: Foy Brown, Mayor, City of Henderson, S	Tommy Merritt, Texas Representative, District 7, NC
TX Representative: Chuck Hopson, District 11, S	
TX Senator: Bill Ratliff, District 1, S	
US Representative: Max Sandlin, S	
US Senator:	
General Summary of Comment: Broad Support	

DEPARTMENT EVALUATION	
Points Awarded: 91	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

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

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

- Score Meeting a Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals families with different levels of income.

Explanation: This Development has a competitive score in the Rural Set-Aside.

Robert Onion, Manager of Awards and Allocation Date _____
Brooke Boston, Director of Multifamily Finance Production _____
Date

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03053**

Name: **Millpoint Townhomes**

City: **Henderson**

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

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

Total # of Projects monitored: 12 Projects grouped by score 0-9 8 10-19 2 20-29 2

Total # monitored with a score less than 30: 12 # not yet monitored or pending review: 1

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

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

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by Sara Carr Newsom Date Friday, May 23, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by R Meyer Date 5/28/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by EEF Date 5/16/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by H Cabello Date 6/10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

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

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

DATE: May 28, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03053

DEVELOPMENT NAME

Millpoint Townhomes Apartments

APPLICANT

Name: Millpoint Townhomes, Ltd. **Type:** For Profit
Address: 19276 F.M. 1485 **City:** New Caney **State:** TX
Zip: 77357 **Contact:** James E. Washburn **Phone:** (281) 689-2030 **Fax:** (281) 689-0103

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Millpoint Affordable Housing, L.L.C.</u>	(%):	<u>.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>LCJ Management, Inc.</u>	(%):		Title:	<u>Developer</u>
Name:	<u>James E. Washburn</u>	(%):	<u>N/A</u>	Title:	<u>President & 48.5% owner of G.P.</u>
Name:	<u>C. Craig Washburn</u>	(%):	<u>N/A</u>	Title:	<u>Vice president & 48.5% owner of G.P.</u>
Name:	<u>Larry C. Washburn</u>	(%):	<u>N/A</u>	Title:	<u>1% owner of G.P.</u>
Name:	<u>Charles E. Washburn</u>	(%):	<u>N/A</u>	Title:	<u>1% owner of G.P.</u>
Name:	<u>James M. Washburn</u>	(%):	<u>N/A</u>	Title:	<u>1% owner of G.P.</u>

PROPERTY LOCATION

Location: 751 Kilgore Drive **QCT** **DDA**
City: Henderson **County:** Rusk **Zip:** 75652

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$527,733	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	
Set-Aside(s): <input type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$515,338 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

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

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 76 **# Rental Buildings:** 19 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** 0 yrs **Vacant:** N/A at / /
Net Rentable SF: 84,592 **Av Un SF:** 1,113 **Common Area SF:** 2,500 **Gross Bldg SF:** 87,092

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 2,500-SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, & computer/business center are to be located at the entrance to the property, along with the swimming pool and mail kiosk. Five equipped children's play areas are located throughout the property. At the entrance to/middle of the property.

Uncovered Parking: 136 spaces **Carpports:** 38 spaces **Garages:** 12 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Millpoint Town homes Apartments is a moderately dense (7.57 units per acre) new construction development of 76 units of affordable housing located in north Henderson. The development is comprised of 19 evenly distributed, two-story fourplex residential buildings as follows:

- € Nine Building Type B with four two-bedroom/two-bath units; and
- € Ten Building Type C with four three-bedroom/two-bath units.

Architectural Review: The units are arranged as simple and functional fourplex/townhouse buildings, with pitched roofs and private exterior entries. Each unit has a ground floor master bedroom and patio, and all bedrooms feature walk-in closets. The first floor bathroom is only accessible through the master bedroom.

Supportive Services: The Applicant identified Texas Interfaith Housing as the supportive services provider and included \$6,500 in the operating expense budget for these services.

Schedule: The Applicant anticipates construction to begin in April of 2004, to be completed and placed in service in June of 2005, and to be substantially leased-up in September of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 10.04 Acres 437,342 square feet **Zoning/ Permitted Uses:** MF-1, Multifamily Residential, Low Density District
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Henderson is located in northeast Texas, approximately 30 miles southeast of Tyler in Rusk County. The site is an irregularly-shaped parcel located in the north area of the city, approximately two miles from the central business district. The site is situated on the southwest side of Kilgore Drive (U.S. Highway 259).

Adjacent Land Uses:

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- ∉ **North:** vacant land and single-family residential
- ∉ **South:** vacant land
- ∉ **East:** a wood truss plant and Kilgore Drive (U.S. Highway 259), with vacant land beyond
- ∉ **West:** single-family residential and vacant land

Site Access: Access to the property is from the northwest or southeast from Kilgore Drive, which provides connections to all other major roads serving the Henderson area. The development is to have two entries from Kilgore Drive.

Public Transportation: Public transportation is not available in Henderson, although the market analyst states, “The East Texas Rural Transit District does provide handicap transportation.” (p. 6).

Shopping & Services: The site is within one mile of two major grocery/pharmacies, and a variety of other retail establishments and restaurants, schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: ORCA staff performed a site inspection on April 23, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 14, 2003 was prepared by The Murillo Company and contained the following findings and recommendations: “Based upon TMC’s site investigation of the subject property, surrounding properties, regulatory agency records review and inquiries, interviews, and historical research, no other direct evidence was found indicating recognized environmental conditions exist at the site. TMC recommends no further action at this time.” (p. 8)

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 will be reserved for low-income households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$18,120	\$20,700	\$23,280	\$25,860	\$27,900	\$30,000

MARKET HIGHLIGHTS

A market feasibility study dated March 18, 2003 was prepared by The Gerald A. Teel Company, Inc. and highlighted the following findings:

Definition of Market/Submarket: “The market area for the subject is comprised of Rusk County, which includes the city of Henderson, Texas. The entire county was chosen based on its total population, size, and overall accessibility.” (Factual Data, p. 4)

Population: The estimated 2002 population of Rusk County was 47,913 and is expected to increase by 3.19% to approximately 49,442 by 2007. Within the primary market area there were estimated to be 17,571 households in 2002. (p. 7)

Total Local/Submarket Demand for Rental Units: “...there has been nominal population growth over the last ten years, which suggests that there has been minimal movement into the area from new industries...On a micro-economic level; demand does exist for low-income housing in the Henderson area. There has been no apartment construction since 1983...Increases in employment, population, households, rents, and occupancies are expected to be nominal over the next five years, therefore, primary demand will come from the existing tenant base.” (p. 4)

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ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	2	1%	2	1%
Resident Turnover	158	90%	161	99%
Other Sources: Section 8 voucher holders	15	9%	0	0%
TOTAL ANNUAL DEMAND	175	100%	163	100%

Ref: p. 56

Inclusive Capture Rate: “Overall, the total estimated LIHTC qualified demand is 175 units. Considering the 76 subject units results in a 43.4% capture rate.” (p. 55) Rural developments are allowed capture rates as high as 100% per the Department’s current guidelines.

Local Housing Authority Waiting List Information: “The local housing authority has four families on the waiting list for their housing...According to representatives of the Henderson Housing Authority, it is unusual that the public housing units are below 100% occupied. However, there are 17 vacant units and only four families on the waiting list. According to the Assistant Director of the Housing Authority, he anticipates that there would be adequate demand for the subject. Additionally, the tenants that occupy the public housing units would likely not be able to afford the subject at the proposed 60% of median income limit.” (p. 16)

Market Rent Comparables: “Since there is no published source of apartment data for Henderson/Rusk County, we have attempted to survey all of the projects in Henderson that contain more than four units. We were able to obtain various degrees of information regarding all 11 such complexes within Henderson. There are two public housing projects within the city of Henderson. These are also included in our survey data...there are approximately 310 conventional apartment units in Henderson and 75 low-income units.” (p. 15) The Market Analyst indicated that net positive adjustments of \$151 to \$217 were needed in order to account for the higher quality of housing being proposed versus the comparable rental units included in the analysis.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (60%)	\$503	\$503	\$0	\$540	-\$37
3-Bedroom (60%)	\$579	\$579	\$0	\$615	-\$36

(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 overall weighted average occupancy for the conventional product in Henderson is 84%...When the low-income housing projects are considered, the citywide occupancy ratio declines to 82.7%. There are currently 17 vacant units in the two low-income projects in town. Thus, there are a total of at least 66 vacant apartment units within the city of Henderson.” (p. 15)

€ “In summary, the newest project in town, Spring Creek, remains 100% occupied year round. However, the next two nicest projects, Oak Manor and Point North, are having occupancy problems. According to the manager, Point North has traditionally maintained an occupancy ratio of around 75%. A visual inspection of these two projects did not reveal any obvious defects; therefore, the occupancy problem may be attributable to lack of demand from not enough rental households, poor management, high rents, or a combination of the above. These are the only two projects in the area that charge water and sewer to the residents via a Ratio Utility Billing System (RUBS). It appears that the rents at these two projects are at market; however, when the RUBS are considered, the rents appear to be above market...It appears that there is tenant resistance to the Ratio Utility Billing system in Henderson.” (p. 16)

Absorption Projections: “Since there has not been any new construction of apartments in the area in a

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number of years, it is not possible to gauge absorption of new product in the market area. *It should be noted that there is a current inventory of 66 vacant apartment units in town. In order to achieve a stabilized occupancy level of 93%, 40 [existing] units will have to be absorbed.* [Underwriter's emphasis]" (p. 16)

Known Planned Development: "According to representatives for the city permit department, and planning and zoning, there have been no recent apartment permits, nor are any rumored." (p. 3)

Effect on Existing Housing Stock: "The subject would be the newest product in town and offer the highest level of amenities...It is projected that tenants would likely come from other, older complexes in town." (p. 16) "Based on our discussions with representatives of the Henderson Housing Authority, and considering the current low occupancy ratio of the existing subsidized housing projects, we do not anticipate any measurable impact on the existing subsidized housing in Henderson...Overall, the effect of the subject property on this immediate submarket will likely be minimal, although some movement out of [existing] projects could be expected initially, as new product has an advantage over the older product, all other factors being equal." (p. 57)

Although the Underwriter found the market study provided sufficient information on which to base a funding recommendation, the Underwriter felt that it did not substantiate strong demand within the designated market area. Of particular concern are the very low market occupancy rate of 83% and the negligible projected income-eligible growth demand of two units per year. The Underwriter expressed these concerns to the analyst, and the analyst provided the following response:

- € "Our position is that the two RUBS projects which have occupancy ratios in the mid-70% range are not truly comparable to the subject due to the fact that it is not reliable in this market to compare a RUBS project to a non-RUBS project, which is what we project the project to be...non-RUBS. It is highly likely that should they discontinue the RUBS policy, occupancy would drastically increase.
- € "There are 67 Section 8 vouchers for Henderson. The Housing Authority has indicated their strong support for the subject project. Thus we would expect that the authority would send voucher holders to the subject. We have made a conservative estimate of 15 voucher holders would occupy the subject, this would likely be higher due to the newness of the subject.
- € "Finally, the assistant director of the Housing Authority indicated there are a large number of people who work in Henderson, but who live in nearby cities because of a lack of new and quality apartment housing in Henderson. The director is one of such persons." (e-mail dated 5/16/03)

The Underwriter also has reservations regarding the analyst's concluded estimated market rents of \$540 and \$615 for the two- and three-bedroom units, respectively. The analyst's highest market rent comparable rents were \$390 and \$450 for these two unit types, which are significantly lower than the concluded market rents, especially in light of the low occupancy rate in the market. Absent clear evidence of substandard existing housing stock, it is difficult to reconcile this significant differential.

In light of the demographic and anecdotal evidence provided, the Underwriter regards that market demand is soft. The majority of tenants would likely be pulled from existing properties, increasing an already elevated vacancy rate of 17%. These considerations, in combination with the significant rent differential, make it possible that the development could experience an extended absorption period.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's estimate of total operating expense is 2% higher than the Underwriter's database-derived estimate, an acceptable deviation. The Applicant's budget shows two line item estimates, however, that deviate significantly when compared to the database averages, utilities (\$9.8K lower) and water, sewer, and trash (\$15.5K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

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Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. The Applicant's anticipated permanent debt service of \$172,500 is inconsistent with the permanent lender's term sheet underwriting rate of 7%, which yields a debt service amount of \$174,396.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 15.8 acres	\$89,170	Assessment for the Year of:	2002
10.04 acres, prorated:	\$56,662	Valuation by:	Rusk County Appraisal District
Total Assessed Value:	\$56,662	Tax Rate:	2.57

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial Contract Unimproved Property					
Contract Expiration Date:	9/	16/	2003	Anticipated Closing Date:	9/	16/ 2003
Acquisition Cost:	\$110,000			Other Terms/Conditions:	\$1,000 earnest money	
Seller:	Mary Beth Holmes Trust			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$110,000 (\$0.25/SF or \$10,956/acre) is reasonably substantiated by the prorated tax assessed value of \$56,662 and is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$7,411 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$8K or less than 1% 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 \$10K in marketing expenses as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis. Although the Applicant indicated an intention to charge additional rental fees for the 38 carports and 12 garages, the Underwriter retained these construction costs as eligible as the Applicant did not include any secondary income from this source.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$106,458 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's fees for general and administrative expenses and profit are within the maximums allowed by TDHCA guidelines. The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by \$17,029.

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 an eligible basis of \$6,179,113 is used to determine a credit allocation of \$515,338 from this method. The resulting syndication proceeds will be used

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to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland Mortgage, LLC **Contact:** Dan Flick
Principal Amount: \$2,669,276 **Interest Rate:** Variable, 1% over Wall Street Journal Prime Rate, minimum 6%, estimated & underwritten at 8%
Additional Information: _____
Amortization: N/A yrs **Term:** 2 yrs **Commitment:** LOI Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: MuniMae Midland Mortgage, LLC **Contact:** Dan Flick
Principal Amount: \$2,184,400 **Interest Rate:** 40 basis points over unspecified index, minimum of 5.75%, maximum of 8.25%, estimated & underwritten at 7%
Additional Information: _____
Amortization: 30 yrs **Term:** 18 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$174,396 **Lien Priority:** 1st **Commitment Date** 2/ 3/ 2003

LIHTC SYNDICATION

Source: Boston Capital **Contact:** Sam Guagliano
Address: One Boston Place **City:** Boston
State: MA **Zip:** 02108 **Phone:** (617) 624-8869 **Fax:** (617) 624-8999
Net Proceeds: \$4,115,905 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 78¢
Commitment LOI Firm Conditional **Date:** 2/ 5/ 2003
Additional Information: _____

APPLICANT EQUITY

Amount: \$319,280 **Source:** Deferred developer fees

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. As discussed above, the Applicant's permanent debt service amount is understated by \$1,896 annually using the loan terms in the permanent lender's term sheet.

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

Deferred Developer's Fees: The Applicant's proposed deferred fees of \$319,280 amount to 39% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$515,338 annually for ten years, resulting in syndication proceeds of approximately \$4,019,234. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$415,951, which represents approximately 52% of the eligible fee and which should be repayable from cash flow within approximately 12 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, significant additional deferred developer's fee may not be available to fund any development cost overruns.

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**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

Larry C., Charles E., James M., James E., and C. Craig Washburn are 100% owners and principals of the General Partner, Developer, General Contractor, and Property Manager. These are common relationships 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.
- € The principals of the General Partner, C. Craig, Charles E., James E., James M., and Larry C. Washburn, submitted unaudited financial statements and are anticipated to be guarantors of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Larry C., Charles E., and James M. Washburn listed participation in 13 previous affordable housing developments totaling 741 units since 1987.
- € James E. and C. Craig Washburn listed participation in three previous affordable housing developments totaling 268 units since 2000.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- € The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

Underwriter:

Jim Anderson

Date: May 28, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: May 28, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Millpoint Townhomes Apartments, Henderson, 9% LIHTC #03053

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr, Swr, Trsh
TC (60%)	36	2	2	1,022	\$582	\$503	\$18,108	\$0.49	\$79.00	\$37.00
TC (60%)	40	3	2	1,195	672	579	23,160	0.48	93.00	41.00
TOTAL:	76		AVERAGE:	1,113	\$629	\$543	\$41,268	\$0.49	\$86.37	\$39.11

INCOME				TDHCA		APPLICANT		USS Region		
Total Net Rentable Sq Ft: 84,592										4
POTENTIAL GROSS RENT										IREM Region
Secondary Income		Per Unit Per Month:	\$15.00	\$495,216	\$495,216	\$15.00				Per Unit Per Month
Other Support Income:				13,680	13,680					
				0	0					
POTENTIAL GROSS INCOME				\$508,896	\$508,896					
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(38,167)	(38,172)	-7.50%				of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0	0					
EFFECTIVE GROSS INCOME				\$470,729	\$470,724					
EXPENSES								PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.90%	\$304	0.27	\$23,075	\$18,600	\$0.22	\$245	3.95%		
Management	4.00%	248	0.22	18,829	\$18,830	0.22	248	4.00%		
Payroll & Payroll Tax	11.11%	688	0.62	52,300	\$52,313	0.62	688	11.11%		
Repairs & Maintenance	9.85%	610	0.55	46,388	\$41,200	0.49	542	8.75%		
Utilities	4.24%	263	0.24	19,969	\$10,200	0.12	134	2.17%		
Water, Sewer, & Trash	4.41%	273	0.25	20,743	\$36,200	0.43	476	7.69%		
Property Insurance	5.39%	334	0.30	25,378	\$25,800	0.30	339	5.48%		
Property Tax	8.75%	542	0.49	41,186	\$48,830	0.58	643	10.37%		
Reserve for Replacements	3.23%	200	0.18	15,200	\$15,200	0.18	200	3.23%		
Other: spt svcs, compl fees	1.78%	111	0.10	8,400	\$8,400	0.10	111	1.78%		
TOTAL EXPENSES	57.67%	\$3,572	\$3.21	\$271,469	\$275,573	\$3.26	\$3,626	58.54%		
NET OPERATING INC	42.33%	\$2,622	\$2.36	\$199,260	\$195,151	\$2.31	\$2,568	41.46%		
DEBT SERVICE										
Midland Mortgage	37.05%	\$2,295	\$2.06	\$174,396	\$172,500	\$2.04	\$2,270	36.65%		
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%		
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%		
NET CASH FLOW	5.28%	\$327	\$0.29	\$24,865	\$22,651	\$0.27	\$298	4.81%		
AGGREGATE DEBT COVERAGE RATIO				1.14	1.13					
RECOMMENDED DEBT COVERAGE RATIO										1.12

CONSTRUCTION COST					TDHCA		APPLICANT		PER SQ FT	PER UNIT	% OF TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
ACQUISITION COST (site or bldg)		1.67%	\$1,447	\$1.30	\$110,000	\$110,000	\$1.30	\$1,447	1.66%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		8.54%	7,411	6.66	563,200	563,200	6.66	7,411	8.51%		
Direct Construction		52.34%	45,408	40.80	3,451,005	3,459,200	40.89	45,516	52.26%		
Contingency	3.99%	2.43%	2,105	1.89	160,000	160,000	1.89	2,105	2.42%		
General Req'ts	6.00%	3.65%	3,169	2.85	240,852	241,000	2.85	3,171	3.64%		
Contractor's G & A	1.99%	1.21%	1,053	0.95	80,000	80,000	0.95	1,053	1.21%		
Contractor's Profit	6.00%	3.65%	3,169	2.85	240,852	241,000	2.85	3,171	3.64%		
Indirect Construction		4.98%	4,318	3.88	328,200	328,200	3.88	4,318	4.96%		
Ineligible Costs		2.86%	2,480	2.23	188,458	188,458	2.23	2,480	2.85%		
Developer's G & A	4.26%	3.47%	3,008	2.70	228,598	246,900	2.92	3,249	3.73%		
Developer's Profit	10.74%	8.74%	7,580	6.81	576,100	576,100	6.81	7,580	8.70%		
Interim Financing		4.56%	3,955	3.55	300,542	300,542	3.55	3,955	4.54%		
Reserves		1.90%	1,645	1.48	125,000	125,000	1.48	1,645	1.89%		
TOTAL COST		100.00%	\$86,747	\$77.94	\$6,592,807	\$6,619,600	\$78.25	\$87,100	100.00%		
Recap-Hard Construction Costs		71.83%	\$62,315	\$55.99	\$4,735,910	\$4,744,400	\$56.09	\$62,426	71.67%		

SOURCES OF FUNDS				TDHCA		APPLICANT		RECOMMENDED		
Midland Mortgage	33.13%	\$28,742	\$25.82	\$2,184,415	\$2,184,415	\$2,184,415	Developer Fee Available			
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$805,971			
LIHTC Syndication Proceeds	62.43%	\$54,157	\$48.66	4,115,905	4,115,905	4,019,234	% of Dev. Fee Deferred			
Deferred Developer Fees	4.84%	\$4,201	\$3.77	319,280	319,280	415,951	52%			
Additional (excess) Funds Required	-0.41%	(\$353)	(\$0.32)	(26,793)	0	(0)	15-Yr Cumulative Cash Flow			
TOTAL SOURCES				\$6,592,807	\$6,619,600	\$6,619,600	\$631,659			

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Millpoint Townhomes Apartments, Henderson, 9% LIHTC #03053

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 42.38	\$3,585,386
Adjustments				
Exterior Wall Finish	5.50%		\$2.33	\$197,196
9-Ft. Ceilings	3.75%		1.59	134,452
Roofing			0.00	0
Subfloor			(1.49)	(125,760)
Floor Cover			2.43	205,559
Porches/Balconies	\$15.69	3,800	0.70	59,622
Plumbing	\$700	76	0.63	53,200
Built-In Appliances	\$2,100	76	1.89	159,600
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.88	159,033
Garages	\$21.50	1,800	0.46	38,700
Comm &/or Aux Bldgs	\$61.22	2,500	1.81	153,041
Other: Carports	\$9.05	5,400	0.58	48,870
SUBTOTAL			55.19	4,668,899
Current Cost Multiplier	1.03		1.66	140,067
Local Multiplier	0.88		(6.62)	(560,268)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.23	\$4,248,698
Plans, specs, survy, bid prnt	3.90%		(\$1.96)	(\$165,699)
Interim Construction Interest	3.38%		(1.70)	(143,394)
Contractor's OH & Profit	11.50%		(5.78)	(488,600)
NET DIRECT CONSTRUCTION COSTS			\$40.80	\$3,451,005

PAYMENT COMPUTATION

Primary	\$2,184,415	Term	360
Int Rate	7.00%	DCR	1.14
Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.14
Additional	\$4,115,905	Term	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

Primary Debt Service	\$174,396
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$20,755

Primary	\$2,184,415	Term	360
Int Rate	7.00%	DCR	1.12
Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.12
Additional	\$4,115,905	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

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

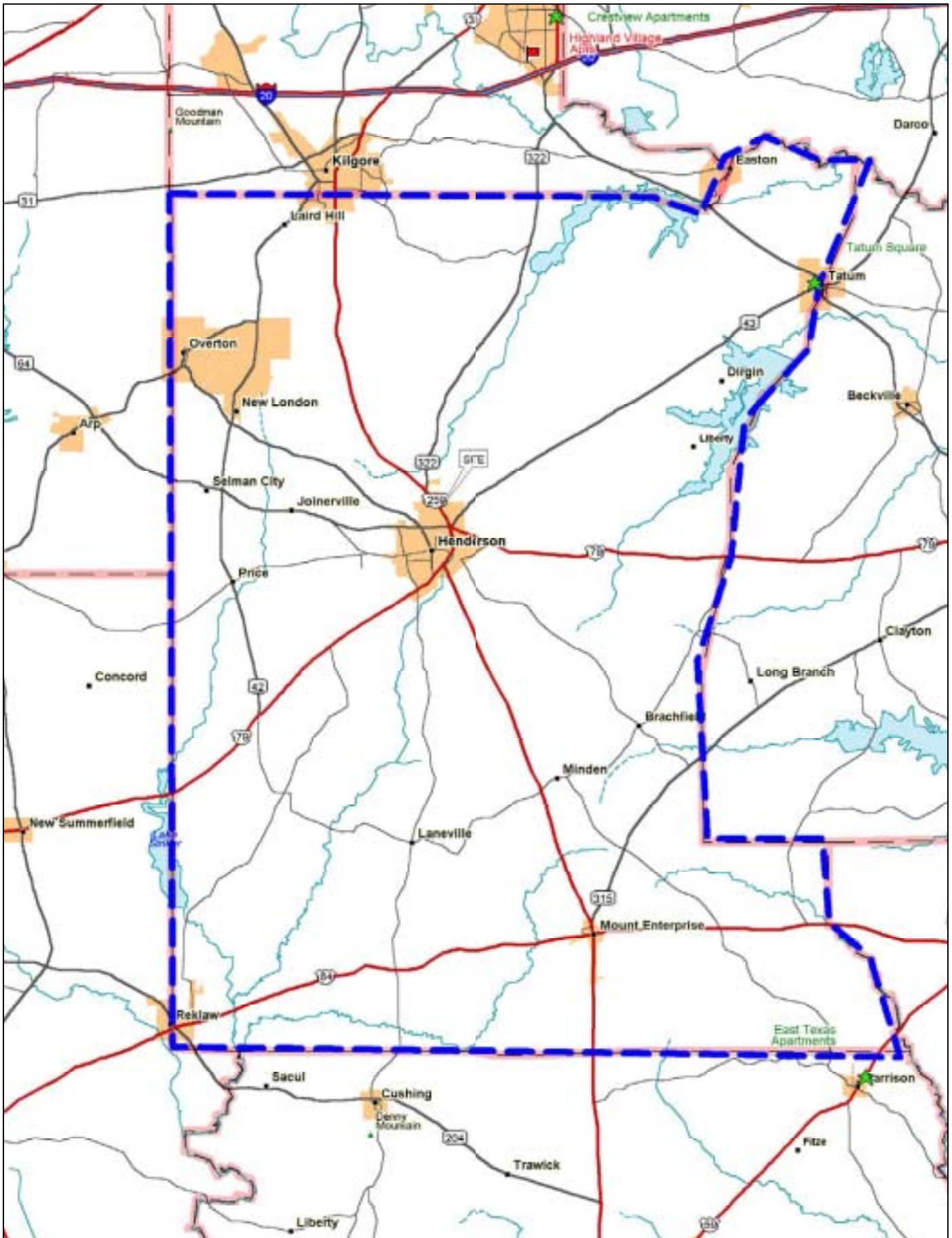
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$495,216	\$510,072	\$525,375	\$541,136	\$557,370	\$646,145	\$749,059	\$868,364	\$1,167,009
Secondary Income	13,680	14,090	14,513	14,949	15,397	17,849	20,692	23,988	32,238
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	508,896	524,163	539,888	556,084	572,767	663,994	769,751	892,352	1,199,247
Vacancy & Collection Loss	(38,172)	(39,312)	(40,492)	(41,706)	(42,958)	(49,800)	(57,731)	(66,926)	(89,944)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$470,724	\$484,851	\$499,396	\$514,378	\$529,809	\$614,194	\$712,020	\$825,426	\$1,109,303
EXPENSES at 4.00%									
General & Administrative	\$18,600	\$19,344	\$20,118	\$20,922	\$21,759	\$26,474	\$32,209	\$39,187	\$58,007
Management	18,830	19,395	19,977	20,576	21,194	24,569	28,482	33,019	44,375
Payroll & Payroll Tax	52,313	54,406	56,582	58,845	61,199	74,458	90,589	110,216	163,146
Repairs & Maintenance	41,200	42,848	44,562	46,344	48,198	58,640	71,345	86,802	128,488
Utilities	10,200	10,608	11,032	11,474	11,933	14,518	17,663	21,490	31,810
Water, Sewer & Trash	36,200	37,648	39,154	40,720	42,349	51,524	62,687	76,268	112,895
Insurance	25,800	26,832	27,905	29,021	30,182	36,721	44,677	54,357	80,461
Property Tax	48,830	50,783	52,815	54,927	57,124	69,500	84,558	102,877	152,284
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	8,400	8,736	9,085	9,449	9,827	11,956	14,546	17,698	26,197
TOTAL EXPENSES	\$275,573	\$286,408	\$297,670	\$309,377	\$321,547	\$389,994	\$473,078	\$573,938	\$845,067
NET OPERATING INCOME	\$195,151	\$198,443	\$201,726	\$205,001	\$208,263	\$224,200	\$238,941	\$251,488	\$264,237
DEBT SERVICE									
First Lien Financing	\$174,396	\$174,396	\$174,396	\$174,396	\$174,396	\$174,396	\$174,396	\$174,396	\$174,396
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	\$20,755	\$24,047	\$27,330	\$30,605	\$33,867	\$49,804	\$64,546	\$77,093	\$89,841
DEBT COVERAGE RATIO	1.12	1.14	1.16	1.18	1.19	1.29	1.37	1.44	1.52

LIHTC Allocation Calculation - Millpoint Townhomes Apartments, Henderson, 9% LIHTC #03053

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	\$110,000	\$110,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$563,200	\$563,200	\$563,200	\$563,200
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$3,459,200	\$3,451,005	\$3,459,200	\$3,451,005
(4) Contractor Fees & General Requirements				
Contractor overhead	\$80,000	\$80,000	\$80,000	\$80,000
Contractor profit	\$241,000	\$240,852	\$241,000	\$240,852
General requirements	\$241,000	\$240,852	\$241,000	\$240,852
(5) Contingencies	\$160,000	\$160,000	\$160,000	\$160,000
(6) Eligible Indirect Fees	\$328,200	\$328,200	\$328,200	\$328,200
(7) Eligible Financing Fees	\$300,542	\$300,542	\$300,542	\$300,542
(8) All Ineligible Costs	\$188,458	\$188,458		
(9) Developer Fees			\$805,971	
Developer overhead	\$246,900	\$228,598		\$228,598
Developer fee	\$576,100	\$576,100		\$576,100
(10) Development Reserves	\$125,000	\$125,000		
TOTAL DEVELOPMENT COSTS	\$6,619,600	\$6,592,807	\$6,179,113	\$6,169,349

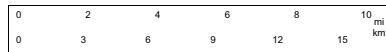
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$6,179,113	\$6,169,349
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$6,179,113	\$6,169,349
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$6,179,113	\$6,169,349
Applicable Percentage			8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			\$515,338	\$514,524

Syndication Proceeds	0.7799	\$4,019,234	\$4,012,883
Total Credits (Eligible Basis Method)		\$515,338	\$514,524
Syndication Proceeds		\$4,019,234	\$4,012,883
Requested Credits		\$527,733	
Syndication Proceeds		\$4,115,905	
Gap of Syndication Proceeds Needed		\$4,435,185	
Credit Amount		\$568,670	



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 Zoom Level: 9-2 Datum: WGS84

Scale 1 : 350 000
 1" = 4.42 mi



TDHCA #

03100

Region 4

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

DATE: June 9, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03100
HTF 03804

DEVELOPMENT NAME

Churchill at Longview

APPLICANT

Name: Churchill at Longview, L.P. **Type:** For Profit
Address: 2811 McKinney Avenue, Suite 354, LB101 **City:** Dallas **State:** TX
Zip: 75204 **Contact:** Betts Hoover **Phone:** (214) 720-0430 **Fax:** (214) 720-0434

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: LCBH GP, LLC **(%):** 0.01 **Title:** Managing General Partner
Name: Churchill Residential, Inc. **(%):** 0.01 **Title:** Co-General Partner
Name: LifeNet Community Behavioral Healthcare **Title:** 100% Owner of LCBH GP
Name: Brad Forslund **Title:** 50% Owner of Churchill Residential, Inc.
Name: Tony Sisk **Title:** 50% Owner of Churchill Residential, Inc.

PROPERTY LOCATION

Location: 1500 Block of East Whaley **QCT** **DDA**
City: Longview **County:** Gregg **Zip:** 75601

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,150,000	N/A	N/A	N/A
2) \$350,000	1%	30 yrs	30 yrs

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

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

Set-Aside(s): General Rural TX RD Non-Profit Elderly At Risk

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,150,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$350,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 6.0% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by \$271,214, or any combination of additional debt plus initial deferred developer fee totaling the same amount.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 160 **# Rental Buildings:** 10 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 153,680 **Av Un SF:** 961 **Common Area SF:** 3,224 **Gross Bldg SF:** 156,904

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 3,224 SF community building with activity room, management offices, fitness center, kitchen, restrooms and work/classroom center will be located at the entrance to the site. Adjacent to this building will be a swimming pool and equipped children's play area. Perimeter fencing with limited access gate is also planned for the site. In addition, two 750 SF laundry/mail room buildings will be disbursed throughout the site.

Uncovered Parking: 348 spaces **Carpports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Churchill at Longview is a relatively dense 15 units per acres new construction development of 160 units of affordable income housing located in east central Longview. The development is comprised of ten evenly distributed medium garden style walk-up low-rise residential buildings as follows:

- € (7) Building Type A with 8 one-bedroom/ one-bath units, 8 three- bedroom/ two-bath units;
- € (3) Building Type B with 8 two-bedroom/ two-bath units, 8 three- bedroom/ two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional. The units all have covered balconies or patios with storage closets.

Supportive Services: Supportive Services will be optional to the tenants and the cost will be included in the rent. These services will be provided by Texas Interfaith Housing and will consist of: after school programs, computer labs, ESL, community gardens and financial planning.

Schedule: The Applicant anticipates construction to begin in December of 2003, to be completed in March of 2005, to be placed in service in September of 2004, and to be substantially leased-up in September of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 10.6 acres 461,736 square feet **Zoning/ Permitted Uses:** C-1
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Longview is located in the northeastern part of the state, approximately 125 miles east from Dallas and 60 miles west of Shreveport, LA in Gregg County. The site is a rectangularly-shaped parcel located in the east central part of Longview approximately 1.5 miles from the central business district. The site is situated on the north side of East Whaley Street between American Legion Boulevard and Shelton Street.

Adjacent Land Uses:

- € **North:** commercial with some light industrial

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

- ∉ **South:** dense pine wooded area with a large park immediately to its south
- ∉ **East:** commercial with some light industrial
- ∉ **West:** older single family among commercial and institutional

Site Access: Access to the property is from the east or west along East Whaley Street. The development is to have one main entry from the south side. Access to Marshall Avenue (old U.S. Highway 80) is just north of the subject site which is the main route through Longview.

Public Transportation: Longview is beginning a new fixed route, scheduled transportation system on March 17, 2003. It is unknown where the closest stop will be in proximity to the site.

Shopping & Services: Much of Longview's shopping, medical facilities, churches and other community facilities are located along or near Marshall Avenue located just north of the subject site.

Site Inspection Findings: TDHCA staff performed a site inspection on May 15, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 16, 2003 was prepared by Butler Burgher and contained the following findings and recommendations:

Findings: In the professional opinion of Butler Burgher, no evidence or indication of recognized environmental conditions has been revealed.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 160 of the units (100% of the total) will be reserved for low-income tenants. 32 of the units (20%) will be reserved for households earning 30% or less of AMGI, 16 of the units (10%) will be reserved for households earning 40% or less of AMGI, 32 of the units (20%) will be reserved for households earning 50% or less of AMGI, 80 units (50%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$19,260	\$21,960	\$24,720	\$27,480	\$29,700	\$31,860

MARKET HIGHLIGHTS

A market feasibility study dated March 17, 2003 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

Definition of Market/Submarket: "The primary market area for the proposed family housing complex is considered to be Gregg County." (p. 2-5)

Population: The estimated 2000 population of Gregg County was 111,379 and is expected to increase by 3% to approximately 115,000 by 2005. Within the primary market area there were estimated to be 42,687 households in 2000.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	32	1%	31	1%
Resident Turnover	2,237	90%	2,211	99%
Other Sources: 10% of Growth+Turnover	227	9%		%
TOTAL ANNUAL DEMAND	2,495	100%	2,242	100%

Ref: p. 3-4

Inclusive Capture Rate: "The proposed project's 160 units represent a 6.4% capture of the estimated total

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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2,495 income-qualified households. There are no other comparable developments that are newly opened or under development to consider along with the proposed project.” (p. 3-3) The Underwriter included the supply of two other proposed developments applying for low-income housing tax credits in Longview but still calculated an acceptable inclusive capture rate of 17.89% if all developments were awarded funds.

Local Housing Authority Waiting List Information: “Waiting lists were found at 8 of the 13 complexes surveyed, for a total of 80 applicants. Properties with a waiting list include 4 private market, conventional locations, the LIHTC and HOME elderly projects, and both rental-assisted complexes. According to the Longview Housing Assistance Program, the Section 8 Voucher waiting list has 609 names, 29 of which are elderly/disabled applicants.” (p. 2-20)

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects in the market area. “These five projects were selected because they are the most comparable among the conventional complexes in Longview.” (p. 2-22)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$211	\$210	+\$1	\$490	-\$279
1-Bedroom (40%)	\$296	\$296	\$0	\$490	-\$194
1-Bedroom (50%)	\$382	\$382	\$0	\$490	-\$108
1-Bedroom (60%)	\$428	\$468	-\$40	\$490	-\$62
2-Bedroom (30%)	\$248	\$247	+\$1	\$625	-\$377
2-Bedroom (40%)	\$351	\$351	\$0	\$625	-\$274
2-Bedroom (50%)	\$454	\$454	\$0	\$625	-\$171
2-Bedroom (60%)	\$557	\$557	\$0	\$625	-\$68
3-Bedroom (30%) - 1,115 ft	\$284	\$283	+\$1	\$725	-\$441
3-Bedroom (40%) - 1,115 ft	\$403	\$402	+\$1	\$725	-\$322
3-Bedroom (50%) - 1,115 ft	\$496	\$521	-\$25	\$725	-\$229
3-Bedroom (60%) - 1,115 ft	\$562	\$640	-\$78	\$725	-\$163
3-Bedroom (30%) - 1,196 ft	\$284	\$283	+\$1	\$740	-\$456
3-Bedroom (40%) - 1,196 ft	\$403	\$402	+\$1	\$740	-\$337
3-Bedroom (50%) - 1,196 ft	\$522	\$521	+\$1	\$740	-\$218
3-Bedroom (60%) - 1,196 ft	\$601	\$640	-\$39	\$740	-\$139

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

Submarket Vacancy Rates: “Among multi-family units in 2000, occupancy was 89.0% in Longview and 89.7% throughout the county. According to 100% count data, the number of vacant units decreased in Longview between 1990 and 2000 by 724 (3,087 to 2,363), while in the county, there were 1,000 fewer vacant units in 2000 than in 1990.” (p. 2-7)

Absorption Projections: “Average absorption for the subject is estimated at 16 to 18 units per month. It is expected that about 9 months will be required to achieve 92.5% occupancy of the 160 units.” (p. 2-22)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant utilized rents that in some cases were well below the maximum achievable rent that was substantiated by the Market Analyst. Generally the Applicant understated the 60% rents but also the 50% rent on the smaller three-bedroom unit. Most of the remaining units are either under or over the maximum by \$1. The Underwriter utilized the maximum tax credit rents except where the Market Analyst indicated such rents were not achievable. It should be noted that the Market Analyst for two competing developments in Longview this funding cycle concluded slightly lower market rents on a per unit basis but higher on a per foot basis except for the one bedroom units which were lower on both accounts. Nonetheless, the Underwriter accepted the Market Analyst’s rent conclusions for this development. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant’s total expense estimate of \$3,464 per unit compares favorably with a TDHCA

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

database-derived estimate of \$3,488 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly management fee (\$11.6K lower) repairs and maintenance (\$35K higher), utilities (\$10.6K lower) and property tax (\$18.2K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated income and the Applicant's net operating income are 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 1.52 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$32,200 annually. This results in an additional potential \$271,214 in serviceable 1st lien debt, and allows the HTF debt to increase the interest rate to 6.0%

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (22.9) acres:	\$112,820	Assessment for the Year of:	2002
1 acre:	\$4,927	Valuation by:	Gregg County Appraisal District
Prorated (10.6) acres:	\$52,226	Tax Rate:	2.27167

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract						
Contract Expiration Date:	11/	1/	2003	Anticipated Closing Date:	11/	1/	2003
Acquisition Cost:	\$346,000			Other Terms/Conditions:	\$2,000 Earnest Money		
Seller:	Keystone Park of Longview Joint Venture			Related to Development Team Member:	No		

CONSTRUCTION COST ESTIMATE EVALUATION

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

Sitework Cost: The Applicant's claimed sitework costs of \$7,367 per unit are within the safe harbor limit for site work costs without requiring additional documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$211K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$25.2K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$7,273.

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 size the award recommendation and calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$11, 5,590 is used to determine a credit allocation of \$1,252,749; however this is greater than the \$1,150,000 requested. The resulting syndication proceeds based upon the requested amount will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

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

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: JP MorganChase **Contact:** Mike McPherson
Principal Amount: \$2,325,000 **Interest Rate:** JP MorganChase Prime + 1%
Additional Information: Interest only during construction
Amortization: N/A yrs **Term:** 2 yrs **Commitment:** LOI Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: Lend Lease **Contact:** Yvette Ingram
Principal Amount: \$2,325,000 **Interest Rate:** 6.48%
Additional Information: _____
Amortization: 30 yrs **Term:** 18 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$175,980 **Lien Priority:** 1st **Commitment Date** 2/ 26/ 2003

CDBG FUNDS

Source: City of Longview **Principal Amount:** \$100,000

LIHTC SYNDICATION

Source: Lend Lease **Contact:** Marie Keutmann
Address: 101 Arch Street **City:** Boston
State: MA **Zip:** 02110 **Phone:** (617) 772-9557 **Fax:** (617) 439-9978
Net Proceeds: \$9,200,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 80¢
Commitment LOI Firm Conditional **Date:** 2/ 25/ 2003
Additional Information: _____

APPLICANT EQUITY

Amount: \$460,000 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application.

CDBG Funds: The Applicant indicated that a \$100,000 application was made to the City of Longview Community Development Block Grant Program. The documentation provided identifies the purpose of the funding to be for construction of the development but does not identify the type of financing structure. Any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds required will meet this requirement, but it is also uncertain if the application will be successfully awarded these funds. The Applicant included no infrastructure off site costs in the budget. The Underwriter removed the funds from basis which resulted in a small decline in the eligible basis derived credit amount; however the Applicant requested an even lower credit amount. If the funds are ultimately not awarded to benefit this development, it will still be feasible without such funds and the difference will be made up with additional deferred develop fees.

LIHTC Syndication: Lend Lease Real Estate Investments has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$9,346,000 based on a syndication factor of 80%. The funds would be disbursed in a six-phased pay-in schedule:

1. 30% paid upon the latest of: (a) admission date, (b) close of construction loan, or (c) receipt of permanent loan commitment;
2. 20% paid upon the latest of the following: (a) admission + 90 days, or (b) 25% construction completion;
3. 20% paid upon the latest of: (a) admission + 180 days, or (b) 50% construction completion;

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

4. 10% paid upon completion;
5. 10% paid upon the latest of the following: (a) final closing of the permanent loan, or (b) tax credit determination;
6. 10% paid upon the latest of the following: (a) 115% debt service coverage for 3 consecutive months, or (b) receipt of form 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$460,000 amounts to 30% of the total fees.

Financing Conclusions: Based on the Applicant's lower requested LIHTC allocation of \$1,150,000 annually for ten years, syndication proceeds of approximately \$9,198,160 will result. Based on the underwriting analysis, the Applicant will have a deferred developer fee of \$190,626 if CBDG funds are awarded for \$100,000. Should both the CBDG and HTF funds not be awarded to this development, additional first lien debt and/or deferred developer's fee will be available to fund those source losses and any development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer are all related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- € The Applicant and General Partner LCBH GP, LLC are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The Co-General Partner, Churchill Residential, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$4.8K and no liabilities, resulting in a net worth of \$4.8K.
- € The 100% Owner of the General Partner LCBH G.P, LLC, LifeNet Community Behavioral Healthcare, submitted an unaudited financial statement as of January 31, 2003 reporting total assets of \$1.7M and consisting of \$730K in current assets, \$695K in property and equipment, and \$304K in other assets. Liabilities totaled \$261K, resulting in a net worth of \$1.5M.
- € The principals of the General Partner, Bradley E. Forslund and Anthony Sisk, submitted unaudited financial statements as of February 10, 2003 and December 31 respectively and are anticipated to be guarantors of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Anthony Sisk, the principal of the Co-General Partner, Churchill Residential, Inc. has been involved as a primary participant in two affordable housing developments totaling 498 units since 2002.

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 significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Carl Hoover

Date: June 9, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: June 9, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Churchill at Longview, Longview, LIHTC #03100

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC/HTF(30%)	8	1	1	701	\$257	\$210	\$1,682	\$0.30	\$46.69	\$45.14
TC/HTF (40%)	4	1	1	701	343	296	1,185	0.42	46.69	45.14
TC/HTF (50%)	18	1	1	701	429	382	6,882	0.55	46.69	45.14
TC/HTF (60%)	26	1	1	701	515	468	12,176	0.67	46.69	45.14
TC/HTF (30%)	6	2	2	970	308	247	1,485	0.26	60.54	52.78
TC/HTF (40%)	3	2	2	970	412	351	1,054	0.36	60.54	52.78
TC/HTF (50%)	3	2	2	970	515	454	1,363	0.47	60.54	52.78
TC/HTF (60%)	12	2	2	970	618	557	6,690	0.57	60.54	52.78
TC/HTF (30%)	14	3	2	1,115	357	283	3,962	0.25	74.00	56.60
TC/HTF (40%)	6	3	2	1,115	476	402	2,412	0.36	74.00	56.60
TC/HTF (50%)	5	3	2	1,115	595	521	2,605	0.47	74.00	56.60
TC/HTF (60%)	31	3	2	1,115	714	640	19,840	0.57	74.00	56.60
TC/HTF (30%)	4	3	2	1,196	357	283	1,132	0.24	74.00	56.60
TC/HTF (40%)	3	3	2	1,196	476	402	1,206	0.34	74.00	56.60
TC/HTF (50%)	6	3	2	1,196	595	521	3,126	0.44	74.00	56.60
TC/HTF (60%)	11	3	2	1,196	714	640	7,040	0.54	74.00	56.60
	160		AVERAGE:	961	\$524	\$462	\$73,840	\$0.48	\$62.42	\$52.02

INCOME				TDHCA		APPLICANT		US\$ Region		4	
Total Net Rentable Sq Ft: 153,680											
POTENTIAL GROSS RENT											
Secondary Income	Per Unit Per Month:	\$15.00		\$886,085	\$838,068	\$15.00		IREM Region			
Other Support Income: (describe)				0							
POTENTIAL GROSS INCOME				\$914,885	\$866,868						
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(68,616)	(65,016)	-7.50%		of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0							
EFFECTIVE GROSS INCOME				\$846,268	\$801,852						
EXPENSES											
	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI			
General & Administrative	5.29%	\$280	0.29	\$44,809	\$43,000	\$0.28	\$269	5.36%			
Management	6.11%	323	0.34	51,672	\$40,093	0.26	251	5.00%			
Payroll & Payroll Tax	17.90%	947	0.99	151,499	\$144,000	0.94	900	17.96%			
Repairs & Maintenance	6.74%	356	0.37	57,039	\$92,000	0.60	575	11.47%			
Utilities	3.61%	191	0.20	30,562	\$20,000	0.13	125	2.49%			
Water, Sewer, & Trash	4.76%	252	0.26	40,310	\$44,000	0.29	275	5.49%			
Property Insurance	4.54%	240	0.25	38,420	\$45,600	0.30	285	5.69%			
Property Tax	2.27167	8.59%	454	0.47	72,693	\$54,497	0.35	341	6.80%		
Reserve for Replacements	3.78%	200	0.21	32,000	\$32,000	0.21	200	3.99%			
Other Expenses: Supp.Serv, Compl.Fr	4.61%	244	0.25	39,000	\$39,000	0.25	244	4.86%			
TOTAL EXPENSES				65.94%	\$3,488	\$3.63	\$558,004	\$554,190	\$3.61	\$3,464	69.11%
NET OPERATING INC				34.06%	\$1,802	\$1.88	\$288,264	\$247,662	\$1.61	\$1,548	30.89%
DEBT SERVICE											
JP MorganChase	20.79%	\$1,100	\$1.15	\$175,980	\$204,720	\$1.33	\$1,280	25.53%			
TDHCA-HTF	1.60%	\$84	\$0.09	13,509	13,509	\$0.09	\$84	1.68%			
CDBG	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%			
NET CASH FLOW				11.67%	\$617	\$0.64	\$98,775	\$29,433	\$0.19	\$184	3.67%
AGGREGATE DEBT COVERAGE RATIO						1.52		1.13			
RECOMMENDED DEBT COVERAGE RATIO						1.30					

CONSTRUCTION COST				TDHCA		APPLICANT		PER SQ FT	PER UNIT	% of TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
Acquisition Cost (site or bldg)		2.83%	\$2,144	\$2.23	\$343,035	\$343,035	\$2.23	\$2,144	2.76%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		9.71%	7,367	7.67	1,178,794	1,178,794	7.67	7,367	9.48%		
Direct Construction		52.32%	39,685	41.32	6,349,675	6,560,615	42.69	41,004	52.76%		
Contingency	5.00%	3.10%	2,353	2.45	376,423	386,970	2.52	2,419	3.11%		
General Req'ts	6.00%	3.72%	2,823	2.94	451,708	464,364	3.02	2,902	3.73%		
Contractor's G & A	2.00%	1.24%	941	0.98	150,569	154,788	1.01	967	1.24%		
Contractor's Profit	6.00%	3.72%	2,823	2.94	451,708	464,364	3.02	2,902	3.73%		
Indirect Construction		5.51%	4,181	4.35	668,977	668,977	4.35	4,181	5.38%		
Ineligible Costs		0.95%	719	0.75	115,002	115,002	0.75	719	0.92%		
Developer's G & A	7.27%	5.92%	4,492	4.68	718,792	763,718	4.97	4,773	6.14%		
Developer's Profit	7.73%	6.29%	4,773	4.97	763,719	763,719	4.97	4,773	6.14%		
Interim Financing		2.11%	1,597	1.66	255,554	255,554	1.66	1,597	2.06%		
Reserves		2.57%	1,953	2.03	312,411	315,100	2.05	1,969	2.53%		
TOTAL COST				100.00%	\$75,852	\$78.97	\$12,136,368	\$12,435,000	\$80.91	\$77,719	100.00%
Recap-Hard Construction Costs				73.82%	\$55,993	\$58.30	\$8,958,878	\$9,209,895	\$59.93	\$57,562	74.06%

SOURCES OF FUNDS				RECOMMENDED			
JP MorganChase	19.16%	\$14,531	\$15.13	\$2,325,000	\$2,325,000	\$2,596,214	Developer Fee Available
TDHCA-HTF	2.88%	\$2,188	\$2.28	350,000	350,000	350,000	\$1,482,511
CDBG	0.82%	\$625	\$0.65	100,000	100,000	100,000	% of Dev. Fee Deferred
LIHTC Syndication Proceeds	75.81%	\$57,500	\$59.86	9,200,000	9,200,000	9,198,160	12%
Deferred Developer Fees	3.79%	\$2,875	\$2.99	460,000	460,000	190,626	15-Yr Cumulative Cash Flow
Additional (excess) Funds Required	-2.46%	(\$1,866)	(\$1.94)	(298,632)	0	0	\$1,299,017.69
TOTAL SOURCES				\$12,136,368	\$12,435,000	\$12,435,000	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Churchill at Longview, Longview, LIHTC #03100

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.17	\$6,480,686
Adjustments				
Exterior Wall Finish	6.25%		\$2.64	\$405,043
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(155,217)
Floor Cover			1.92	295,066
Porches/Balconies	\$24.67	19,248	3.09	474,848
Plumbing	\$615	448	1.79	275,520
Built-In Appliances	\$1,625	160	1.69	260,000
Stairs/Fireplaces	\$1,625	40	0.42	65,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	225,910
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$59.01	3,224	1.24	190,250
Other: Laundry Buildings	\$48.96	1,500	0.48	73,433
SUBTOTAL			55.90	8,590,538
Current Cost Multiplier	1.03		1.68	257,716
Local Multiplier	0.88		(6.71)	(1,030,865)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.87	\$7,817,390
Plans, specs, survy, bid prmt	3.90%		(\$1.98)	(\$304,878)
Interim Construction Interest	3.38%		(1.72)	(263,837)
Contractor's OH & Profit	11.50%		(5.85)	(899,000)
NET DIRECT CONSTRUCTION COSTS			\$41.32	\$6,349,675

PAYMENT COMPUTATION

Primary	\$2,325,000	Term	360
Int Rate	6.48%	DCR	1.64

Secondary	\$350,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.52

Additional	\$100,000	Term	
Int Rate		Aggregate DCR	1.52

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$196,508
Secondary Debt Service	25,181
Additional Debt Service	0
NET CASH FLOW	\$66,574

Primary	\$2,596,214	Term	360
Int Rate	6.48%	DCR	1.47

Secondary	\$350,000	Term	360
Int Rate	6.00%	Subtotal DCR	1.30

Additional	\$100,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

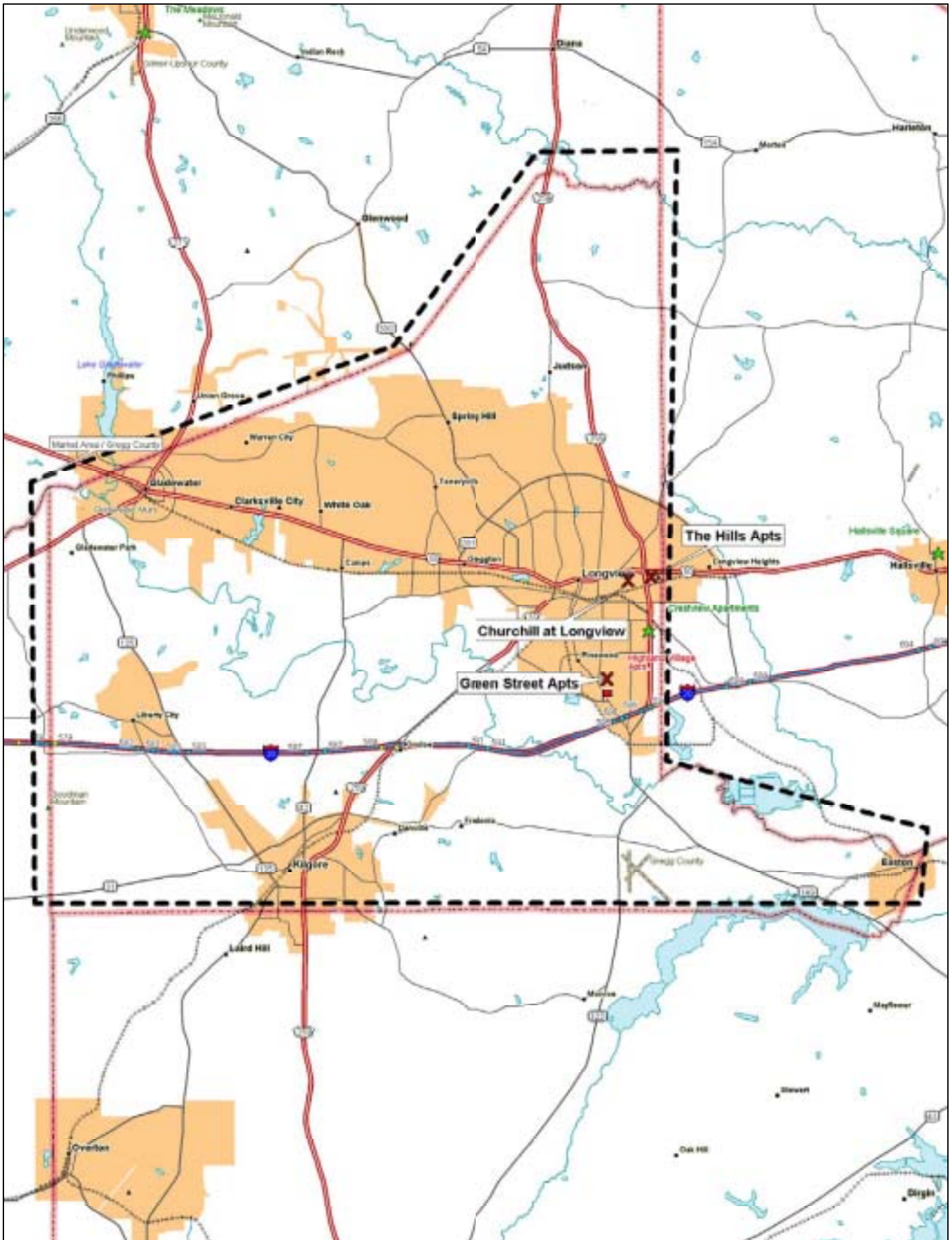
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$886,085	\$912,667	\$940,047	\$968,249	\$997,296	\$1,156,140	\$1,340,283	\$1,553,755	\$2,088,117
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Support Income: (describe)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	914,885	942,331	970,601	999,719	1,029,711	1,193,717	1,383,845	1,604,256	2,155,986
Vacancy & Collection Loss	(68,616)	(70,675)	(72,795)	(74,979)	(77,228)	(89,529)	(103,788)	(120,319)	(161,699)
Employee or Other Non-Rental Ur	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$846,268	\$871,656	\$897,806	\$924,740	\$952,483	\$1,104,188	\$1,280,057	\$1,483,937	\$1,994,287
EXPENSES at 4.00%									
General & Administrative	\$44,809	\$46,602	\$48,466	\$50,404	\$52,421	\$63,778	\$77,595	\$94,406	\$139,744
Management	51,672	53,222	54,819	56,463	58,157	67,420	78,158	90,607	121,768
Payroll & Payroll Tax	151,499	157,559	163,861	170,416	177,232	215,630	262,347	319,185	472,472
Repairs & Maintenance	57,039	59,321	61,694	64,161	66,728	81,185	98,773	120,173	177,885
Utilities	30,562	31,785	33,056	34,378	35,753	43,499	52,924	64,390	95,312
Water, Sewer & Trash	40,310	41,922	43,599	45,343	47,157	57,374	69,804	84,927	125,712
Insurance	38,420	39,957	41,555	43,217	44,946	54,684	66,531	80,945	119,819
Property Tax	72,693	75,601	78,625	81,770	85,041	103,465	125,882	153,154	226,706
Reserve for Replacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other	39,000	40,560	42,182	43,870	45,624	55,509	67,535	82,167	121,627
TOTAL EXPENSES	\$558,004	\$579,808	\$602,468	\$626,019	\$650,495	\$788,089	\$954,963	\$1,157,373	\$1,700,843
NET OPERATING INCOME	\$288,264	\$291,849	\$295,338	\$298,722	\$301,988	\$316,099	\$325,094	\$326,563	\$293,444
DEBT SERVICE									
First Lien Financing	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508	\$196,508
Second Lien	25,181	25,181	25,181	25,181	25,181	25,181	25,181	25,181	25,181
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$66,574	\$70,159	\$73,649	\$77,032	\$80,298	\$94,410	\$103,405	\$104,874	\$71,754
DEBT COVERAGE RATIO	1.30	1.32	1.33	1.35	1.36	1.43	1.47	1.47	1.32

LIHTC Allocation Calculation - Churchill at Longview, Longview, LIHTC #03100

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	\$343,035	\$343,035		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,178,794	\$1,178,794	\$1,178,794	\$1,178,794
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$6,560,615	\$6,349,675	\$6,560,615	\$6,349,675
(4) Contractor Fees & General Requirements				
Contractor overhead	\$154,788	\$150,569	\$154,788	\$150,569
Contractor profit	\$464,364	\$451,708	\$464,364	\$451,708
General requirements	\$464,364	\$451,708	\$464,364	\$451,708
(5) Contingencies				
	\$386,970	\$376,423	\$386,970	\$376,423
(6) Eligible Indirect Fees				
	\$668,977	\$668,977	\$668,977	\$668,977
(7) Eligible Financing Fees				
	\$255,554	\$255,554	\$255,554	\$255,554
(8) All Ineligible Costs				
	\$115,002	\$115,002		
(9) Developer Fees				
			\$1,520,164	
Developer overhead	\$763,718	\$718,792		\$718,792
Developer fee	\$763,719	\$763,719		\$763,719
(10) Development Reserves				
	\$315,100	\$312,411		
TOTAL DEVELOPMENT COSTS	\$12,435,000	\$12,136,368	\$11,654,590	\$11,365,920

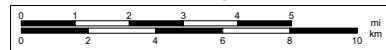
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis			\$100,000	\$100,000
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$11,554,590	\$11,265,920
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$15,020,967	\$14,645,696
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$15,020,967	\$14,645,696
Applicable Percentage			8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			\$1,252,749	\$1,221,451

Syndication Proceeds	0.7998	\$10,019,985	\$9,769,654
Total Credits (Eligible Basis Method)		\$1,252,749	\$1,221,451
Syndication Proceeds		\$10,019,985	\$9,769,654
Requested Credits		\$1,150,000	
Syndication Proceeds		\$9,198,160	
Gap of Syndication Proceeds Needed		\$9,488,786	
Credit Amount		\$1,186,335	



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 Zoom Level: 9-7 Datum: WGS84

Scale 1 : 225 000
 1" = 2.55 mi





MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Churchill at Longview**

TDHCA #: **03100**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 4 Site Address: 1500 Block E. Whaley
 City: Longview County: Gregg Zip Code: 75601
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 160 Elderly: 0 Handicapped/Disabled 12 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Churchill at Longview, L.P.

Principal Names	Principal Contact	Percentage Ownership
LCBH GP, L.L.C.	Betts Hoover	.01% of Owner (CO-GP)
LifeNet Community Behavioral Healthcare	Betts Hoover	100% of Co-GP
Churchill Residential, Inc.	Brad Forslund	.01% of Owner (CO-GP)

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$1,150,000** Allocation over 10 Years: **\$11,500,000**
 Credits Requested: **\$1,150,000** Eligible Basis Amount: **\$1,252,749** Equity/Gap Amount: **\$1,186,335**

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	8	6	18	32
40%	0	4	3	9	16
50%	0	18	3	11	32
60%	0	26	12	42	80
MR	0	0	0	0	0
Total	0	56	24	80	
Total LI Units:					160
Owner/Employee Units:					0
Total Project Units:					160
Applicable Fraction:					100.00

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost: **\$12,435,000** Average Square Feet/Unit: **961**
 Gross Building Square Feet: **156,904** Cost Per Net Rentable Square Foot: **\$80.91**
 Total Net Rentable Area Square Feet: **153,680** Credits per Low Income Uni: **\$7,188**

INCOME AND EXPENSE INFORMATION

Effective Gross Income: **\$846,268**
 Total Expenses: **\$558,004**
 Net Operating Income: **\$288,264**
 Estimated 1st Year Debt Coverage Ratio: **1.30**

FINANCING

Permanent Principal Amount: **\$3,046,214**
 Applicant Equity: **\$190,626**
 Equity Source: **Deferred Developer Fee**
 Syndication Rate: **\$0.7998**

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Churchill Residential, L.P.	Market Analyst:	Ipsier and Associates, Inc.
Housing GC:	ICI Construction	Originator/UW:	NA
Engineer:	Freese and Nichols	Appraiser:	NA
Cost Estimator:	ICI Construction	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	HLR Architects	Accountant:	Novogradac & Company, LLC
Property Manager:	Alpha Barnes Real Estate Services	Supp Services:	Texas Inter-Faith Housing Co.
Syndicator:	Lend Lease Real Estate Investments, Inc.	Permanent Lender:	Lend Lease Real Estate Investments, Inc.

PUBLIC COMMENT SUMMARY Note: "O" = Oppose, "S" = Support, "N" = Neutral, "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 with Jurisdiction:

Comment from Other Public Officials:

Local Official: NC
TX Representative: Tommy Merritt, District 7, S
TX Senator: Bill Ratliff, District 1, N
US Representative: Ralph M. Hall, S
US Senator:

Sidney Bell-Willis, Longview Council Member, S
Charles Gregg, Bell County Commissioner, S
Kathleen Easley, Planner, City of Longview, S

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 99 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by \$271,214, or any combination of additional debt plus initial deferred developer fee totaling the same amount.

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

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

- Score Meeting a Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals, families with different levels of income.

Explanation: This Development has a competitive score in its region.

Robert Onion, Manager of Awards and Allocation _____ Date _____ Brooke Boston, Director of Multifamily Finance Production _____ Date _____

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board _____ Date _____

Developer Evaluation

Project ID # **03100/03804**

Name: **Churchill @ Longview Apts.**

City: **Longview**

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 3

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

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

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by Sara Carr Newsom Date iday, June 06, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by R Meyer Date 6/5/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by EEF Date 6/5/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by H Cabello Date 6/10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

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

Reviewed by Stephanie Stuntz Date 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003