

BOARD MEETING OF APRIL 10, 2003

Michael Jones, Chair
C. Kent Conine, Vice-Chair



Beth Anderson, Member
Vidal Gonzalez, Member
Shadrick Bogany, Member
Norberto Salinas, Member

MISSION

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

April 10, 2003

ROLL CALL

	Present	Absent
Jones, Michael, Chair	_____	_____
Anderson, Beth, Member	_____	_____
Bogany, Shadrick, Member	_____	_____
Conine, C. Kent, Member	_____	_____
Gonzalez, Vidal, Member	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Presiding Officer

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701
April 10, 2003 9:00 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Michael Jones
Chair of Board

PUBLIC COMMENT

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

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

ACTION ITEMS

- | | | |
|--------|---|----------------|
| Item 1 | Presentation, Discussion and Possible Approval of Minutes of Board Meeting of March 13, 2003 | Michael Jones |
| Item 2 | Presentation and Discussion of Board Decision Making Criteria and Public Input | Michael Jones |
| Item 3 | Presentation, Discussion and Possible Approval of Request for Amended Site Plan for #02-073, Pleasant Valley Courtyards, Austin, Texas under the 2002 Qualified Allocation Plan | Michael Jones |
| Item 4 | Presentation, Discussion and Possible Approval of Financial Items: | C. Kent Conine |
| | a) Housing Preservation Incentives Program: | |
| | 1) Request for Reconsideration by Country Club Village Apartments, for a Loan in the Amount of \$909,657, San Antonio, Texas | |
| | b) Investments: | |
| | 1) Second Quarter Investment Report | |
| | 2) Directors and Officers Insurance | |
| | c) Professional Services (Single Family): | |
| | 1) Firms Recommended to Provide Trustee Services for the Department's Single Family Mortgage Revenue Bond Issues | |
| | 2) Firms Recommended to Provide Co-Managing Investment Banking Services for the Sale of the Department's Single Family Mortgage Revenue and Refunding Bonds | |
| | 3) Reissuance of Request for Qualifications for Co-Managing Investment Banking Firms for the Sale of the Department's Single Family Mortgage Revenue and Refunding Bonds | |
| | 4) Transfer of Investment Banking Firms Between the Senior Manager And Co-Senior Manager Investment Banking Pools | |
| | d) Single Family Mortgage Revenue Bonds: | |
| | 1) Recommendations Relating to the Prospective Issuance of Tax-Exempt Residential Mortgage Revenue Bonds for Single Family Mortgage Loans (Program 59A) | |
| | 2) Underwriting Teams for the Sale of Residential Mortgage Revenue and Refunding Bonds (Program 59A) | |

- e) Taxable Junior Lien Program:
 - 1) Recommendations Revising Allocations of Taxable Junior Lien Single Family Mortgage Revenue Bond Proceeds (Program 58)

- f) Professional Services (Multi-family):
 - 1) Request for Qualifications for Underwriters for the Multifamily Mortgage Revenue Bond Program
 - 2) Request for Qualifications for Bond Trustee's for the Multifamily Mortgage Revenue Bond Program

- g) Multifamily Mortgage Revenue Bonds and 4% Tax Credits:
 - 1) Proposed Issuance of Multifamily Mortgage Revenue Bonds for West Virginia Apartments, Dallas, Texas in an Amount not to Exceed \$9,450,000 and Issuance of Determination Notice for 03-401, West Virginia Apartments with TDHCA as The Issuer
 - 2) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Hillery Garden Villas, Burleson, Texas in an Amount not to Exceed \$13,300,000 and Issuance of Determination Notice for 02-488, Hillery Garden Villas with TDHCA as the Issuer
 - 3) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Sphinx @ Murdeaux, Dallas, Texas in an Amount not to Exceed \$15,085,000 and Issuance of Determination Notice for 02-469, Sphinx at Murdeaux with TDHCA as the Issuer

Item 5 Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:

Michael Jones

- a) Policy on Process/Procedures for USDA "Rescue Transactions" To Request a 2004 Forward Commitment of Tax Credits

- b) Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs Concerning the Low Income Housing Tax Credit Program Rural Set Aside

- c) Issuance of Determination Notices to Tax-Exempt Bond Transactions With Issuers Other than TDHCA:
 - 02-470 The Shire Apartments, Port Arthur, Texas
Jefferson County HFC is the Issuer
 - 02-471 Southside Villas, San Antonio, Texas
San Antonio HFC is the Issuer
 - 02-474 Quail Creek Apartments, Denton, Texas
Denton County HFC is the Issuer
 - 02-476 Wurzbach Manor Apartments, San Antonio, Texas
Bexar County HFC is the Issuer
 - 02-477 The Oaks, Dallas, Texas
City of Dallas HFC is the Issuer
 - 02-483 Cypress View Villas, Weatherford, Texas
Northwest Central Texas HFC is the Issuer
 - 02-486 The Vistas Apartments, Marble Falls, Texas
Capital Area HFC is the Issuer
 - 02-490 Caspita Apartments, Cedar Park, Texas
Capital Area HFC is the Issuer

- Item 6 Presentation, Discussion and Possible Approval of Programmatic Items: Shad Bogany
- a) HOME Program:
 - 1) Authorization for the TDHCA Executive Director to Request a Reduction of the State of Texas 2003 Home Investment Partnerships Program (HOME) Allocation To Provide \$199,583 to Assist Montgomery County and to Provide \$225,746 to Assist the City of Plano in Meeting the HUD Requirements to be Designated Participating Jurisdictions Under the HOME Program
 - b) Proposed Amendments to the Board and Staff Appeals Process Rules, 10 Texas Administrative Code Sections 1.7 and 1.8

- Item 7 Presentation, Discussion and Possible Approval of Audit Items: Vidal Gonzalez
- a) Proposed Amendments to Internal Audit Charter
 - b) Status of Prior Audit Issues

REPORT ITEMS

- Executive Directors Report Edwina Carrington
- a) Items Related to 78th Legislative Session – Legislative Memo
 - b) Status of TDHCA Sunset Legislation

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – 1) Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; 2) Hiram Clark Civic Club, Inc. v TDHCA, District Court, Travis County, Texas

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, Settlement Agreement, (3) Board Decision Making Criteria and Public Input

Personnel Matters under Section 551.074, Texas Government Code

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

Michael Jones

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Michael Jones

- Item 8 Presentation, Discussion and Possible Action on Proposed Settlement in Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District Michael Jones

ADJOURN

Michael Jones
Chair of Board

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

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

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Fourth Floor Boardroom, Austin, Texas 78701
March 13, 2003 11:00 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of March 13, 2003 was called to order by Board Chair Michael Jones at 11:30 a.m. It was held at 507 Sabine, Fourth Floor Boardroom, Austin, Texas. Roll call certified a quorum was present. Shad Bogany was absent.

Members present:

Michael Jones -- Chair
C. Kent Conine -- Vice-Chair
Beth Anderson -- Member
Vidal Gonzalez -- Member
Norberto Salinas -- Member

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

PUBLIC COMMENT

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

Mr. Jones called for public comment and the following gave comments at this time.

Mae Walker, Hiram Clark Civic Club, Houston, Texas

Ms. Walker stated the Brentwood subdivision area is over concentrated with tax credit low income apartments and homes. The Palamino Apartments are tax credit units with low income families in the proposed area of The Enclave. Within ¼ of a mile, there is a large area of tax credit and low income rental houses. Down the street, there is Cambridge Village which has tax credits and are not fully occupied along with Bartel Condos and Chateau Village which are also not fully occupied. She further stated they were not able to raise funds to pay for a market study to present to the Board. The Hiram Clark Civic Club is not opposed to single family homes being built in their area.

Margie Taylor, Chairperson, Hiram Clark Civic Club, Houston, Texas

Ms. Taylor stated the schools located in the area of the proposed Enclave project are already overcrowded with some schools having at least nine temporary buildings and can not hold any more students. Their neighborhood is now stable and the seniors there have lived there for 20-30 years.

Ronald, Brown, Houston, Texas

Mr. Brown stated the street on which the proposed project of Enclave is to be built is the main thoroughfare in the neighborhood. There will be only one way in and one way out of the proposed complex and there is too much traffic. They have drainage problems now and with any additional people, the drainage problems will increase.

C. Washburn, Developer of The Enclave Project, Houston, Texas

Mr. Washburn stated their goal for the Enclave is to build an upscale affordable apartment community of 200 units, with 1, 2 and 3 bedroom units. There will be only 13 units to the acre with a clubhouse and

amenities, including educational and computer facilities. The project will be close to a medical center, hospital, church, shopping areas and have city services. He further stated that they have contacted the neighborhood groups about this proposal in the early stages of planning this project to inform them of the proposal.

Mr. Jones asked if Mr. Washburn would agree that all of these people are not just NIMBYS. Mr. Washburn replied Yes.

Mr. Jones asked if it is Mr. Washburn understands that when this came up for final approval there would be a public hearing and the public would be able to provide comments. Mr. Washburn stated absolutely.

Mr. Jones asked if he understood that this Board is required by law to listen to them. Mr. Washburn answer Yes, I do.

Mr. Jones asked if he understood those concerns would deal with all different types of aspects of the issues of the acceptability of this site. Mr. Washburn stated Yes.

Mayor Salinas had concerns about a letter from City Council Member Ada Edwards in which Ms. Edwards stated she was against this project.

Mr. Washburn stated in a conversation with Ms. Edwards, she did not have objections to the project but this was not in writing.

Mayor Salinas stated he felt the Board should listen to public comment and he just can't sit there and listen to all the people and then not vote the way he feels.

David Dawson, Attorney, Akin, Gump, Strauss, Hauer & Feld, Austin, Texas

Mr. Dawson stated there is a transcript from the previous Board meeting in which Mayor Salinas and Shad Bogany stated their reasons for voting against the project but Mr. Jones did not state why he voted the way he did.

Mr. Jones asked if the Board grants the appeals where do they go from and asked Mr. Dawson to list the procedure he felt the Board should follow. Mr. Jones also asked if Mr. Dawson was looking at the 2003 QAP and Mr. Dawson stated it was the 2002 QAP and the government codes, Sec. 33.11a of Texas Administrative Code, a source of statutory authority and a source of rule.

Mr. Jones asked if Mr. Dawson was saying the Board is simply a ministerial act? The Board had to make a decision based on the evidence it had before it and Mr. Dawson stated the Board should review items based on the evidence before it and in the context of the stated criteria that the Board is required to review. Mr. Dawson stated the Board rules require that if the Board overturns a staff recommendation, then they must show cause.

Mr. Jones asked if Mr. Dawson would agree that one of the factors to use in evaluating these decisions is local needs and the impact on a development such as this as part of revitalization or preservation plans and Mr. Dawson replied sure. Mr. Jones then asked if Mr. Dawson would agree that there was testimony all throughout that record that dealt with that issue.

Mr. Jones felt that Mr. Dawson took isolated statements out of context from certain board members, and decide that's why one voted the way they did. Mr. Dawson stated that all they have to go on is the transcript, as they were not afforded, under due process, a written explanation of why the board did or did not make its decisions. As one reads the agency's appeal rules, it does not require you to consider de novo on the record. The problem with that is there in place a requirement that limits them to provide the unity of, and for the Board to consider seven days before the hearing. The Board has permitted what is in effect the other side to provide testimony now which makes it very difficult to analyze that testimony. There's been various statistics given regarding school populations, for example. It's very difficult for them

to address that, to analyze it, or to provide information from their point of view with respect to that. They were required to limit the information they provided as of March 6. That doesn't seem fair.

Mr. Jones asked when Mr. Dawson referred to an independent study, what he meant and Mr. Dawson replied independent in that the person who provided the market study is an independent firm, and it's not a firm that is associated with or affiliated with Enclave. The study was paid for by the Enclave as they are required to under the rules.

J. Washburn, The Enclave, Houston, Texas

Mr. Washburn stated that at a previous Board meeting, he presented the Board with an outline of the items and dates when he met with members of the Hiram Clark Civic Club and Ms. Ada Edward's office. He met with Ms. Edwards on December 18th and she was against the development. He and Ms. Walker had good conversations and there are open lines of communication.

J.M. Washburn, Principal, LCJ Management, Houston, Texas

Mr. Washburn stated they have tried to address every issue that the neighborhood groups have such as traffic, flooding, etc and have tried to work with the neighborhood groups.

Lisa Campbell, Resident, Katy, Texas

Ms. Campbell stated she lives in a project built by the Washburns in Katy and the apartments give the people the opportunity to get help if needed. If something breaks, they get it fixed and if you need public assistance, it is available. She pays \$700 per month for rent for a 3-bedroom unit.

John Henneberger, Co-Director, Texas Low Income Housing Information Service, Austin, Texas

Mr. Henneberger stated federal law requires that this Board have a representative of the public housing clientele sitting on the Board making decisions on all of the issues that come before the Board. He stated the Board is still improperly constituted and the Governor is still studying the idea of including a public housing resident on the Board. He felt 4 years is long enough for study and the Board would be well-served if there was a person with that representation on the Board. He further stated he knew it was not this Board's fault and they are doing a great job; have a good plan, everything is going fine but this issue needs attention.

Mr. Jones closed Public Comment at 12:25 pm but would allow the public who requested to speak at the presentation of the agenda items to do so at that time.

ACTION ITEMS

- (1) **Presentation, Discussion and Possible Approval of Minutes of Board Meeting of February 13, 2003**
Motion made by C. Kent Conine and seconded by Beth Anderson to approve the minutes of the meeting of February 13, 2003.
Passed Unanimously

EXECUTIVE SESSION

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

The Board did not go into Executive Session at this time.

(2) Action on Appeal by The Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464

Beth Anderson, Chair of the Board Appeals Committee, reported the Appeals Committee met and heard testimony on this item. The Committee voted in a 2-1 vote to report to the full Board with a recommendation to change the previous decision and approve the project for tax credits and bonds.

Tom Gouris, Director of Real Estate Analysis, stated the issues presented today did not change his recommendation on this project and with regard to the comparables that they claimed and the other flooding issues, those issues were addressed in the report, and would not change his position. He stated the market study was well done, and served to make the affirmative recommendation. The documentation that provided clearly reflects that it's not in a flood zone. The properties mentioned by Ms. Walker as being tax credit transactions, other than Palomino, that TDHCA does not show them in records as being tax credit developments. He did not believe that those were actually tax credit ones. They may be affordable developments and have had some other source of affordable financing on them. To the extent they were considered in the market study, the market analysts should have taken into consideration anything that would have provided a comparable unit. The issue with some of these others that might be affordable, they have some other form of affordable financing on them, is that they really target lower income strata than the transaction that is currently being proposed. They should continue to have some form of public assistance that's project based, and that's going to target a lower income strata.

It was his judgment that all of the appropriate properties that needed to be included, per the concentration and those kind of things, and all the developments that impinge on concentration and calculations and so forth, in fact, were included. The zip code designation is not uncommon for market studies, and it's used because better information with regard to population census information is often available through a zip code method than through a radius method, because a radius method cuts up census tracts or zip code tracts.

Mr. Robert Onion stated the delineated market area that the market analyst used is in the Board packet. The map showed a three-mile radius and the three-mile radius is slightly larger than the delineated market area.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the appeal by The Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 01-464.

Passed with 3 votes for (Ms. Anderson, Mr. Conine and Mr. Gonzalez) and 1 no (Mr. Salinas) and 1 not voting (Mr. Jones)

Mr. Jones stated that in accordance with the fact that the Board had a vigorous opportunity to enjoy public comment on this matter, and since TDHCA is looking at policies with regard to this, he wanted to give the staff some input regarding some of the policies being discussed. One of the things is he respects the board members that voted for it and has great respect for the board members that have voted against it. He understood what a difficult situation this was. Every time something is denied based upon receiving input from the public the Board is telling developers they can never do anything and this is not what the Board is saying. Developments do work best when it's a joint endeavor. Where the community, the developer, the department can all work together on the same page. When the community is vastly opposed to a project, the developers proceed at some risk. This board has said they try to go low on the radar screens scope with development. The Board wants to work with communities and is where the best work takes place. When the Board works opposite to the community, that's when problems will occur. Do not take these comments in any way, shape, form or fashion as being negative toward the decision. Take them as these are policy issues to consider as the rules are reviewed.

Mr. Salinas stated that he felt bad for Mr. Bogany, where he is not here to attach his vote. He felt this should have been a decision of the full board where no one is absent. Mr. Bogany would

have had something to say and would have had a lot of input in this decision. Mr. Salinas felt sorry for the people of Houston.

The Board took a break at 12:45 pm and returned to Open Session at 1:05 pm

Ron Anderson, Executive Director, Housing and Community Services, San Antonio, Texas

Mr. Anderson stated the Country Club Village Apartments is composed of 82 units built under the HUD 231 program and restricted to elderly and handicapped. The for-profit owner is selling the property and this is giving their non-profit a chance to purchase it. This low interest loan will help make that happen.

(3) Presentation, Discussion and Possible Approval of Financial Items:

a) Loan in the Amount of \$909,657 to be Made Under the Multifamily Housing Preservation Incentives Program For the Country Club Village Apartments and Other Related Matters

Ms. Carrington stated staff is recommending the approval of the item for a loan in the amount of \$909,657 for County Club Village Apartments. This project has Section 8 tenants and over 90% occupancy and TDHCA will provide a 15 year loan. \$322,670 will be left in the preservation account after this award is made.

Ms. Beth Anderson stated the acquisition cost to buy this property is \$1,850,000. TDHCA is asked to furnish a \$909,000 loan of which \$725,000 is cash to the seller and this only leaves \$175,000. She stated this does not look like a preservation project as in the QAP it says \$6,000 needed per unit in rehab costs as a criteria. If figured out, 82 units X \$6,000 per unit = \$492,000 and not \$175,000.

Mr. Gouris reported this is the preservation of the affordability of these units and the HAP contract affects them. If the property is sold at market, the HAP contract could go away and the affordability could go away. This property is in good shape and TDHCA would be preserving the affordability and federal assistance on this property.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the loan in the amount of \$909,657 for the Country Club Village Apartments under the Multifamily Housing Preservation Incentives Program.

Motion failed with 2 votes for (Mr. Conine and Mr. Gonzalez) and 2 votes no (Ms. Anderson and Mr. Salinas) Mr. Jones broke the tie voting no.

b) Resolution Authorizing the Extension of the Certificate Purchase Period for Residential Mortgage Revenue Bonds, Series 2002A, Residential Mortgage Revenue Refunding Bonds, Series 2002B, Residential Mortgage Revenue Refunding Bonds, Series 2002C, and Residential Mortgage Revenue Bonds, Series 2002D

Ms. Carrington stated staff is recommending the extension of the certificate purchase date for Program 57 to May 1, 2004. There is \$1,818,000 left in the program which originally had \$60,844,000 and this would allow additional for the funds to be spent.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve Res. No. 03-12 approving the extension of the certificate purchase period to May 1, 2004 for RMRB Bonds Series 2002A, RMRRB Series 2002B and 2002C and RMRB Series 2002D.

Passed Unanimously

c) Resolution Authorizing an Interest Rate Reduction for Certain Fannie Mae Expanded Approval Loans Made Available Through Residential Mortgage Revenue Bonds, Series 2002A, Residential Mortgage Revenue Refunding Bonds, Series 2002B, Residential Mortgage Revenue Refunding Bonds, Series 2002C and Residential Mortgage Revenue Bonds, Series 2002D and Other Related Matters (Program 57A)

Ms. Carrington stated this Series 2002 A, B, C and D proceeds were made available last summer. When the program issued the bonds, rates were at 7.2% and 7.45%. Staff has done a restructure of a portion of these bonds and having a new interest rate of 6.20% and 6.50% that

would be applicable for the expanded approval program.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the interest rate reduction for certain Fannie Mae expanded approval loans made available through the RMRB Series 2002A, RMRRB Series 2002B and 2002C, and RMRB Series 2002D with the approval of Res. No. 03-14.

Passed Unanimously

**(4) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:
c) Policy on Process/Procedures for USDA "Rescue Transactions" To Request a 2004 Forward Commitment of Tax Credits**

Ms. Carrington stated staff is asking the Board to consider a policy that will enable developments that have funding from the USDA that are experiencing foreclosure at loan acceleration to be submitted to the Board for recommendation from a forward commitment of LIHTC for the 2004 ceiling. This is a set aside that has been underscribed with the department. Staff is requesting to create the ability for these transactions if they are funded through the rural housing services and that they can provide evidence that they are either in foreclosure or that their loan is being accelerated that they could apply to the department and would be eligible for an allocation of 2004 credits through a forward commitment.

Brooke Boston, Director of Multifamily Finance Production, stated the way the policy is proposed is that those developments are not scored. Staff anticipates that there will be very few of these transactions. The policy is drafted so these transactions would come to the Board, development by development, for approval.

Ms. Anderson stated that granting the special situation where one does not have to compete, that this might be reasonable to expect them to make some effort in return so the Board will have some sense of what it is approving.

Mr. Conine stated he felt the Board would have the ability to turn down a transaction as this would not be an automatic situation. There may be social services added that were not there or something like that in exchange for the acceleration of the tax credits.

Motion made by C. Kent Conine and seconded by Beth Anderson to table this item until the next Board meeting.

Passed Unanimously

b) Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs Concerning the Low Income Housing Tax Credit Program Rural Set Aside

Ms. Carrington stated staff has been in discussions with ORCA in discussing the Interagency Contract between ORCA and TDHCA for the joint administration of the rural set-aside in the LIHTC program. She has attended several ORCA board meetings and discussed the tax credit program and the characteristics of the transactions that are in the rural set-aside and the QAP.

A committee of the Board had a work session with the ORCA Board on how to administer this joint set-aside. The effective date of this contract is 09-01-02 and it expires on 08-31-03. Staff has been working on this contract to make sure ORCA and TDHCA were in agreement.

Beth Anderson stated she had reviewed the agreement and had concerns on the idea that two agencies will be doing on site compliance inspections during the application period and TDHCA is supposed to pay for our inspections and theirs. She would like to have a fiscal note from the staff reflecting the financial impact to the State and to the taxpayers at a time when there are huge budget situations for the State.

Ms. Carrington stated ORCA is performing the inspections on behalf of the Department, as

TDHCA is required to do a site inspection.

Motion made by Beth Anderson and seconded by C. Kent Conine to table this item until the next Board meeting and for staff to have a fiscal note on the impact of this item.

Passed Unanimously

**c) Additional Extension of Deadline for Commencement of Construction for:
01-144 Autumn Oaks at Corinth**

Ms. Carrington stated this extension is a request for a deadline to commence substantial construction for a 2001 tax credit allocation, Autumn Oaks at Corinth and the new deadline that staff is recommending is April 30, 2003.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the extension of the deadline until April 30, 2003 for 01-144, Autumn Oaks at Corinth.

Passed Unanimously

Cynthia Bast, Attorney, Locke Liddell Sapp, Austin, Texas

Ms. Bast stated they represent the owner of the King Fisher Creek Apartments in Austin, Texas. Their request for relief is in the board book. For background purposes, the King Fisher Creek Apartments received a tax credit allocation in 2002 of \$225,813. The complex was required to place all of its buildings in service by December 31, 2002. Due to extra ordinary circumstances outside of the control of the owner, the complex was unable to place all of its buildings in service by that date. As a result, the department sent a letter in January revoking the tax credits for this complex.

Tom McMullen, King Fisher Creek Apartments, Austin, Texas

Mr. McMullen stated they have had an exemplary track record both inside the State of Texas as well as outside of Texas. On this project, they failed to meet the placed in service deadline of Dec. 31, 2002. They did receive one extension for the substantial construction commencement. The neighborhood association has done everything they can to thwart this project. This association filed appeals with the City of Austin on a permit being issued and since a committee had to hear this appeal, it took longer to handle this hearing. When an appeal is pending, all construction must stop. The owners have tried to keep the process moving.

Carl Conley, Conley Engineering, Austin, Texas

Mr. Conley stated he has worked in the Austin area for over 30 years in commercial and residential land development. This King Fisher Creek project has run over two years due to the extended delays caused by the involvement of the neighborhood. There were things done to appease the neighborhood and to provide additional environmental requests and to provide a better project.

Bill McLean, McLean & Howard, Austin, Texas

Mr. McLean stated he was involved in the City of Austin's permitting process and it became apparent that the neighborhood's intention was to delay and obstruct the City of Austin's process on the deadlines imposed by this department. The neighborhood appealed the approval of two permits which took additional time to settle and then begin working again.

Ryan Luxon, Asst. V.P. , Mini Mae Midland

Mr. Luxon stated they provided the construction lending, the fund commitment for permanent financing as well as the purchase of the tax credits to be generated by this project. This project is exemplary of how the process can be used effectively to provide housing in areas to have subsidized housing. Their company has funded \$3,000,000 in this transaction. He asked the Board to continue the long-term viability of these units in Austin.

Cynthia Bast, Attorney, Locke Liddell Sapp, Austin, Texas

Ms. Bast stated there the neighborhood group is opposed to this project and the award of tax credits and did everything they could to delay it. This group created tremendous development hurdles for the project.

These circumstances have put the affordable housing units in jeopardy. The housing units can be preserved if this board will reallocate the tax credits to King Fisher Creek Apartments. Section 49.17 of the 2003 QAP allows this board to do this. King Fisher Creek Apartments had \$225,813 of tax credits.

Mr. McMullen, King Fisher Creek Apartments, Austin, Texas

Mr. McMullen reported the following timeline:

Building 1 was habitable by the end of the year (Dec. 31, 2002)

Building 2 is habitable now

Building 3 is moving forward with no slab on the ground yet.

d) Request for Relief by King Fisher Creek Apartments, Austin, LIHTC 00-062

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the request for relief by King Fisher Creek Apartments, Austin, LIHTC No. 00-062.

Passed with 3 for (Mr. Conine, Mr. Gonzalez and Ms. Anderson) 1 no (Mr. Salinas) and 1 abstention as Mr. Jones did not vote.

(5) Presentation, Discussion and Possible Approval of Programmatic Items:

a) CHDO Award Recommendations Under the HOME Program for:

20020016 Bayou Housing Partners HBA \$ 52,500

20020003 Grayson County CDC HBA \$357,000

20020010 Aff. Hsg. of Parker Co. HBA/OCC \$170,625

M. Carrington stated that at the last Board meeting there were six projects awarded HOME funds. TDHCA had \$8.3 million to allocate and funded 6 of 24 applications. There were several applicants that staff worked with to develop an application that would score sufficiently. There are now 3 additional recommendations for a total of \$580,125 and will be funded from the CHDO funding cycle set aside.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the CHDO award recommendations under the HOME Program for:

20020016 Bayou Housing Partners HBA \$ 52,500

20020003 Grayson County CDC HBA \$357,000

20020010 Aff. Hsg. of Parker Co. HBA/OCC \$170,625

Passed Unanimously

b) Section 8 Program Public Housing Authority Plan for the Year 2003 and Other Related Matters

Ms. Carrington stated this is the public housing agency plan. This is a plan that the department is required to do on an annual basis and is due to HUD in April.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the Section 8 Program Public Housing Authority Plan for Year 2003.

Passed Unanimously

c) 2003 Proposed Bond Eligible Tenant Limits

Ms. Carrington stated the Board is required to act on the bond limits for multifamily properties. These are the older tax exempt bond transaction properties. 20% of the units have to be leased to families at 80% of the median.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the 2003 proposed bond eligible tenant limits as presented by staff.

Passed Unanimously

(6) Presentation, Discussion and Possible Approval of Report from the Audit Committee: FY 2003 Annual Internal Audit Plan

Mr. David Gaines, Director of Internal Auditing, stated Texas Internal Auditing Act requires that a plan be developed on an annual basis based on assessment procedures. This plan was reviewed by the Audit committee. The Internal Audit Division has to provide resources to conduct another state agency's peer review and time is budgeted for that.

Motion made by Vidal Gonzalez and seconded by Beth Anderson to approve the FY 2003 Annual Internal Audit Plan.

Passed Unanimously

- a) **External Audit – Communications with Audit Committee Letter**
- d) **External Audit - Opinion Audit on FY2002 Basic Financial Statements**
- e) **External Audit – Opinion Audit on FY2002 Revenue Bond Program Financial Statements**
- f) **External Audit – Opinion Audit of FY2002 Computation of Unencumbered Fund Balances**
- e) **External Audit – Report to Management (Management Letter)**

Mr. Gaines stated these reports by the outside auditors were released by Deloitte & Touche. The external auditors have reached these unqualified opinions, which means the financial statements present fairly in all material respects, on the department's comprehensive annual financial report and on separate bond schedules as well as on the Computation of Unencumbered Fund Balances on August 31, which is a required computation to determine available funds for transfer to the Housing Trust Fund. The external auditors were complimentary of the accounting staff and they received full cooperation from management. There were no significant audit adjustments proposed during the audit.

- f) **Internal Audit – Low Income Housing Tax Credit Inspection Fee Balances Due From/Due to Project Owners**

Mr. Gaines stated that there is a subsidiary ledger that identifies the payments and reimbursements from project owners. The department continues to work on this project. The report was accepted by the Audit Committee.

- g) **Status of Internal/External Audits**

Mr. Gaines stated this report was discussed with the Audit Committee and they accepted the report.

- (7) **Presentation and Discussion of Report on TDHCA Legislation Filed Through February 28, 2003**

The Board passed on this item as it is a report item and no action was needed.

- (8) **Presentation and Discussion of Update from Community Affairs**

Mr. Eddie Farris, Director of Community Affairs, stated as of March 1, the Section 8 program became part of the Community Affairs Division. Section 8 is 95% leased and this is the first time for this accomplishment. The System Benefit Fund was created in 1999 by SB 7, which also created a deregulated retail electric market. These investor-owned utilities that are participating in deregulated electric market provide funding for the System Benefit Fund to the Public Utility Commission. The PUC then funds each of the different programs under the System Benefit Fund. The Emergency Efficiency Program that TDHCA administers is just one of those programs. This year TDHCA has over \$10 million under that fund to administer. The purpose of these funds is to work in tandem with other weatherization programs whereby TDHCA provides energy efficiency measures to homes. Contractors have to determine what factors can be addressed to increase the energy efficiency.

- (9) **Presentation and Discussion of Bond and Tax Credit Approval And Disapproval Factors**

Ms. Carrington stated this item will be presented at the next Board meeting as the department is trying to get a handle on this item. The department will bring to the Board a policy that will address how we incorporate public opposition in decision making. There will also be an opportunity for public comment.

REPORT ITEMS

Executive Directors Report

- 1) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed Settlement Agreement and Release

- 2) **Heatherwilde Estates Apartments, LIHTC No. 02-075**

These items will be reported on at a later meeting.

Ms. Carrington stated the Department will hold a meeting on Tuesday to inform the outside community of how the organization works after the reorganization and the Board members are invited to attend.

Tony Jackson, Attorney, Coats, Rose

Ms. Jackson stated he represents the Century Pacific and the Michaels Group. They are interested in settling this litigation and he also been in contact with HUD who would like to see this matter resolved. The units are in jeopardy if this settlement is not resolved shortly.

John O'Donnell, Michaels Group, New Jersey

Mr. O'Donnell stated he is with the Michaels Group and Century Pacific is willing to step away from the properties in the litigation. The Michaels Group is a company that has been in business for over 35 years and has developed over 25,000 affordable housing units across the country. Century Pacific is willing to have no further ownership in these properties whatsoever.

Julie Lane, Attorney, Cantey and Hanger, Roan and Autrey

Ms. Lane stated she was involved in the litigation on behalf of Century Pacific and passed out the brief that they filed in the Austin Court of Appeals. They went to district court and obtained an injunction against the department. The District Court instructed the department to follow its QAP. The department has appealed this and the Court did express a concern at the department's position that they are not subject to review by the District Court or the Court of Appeals. They expect an opinion to be handed down anytime between June and August. This gives time to reach a settlement. They have heard from the Michaels Group who are very interested in these properties and Century Pacific has agreed to step down. She asked the Board to reach a resolution to this matter.

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed Settlement Agreement and Release; (3) Heatherwilde Estates Apartments, LIHTC No. 02-075; (4) Bond and Tax Credit Development Approval – Disapproval Factors (5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464; (6) Request for Relief by Kingfisher Creek Apartments, LIHTC No. 00-062 Personnel Matters under Section 551.074, Texas Government Code If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

Mr. Jones stated: “On this day, March 13, 2003 at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas the Board of Directors adjourned into a closed executive session as evidenced by the following: The Board of Directors began its executive session today, March 13, 2003, at 2:52 p.m. The subject matter of this executive session deliberation is as follows: Litigation and Anticipated Litigation (Potential or

Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; (3) Heatherwilde Estates Apartments, LIHTC Development No. 02-075; (4) Bond and Tax Credit Development Approval – Disapproval Factors (5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464; (6) Request for Relief by Kingfisher Creek Apartments, LIHTC No. 00-062; Personnel Matters under Section 551.074, Texas Government Code, and if permitted by law, and discussion of any item listed on this agenda of this date.”

The Board went into Executive Session at 2:52 p.m. and returned to Open Session at 3:15 p.m.

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed Settlement Agreement and Release; (3) Heatherwilde Estates Apartments, LIHTC No. 02-075; (4) Bond and Tax Credit Development Approval – Disapproval Factors (5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464; (6) Request for Relief by Kingfisher Creek Apartments, LIHTC No. 00-062; Personnel Matters under Section 551.074, Texas Government Code If permitted by law, the Board may discuss any item listed on this agenda in Executive Session.

Mr. Jones stated: “The Board of Directors has completed its executive session of the Texas Department of Housing and Community Affairs on March 13, 2003 at 3:13 p.m. I hereby certify that this agenda of the executive session was properly authorized, pursuant to Section 551.103 of the Texas Government Code, posted in the secretary of State’s Office seven days prior to the meeting, pursuant to Sec. 551.044 of the Texas Government Code; that all members of the Board of Directors were present with the exception of Shad Bogany and Norberto Salinas. The subject matter of this executive deliberation was as follows: Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District – Action taken – none; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; - Action taken – none; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan – Action taken – none; (3) Heatherwilde Estates Apartments, LIHTC Development No. 02-075 – Action taken – none; (4) Bond and Tax Credit Development Approval – Disapproval Factors – Action taken – none; (5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464; - Action taken – none; (6) Request for Relief by Kingfisher Creek Apartments, LIHTC No. 00-062; - Action taken - none; Personnel Matters under Texas Government Code 551.074 – Action taken – none; and Discussion of any item listed on this agenda – Action taken – none. I certify that this is a true and accurate record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code.” Signed by Michael E. Jones.

ADJOURN

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

The meeting adjourned at 3:20 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

P:bdminmar/dg

BOARD ACTION REQUEST

April 10, 2003

Background

The proliferation of public opposition to the development of affordable housing has prompted the TDHCA staff and Board to examine its policies and rules related to the consideration of public input with regard to allocation decisions. In an effort to operate in an effective and fully transparent manner, TDHCA believes that an assessment of its existing policies and rules needs to be undertaken and reviewed for appropriateness and adequacy within the context of current state and federal rules/regulations, the Department's mission, and the needs and desires of the citizens of Texas.

Current Activities

Within TDHCA

- An internal workgroup has been convened to review policies and procedures regarding public input. This workgroup will be responsible for conducting focus groups with developers, neighborhood groups, local governments/officials, and housing advocates and developing a policy that will be submitted to the Board for their consideration. Attached is a preliminary list of topics that may serve as the basis for focus group discussions (Appendix A).
- A subcommittee of the 2004 QAP working group is focusing on opposition issues and will submit suggestions for the 2004 QAP.
- Staff is working with the Texas Housing Colloquium to: establish a research consortium to conduct independent research aimed at filling gaps relative to policy and practice and disseminate the research; and develop a public relations campaign to improve the perception of affordable housing.

Legislative

Several bills have been filed by members of the Texas Legislature that are intended to address public opposition issues. Attached is an overview of the bills that have been filed to date (Appendix B).

Requested Action

Identification of factors that will provide a framework for the development of a proposed policy to be submitted to the Board for their consideration. It is anticipated that a resulting rule will govern TDHCA's consideration of public input with regard to allocation decisions (beginning with the 2004 funding cycle).

APPENDIX A

Questions for Discussion: Board Decision Making Criteria and Public Input

1. Board and Department Role. What is the Board's and Department's role in considering development applications for the Department's programs and public input?
 - a) Act as an appointed administrative body and apply applicable statutes and the Board's adopted rules, and consider public input as it relates to the decision making criteria in statutes and rules?
 - b) Act similar to an elected, representative body to consider the number of persons in support of or in opposition to a proposal for affordable housing, separate from statutory and regulatory decision making criteria?
 - c) Some other role?

2. Negative Effects? Do the Department's assisted developments have a negative effect on the neighborhoods where they are located or are they well-designed and well-managed and do not have negative effects? Commonly expressed neighborhood concerns:
 - a) Hurt property values.
 - b) Increased Crime.
 - c) Poor maintenance, trash.
 - d) Transient renters.
 - e) Too much density -- prefer single family or no development.
 - f) Too much traffic.
 - g) Negative effect of families, children, teenagers. (Discrimination against families with children is prohibited by the Fair Housing Act).

3. Approval Process – Notices and Hearings.
 - a) If assisted developments do not have negative effects, should they generally undergo the same approval process as privately financed developments?
 - b) Are assisted developments burdened and stigmatized as undesirable by extensive notice and hearing requirements?
 - c) What, if any, additional notice and hearing requirements should be adopted?
 - i. Notice to whom? Local? Neighborhood? State? Federal?
 - ii. When? How many times?
 - iii. Signs?
 - iv. Newspaper notices? Size?
 - v. Website?
 - vi. Hearings? TEFRA? Local government? Board hearing?
 - vii. Requirements that applicants offer to meet with neighborhood groups and exchange information, including market studies?

4. Clear Criteria, Investment Expectations. Should the Department's approval criteria be clearly and objectively stated in the QAP or other rules so that if a developer makes an investment and meets all criteria, he or she can reasonably expect approval?

5. Concentration. Should the Department's current Concentration Policy be changed? It states that Underwriting will not recommend approval of a development when the Inclusive Capture Rate

exceeds 25% (defined as the sum of the proposed units plus any previously approved but not yet stabilized new comparable units in the Submarket, divided by the total income eligible renter demand for the Primary Market). 10 TAC §1.32(g)(2). In 2001, a radius restriction was considered, but ultimately rejected.

6. Timely Public Input. Should it be required that the substance of public input be received by the Department at least 10 days before the Board meeting so it may be considered and evaluated, and timely posted on the Department's website, and should it given less weight if not timely provided?

7. Numbers, Reasons. Should the number of people who support or oppose a development, separate from their reasons, be a criterion for approval or disapproval?

8. Reasons. Are there reasons not stated in the QAP or other rules, and possibly expressed by opposition groups, which are appropriate decision criteria? If so, what are they? Should they be added to the QAP or other rules for 2004?

9. Zoning. The 2003 QAP Threshold Criteria now states that a development meets criteria if it is permitted under the applicable zoning, if no zoning ordinance applies, or if the local entity responsible for initial approval of zoning has approved zoning and will recommend approval of final zoning. §49.9(e)(6)(B). Should these criteria be changed for 2004?

10. School District. What role, if any, should school district considerations play in the approval decision? What role do they play, if any, for unassisted developments? What changes, if any, should be made to the 2004 QAP or other rules?

- a) Is school district opposition relevant? For what reasons?
Overcrowding?
Financial burden?
Expressed concern of potential additional needs of low income students or disciplinary problems?
Other?
- b) Require notice to school district for planning purposes? Include in the market study an evaluation of school capacity to handle increased enrollment based on existing school plans to address growth?

11. Fair Housing. Do the Department's current criteria sufficiently address its fair housing obligations to support dispersed and deconcentrated housing or should additional criteria be adopted for the 2004 QAP or in other rules? What additional criteria?

12. Renter Demand. Do the Department's current criteria sufficiently account for renter demand from persons who work in the market area but now live outside the area because of a lack of affordable housing or who would move into an area because it is desirable if affordable housing was available? Should additional criteria be adopted?

13. Low Income Concentration in One Development. Do the Department's current criteria on development size and income limit set-asides avoid too much low income concentration in one development? What, if any, changes should be made in the 2004 QAP or other rules?

APPENDIX B

Legislative Overview

Senate Bills:

SB 1591 by West, which relates to reasonable-based community opposition to state funded affordable housing developments and possible remediation for documented community impacts of affordable housing concentration.

The bill adds Subchapter KK to Chapter 2306 which only states the purpose, as stated in the caption, but contains no other language.

Status: Referred to Senate Intergovernmental Relations on 3.20.03

House Bills:

HB 398 by Mowery, which establishes an approval process for certain housing project sites proposed by public housing authorities, was favorably reported out of the House Urban Affairs Committee on March 6, 2003.

The bill amends Chapter 392 of the Local Government Code to prohibit a public housing authority from acquiring existing multifamily rental housing for use as a housing project (as well as the construction of a housing project) unless a public hearing is held before the site is approved. The governing bodies of any political subdivision that require a permit of any part of the housing project and the municipality or county in which the housing project is to be located are required to send a representative to the public meeting. The bill also requires the PHA to obtain written approval of the proposed site from each of such governing bodies before authorizing the acquisition of the multifamily rental housing or the construction of a housing project.

Effective Date: September 1, 2003.

Status: Referred to House Urban Affairs on 3.24.03

HB 428 by Calegari, which repeals the requirement for written community support for a LIHTC application, was filed on January 15, 2003.

The bill repeals Section 2306.6710(b)(H) of the Government Code to remove the requirement for TDHCA to evaluate the level community support for a LIHTC application based on written statements of support from local and state elected officials who are from the areas in which the proposed development would be located.

The bill provides that the change would only apply to a LIHTC application filed on or after the effective date of the bill.

Effective Date: September 1, 2003.

Status: Pending in House Urban Affairs

HB 1632 by Mercer, which relates to TDHCA's administration of the Low Income Housing Tax Credit Program, was filed on March 4, 2003.

The bill makes substantial changes to the required scoring of LIHTC applications. The bill amends Sec. 2306.6710(b) by deleting the requirement that the priority for TDHCA's point system must be based on criteria that are adapted to regional market conditions and by re-prioritizing the order of the required criteria as follows: "quantifiable community participation"; "input" from local and state elected officials (changed from written support from local and state elected officials); financial feasibility of the development; the size, quality, and amenities of the units; the income level of tenants; the rent levels of the units; the period of guaranteed affordability for low income tenants; the cost by square foot; the services to be provided to tenants (new); and the commitment of development funding by local political subdivisions.

The bill also amends Section 2306.6717(b), "Evaluation and Underwriting of Applications," by requiring the information provided therein to be made available on the agency's website, including submitted applications, and applications approved for underwriting and recommended to the board. The section is also amended to require TDHCA to provide the required information to "locally affected community groups," local and state elected officials, and newspapers that serve the community in which the development is to be located.

Finally, the bill repeals Sections 2306.6710(e), which requires TDHCA to give the most weight to scoring criteria that result in the allocation of tax credits that serve the lowest income tenants and produce the greatest number of affordable units; 2306.6725, "Scoring of Applications" (this section includes accessibility requirements, energy conservation incentives, and the requirement for the board to document reasons for any decisions that conflict with staff recommendations on projects selected for awards); and 2306.6732 "Public Information" (this section would be duplicative of Section 2306.6717(b) as amended by the bill).

Effective Date: Immediately*

Status: Referred to House Urban Affairs on 3.10.03

HB 2473 by Callegari, which relates to TDHCA's housing programs and the role of TDHCA in the allocation of private activity bonds, was filed on March 12, 2003.

The bill amends Section 1372.0231(b) of the Government Code, relating to the 25% of the state ceiling available exclusively to TDHCA for qualified residential rental project bonds, to require the Bond Review Board to delegate direct allocation authority to TDHCA. The bill deletes Subsections (b)(1) and (b)(2), relating to the determination by the BRB of the order lot and to ensure that not more than 50% of the set-aside is used for proposed projects in qualified census tracts, and instead requires TDHCA to allocate the amount of the state ceiling "in the manner provided by Section 2306.359." The bill adds Section 2306.359 to TDHCA's statute, "Issuance of Private Activity Bonds," to require TDHCA to evaluate an application using a point system based on criteria that are adapted to regional

market conditions, including criteria regarding the income level of tenants; the rent levels of the units; the period of guaranteed affordability; the cost by square foot; the size, quality, and amenities of the units; the services to be provided to tenants of the development; and the commitment of development funding by local political subdivisions that enables additional units for individuals and families of very low income; and imposing penalties on applicants who have requested extensions of deadlines relating to developments supported by private activity bonds in the application round preceding the current round. The bill requires TDHCA to make the details of the scoring system used available on its website. The new section requires TDHCA to underwrite applications ranked beginning with the applications with the highest scores in each uniform state service region and continuing until enough applications have been processed to enable the issuance of all private activity bonds according to regional allocation goals. TDHCA must attach the greatest weight to scoring and underwriting criteria that will result in an issuance of private activity bonds for developments serving the lowest income tenants and produce the greatest number of high quality units committed to remaining affordable to qualified tenants for extended periods.

The bill provides that the amendments described above apply only to the allocation of the state ceiling set aside for TDHCA in a year beginning on or after January 1, 2004.

The bill also adds subsection (f) to Section 2306.0661 to require TDHCA's board to adopt rules governing the topics that may be considered at a public hearing. The rules must require TDHCA to consider the following topics in relation to a proposed housing development: the developer's market study; the location; the compliance history of the developer; the anticipated impact on local school districts; the financial feasibility; the appropriateness of the development's size and configuration in relation to the housing needs of the community in which the development is located; zoning and other land use considerations; and other appropriate topics.

Section 2306.1114 is added by the bill to require TDHCA to provide written notice of the filing of an application for housing funds within two weeks after receipt to the U.S. representative who represents the community in which the proposed development is located; members of the Legislature who represent the area; the presiding officer of the governing body in the area; the particular member of the governing body who represents the area containing the development; the presiding officer of the board of trustees of the affected school district; and the president of the neighborhood association, if any. The bill specifies the content of the required notice which must include the relevant dates, a summary of relevant facts associated with the development; and a summary of any public benefits provided such as rent subsidies and tenant services.

A new Section 2306.1115 is added to govern market studies. The bill provides that a market study required by TDHCA must include an analysis of the market area, defined as the attendance zone of nearest public high school; the ability of the nearby schools to absorb the additional students; and the need for the proposed housing development based on the existence of any noncapacity housing developments for individuals and families of low income in the market study area.

Finally, the bill adds Section 2306.082 to authorize TDHCA to develop and administer a public information campaign "relating to the public perception of housing developments." TDHCA is prohibited from using appropriated funds for the campaign but may solicit gifts and other donations to fund it.

Effective Date: September 1, 2003

Status: Referred to House Urban Affairs on 3.18.03

HB 2566 by Paxton, which relates to community evaluation of LIHTC applications, was filed on March 12, 2003.

The bill amends Section 2306.6703, "Ineligibility for Consideration," to expand the prohibition on submitting an application if the proposed development is located in a municipality, or if outside a municipality, the county has more than twice the state average of units per capita supported by housing tax credits or private activity bonds, unless the applicant has both obtained prior approval for the development from the governing body of the appropriate municipality or county and has included in the application a written statement of support from the governing body referencing Section 2306.6703 and authorizing an allocation of tax credits.

The bill also amends Section 2306.6710(b) to require TDHCA to consider the level of community opposition to the application in its scoring criteria.

Finally, the bill amends Section 2306.6718(a) to add the governing body of the affected political subdivision to which written notice of an LIHTC application must be sent.

Effective Date: September 1, 2003

Status: Referred to House Urban Affairs on 3.24.03

HB 2617 by Mowery, which relates to the LIHTC program and to property tax exemptions for CHDOs, was filed on March 13, 2003.

The bill makes many amendments to the LIHTC program, primarily relating to local involvement. The bill adds Section 2306.67023, "Threshold Criteria: Approval by Political Subdivision," to require the threshold criteria in the QAP to include a requirement for the applicant to obtain approval from the municipality or county in which the development is located. Section 2306.6705 is similarly amended to require an LIHTC application to include evidence in the form of a written statement that the application has been approved by the governing body of each political subdivision in which the development is located and a copy of the published notice for a community meeting held by the applicant in the area in which the development is proposed.

Section 2306.6710(b) is amended by the bill to require TDHCA to add the level of community opposition to its scoring criteria; the level of support from the chief administrative officer of each political subdivision in which the development is located; and the existing density of multifamily housing in the area.

The bill amends Section 2306.6717(b) to also provide information regarding the LIHTC program to chief administrative officers and governing bodies. Section 2306.6718 is similarly amended to require TDHCA to provide written notice of an application to each member of the governing body of each political subdivision in which the proposed development is located. Finally, Section 2306.6732 is amended to make the same changes.

Section 2306.6724(e) is amended by the bill to require TDHCA to mail not later than June 30 the list of approved applications to the chief administrative officer, governing body, and local housing department of each political subdivision in which the proposed development is located.

The bill amends Section 2306.6725(a) by requiring TDHCA's scoring criteria to include the ability of the proposed project to fill a need for multifamily housing in the area in which the project is located.

In addition, the bill amends Section 11.182 of the Tax Code to authorize a taxing unit to adopt local criteria with which a CHDO must qualify in order to be entitled to the property tax exemption authorized by the Tax Code.

Effective Date: September 1, 2003

Status: Referred to House Urban Affairs on 3.24.03

BOARD ACTION REQUEST

April 10, 2003

Action Items

Consideration of application amendment submitted for Pleasant Valley Courtyards, #02073.

Required Action

Staff does not recommend approval of the application amendment.

Background and Recommendations

Pleasant Valley Courtyards, located in Austin, was awarded tax credits out of the 2002 Credit Ceiling from Region 7. At the time the application was being reviewed, TDHCA realized that the applicant did not have sufficient site control and the application was terminated. Subsequently, the application was reinstated, but with adjustments made by the applicant to the site plan to reflect the reduced acreage from the original parcel. A reduction to the site size was approved by the Department as part of the reinstatement of the application, and the application reinstated, because the site was not changed, but was merely reduced. Staff advised the applicant at that time that the revised site design may be infeasible but the Applicant stated it could work as submitted. Prior to the carryover deadline, the Applicant met with TDHCA staff several times to discuss the problems associated with the site plan. At the time the Carryover Allocation Agreement was being executed, staff reiterated its concerns to the Applicant. The Applicant indicated through submission of several surveys and site plans that they would prefer to augment the site to make it more appealing, they still affirmed they could make it work on the original parcel. However, on March 28, the Applicant submitted a request to TDHCA asking for approval to increase their site (at the time of allocation only 10.82 acres) by an additional 15.7 acres to 26.528 acres, reflecting a change of 145% from the original submission.

The Applicant in their letter, attached, questioned if this amendment was “material” and whether it required Board approval. The 2002 QAP, Section 49.9(k), states that material alterations include, among other items, “a significant modification of the site plan,” and “any other modification considered significant by the Board.” Staff has concluded that the proposed site plan changes are significant because it relates to selection criteria and because it involves such a large amount of acreage.

In reviewing the amendment request, staff agrees that the addition of the land would make a better site for the development. However, staff does not recommend approval of the requested amendment for the following reasons:

- ³ In reviewing amendments, staff confirms that point reductions will not take place based on the proposed change. However, at the time the Application was awarded it received 15 points for submitting a Pre-Application. One of the requirements to receive the points is that the proposed development in the Pre-Application must be for the **identical site** and unit mix as the proposed development in the Application. In this instance, because the sites would not be identical, the 15 points would be lost. This would bring the score down to 143 points – which would have caused a tie with Killeen Stone Ranch Apartments, #02116. In the 2002 cycle all ties for score were settled based on the evaluation factor found at 49.7(c)(1): to serve a greater number of lower income families for fewer credits. Pleasant Valley Courtyards had credits per low income unit of \$7,900, while the competing development in Killeen had credits per low income unit of \$4,225. **Therefore, without the 15 pre-application points, Pleasant Valley Courtyards would not have been recommended for an allocation of credits.**

- ³ In the 2002 cycle, other applicants were told very clearly that changes to their site would preclude the award of the 15 points. Allowing an awarded applicant to now make this change, when other applicants who realized a possible change was needed, did not claim the 15 points and may not have proceeded. **A change in this policy at this time is inequitable for the other 2002 applicants.**
- ³ In accordance with Section 49.7(k) of the 2002 QAP, an application amendment requires that the proposed amendment be underwritten and reviewed for compliance monitoring. Because the applicant only submitted a request for this change on March 28, this level of review has not been completed.



EL DORADO HOUSING DEVELOPMENT

March 28, 2003

Ms. Edwina Carrington
Executive Director
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Pleasant Valley Courtyards
TDHCA #02073

Dear Ms. Carrington

In the interest of offering the very best possible site plan for future residents of Pleasant Valley Courtyards, Pleasant Valley Courtyards Housing, L.P. (the "Partnership") is requesting the Board's approval of an amendment to the project's site plan under Section 49.7(k) of the 2002 Qualified Allocation Plan. You have received a letter from the City of Austin requesting this change because they believe it is fundamentally important. In support of the wishes of the City and the surrounding neighborhood, the Partnership submits this request to the Board.

The tax credit pre-and full applications presented a site plan using a 12.4 acre gross area; the amended site plan presented to you for consideration today contains 14.4 net usable acres. The distinction between gross and net usable acreage is important in evaluating this request.

The Partnership's application for tax credits included real estate purchase contracts for two tracts - the Posposil tract of approximately 7 acres and the de la Llata tract of approximately 5.4 buildable acres of a larger overall tract. As you know, the Posposil tract was subsequently reduced by approximately 1.4 acres because the seller actually agreed to sell that acreage to a third party. This reduction was approved by the Department in the application appeal process. The contract for the de la Llata tract was for the Partnership to acquire 5.4 buildable acres. Thus, the Partnership submitted a site plan in its application that anticipated development of 12.4 usable acres.

As the Partnership proceeded through the S.M.A.R.T. Housing program, zoning, engineering, and neighborhood meetings, it became apparent that a significant portion of the de la Llata tract was not buildable due to wetlands and protected environmental features. With the carryover deadline looming and knowing that the Partnership would not have a full grasp of how much of this land could be developed until all engineering work was completed, the Partnership decided to buy all of Ms. de la Llata's available land to satisfy carryover. The Partnership submitted a carryover package that included evidence of ownership of the approved Posposil tract and all of the de la Llata tract and appropriate legal descriptions of these tracts were included in Tab 7 of the carryover package.

214-850-3202
9046 Dunmore Drive • Dallas, Texas 75231

Tab 10 of the carryover package requires a project owner to submit a final survey for the land purchased and, if the survey results in any change to the site plan submitted at the time of application, an updated site plan. Because the amount of usable acreage on the de la Lata tract remained unknown at the time of carryover, the Partnership actually submitted three surveys with corresponding site plans. Each survey showed the Posposil and de la Lata tracts acquired by the Partnership. The surveys and corresponding site plans showed the Partnership's reasonably anticipated alternatives for developing the project on the land. Each survey and site plan tried to stay as close as possible to the Partnership's representation in the application that it would use 12.4 acres. The purpose of submitting three surveys and site plans was to alert the Department that the Partnership was considering multiple options to address the environmental features of the land while attempting to stay true to the Partnership's tax credit application.

The Partnership's carryover submission was approved by the Department, and the Partnership proceeded with its development process. Now that the development design process is complete, the Partnership, the City of Austin, and the surrounding neighborhood have determined that the project will be best served if it utilizes the site plan enclosed for your approval. This site plan uses the land submitted in the Partnership's carryover package to build the project on 14.4 usable acres.

Complete site plan engineering offered the Partnership an opportunity to meet the City of Austin and neighborhood associations' environmental protection requirements while also providing a lower density, enhanced living environment. A comprehensive agreement was negotiated with the Austin Environmental Protection and Development Review Department through which the site's creeks, springs, and wetlands will not only be protected from negative development impact, but also made available for enjoyment by this project's residents and the general public. The City of Austin's letter to the Department documents the City's appreciation of and support for the outstanding manner in which this development plan has responded to community wide concerns. Both the City of Austin and the adjacent neighborhoods want to keep the agreements in place that lead to construction of the enclosed site plan. The improved site plan is also supported by the Kensington Neighborhood Association, as evidenced by the enclosed letter dated March 27, 2003.

While development of the carryover site plan is technically feasible, development of the revised site plan presented to you is a superior proposal. This is an incredibly beautiful site, with two creeks and natural springs running through it. By expanding the site plan across the land owned by the Partnership, we can best preserve the beauty of those features.

Under Section 49.7(k) of the 2002 QAP, this site plan change may be considered "material" and, therefore, may require Board approval. The QAP indicates that the Board should vote on whether to approve the amendment. The Board may reject an amendment and terminate a tax credit allocation if: (a) the modification would materially alter the Development in a negative manner or (b) the modification would have adversely affected the selection of the Application in the Application Round. As we read the QAP, we believe that these are the only two reasons by which the Board can reject an amendment. Otherwise, by implication, the amendment should be approved.

The Partnership believes that its proposed amendment of a site plan satisfies both of the criteria above so that the Board should approve the amendment. First, the modification of the site plan does not affect the project in a negative manner. As evidenced by the letter from the City of Austin, the proposed change in the site plan has a very positive impact on the project, the project's future tenants, and the surrounding neighborhood. Exemplary planning does not create an adverse affect upon the development. Second, we believe the amendment would not have materially impacted the selection of the Application in the Application Round. The Partnership submitted a pre-application with evidence that it had site control for certain buildable acreage. It maintained control of that buildable acreage through the Application Round, and it owns that buildable acreage today. Because of the unique features of the site, its purchase contract with Ms. de la Lata was drafted flexibly to allow the Partnership to acquire the buildable acreage it needed. Due to environmental setback and other planning requirements and neighborhood concerns that were unforeseen at the time of pre-application, application, and tax credit commitment, the Partnership wound up acquiring more land than originally anticipated. This was fully disclosed in the carryover package, which was approved by the Department. All we need, now, is for the Board to approve a change in the site plan that makes the best use of that land. Had the Partnership submitted the enclosed site plan in its original application, we do not believe the Partnership's selection criteria (points) would have been affected.

We cannot find anything in the QAP that prohibits a project owner from expanding its site, so long as it retains control of the original site submitted in the tax credit application. In fact, we understand that the Department has, in the past, allowed other projects to expand their total acreage to improve the overall site development.


Development planning is a fluid process. Unforeseen circumstances arise, plans often change. That is the true nature of real estate development. It is fortunate when these plans evolve into better development proposals. We request that you recommend the revised site plan for approval by the Executive Award Review and Advisory Committee and, ultimately, by the Board at its April 10 meeting. If we can provide you or the Board with any further information, please let me know.

Thank you very much for your assistance.

Sincerely,

Pleasant Valley Courtyards Housing, L.P.

By:


Carlos Herrera, manager of
its general partner,
Pleasant Valley Courtyards
Development, LLC

Enclosures

cc: Robert Onlon

4202 Alton Lane
Ms. Edwina Carrington



MARGARET J. GOMEZ
 COMMISSIONER, PCT 4

210 W. 11TH ST., ROOM 222
 AUSTIN, TEXAS 78707
 P.O. BOX 1789
 512-475-2222

March 31, 2003

Ms. Edwina Carrington, Executive Director
 Texas Department of Housing and Community Affairs
 507 Sabine, Suite 400
 Austin, TX 78701

Re: Pleasant Valley Courtyard, TDHCA Project # 02073

Dear Ms. Carrington:

I enthusiastically support Mr. Herrera's application to the Texas Department of Housing and Community Affairs for Low Income Housing Tax Credits. This project is a \$15 million investment and will provide 163 units of high-quality affordable housing in the southeast quadrant of Travis County.

As a County Commissioner, I recognize the critical need for quality and affordable housing for low-income families. With a population of over 812,000 Travis County continues to grow and so does our demand for affordable housing. The Pleasant Valley Courtyard project will be vital to addressing this need and that is why I support this application without reservation. I would also request that you consider this application for an amendment request to add additional land to increase the quality of life for the residents.

I appreciate Mr. Herrera's commitment to ensuring that Travis County residents are provided the quality of life they so richly deserve.

Sincerely,

A handwritten signature in cursive script that reads "Margaret J. Gomez".

Margaret J. Gomez
 Travis County Commissioner, Pct 4



City of Austin

Founded by Congress, Republic of Texas, 1839
 Neighborhood Housing and Community Development Department
 P.O. Box 1068, Austin, Texas 78767-1068
 512/974-3100 Fax: 512/974-3112

March 24, 2003

Ms. Edwin Carrington, Executive Director
 Texas Department of Housing and Community Affairs
 507 Sabine, Suite 400
 Austin, Texas 78701

Re: Pleasant Valley Courtyards, TDFCA Project # 02073

Dear Ms. Carrington:

Greater environmental and resident benefits will be possible if the Pleasant Valley Courtyards, L.P. site area is expanded to the 26 +/- acres of land under its ownership. City staff has evaluated significant environmental features on the site during the development design process, such as groundwater seeps/springs, ponds and wetlands, and flowing creeks. Safeguarding the natural integrity of these features through a comprehensive program of construction setbacks and land use limitations is enhanced by spreading the development over the 26 acre site. The resultant greenbelts and open space provide residents the benefits of lower density, environmental education opportunities, greater recreational space, and simply a more beautiful community.

The City of Austin fully supports the developer's interest in obtaining TDFCA approval to expand the 14.3 acre site area presented to the Department for its carryover review. The Department is encouraged to favorably act towards improving resident quality of life and site plan design.

Mr. Herrera and his team are commended for meeting the objective of the City of Austin S.M.A.R.T Housing requirement to work with interested neighborhood associations in addressing land development issues. Through many meetings and much negotiation, both the developer and neighborhood parties agreed upon site plan revisions, including increasing the site area, and comprehensive restrictive covenant language. These agreements were instrumental in gaining City Council approval for the requested multifamily zoning change, as they guaranteed compatibility with the newly adopted neighborhood plan and furthered the City's environmental quality control initiatives. Without question, the expanded site plan on approximately 26 acres of land (including the 12.5 acres originally submitted in the tax credit application) is preferred by both the City of Austin and the interested neighborhood organizations.

An Austin City Council condition of zoning required the developer to comply with the proposed watershed Headwater Protection Initiative Ordinance regulations (prior to its enactment) establishing additional development setbacks from the creeks that pass through this property. The zoning ordinance authorizing apartment use of the property also prohibited dwelling units on land within the original tax credit application having frontage along E. St. Elmo and being located north

3-24-200 3:50PM

FROM

Letter to Edwin Carrington

Page 3

carryover tract has been reduced. AMOUNT DEVELOPMENT TRACTS IN CURRENT AND FUTURE DEVELOPMENT

**HOUSING PRESERVATION INCENTIVES PROGRAM
BOARD ACTION REQUEST
April 2, 2003**

Action Items

Request for reconsideration for approval of a loan in the amount of \$909,657 for Country Club Village Apartments in San Antonio, previously considered at the March 13, 2003 Board Meeting.

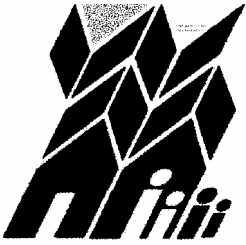
Required Action

Staff recommends approval subject to the conditions of TDHCA's underwriting review.

Background and Recommendation

The Board at the March 13, 2003 Board Meeting, did not approve funding for this transaction. The Applicant has requested that TDHCA reconsider the application for a low-interest loan from the agency's preservation incentives program. The Applicant is basing the request on the belief that the application meets or exceeds the eligibility requirements in the Notice of Funds Availability (NOFA). While the NOFA does not require a minimum level of rehabilitation, and the property is in relatively good physical condition, the Applicant proposes rehabilitation in the amount of \$105,117 to address immediate rehabilitation needs and associated contractor fees, as identified in the independent engineering study. In addition, the Applicant has submitted an application to the City of San Antonio for a HOME loan in the amount of \$250,000 for additional rehabilitation work beyond those identified as immediate needs. HOME funding awards will be made by the City of San Antonio on May 15, 2003. Without TDHCA's preservation incentives loan, the property will likely be sold and the Housing Assistance Payments Contract will be terminated.

Housing and Community Services, Inc.



301 South Frio, Suite 480 San
Antonio, Texas 78201-4426

Phone 2101270.4600 - Pager 2101513.3048
Fax 21014270-4603 - Toll Free 888 732-3394
Email. txmgmtco@aol.com

April 2, 2003

Edwina Carrington, Executive Director Texas
Department Of Housing and Community Affairs 507
Sabine, Suite 400 Austin, Texas 78711-3941

Ronald C. Anderson
Executive Director

Board of Directors

Rafael I. Torres
President

Eloise Callaway
Vice President

Gloria Flores
Secretary

Bob Montgomery
Treasurer

Eugenie A. Blaskovitz
Joan Cortinas
Jim Donbavand
Cad Forinash
Dan Kiefer
Fay McKenzie
Jeanette Nass

Re: **Country Club Village Apartments (82 Units)**
FHA # 115-38013-PM-WAH-L8
3500 Magic Drive, San Antonio (Bexar County), Texas 78229

To Whom It May Concern:

The Board of Directors of Housing and Community Services, Inc. (HCS) requests that the Texas Department of Housing and Community Affairs (TDHCA) reconsider its application for a low-interest loan of \$909,657 from the agency's preservation funds. Of this amount, \$760,000 is for acquisition and closing costs and \$105,117 is for immediate rehab needs identified in the engineering study conducted during the due diligence phase. The loan will allow HCS to preserve the Country Club Village Apartments as low-income housing for the benefit of very low and extremely low-income elderly residents.

Reasons why TDHCA preservation funding is appropriate:

1. Housing is **restricted to a low-income 'at risk' group** - very low and extremely low-income elderly, *many of whom are disabled*. Current occupancy is at 100% with a minimum 12-month waiting list for all sized units.
2. At a time when the State faces budget cutbacks for services including services to the elderly, this **project is in immediate danger of losing in place federal subsidy**. The current for-profit owner is able to prepay the federally insured first mortgage and sell the property without regard to the housing subsidy attached to the property (project based Section 8 contract). The owner intends to do so if the nonprofit cannot make the purchase.
3. HCS will assume the first lien and the existing project based Section 8 contract and **will operate the property as low-income housing for the economic life of the property**. HCS also intends to provide for resident services and programs using the existing community room facility at the property.

4. HCS's **interest in the acquisition** is based on its mission as evidenced by its past record in the preservation of low-income housing, in this case for the elderly.

5. If not preserved as affordable housing, the likelihood that **the property will sell on conventional market** is extremely high because: (a) the negotiated sales price per unit (\$22,560) is very attractive in the current real estate market-, (b) the property is located in a moderately upscale neighborhood near the medical center; (c) new construction of a similar facility in the current market is not economically feasible (see appraisal previously submitted); and (d) the property is in relatively good physical condition as noted in the needs assessment.

6 *In conjunction with the proposed acquisition, HCS received an **Enterprise Foundation grant** of \$10,000 for due diligence costs. These funds have been used for the property appraisal, a physical needs assessment, and engineering study to identify rehab needs.*

7. HCS is also looking for **additional funding sources** for rehab work *beyond those immediate needs included in the preservation funding application. In February HCS submitted an application to the City of San Antonio HO Program for a low- interest loan of \$250, 000 for additional (intermediate) rehab that will benefit the residents. Funding allocations will be made by the City Council on May 15, 2003. Other possible sources for funding are the San Antonio Housing Trust and the weatherization program sponsored by the Alamo Area Council of Governments (AACOG).*

8. **HUD endorses the transaction** because it will maintain the existing project based Section 8 contracts for the present and future benefit of very low and extremely low-income residents.

9. The loan **application meets or exceeds the eligibility requirements** set out in the TDHCA's Notice of Funding Availability (NOFA) and meets not only the highest but also all of the TDHCA's preservation funding priorities identified in the NOFA.

10. Under the **current debt structure** a conventional loan at a higher interest rate is not operationally feasible if the project is to remain restricted to low-income residents.

The loan application was submitted to the TDHCA December 9, 2002 and HCS's contract to purchase expires May 20, 2003. **A low-interest preservation loan will preserve the Country Club Village Apartments as low-income housing for the economic life of the property. Your careful reconsideration of this proposal is deeply appreciated.**

Yours truly,

Ronald C. Anderson
Executive Director

LAW OFFICES
KLEIN & BARENBLAT

AL J. KLEIN (1908-1991)
KEITH E. KLEIN
IRVING BARENBLAT

504 MILAM BUILDING
SAN ANTONIO, TEXAS 78205-1677

MORRIS STEEVENS
PROPERTY TAX CONSULTANT

(210)227-8391
FAX (210) 227-
2222

March 28, 2003

Edwina Carrington, Executive Director
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78711-3941

Re: Country Club Village Apartments
FHA #1 15-38013-PM-WAH-L8
3500 Magic Drive, San Antonio (Bexar County), Texas 78229

To whom it may concern:

Housing and Community Services (HCS), a 501 c (3) low-income housing provider has retained Klein & Barenblat for the past ten years to represent them with various taxing entities (Appraisal Districts) in all matters dealing with property taxes, among

I am writing to confirm that during the time this firm has been retained by HCS, the organization has acquired four (4) properties (409 units total) in San Antonio from various for profit owners. HCS has subsequently converted each to non-profit low-income housing corporations and our firm has been successful in obtaining property tax exemptions from the Bexar Appraisal District for each corporation.

The properties for which exemptions have been obtained are as follows:

Oak Manor Apartments
2330 Austin Highway
San Antonio, Texas 78218

Oak Village Apartments
2334 Austin Highway
San Antonio, Texas 78218

West Avenue Apartments
3747 West Avenue
San Antonio, Texas 78213

Sutton Square Duplexes
919 Sutton
San Antonio, Texas 78228

Edwina Carrington, Executive Director
Texas Department of Housing &
Community Affairs

-2-

March 28, 2003

The property tax exemptions for these properties were granted by the Bexar Appraisal District without question, because the properties exist exclusively to provide housing for low income families. The exemptions were effective January 1st provided the non-profit owned the property as of that date. More recently, legislation affecting Community Housing Development Organizations allows the exemption to become effective as of the date of acquisition.

Once an exemption has been granted, the Bexar Appraisal District makes it a practice to review certain applications annually to insure continued compliance with the exempt basis. The exemptions for the properties noted above were reviewed in 2000 and the exemptions confirmed. Generally speaking, once it has been established that the sole purpose of a property is to provide housing for low-income families, an extension is readily granted.

We are aware that HCS has executed a Purchase Agreement to acquire Country Club Village Apartments also located within the Bexar Appraisal District. **This acquisition is no different from any of the preceding acquisitions and there is no reason why the Bexar Appraisal District will not grant property tax exemption to this property effective retroactively to the date of acquisition.**

In addition to these properties located in Bexar County, HCS has acquired and obtained property tax exemptions for an additional nine (9) properties located in various Appraisal Districts around the State of Texas.

Please contact me should you require any further information or explanation.

Yours truly,

STEVE MIKULAS,
Property Tax Consultant

SM:ads

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

**PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING FEBRUARY 28, 2003**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Internal Management Report (Sec. 2256.023)
Quarter Ending February 28, 2003

(b) (4) Summary statement of each pooled fund group:

INDENTURE	FAIR VALUE (MARKET) @ 11/30/02	CARRYING VALUE @ 11/30/02	CHANGE IN CARRYING VALUE				CARRYING VALUE @ 02/28/03	FAIR VALUE (MARKET) @ 02/28/03	CHANGE IN FAIR VALUE (MARKET)	ACCRUED INT REC'BL @ 02/28/03	RECOGNIZED GAIN
			ACCRETION/ PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS					
Single Family	436,923,889.88	426,904,440.03	46,241,550.72	(15,604,872.43)	(20,999,948.37)	0.00	436,541,169.95	449,909,222.26	3,348,602.46	1,709,925.00	0.00
RMRB	491,889,174.81	480,014,100.43	131,761,513.67	(29,599,621.61)	(12,916,976.27)	0.00	569,259,016.22	586,172,183.92	5,038,093.32	3,297,496.00	0.00
CHMRB	61,883,252.53	59,446,957.03	3,587,307.23	(4,271,768.13)	(5,501,674.25)	0.00	53,260,821.88	56,660,548.96	963,431.58	284,218.00	0.00
Multi Family	113,827,911.42	113,827,911.42	25,016,137.59	(39,560,377.38)	0.00	0.00	99,283,671.63	99,283,671.63	-	50.00	0.00
SF CHMRB 1993	26,940,798.61	25,616,086.42	1,351,582.42	0.00	(3,466,776.66)	0.00	23,500,892.18	24,974,583.89	148,979.52	120,566.00	0.00
SF CHMRB 1994/1995	49,952,308.60	47,323,635.35	781,317.91	(72,275.94)	(5,866,257.68)	0.00	42,166,419.64	44,974,942.73	179,849.84	231,886.00	0.00
Commercial Paper	12,184,321.50	12,184,321.50	23,127,694.28	0.00	0.00	0.00	35,312,015.78	35,312,015.78	-	21,435.00	0.00
General Fund	10,304,092.48	10,304,092.48	53,286.24	(319,821.18)	0.00	0.00	10,037,557.54	10,037,557.54	-	379.00	0.00
Housing Trust Fund	8,102,665.11	8,102,665.11	2,252,348.40	(2,231,965.63)	0.00	0.00	8,123,047.88	8,123,047.88	-	307.00	0.00
Administration	132,014.83	132,014.83	406.36	0.00	0.00	0.00	132,421.19	132,421.19	-	5.00	0.00
Compliance	1,523,195.37	1,523,195.37	111,513.81	(9,381.40)	0.00	0.00	1,625,327.78	1,625,327.78	-	61.00	0.00
Housing Initiatives	3,494,173.85	3,494,173.85	1,667.64	(1,819,317.78)	0.00	0.00	1,676,523.71	1,676,523.71	-	64.00	0.00
TOTAL	1,217,157,798.99	1,188,873,593.82	234,286,326.27	(93,489,401.48)	(48,751,633.23)	0.00	1,280,918,885.38	1,318,882,047.27	9,678,956.72	5,666,392.00	0.00

* No relationship can be drawn between the "ACCRUED INT REC'BL @ 02/28/03" figures and the corresponding investment values,

In addition to the aforementioned factors with regards to the Multi Family Indenture, the Department is carrying \$97,028,151 of investments pledged as reserves by participating entities. The Department is carrying these investments with their corresponding liability purely for tracking the flow of funds.

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

_____	Date _____
Bill Dally, Chief of Agency Administration	
_____	Date _____
Byron Johnson, Director of Bond Finance	

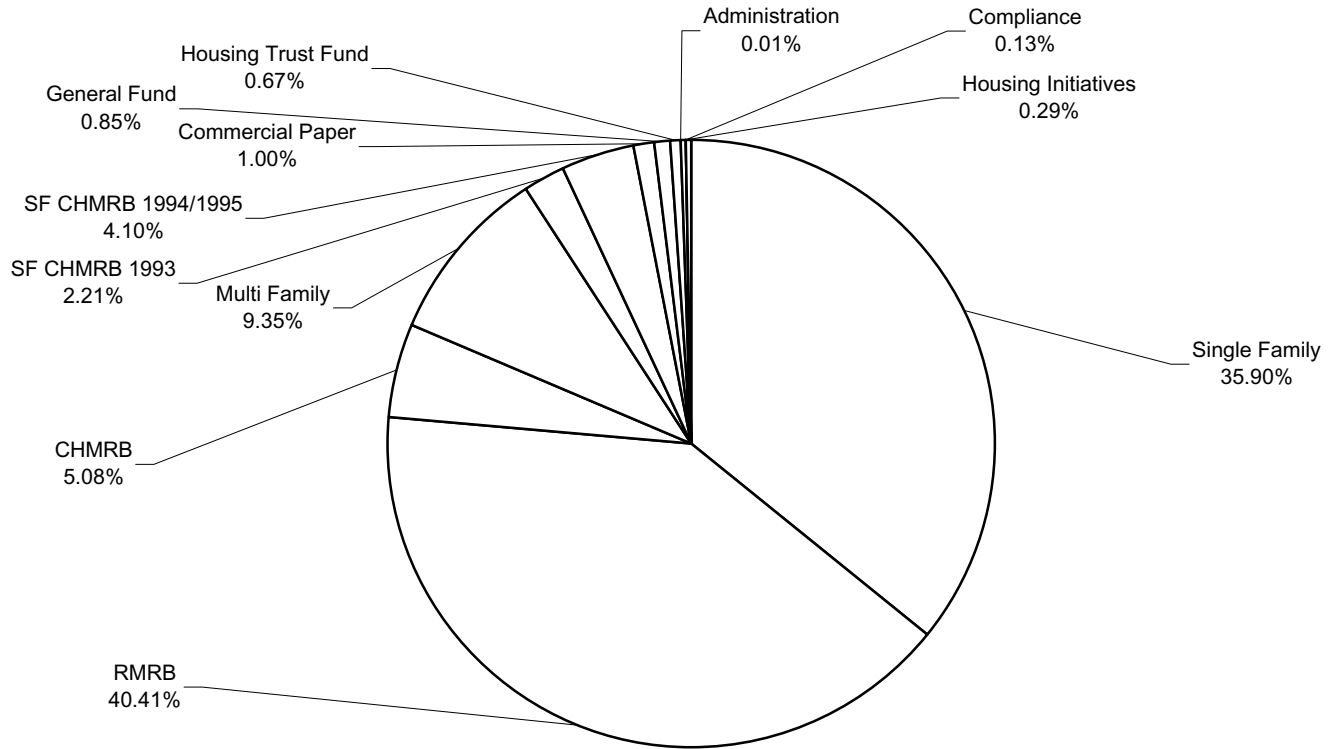
**PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING FEBRUARY 28, 2003**

Supplemental Information:

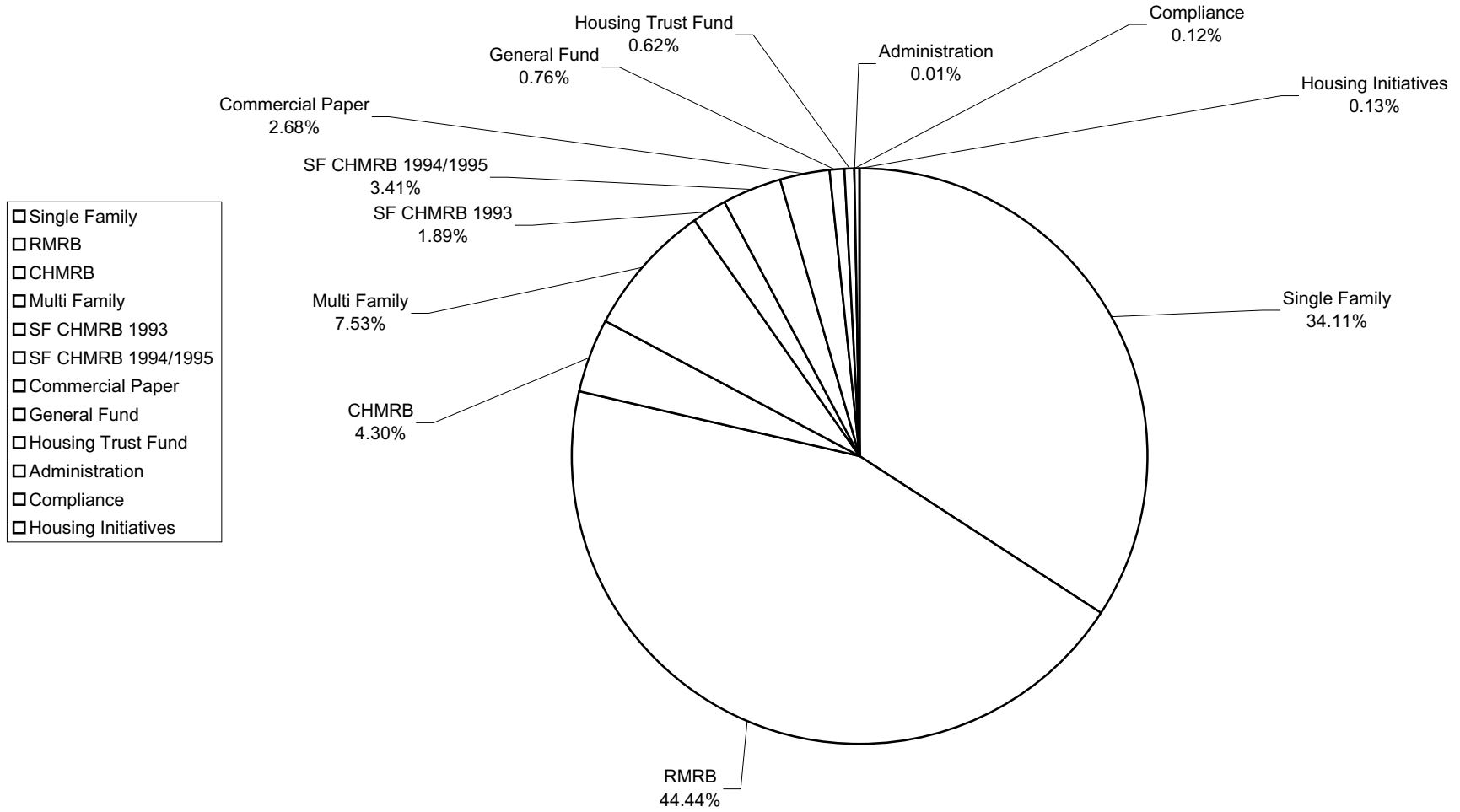
- 1) Pie Chart for Quarter Ending 02/28/03-Beginning Market Valuation by Fund Group
- 2) Pie Chart for Quarter Ending 02/28/03-Ending Market Valuation by Fund Group
- 3) Supplemental Public Funds Investment Act Report by Investment Type
- 4) Analysis of Portfolio Interest Rate Trends and Maturities
- 5) Pie Chart for Quarter Ending 02/28/03-Beginning Market Valuation by Investment Type
- 6) Pie Chart for Quarter Ending 02/28/03-Ending Market Valuation by Investment Type
- 7) Detail of Investments including maturity dates by Fund Group

Quarter Ending 02/28/03
Beginning Market Valuation

- Single Family
- RMRB
- CHMRB
- Multi Family
- SF CHMRB 1993
- SF CHMRB 1994/1995
- Commercial Paper
- General Fund
- Housing Trust Fund
- Administration
- Compliance
- Housing Initiatives



Quarter Ending 02/28/03
Ending Market Valuation



TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Supplemental Schedule
Quarter Ending February 28, 2003

(b) (4) Summary statement of each pooled investment group:

INVESTMENT TYPE	FAIR VALUE (MARKET) @11/30/02	CARRYING VALUE @ 11/30/02	CHANGE IN CARRYING VALUE				CARRYING VALUE @ 11/30/02	FAIR VALUE (MARKET) @11/30/02	CHANGE IN FAIR VALUE (MARKET)	RECOGNIZED GAIN
			ACCRETION/ PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS				
Mortgage-Backed Securities	812,222,495.22	785,813,442.15	15,715,951.13	0.00	(48,751,633.23)	0.00	752,777,760.05	788,815,661.06	9,628,847.94	0.00
GNMA IIs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00
Guaranteed Inv Contracts	201,029,116.68	201,029,116.68	177,883,722.95	(45,945,105.31)	0.00	0.00	332,967,734.32	332,967,734.32	-	0.00
Investment Agreements	126,544,012.99	126,544,012.99	16,413,675.85	(25,534,106.53)	0.00	0.00	117,423,582.31	117,423,582.31	-	0.00
Money Markets	379,462.87	379,462.87	9,119.93	0.00	0.00	0.00	388,582.80	388,582.80	-	0.00
Treasury-Backed Mutual Funds	20,672,506.83	20,672,506.83	11,664,962.00	(13,848,319.22)	0.00	0.00	18,489,149.61	18,489,149.61	-	0.00
Repurchase Agreements	48,364,517.61	48,364,517.64	12,562,975.12	(7,573,072.92)	0.00	0.00	53,354,419.84	53,354,419.81	-	0.00
Treasury Bills	424,961.66	424,961.66	1,994.83	(350,000.00)	0.00	0.00	76,956.49	76,956.49	-	0.00
Treasury Bonds/Notes	7,520,725.13	5,645,573.03	33,924.46	(238,797.50)	0.00	0.00	5,440,699.99	7,365,960.87	50,108.78	0.00
TOTAL	1,217,157,798.99	1,188,873,593.85	234,286,326.27	(93,489,401.48)	(48,751,633.23)	0.00	1,280,918,885.41	1,318,882,047.27	9,678,956.72	0.00

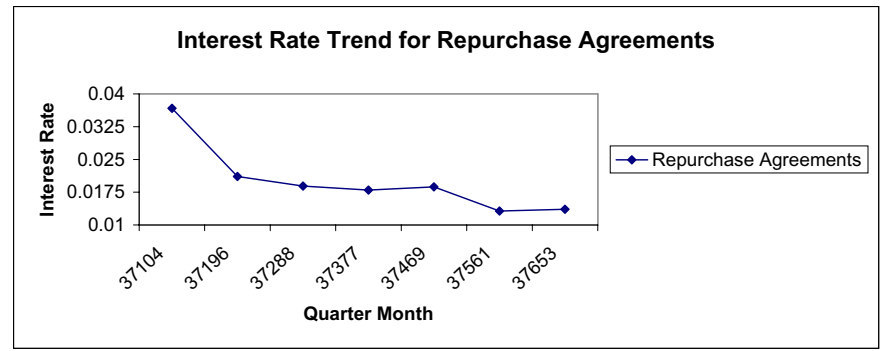
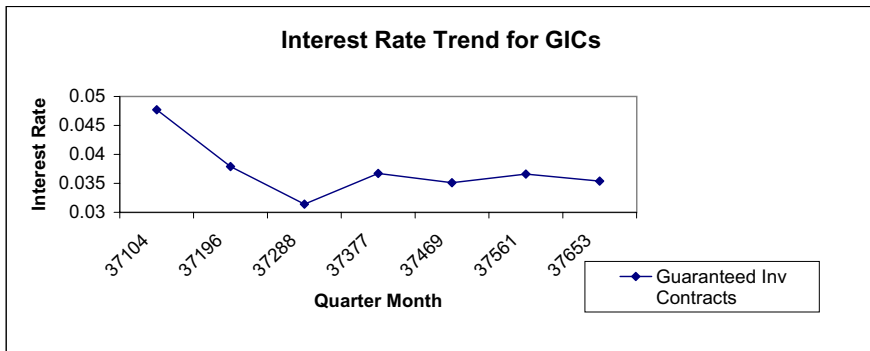
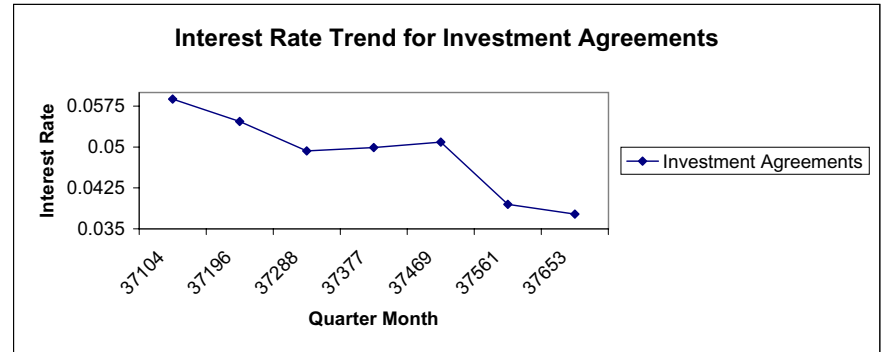
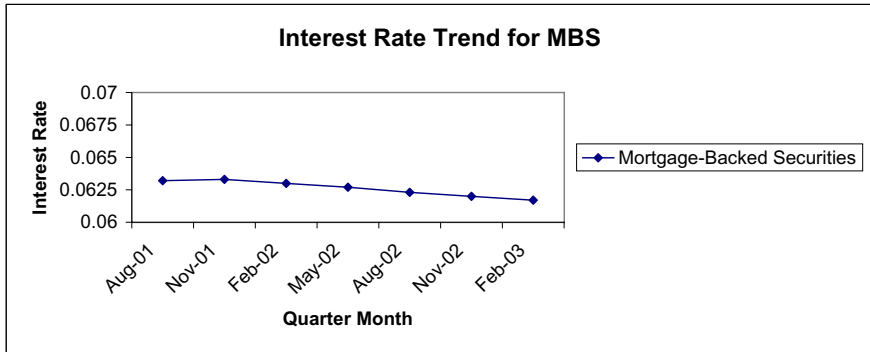
(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Bill Dally, Chief of Agency Administration

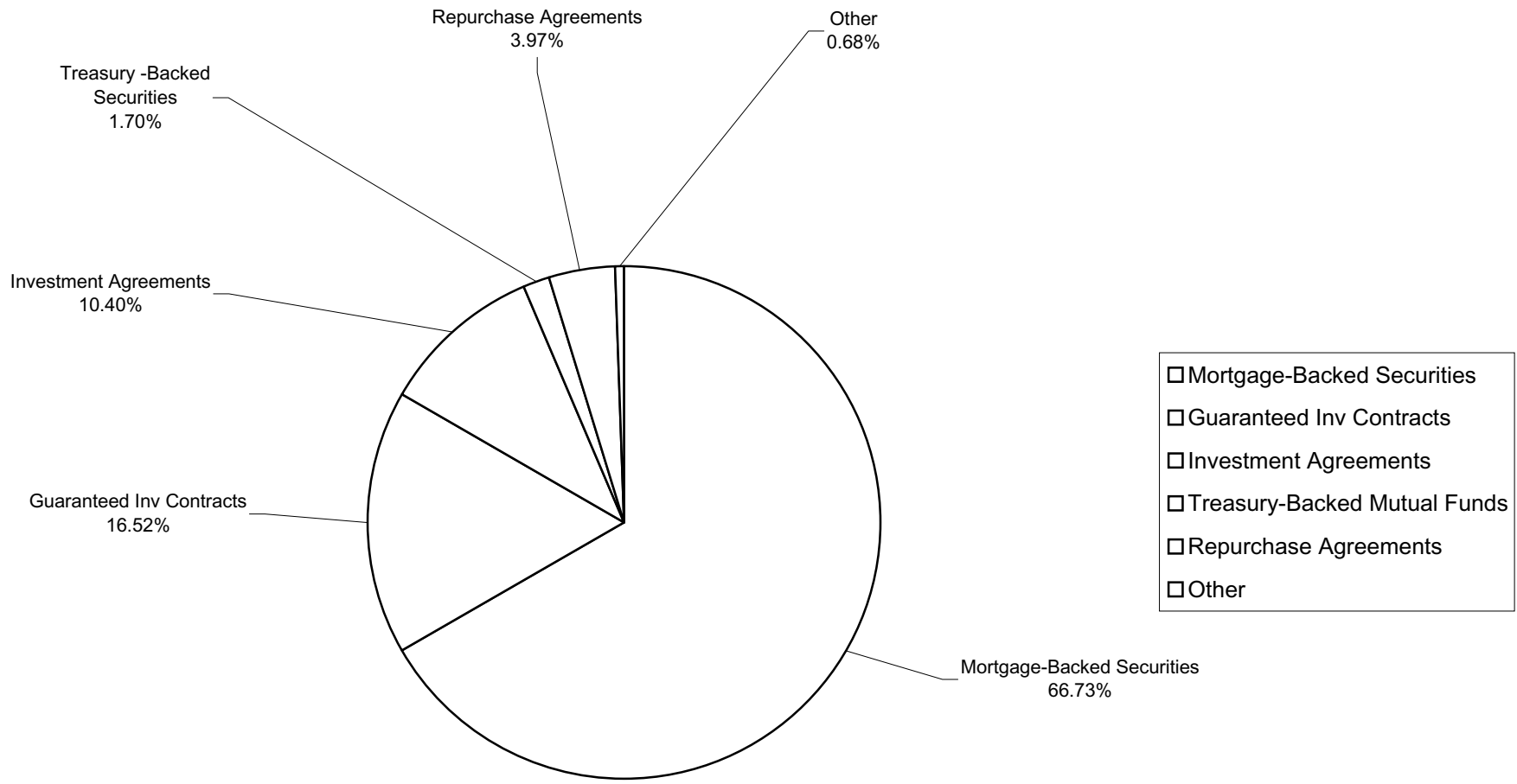
Byron Johnson, Director of Bond Finance

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Supplemental Schedule of Portfolio Interest Rate Trends and Maturities
Quarter Ending February 28, 2003

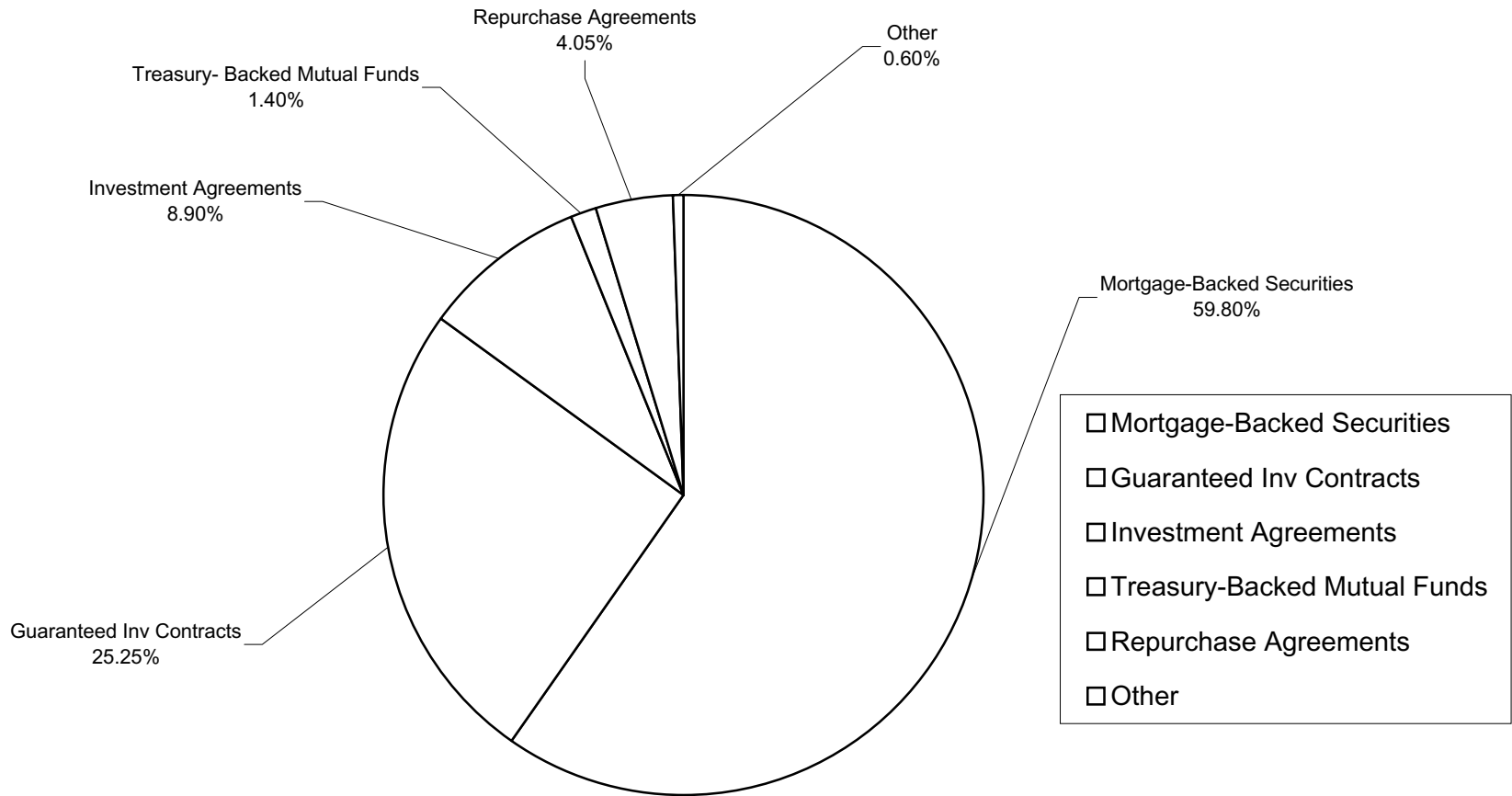
INVESTMENT TYPE	Range of Interest for Current Quarter		Portfolio % Composition	Weighted Avg Rate Beg Carrying Value @ 11/30/02	Weighted Avg Rate Beg Market Value @ 11/30/02	Weighted Avg Rate End Carrying Value @ 02/28/03	Weighted Avg Rate End Market Value @ 02/28/03	Weighted Avg Maturity Beg Carrying Value @ 11/30/02		Weighted Avg Maturity Beg Market Value @ 11/30/02		Weighted Avg Maturity End Carrying Value @ 02/28/03		Weighted Avg Maturity End Market Value @ 02/28/03	
	HI	LOW						Months	Days	Months	Days	Months	Days	Months	Days
Mortgage-Backed Securities	8.75%	4.95%	59.80%	6.18%	6.20%	6.15%	6.17%	309	12	308	19	308	24	308	4
Guaranteed Inv Contracts	6.42%	1.63%	25.25%	3.66%	3.66%	3.54%	3.54%	299	9	299	9	268	4	268	4
Investment Agreements	7.23%	1.31%	8.90%	3.95%	3.95%	3.77%	3.77%	65	17	65	17	63	6	63	6
Money Markets	0.83%	0.83%	0.03%	1.25%	1.25%	0.83%	0.83%	1	0	1	0	1	0	1	0
Treasury-Backed Mutual Funds	1.10%	0.77%	1.40%	1.04%	1.04%	0.77%	0.77%	1	0	1	0	1	0	1	0
Repurchase Agreements	1.36%	1.36%	4.05%	1.32%	1.32%	1.36%	1.36%	0	2	0	2	0	3	0	3
Treasury Bills	5.81%	5.81%	0.01%	6.07%	6.07%	5.81%	5.81%		27		27	0	1		1
Treasury Bonds/Notes	13.88%	4.87%	0.56%	12.34%	12.68%	12.57%	12.87%	92	7	97	23	92	29	97	14



**Quarter Ending 02/28/03
Beginning Market Valuation**



**Quarter Ending 02/28/03
Ending Market Valuation**



Detail of Investments including maturity dates by Fund Group

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
FNMA	1998 A/B RMRB	5.35	02/23/00	01/01/30	792,191.00	791,826.59			(4,579.15)		787,611.85	805,010.20	17,762.76	0.00
FNMA	1998 A/B RMRB	5.35	03/27/00	02/01/30	346,659.44	346,219.18			(2,187.20)		344,472.24	351,513.25	7,481.27	0.00
FNMA	1998 A/B RMRB	5.35	04/21/00	04/01/30	477,631.24	477,024.65			(1,804.65)		475,826.59	485,552.49	10,332.49	0.00
GNMA	1998 A/B RMRB	5.35	04/24/00	04/20/30	3,907,496.54	3,935,356.99			(75,327.07)		3,832,169.47	3,941,079.73	81,049.81	0.00
GNMA	1998 A/B RMRB	5.35	05/30/00	05/20/30	3,270,931.94	3,294,253.68			(15,917.23)		3,255,014.71	3,347,522.23	69,185.78	0.00
GNMA	1998 A/B RMRB	5.35	06/21/00	06/20/30	2,494,301.39	2,512,085.76			(51,171.06)		2,443,130.33	2,512,564.09	51,649.39	0.00
FNMA	1998 A/B RMRB	5.35	05/30/00	05/01/30	688,504.59	687,630.19			(3,870.11)		684,634.48	698,628.41	14,868.33	0.00
FNMA	1998 A/B RMRB	5.35	06/21/00	06/01/30	373,306.73	372,832.63			(54,863.31)		318,443.42	324,952.40	6,983.08	0.00
GNMA	1998 A/B RMRB	5.35	10/23/00	09/20/30	3,973,164.57	4,001,493.23			(15,670.66)		3,957,493.91	4,069,965.89	84,143.32	0.00
GNMA	1998 A/B RMRB	5.35	10/25/00	10/20/30	694,977.97	699,933.16			(3,888.86)		691,089.11	710,729.86	14,685.56	0.00
FNMA	1998 A/B RMRB	5.35	07/24/00	06/01/30	444,583.05	444,018.43			(2,024.39)		442,558.66	451,604.56	9,610.52	0.00
FNMA	1998 A/B RMRB	5.35	08/25/00	07/01/30	327,030.80	326,615.47			(4,324.84)		322,705.96	329,302.07	7,011.44	0.00
GNMA	1998 A/B RMRB	5.35	01/08/01	12/20/30	571,241.12	575,314.07			(2,209.98)		569,031.14	585,203.00	12,098.91	0.00
GNMA	1998 A/B RMRB	5.35	01/16/01	12/20/30	451,748.85	454,969.82			(2,041.77)		449,707.08	462,487.76	9,559.71	0.00
GNMA	1998 A/B RMRB	5.35	01/31/01	08/20/30	168,991.80	170,196.71			(1,160.24)		167,831.56	172,601.33	3,564.86	0.00
GNMA	1998 A/B RMRB	5.35	11/16/00	11/20/30	631,636.93	636,140.50			(2,880.89)		628,756.04	646,625.29	13,365.68	0.00
GNMA	1998 A/B RMRB	5.35	11/29/00	11/20/30	1,024,193.72	1,031,496.22			(3,990.17)		1,020,203.55	1,049,197.73	21,691.68	0.00
GNMA	1998 A/B RMRB	5.35	12/21/00	11/20/30	328,718.00	331,061.76			(2,526.09)		326,191.91	335,462.28	6,926.61	0.00
GNMA	1998 A/B RMRB	5.35	12/27/00	12/20/30	317,141.09	319,402.31			(1,153.02)		315,988.07	324,968.45	6,719.16	0.00
FNMA	1998 A/B RMRB	5.35	10/06/00	09/01/30	541,969.99	541,281.69			(3,319.77)		538,650.22	549,660.23	11,698.31	0.00
FNMA	1998 A/B RMRB	5.35	01/12/01	12/01/30	756,818.60	755,857.44			(3,244.38)		753,574.22	768,977.28	16,364.22	0.00
Repo Agmnt	1998 A/B RMRB	1.36	02/28/03	03/03/03	953,754.49	953,754.49	18,119.32				971,873.81	971,873.81	-	0.00
Repo Agmnt	1998 A/B RMRB	1.36	02/28/03	03/03/03	11,420.13	11,420.13	61,748.38				73,168.51	73,168.51	-	0.00
					112,237,668.93	113,021,704.66	1,322,890.31	(6,077,408.75)	(1,297,155.47)	0.00	106,185,995.02	109,108,307.93	2,138,277.18	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	Change in Value	Recognized Gain
GNMA	2001 A-E RMRB	4.95	10/29/02	11/20/32	335,738.48	332,675.37			(1,292.54)		334,445.94	338,596.75	7,213.92	0.00
GNMA	2001 A-E RMRB	5.45	11/05/02	10/20/32	455,297.15	463,959.40			(2,249.21)		453,047.94	470,591.79	8,881.60	0.00
GNMA	2001 A-E RMRB	4.95	11/05/02	10/20/32	275,142.94	272,628.38			(929.95)		274,212.99	277,619.32	5,920.89	0.00
GNMA	2001 A-E RMRB	5.45	11/19/02	11/20/32	231,917.54	236,329.89			(728.97)		231,188.57	240,139.68	4,538.76	0.00
GNMA	2001 A-E RMRB	4.95	11/19/02	11/20/32	78,375.32	77,659.04			(262.87)		78,112.45	79,082.76	1,686.59	0.00
GNMA	2001 A-E RMRB	5.45	11/26/02	11/20/32	670,609.18	683,367.86			(2,734.16)		667,875.02	693,740.43	13,106.73	0.00
GNMA	2001 A-E RMRB	4.95	11/26/02	11/20/32	84,715.89	83,941.66			(284.23)		84,431.66	85,480.47	1,823.04	0.00
GNMA	2001 A-E RMRB	5.45	11/26/02	11/20/32	410,282.36	418,088.19			(1,521.82)		408,760.54	424,586.82	8,020.45	0.00
GNMA	2001 A-E RMRB	4.95	12/12/02	11/20/32			202,840.83		(617.79)		202,223.04	204,732.83	2,509.79	0.00
GNMA	2001 A-E RMRB	5.45	12/12/02	11/20/32			549,917.51		(1,274.20)		548,643.31	569,879.87	21,236.56	0.00
GNMA	2001 A-E RMRB	5.45	12/19/02	12/20/32			527,323.97		(1,788.03)		525,535.94	545,878.07	20,342.13	0.00
GNMA	2001 A-E RMRB	4.95	12/19/02	11/20/32			69,671.02		(155.02)		69,516.00	70,378.76	862.76	0.00
GNMA	2001 A-E RMRB	5.45	12/30/02	12/20/32			465,675.96		(976.80)		464,699.16	482,686.45	17,987.29	0.00
GNMA	2001 A-E RMRB	5.45	12/30/02	12/20/32			109,024.54		(220.19)		108,804.35	113,015.89	4,211.54	0.00
GNMA	2001 A-E RMRB	4.95	12/30/02	12/20/32			137,397.19		(403.94)		136,993.25	138,693.47	1,700.22	0.00
GNMA	2001 A-E RMRB	5.45	01/09/03	12/20/32			119,278.58		(119.78)		119,158.80	123,771.13	4,612.33	0.00
GNMA	2001 A-E RMRB	5.45	01/23/03	01/20/33			483,092.47		(866.43)		482,226.04	500,882.02	18,655.98	0.00
GNMA	2001 A-E RMRB	4.95	01/23/03	01/20/33			404,807.27		(516.34)		404,290.93	409,280.01	4,989.08	0.00
GNMA	2001 A-E RMRB	5.45	01/23/03	01/20/33			197,048.86		(201.70)		196,847.16	204,462.62	7,615.46	0.00
GNMA	2001 A-E RMRB	4.95	01/23/03	01/20/33			61,890.63		(126.35)		61,764.28	62,526.47	762.19	0.00
GNMA	2001 A-E RMRB	5.45	01/30/03	12/20/32			306,137.77		(409.42)		305,728.35	317,562.30	11,833.95	0.00
GNMA	2001 A-E RMRB	4.95	01/30/03	01/20/33			81,413.40		(89.95)		81,323.45	82,327.01	1,003.56	0.00
GNMA	2001 A-E RMRB	5.45	02/12/03	01/20/33			332,776.48				332,776.48	345,650.67	12,874.19	0.00
GNMA	2001 A-E RMRB	4.95	02/12/03	02/20/33			254,856.68				254,856.68	258,001.69	3,145.01	0.00
GNMA	2001 A-E RMRB	5.45	02/20/03	02/20/33			191,653.98				191,653.98	199,068.53	7,414.55	0.00
GNMA	2001 A-E RMRB	5.45	02/27/03	02/20/33			97,582.21				97,582.21	97,582.21	-	0.00
GNMA	2001 A-E RMRB	4.95	02/27/03	02/20/33			150,300.15				150,300.15	150,300.15	-	0.00
FNMA	2001 A-E RMRB	5.45	04/17/02	03/01/32	309,983.63	311,958.39			(1,015.42)		308,968.21	317,637.77	6,694.80	0.00
FNMA	2001 A-E RMRB	4.95	05/15/02	04/01/32	241,918.29	235,968.98			(1,334.28)		240,584.01	241,871.99	7,237.29	0.00
FNMA	2001 A-E RMRB	4.95	06/10/02	06/01/32	249,088.05	242,966.69			(2,110.43)		246,977.62	248,301.87	7,445.61	0.00
FNMA	2001 A-E RMRB	4.95	07/22/02	06/01/32	266,323.43	259,772.14			(1,273.01)		265,050.42	266,467.43	7,968.30	0.00
FNMA	2001 A-E RMRB	5.45	09/19/02	08/01/32	255,155.41	256,774.41			(998.39)		254,157.02	261,279.28	5,503.26	0.00
FNMA	2001 A-E RMRB	4.95	09/26/02	09/01/32	299,861.58	292,478.94			(1,605.38)		298,256.20	299,844.50	8,970.94	0.00
FNMA	2001 A-E RMRB	5.45	01/23/03	11/01/32			327,777.63		(342.11)		327,435.52	336,611.28	9,175.76	0.00
Repo Agmnt	2001 A-E RMRB	1.36	02/28/03	03/03/03	4.36	4.36	0.00				4.36	4.36	-	0.00
GICs	2001 A-E RMRB				1,354.00	1,354.00			(1,354.00)				-	0.00
GICs	2001 A-E RMRB	2.54	10/30/01	04/29/03	16,663,515.00	16,663,515.00			(9,193,374.00)		7,470,141.00	7,470,141.00	-	0.00
GICs	2001 A-E RMRB	2.54	10/30/01	04/29/03			3,950,000.00				3,950,000.00	3,950,000.00	-	0.00
GICs	2001 A-E RMRB	2.54	10/30/01	04/29/03			126,000.00				126,000.00	126,000.00	-	0.00
Repo Agmnt	2001 A-E RMRB	1.36	02/28/03	03/03/03	35,117.42	35,117.42	104,785.02				139,902.44	139,902.44	-	0.00
					100,584,286.79	103,164,667.45	9,435,505.42	(12,015,928.79)	(2,584,741.00)	0.00	95,419,122.42	99,007,431.74	1,007,928.66	0.00
GICs	2002 RMRB	1.63	12/18/02	08/01/04			806,400.00				806,400.00	806,400.00	-	0.00
GICs	2002 RMRB	4.20	12/18/02	04/01/34			103,664.70				103,664.70	103,664.70	-	0.00
GICs	2002 RMRB	4.20	12/18/02	04/01/34			74,655,000.00				74,655,000.00	74,655,000.00	-	0.00
GICs	2002 RMRB	4.20	12/18/02	04/01/34			2,150,000.00				2,150,000.00	2,150,000.00	-	0.00
GICs	2002 RMRB	1.63	12/18/02	08/01/04			40,000,000.00				40,000,000.00	40,000,000.00	-	0.00
Repo Agmnt	2002 RMRB	1.36	02/28/03	03/03/03			48,909.79				48,909.79	48,909.79	-	0.00
Repo Agmnt	2002 RMRB	1.36	02/28/03	03/03/03			18,700.48				18,700.48	18,700.48	-	0.00
					0.00	0.00	117,782,674.97	0.00	0.00	0.00	117,782,674.97	117,782,674.97	0.00	0.00
Repo Agmnt	1999 B-D RMRB	1.36	02/28/03	03/03/03	19,792.52	19,792.52			(15,026.15)		4,766.37	4,766.37	-	0.00
Repo Agmnt	1999 B-D RMRB	1.36	02/28/03	03/03/03	250.52	250.52	45,253.69				45,504.21	45,504.21	-	0.00
GICs	1999 B-D RMRB	6.40	12/02/99	07/01/32	7,828,089.79	7,828,089.79			(2,912,405.57)		4,915,684.22	4,915,684.22	-	0.00
Repo Agmnt	1999 B-D RMRB	1.36	02/28/03	03/03/03	0.03	0.03	3.22				3.25	3.25	-	0.00
GICs	1999 B-D RMRB	6.40	12/02/99	07/01/32	589,718.81	589,718.81			(513,961.63)		75,757.18	75,757.18	-	0.00
GNMA	1999 B-D RMRB	8.18	04/01/91	01/20/21	231,152.58	253,000.40			(2,253.51)		228,899.07	250,417.90	(328.99)	0.00
GNMA	1999 B-D RMRB	8.18	08/01/90	06/20/20	550,058.20	602,515.26			(27,259.51)		522,798.69	572,509.22	(2,746.53)	0.00
GNMA	1999 B-D RMRB	7.18	08/01/90	06/20/20	171,755.32	183,616.93			(2,038.22)		169,717.10	182,105.62	526.91	0.00
GNMA	1999 B-D RMRB	8.18	09/04/90	07/20/20	1,705,668.26	1,868,322.02			(202,375.33)		1,503,292.93	1,646,234.18	(19,712.51)	0.00
GNMA	1999 B-D RMRB	8.18	07/02/90	05/20/20	315,967.25	346,101.19			(35,573.47)		280,393.78	307,055.13	(3,472.59)	0.00
GNMA	1999 B-D RMRB	8.18	11/01/90	09/20/20	626,352.25	686,082.91			(80,958.59)		545,393.66	597,252.75	(7,871.57)	0.00

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
GNMA	1999 A RMRB	7.50	10/31/90	07/20/19	236,380.14	253,895.12			(97,114.02)		139,266.12	150,118.53	(6,662.57)	0.00
GNMA	1999 A RMRB	7.50	12/21/90	08/20/19	129,945.68	139,571.35			(1,122.51)		128,823.17	138,860.54	411.70	0.00
GNMA	1999 A RMRB	8.75	12/21/90	08/20/19	106,706.56	117,947.86			(783.96)		105,922.60	118,065.63	901.73	0.00
GNMA	1999 A RMRB	7.50	03/28/91	11/20/19	46,894.19	50,368.85			(341.48)		46,552.71	50,181.16	153.79	0.00
GNMA	1999 A RMRB	8.75	04/26/91	01/20/20	305,219.44	337,311.66			(42,814.38)		262,405.06	292,446.30	(2,050.98)	0.00
GNMA	1999 A RMRB	8.75	04/29/91	02/20/20	209,386.33	231,686.87			(1,070.81)		208,315.52	232,165.11	1,549.05	0.00
GNMA	1999 A RMRB	7.50	04/29/91	12/20/19	238,483.64	256,150.61			(1,762.65)		236,720.99	255,167.91	779.95	0.00
GNMA	1999 A RMRB	5.35	01/31/01	08/20/30	62,767.90	63,215.44			(430.95)		62,336.95	64,108.57	1,324.08	0.00
GNMA	1999 A RMRB	5.35	01/31/01	01/20/31	471,000.72	474,005.70			(2,700.58)		468,300.14	480,480.63	9,175.51	0.00
GNMA	1999 A RMRB	5.35	03/15/01	01/20/31	127,353.77	128,166.29			(477.34)		126,876.43	130,176.49	2,487.54	0.00
GNMA	1999 A RMRB	5.35	05/10/01	04/20/31	249,013.62	250,602.33			(898.61)		248,115.01	254,568.48	4,864.76	0.00
GNMA	1999 A RMRB	5.35	06/22/01	05/20/31	58,141.78	58,512.72			(204.24)		57,937.54	59,444.50	1,136.02	0.00
GNMA	1999 A RMRB	5.35	06/29/01	05/20/31	154,972.19	155,960.91			(593.13)		154,379.06	158,394.46	3,026.68	0.00
FNMA	1999 A RMRB	5.35	03/15/01	10/01/30	272,663.64	272,317.36			(6,154.28)		266,509.36	271,956.81	5,793.73	0.00
FNMA	1999 A RMRB	5.35	06/18/01	03/01/31	76,772.32	76,627.22			(587.46)		76,184.86	77,703.99	1,664.23	0.00
GNMA	1999 A RMRB	5.35	03/18/02	02/20/32	42,179.91	42,444.80			(137.69)		42,042.22	43,134.48	827.37	0.00
Repo Agmnt	1999 A RMRB	1.36	02/28/03	03/03/03	3,005.35	3,005.35	0.00				3,005.35	3,005.35	-	0.00
Repo Agmnt	1999 A RMRB	1.36	02/28/03	03/03/03	401,199.23	401,199.23	0.00				401,199.23	401,199.23	-	0.00
					12,935,404.86	13,849,468.75	0.00	0.00	(771,816.11)	0.00	12,163,588.75	13,099,085.70	21,433.06	0.00
Total Residential Mortgage Revenue Bonds Investment Summary					480,014,100.43	491,889,174.81	131,761,513.67	(29,599,621.61)	(12,916,976.27)	0.00	569,259,016.22	586,172,183.92	5,038,093.32	0.00

Texas Department of Housing and Community Affairs
Collateralized Home Mortgage Revenue Bonds Investment Summary
For Period Ending February 28, 2003

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
Repo Agmnt	1990 A&B CHMRB	1.36	02/28/03	03/03/03	45,074.33	45,074.33	147.11				45,221.44	45,221.44	-	0.00
Repo Agmnt	1990 A&B CHMRB	1.36	02/28/03	03/03/03	72,880.63	72,880.63	237.87				73,118.50	73,118.50	-	0.00
Mutual Fund	1990 A&B CHMRB	0.81	02/01/03	03/01/03	202,549.90	202,549.90	320.53				202,870.43	202,870.43	-	0.00
					320,504.86	320,504.86	705.51	0.00	0.00	0.00	321,210.37	321,210.37	0.00	0.00
Repo Agmnt	1991 A CHMRB	1.36	02/28/03	03/03/03	95,112.72	95,112.72	310.37				95,423.09	95,423.09	-	0.00
Repo Agmnt	1991 A CHMRB	1.36	02/28/03	03/03/03	6,340.53	6,340.53	20.68				6,361.21	6,361.21	-	0.00
					101,453.25	101,453.25	331.05	0.00	0.00	0.00	101,784.30	101,784.30	0.00	0.00
Repo Agmnt	1992 A-C CHMRB	1.36	02/28/03	03/03/03	266.05	266.05	3,586,198.51				3,586,464.56	3,586,464.56	-	0.00
GICs	1992 A-C CHMRB	6.09	06/29/92	07/02/24	5,084,285.40	5,084,285.40		(3,195,808.53)			1,888,476.87	1,888,476.87	-	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	12/01/23	183,476.03	185,025.42			(631.48)		182,844.55	196,116.60	11,722.66	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/23	415,799.63	418,146.43			(57,335.63)		358,464.00	384,483.66	23,672.86	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	06/01/23	655,308.56	659,007.41			(41,408.39)		613,900.17	657,868.34	40,269.32	0.00
FNMA	1992 A-C CHMRB				53,679.89	53,983.83			(53,679.89)				(303.94)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	02/01/25	3,421,172.26	3,421,616.56			(353,905.08)		3,067,267.18	3,284,912.34	217,200.86	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	03/01/25	2,620,145.95	2,620,547.59			(82,658.97)		2,537,486.98	2,717,540.34	179,651.72	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	03/01/25	966,694.83	966,709.45			(111,136.91)		855,557.92	916,266.08	60,693.54	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/25	1,813,100.32	1,812,596.39			(209,326.92)		1,603,773.40	1,717,572.95	114,303.48	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/25	2,796,296.61	2,796,553.91			(265,407.52)		2,530,889.09	2,706,249.39	175,103.00	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/96	12/20/22	1,205,547.05	1,283,637.04			(187,717.63)		1,017,829.42	1,093,639.08	(2,280.33)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	01/20/23	967,109.69	1,027,628.04			(102,384.79)		864,724.90	928,485.58	3,242.33	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	04/20/23	1,094,165.25	1,162,629.54			(7,809.89)		1,086,355.36	1,166,457.97	11,638.32	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	07/20/23	1,353,912.67	1,439,185.13			(108,889.56)		1,245,023.11	1,336,825.14	6,529.57	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	08/20/23	916,235.04	973,558.71			(76,705.50)		839,529.54	901,432.40	4,579.19	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	09/20/23	582,815.99	619,287.21			(132,347.27)		450,468.72	483,684.11	(3,255.83)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	09/20/23	333,625.06	354,530.25			(39,314.23)		294,310.83	316,011.88	795.86	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	12/20/23	1,224,996.06	1,301,596.85			(78,264.54)		1,146,641.52	1,231,189.37	7,857.06	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	05/20/23	80,553.44	85,604.01			(1,299.34)		79,254.10	85,105.21	800.54	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	04/20/25	2,208,325.44	2,342,112.67			(405,210.81)		1,803,114.63	1,932,611.47	(4,290.39)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	05/20/25	2,442,781.88	2,592,215.68			(200,635.00)		2,242,146.88	2,403,174.31	11,593.63	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	06/20/25	2,775,235.19	2,943,357.60			(420,995.16)		2,354,240.03	2,523,317.81	955.37	0.00
GICs	1992 A-C CHMRB	6.09	06/29/92	07/02/24	100,000.00	100,000.00	0.00				100,000.00	100,000.00	-	0.00

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	Gain
GICs	1992 A-C CHMRB				1,075,959.60	1,075,959.60		(1,075,959.60)					-	0.00
FNMA	1992 A-C CHMRB	6.91	04/28/95	06/01/23	292,032.82	293,683.08			(3,095.20)		288,937.62	309,910.56	19,322.68	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	03/20/23	3,066,451.98	3,258,328.95			(157,729.30)		2,908,722.68	3,123,197.87	22,598.22	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	01/20/25	6,950,133.67	7,373,348.70			(813,263.22)		6,136,870.45	6,577,610.76	17,525.28	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	02/20/25	5,399,864.88	5,727,000.81			(386,040.62)		5,013,824.26	5,373,909.15	32,948.96	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	03/20/25	8,923,004.11	9,466,778.54			(1,204,481.40)		7,718,522.71	8,272,854.76	10,557.62	0.00
Repo Agmnt	1992 A-C CHMRB	1.36	02/28/03	03/03/03	22,113.57	22,113.57	72.16				22,185.73	22,185.73	-	0.00
					59,024,998.92	61,461,294.42	3,586,270.67	(4,271,768.13)	(5,501,674.25)	0.00	52,837,827.21	56,237,554.29	963,431.58	0.00
Total CHMRB Investment Summary					59,446,957.03	61,883,252.53	3,587,307.23	(4,271,768.13)	(5,501,674.25)	0.00	53,260,821.88	56,660,548.96	963,431.58	0.00

**Texas Department of Housing and Community Affairs
Multi Family Investment Summary
For Period Ending February 28, 2003**

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	Gain
Money Market	1996 A&B MF (Brght/LColi)	0.83	02/01/03	03/01/03	154,921.98	154,921.98	371.28				155,293.26	155,293.26	-	0.00
Money Market	1996 A&B MF (Brght/LColi)	0.83	02/01/03	03/01/03	98,431.85	98,431.85	365.40				98,797.25	98,797.25	-	0.00
Mutual Fund	1996 A&B MF (Brght/LColi)	0.77	02/01/03	03/01/03	43,388.84	43,388.84		(43,378.38)			10.46	10.46	-	0.00
Mutual Fund	1996 A&B MF (Brght/LColi)	0.77	02/01/03	03/01/03	73,383.05	73,383.05		(73,367.45)			15.60	15.60	-	0.00
Money Market	1996 A&B MF (Brght/LColi)	0.83	02/01/03	03/01/03	54,041.31	54,041.31	0.00				54,041.31	54,041.31	-	0.00
Mutual Fund	1996 A&B MF (Brght/LColi)	0.77	02/01/03	03/01/03	20,809.04	20,809.04	9,993.55				30,802.59	30,802.59	-	0.00
Mutual Fund	1996 A&B MF (Brght/LColi)	0.77	02/01/03	03/01/03	13,425.63	13,425.63	6,335.20				19,760.83	19,760.83	-	0.00
					458,401.70	458,401.70	17,065.43	(116,745.83)	0.00	0.00	358,721.30	358,721.30	0.00	0.00
Mutual Fund	1998 M/F (Dall-Ox Rfdg)	0.77	02/01/03	03/01/03	36,500.42	36,500.42		(13,840.94)			22,659.48	22,659.48	-	0.00
Mutual Fund	1998 M/F (Dall-Ox Rfdg)	0.77	02/01/03	03/01/03	457.33	457.33	0.93				458.26	458.26	-	0.00
					36,957.75	36,957.75	0.93	(13,840.94)	0.00	0.00	23,117.74	23,117.74	0.00	0.00
Mutual Fund	1984 A & B M/F (Sum Bnd)	0.77	02/01/03	03/01/03	139.58	139.58		(83.91)			55.67	55.67	-	0.00
Money Market	1984 A & B M/F (Sum Bnd)	0.83	02/01/03	03/01/03	72,067.73	72,067.73	8,383.25				80,450.98	80,450.98	-	0.00
					72,207.31	72,207.31	8,383.25	(83.91)	0.00	0.00	80,506.65	80,506.65	0.00	0.00
Mutual Fund	1996 A&B MF (Braxton's)	0.77	02/01/03	03/01/03	181,487.68	181,487.68	375.24				181,862.92	181,862.92	-	0.00
Mutual Fund	1996 A&B MF (Braxton's)	0.77	02/01/03	03/01/03	72,520.17	72,520.17		(72,501.87)			18.30	18.30	-	0.00
Mutual Fund	1996 A&B MF (Braxton's)	1.10	02/01/03	03/01/03	0.23	0.23	9,144.98				9,145.21	9,145.21	-	0.00
Mutual Fund	1996 A&B MF (Braxton's)	0.77	02/01/03	03/01/03	25,454.72	25,454.72	10,081.60				35,536.32	35,536.32	-	0.00
					279,462.80	279,462.80	19,601.82	(72,501.87)	0.00	0.00	226,562.75	226,562.75	0.00	0.00
Treasury Note	1993 A&B M/F(RHill/HP)	4.87	02/01/03	03/01/03	687,618.73	687,618.73	33,638.46				721,257.19	721,257.19	-	0.00
Repo Agmnt	1993 A&B M/F(RHill/HP)	1.36	02/28/03	03/03/03	516.93	516.93	1.75				518.68	518.68	-	0.00
Treasury Bill	1993 A&B M/F(RHill/HP)	5.81	02/01/03	03/01/03	74,961.66	74,961.66	1,994.83				76,956.49	76,956.49	-	0.00
Repo Agmnt	1993 A&B M/F(RHill/HP)	1.36	02/28/03	03/03/03	22,296.85	22,296.85	72.79				22,369.64	22,369.64	-	0.00
					785,394.17	785,394.17	35,707.83	0.00	0.00	0.00	821,102.00	821,102.00	0.00	0.00
Repo Agmnt	1987 South Tx. Rntl Hsing	1.36	02/28/03	03/03/03	1,042,465.45	1,042,465.45		(70,932.86)			971,532.59	971,532.59	-	0.00
					1,042,465.45	1,042,465.45	0.00	(70,932.86)	0.00	0.00	971,532.59	971,532.59	0.00	0.00
Invst Agmnt	1993 NCHMP	3.05	12/29/93	12/31/23	509,430.34	509,430.34		(305,680.39)			203,749.95	203,749.95	-	0.00
Invst Agmnt	1993 NCHMP	5.38	12/29/93	12/31/23	1,000,000.00	1,000,000.00	0.00				1,000,000.00	1,000,000.00	-	0.00
					1,509,430.34	1,509,430.34	0.00	(305,680.39)	0.00	0.00	1,203,749.95	1,203,749.95	0.00	0.00
Mutual Fund	1996 A-D M/F(DFW)	0.77	02/01/03	03/01/03	1,880.18	1,880.18		(1,557.90)			322.28	322.28	-	0.00
Mutual Fund	1996 A-D M/F(DFW)	0.77	02/01/03	03/01/03	22.24	22.24	0.00				22.24	22.24	-	0.00
Mutual Fund	1996 A-D M/F(DFW)	0.77	02/01/03	03/01/03	0.10	0.10	0.71				0.81	0.81	-	0.00
Invst Agmnt	1996 A-D M/F(DFW)	6.50	08/12/96	07/01/26	117,596.48	117,596.48		(25,703.65)			91,892.83	91,892.83	-	0.00
Mutual Fund	1996 A-D M/F(DFW)	0.77	02/01/03	03/01/03	116,310.82	116,310.82	17,666.01				133,976.83	133,976.83	-	0.00
Mutual Fund	1996 A-D M/F(DFW)	0.77	02/01/03	03/01/03	101,141.31	101,141.31		(48,091.48)			53,049.83	53,049.83	-	0.00
Mutual Fund	1996 A-D M/F(DFW)	0.77	02/01/03	03/01/03	0.16	0.16	0.08				0.24	0.24	-	0.00
Invst Agmnt	1996 A-D M/F(DFW)	7.23	08/06/96	07/01/26	34,180.00	34,180.00	0.00				34,180.00	34,180.00	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	Change in In Market Value	Recognized Gain
Mutual Fund	2000 M/F (Parks @ Wstmrlnd)	0.77	02/01/03	03/01/03	17,510.65	17,510.65		(4.80)			17,505.85	17,505.85	-	0.00
Mutual Fund	2000 M/F (Parks @ Wstmrlnd)	0.77	02/01/03	03/01/03	43,931.45	43,931.45	8,447.09				52,378.54	52,378.54	-	0.00
Mutual Fund	2000 M/F (Parks @ Wstmrlnd)	0.77	02/01/03	03/01/03	10.78	10.78	0.03				10.81	10.81	-	0.00
Mutual Fund	2000 M/F (Parks @ Wstmrlnd)	0.77	02/01/03	03/01/03	257.57	257.57	0.66				258.23	258.23	-	0.00
Mutual Fund	2000 M/F (Parks @ Wstmrlnd)	0.77	02/01/03	03/01/03	64,907.55	64,907.55	25,990.45				90,898.00	90,898.00	-	0.00
Mutual Fund	2000 M/F (Parks @ Wstmrlnd)	0.77	02/01/03	03/01/03	86,398.92	86,398.92		(51,238.28)			35,160.64	35,160.64	-	0.00
					213,016.92	213,016.92	34,438.23	(51,243.08)	0.00	0.00	196,212.07	196,212.07	0.00	0.00
Mutual Fund	2000 M/F (Honey Creek)	0.81	02/01/03	03/01/03	82,779.45	82,779.45	3,987.28				86,766.73	86,766.73	-	0.00
Mutual Fund	2000 M/F (Honey Creek)	0.81	02/01/03	03/01/03	50,347.30	50,347.30	45,543.27				95,890.57	95,890.57	-	0.00
Mutual Fund	2000 M/F (Honey Creek)	0.81	02/01/03	03/01/03	11,360.50	11,360.50	57,260.24				68,620.74	68,620.74	-	0.00
Mutual Fund	2000 M/F (Honey Creek)	0.81	02/01/03	03/01/03	0.02	0.02	0.43				0.45	0.45	-	0.00
					144,487.27	144,487.27	106,791.22	0.00	0.00	0.00	251,278.49	251,278.49	0.00	0.00
Mutual Fund	2000 A-C MF High Meadows	0.81	02/01/03	03/01/03	2,499.41	2,499.41	10,226.41				12,725.82	12,725.82	-	0.00
					2,499.41	2,499.41	10,226.41	0.00	0.00	0.00	12,725.82	12,725.82	0.00	0.00
Mutual Fund	2000 A/B MF Greenbridge	0.77	02/01/03	03/01/03	6,666.66	6,666.66	9,999.99				16,666.65	16,666.65	-	0.00
Mutual Fund	2000 A/B MF Greenbridge	0.77	02/01/03	03/01/03			18.33				18.33	18.33	-	0.00
Invst Agmt	2000 A/B MF Greenbridge				349,709.02	349,709.02		(349,709.02)					-	0.00
Mutual Fund	2000 A/B MF Greenbridge	0.77	02/01/03	03/01/03	66,858.01	66,858.01	35,602.11				102,460.12	102,460.12	-	0.00
Invst Agmnt	2000 A/B MF Greenbridge	6.35	11/09/00	11/01/03	2,180,622.63	2,180,622.63	0.00				2,180,622.63	2,180,622.63	-	0.00
					2,603,856.32	2,603,856.32	45,620.43	(349,709.02)	0.00	0.00	2,299,767.73	2,299,767.73	0.00	0.00
Mutual Fund	2000 A-C MF Collingham Park	0.81	02/01/03	03/01/03	83.30	83.30	0.24				83.54	83.54	-	0.00
Mutual Fund	2000 A-C MF Collingham Park	0.81	02/01/03	03/01/03	100,935.16	100,935.16	4,902.76				105,837.92	105,837.92	-	0.00
					101,018.46	101,018.46	4,903.00	0.00	0.00	0.00	105,921.46	105,921.46	0.00	0.00
Mutual Fund	2000 A/B MF Willams Run	0.77	02/01/03	03/01/03	41,410.63	41,410.63	8,499.00				49,909.63	49,909.63	-	0.00
Mutual Fund	2000 A/B MF Willams Run	0.77	02/01/03	03/01/03	49,661.65	49,661.65		(16,719.73)			32,941.92	32,941.92	-	0.00
Mutual Fund	2000 A/B MF Willams Run	0.77	02/01/03	03/01/03	397.78	397.78	125.44				523.22	523.22	-	0.00
Mutual Fund	2000 A/B MF Willams Run	0.77	02/01/03	03/01/03	1,389.49	1,389.49	3.61				1,393.10	1,393.10	-	0.00
Mutual Fund	2000 A/B MF Willams Run	0.77	02/01/03	03/01/03	0.66	0.66	0.00				0.66	0.66	-	0.00
					92,860.21	92,860.21	8,628.05	(16,719.73)	0.00	0.00	84,768.53	84,768.53	0.00	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	0.77	02/01/03	03/01/03	11,577.43	11,577.43	30.07				11,607.50	11,607.50	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	0.77	02/01/03	03/01/03	2,815.33	2,815.33	7.31				2,822.64	2,822.64	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	0.77	02/01/03	03/01/03	17,948.17	17,948.17		(2,212.69)			15,735.48	15,735.48	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	0.77	02/01/03	03/01/03	14,179.40	14,179.40	8,535.41				22,714.81	22,714.81	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	0.77	02/01/03	03/01/03	111,336.47	111,336.47		(107,358.52)			3,977.95	3,977.95	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	0.77	02/01/03	03/01/03	74,764.28	74,764.28		(60,306.31)			14,457.97	14,457.97	-	0.00
					232,621.08	232,621.08	8,572.79	(169,877.52)	0.00	0.00	71,316.35	71,316.35	0.00	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.77	02/01/03	03/01/03	565.95	565.95	2,579.17				3,145.12	3,145.12	-	0.00
Invst Agmt	2001A MF Bluffview Sr. Apts.				2,558.52	2,558.52		(2,558.52)					-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.				177.04	177.04		(177.04)					-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.				1,210,858.06	1,210,858.06		(1,210,858.06)					-	0.00
Invst Agmt	2001A MF Bluffview Sr. Apts.				3,295.24	3,295.24		(3,295.24)					-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.				103,907.36	103,907.36		(103,907.36)					-	0.00
Invst Agmt	2001A MF Bluffview Sr. Apts.				0.21	0.21		(0.21)					-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.77	02/01/03	03/01/03			6,612.93				6,612.93	6,612.93	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.77	02/01/03	03/01/03			4,166.94				4,166.94	4,166.94	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.77	02/01/03	03/01/03			96,845.84				96,845.84	96,845.84	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.81	02/01/03	03/01/03			3,784.68				3,784.68	3,784.68	-	0.00
					1,321,362.38	1,321,362.38	113,989.56	(1,320,796.43)	0.00	0.00	114,555.51	114,555.51	0.00	0.00
Mutual Fund	2001A MF Knollwood Villas	0.77	02/01/03	03/01/03	44,994.70	44,994.70		(42,713.88)			2,280.82	2,280.82	-	0.00
Invst Agmt	2001A MF Knollwood Villas				615,568.27	615,568.27		(615,568.27)					-	0.00
Mutual Fund	2001A MF Knollwood Villas	0.77	02/01/03	03/01/03			7,532.99				7,532.99	7,532.99	-	0.00
Mutual Fund	2001A MF Knollwood Villas	0.77	02/01/03	03/01/03			20,302.51				20,302.51	20,302.51	-	0.00
Mutual Fund	2001A MF Knollwood Villas	0.77	02/01/03	03/01/03			4,400.29				4,400.29	4,400.29	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	Change in In Market Value	Recognized Gain
Mutual Fund	2001A MF Knollwood Villas	0.77	02/01/03	03/01/03	227.49	227.49	119,088.34				119,315.83	119,315.83	-	0.00
Mutual Fund	2001A MF Knollwood Villas	0.77	02/01/03	03/01/03	1,162,227.41	1,162,227.41		(874,833.48)			287,393.93	287,393.93	-	0.00
Invst Agmt	2001A MF Knollwood Villas				7,555.70	7,555.70		(7,555.70)					-	0.00
Mutual Fund	2001A MF Knollwood Villas				133,513.88	133,513.88		(133,513.88)					-	0.00
Invst Agmt	2001A MF Knollwood Villas				0.24	0.24		(0.24)					-	0.00
					<u>1,964,087.69</u>	<u>1,964,087.69</u>	<u>151,324.13</u>	<u>(1,674,185.45)</u>	<u>0.00</u>	<u>0.00</u>	<u>441,226.37</u>	<u>441,226.37</u>	<u>0.00</u>	<u>0.00</u>
Mutual Fund	2001A MF Skyway Villas	0.77	02/01/03	03/01/03	1,408.43	1,408.43	0.00				1,408.43	1,408.43	-	0.00
Mutual Fund	2001A MF Skyway Villas	0.77	02/01/03	03/01/03	0.31	0.31	302,186.54				302,186.85	302,186.85	-	0.00
Invst Agmt	2001A MF Skyway Villas				2,568,264.34	2,568,264.34		(2,568,264.34)					-	0.00
Mutual Fund	2001A MF Skyway Villas	0.77	02/01/03	03/01/03	35.74	35.74	11.52				47.26	47.26	-	0.00
					<u>2,569,708.82</u>	<u>2,569,708.82</u>	<u>302,198.06</u>	<u>(2,568,264.34)</u>	<u>0.00</u>	<u>0.00</u>	<u>303,642.54</u>	<u>303,642.54</u>	<u>0.00</u>	<u>0.00</u>

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	Change in In Market Value	Recognized Gain
Mutual Fund	2001AB MF Hillside Apts	0.77	02/01/03	03/01/03	141,948.44	141,948.44	500.44				142,448.88	142,448.88	-	0.00
Invst Agmnt	2001AB MF Hillside Apts	2.20	12/18/01	08/01/03	430,658.70	430,658.70		(244,285.66)			186,373.04	186,373.04	-	0.00
					4,055,083.54	4,055,083.54	500.44	(3,101,411.17)	0.00	0.00	954,172.81	954,172.81	0.00	0.00
Mutual Fund	2002A MF Millstone Apts	0.40	02/01/03	03/01/03			173.43				173.43	173.43	-	0.00
GICs	2002A MF Millstone Apts	1.92	01/30/02	07/31/03	5,886,905.37	5,886,905.37		(4,054,522.49)			1,832,382.88	1,832,382.88	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.40	02/01/03	03/01/03	0.10	0.10	0.00				0.10	0.10	-	0.00
GICs	2002A MF Millstone Apts	1.92	01/30/02	07/31/03	196,302.78	196,302.78	0.00				196,302.78	196,302.78	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.40	02/01/03	03/01/03	14,082.54	14,082.54	17.73				14,100.27	14,100.27	-	0.00
					6,097,290.79	6,097,290.79	191.16	(4,054,522.49)	0.00	0.00	2,042,959.46	2,042,959.46	0.00	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.40	02/01/03	03/01/03	127,852.93	127,852.93		(52,466.62)			75,386.31	75,386.31	-	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.40	02/01/03	03/01/03	1,934,013.47	1,934,013.47		(1,932,472.12)			1,541.35	1,541.35	-	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.40	02/01/03	03/01/03	83,459.09	83,459.09	104.82				83,563.91	83,563.91	-	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.40	02/01/03	03/01/03	908,710.49	908,710.49		(357,480.14)			551,230.35	551,230.35	-	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.40	02/01/03	03/01/03	49,554.09	49,554.09	62.09				49,616.18	49,616.18	-	0.00
					3,103,590.07	3,103,590.07	166.91	(2,342,418.88)	0.00	0.00	761,338.10	761,338.10	0.00	0.00
Mutual Fund	2002 MF West Oaks Apts	0.77	02/01/03	03/01/03	0.69	0.69	0.00				0.69	0.69	-	0.00
Invst Agmnt	2002 MF West Oaks Apts				2,864,006.46	2,864,006.46		(2,864,006.46)					-	0.00
Mutual Fund	2002 MF West Oaks Apts	0.77	02/01/03	03/01/03			225,375.76				225,375.76	225,375.76	-	0.00
Mutual Fund	2002 MF West Oaks Apts	0.77	02/01/03	03/01/03	22.79	22.79	1.92				24.71	24.71	-	0.00
Mutual Fund	2002 MF West Oaks Apts	0.77	02/01/03	03/01/03			426,951.51				426,951.51	426,951.51	-	0.00
Mutual Fund	2002 MF West Oaks Apts	0.77	02/01/03	03/01/03			0.61				0.61	0.61	-	0.00
Invst Agmt	2002 MF West Oaks Apts				1.86	1.86		(1.86)					-	0.00
Mutual Fund	2002 MF West Oaks Apts				2.18	2.18		(2.18)					-	0.00
Invst Agmt	2002 MF West Oaks Apts				241,172.68	241,172.68		(241,172.68)					-	0.00
					3,105,206.66	3,105,206.66	652,329.80	(3,105,183.18)	0.00	0.00	652,353.28	652,353.28	0.00	0.00
Mutual Fund	2002 MF Park Meadows	0.81	02/01/03	03/01/03	180,228.00	180,228.00		(180,191.71)			36.29	36.29	-	0.00
Mutual Fund	2002 MF Park Meadows	0.81	02/01/03	03/01/03	2,588,934.64	2,588,934.64		(1,743,715.64)			845,219.00	845,219.00	-	0.00
Mutual Fund	2002 MF Park Meadows				50,625.44	50,625.44		(50,625.44)					-	0.00
					2,819,788.08	2,819,788.08	0.00	(1,974,532.79)	0.00	0.00	845,255.29	845,255.29	0.00	0.00
Mutual Fund	2002 MF Clarkridge Villas	0.77	02/01/03	03/01/03			15,187.80				15,187.80	15,187.80	-	0.00
Invst Agmt	2002 MF Clarkridge Villas				61,369.00	61,369.00		(61,369.00)					-	0.00
Invst Agmnt	2002 MF Clarkridge Villas	1.60	09/05/02	01/02/04	11,328,472.00	11,328,472.00		(208,741.94)			11,119,730.06	11,119,730.06	-	0.00
Mutual Fund	2002 MF Clarkridge Villas	0.77	02/01/03	03/01/03	2,968.26	2,968.26		(1,708.92)			1,259.34	1,259.34	-	0.00
Mutual Fund	2002 MF Clarkridge Villas	0.77	02/01/03	03/01/03	110,149.04	110,149.04	44,610.00				154,759.04	154,759.04	-	0.00
Invst Agmnt	2002 MF Clarkridge Villas	1.60	09/06/02	01/02/04	976,662.70	976,662.70		(248,516.77)			728,145.93	728,145.93	-	0.00
Mutual Fund	2002 MF Clarkridge Villas	0.77	02/01/03	03/01/03	2,649.03	2,649.03	6.88				2,655.91	2,655.91	-	0.00
					12,482,270.03	12,482,270.03	59,804.68	(520,336.63)	0.00	0.00	12,021,738.08	12,021,738.08	0.00	0.00
Invst Agmnt	2002 MF Hickory Trace Apts	1.32	11/08/02	01/01/05	10,048.00	10,048.00	0.00				10,048.00	10,048.00	-	0.00
Invst Agmnt	2002 MF Hickory Trace Apts	1.32	11/08/02	01/01/05	9,698,365.00	9,698,365.00	0.00				9,698,365.00	9,698,365.00	-	0.00
Mutual Fund	2002 MF Hickory Trace Apts	0.77	02/01/03	03/01/03			105,643.88				105,643.88	105,643.88	-	0.00
Invst Agmnt	2002 MF Hickory Trace Apts	1.32	11/08/02	01/01/05	1,175,000.00	1,175,000.00		(264,226.66)			910,773.34	910,773.34	-	0.00
Mutual Fund	2002 MF Hickory Trace Apts	0.77	02/01/03	03/01/03	8,550.00	8,550.00		(7,783.45)			766.55	766.55	-	0.00
Invst Agmnt	2002 MF Hickory Trace Apts	1.32	11/08/02	01/01/05	1,730.00	1,730.00	0.00				1,730.00	1,730.00	-	0.00
					10,893,693.00	10,893,693.00	105,643.88	(272,010.11)	0.00	0.00	10,727,326.77	10,727,326.77	0.00	0.00
Mutual Fund	2002 MF Green Crest Apts	0.77	02/01/03	03/01/03			421.04				421.04	421.04	-	0.00
Invst Agmnt	2002 MF Green Crest Apts	1.32	11/08/02	10/01/04	3,117.80	3,117.80	387,829.52				390,947.32	390,947.32	-	0.00
Mutual Fund	2002 MF Green Crest Apts	0.77	02/01/03	03/01/03			12,178.31				12,178.31	12,178.31	-	0.00
Invst Agmnt	2002 MF Green Crest Apts	1.32	11/08/02	10/01/04	11,977,087.04	11,977,087.04		(2,170,392.93)			9,806,694.11	9,806,694.11	-	0.00
Mutual Fund	2002 MF Green Crest Apts	0.77	02/01/03	03/01/03			657.03				657.03	657.03	-	0.00
Invst Agmnt	2002 MF Green Crest Apts	1.32	11/08/02	10/01/04	215,000.00	215,000.00	605,766.93				820,766.93	820,766.93	-	0.00
Mutual Fund	2002 MF Green Crest Apts	0.77	02/01/03	03/01/03			16.63				16.63	16.63	-	0.00
Invst Agmnt	2002 MF Green Crest Apts	1.32	11/08/02	10/01/04	5,000.00	5,000.00	0.00				5,000.00	5,000.00	-	0.00
					12,200,204.84	12,200,204.84	1,006,869.46	(2,170,392.93)	0.00	0.00	11,036,681.37	11,036,681.37	0.00	0.00

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
GNMA	1994 SF MRB CHMRB	6.70	12/01/99	06/20/26	100,463.90	108,967.53			(479.67)		99,984.23	109,528.08	1,040.22	0.00
GNMA	1994 SF MRB CHMRB	6.72	11/18/96	10/20/26	4,513,316.72	4,771,070.14			(616,757.15)		3,896,559.57	4,158,892.35	4,579.36	0.00
GNMA	1994 SF MRB CHMRB	6.72	01/16/97	12/20/26	1,249,691.05	1,320,850.08			(418,799.59)		830,891.46	886,871.51	(15,178.98)	0.00
GNMA	1994 SF MRB CHMRB	7.10	01/30/97	12/20/26	494,703.34	530,543.21			(76,336.57)		418,366.77	448,953.72	(5,252.92)	0.00
GNMA	1994 SF MRB CHMRB	7.10	03/27/97	03/20/27	400,667.49	428,496.97			(1,522.95)		399,144.54	427,717.54	743.52	0.00
GNMA	1994 SF MRB CHMRB	6.72	05/15/97	01/20/27	1,179,899.69	1,245,952.80			(293,172.66)		886,727.03	945,104.82	(7,675.32)	0.00
GNMA	1994 SF MRB CHMRB	6.70	07/30/97	06/20/27	1,010,764.93	1,067,519.20			(201,159.17)		809,605.76	863,056.10	(3,303.93)	0.00
GNMA	1994 SF MRB CHMRB	6.72	09/18/97	09/20/27	1,387,148.24	1,465,775.83			(194,643.17)		1,192,505.07	1,270,814.07	(318.59)	0.00
GICs	1994 SF MRB CHMRB	6.05	06/27/96	11/01/26	74,426.45	74,426.45	0.00				74,426.45	74,426.45	-	0.00
Repo Agmnt	1994 SF MRB CHMRB	1.36	02/28/03	03/03/03	546.44	546.44	1.83				548.27	548.27	-	0.00
Repo Agmnt	1994 SF MRB CHMRB	1.36	02/28/03	03/03/03	418.40	418.40	1.03				419.43	419.43	-	0.00
Repo Agmnt	1994 SF MRB CHMRB	1.36	02/28/03	03/03/03	79.39	79.39	0.00				79.39	79.39	-	0.00
					44,452,062.71	46,882,426.33	781,314.77	(55,570.99)	(5,534,859.02)	0.00	39,642,947.47	42,272,352.45	199,041.36	0.00
Repo Agmnt	1995 A/B SF MR Rfdng Bonds	1.36	02/28/03	03/03/03	95,061.40	95,061.40		(16,704.95)			78,356.45	78,356.45	-	0.00
GNMA	1995 A/B SF MR Rfdng Bonds	7.10	06/29/95	06/20/25	2,459,355.09	2,634,884.53			(265,178.09)		2,194,177.00	2,354,769.85	(14,936.59)	0.00
GNMA	1995 A/B SF MR Rfdng Bonds	7.10	02/28/96	07/01/25	316,172.49	338,952.68			(66,220.57)		249,951.92	268,477.18	(4,254.93)	0.00
Repo Agmnt	1995 A/B SF MR Rfdng Bonds	1.36	02/28/03	03/03/03	983.66	983.66	3.14				986.80	986.80	-	0.00
					2,871,572.64	3,069,882.27	3.14	(16,704.95)	(331,398.66)	0.00	2,523,472.17	2,702,590.28	(19,191.52)	0.00
Total 1994/1995 SF MRB CHMRB Investment Summary					47,323,635.35	49,952,308.60	781,317.91	(72,275.94)	(5,866,257.68)	0.00	42,166,419.64	44,974,942.73	179,849.84	0.00

**Texas Department of Housing and Community Affairs
Comm Paper Investment Summary
For Period Ending February 28, 2003**

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
Repo Agmnt	Commercial Paper	1.36	02/28/03	03/03/03	84,321.50	84,321.50	22,694.28				107,015.78	107,015.78	-	0.00
GICs	Commercial Paper	2.02	02/18/03	07/09/03	12,100,000.00	12,100,000.00	23,105,000.00				35,205,000.00	35,205,000.00	-	0.00
					12,184,321.50	12,184,321.50	23,127,694.28	0.00	0.00	0.00	35,312,015.78	35,312,015.78	0.00	0.00
Total Commercial Paper Investment Summary					12,184,321.50	12,184,321.50	23,127,694.28	0.00	0.00	0.00	35,312,015.78	35,312,015.78	0.00	0.00

**Texas Department of Housing and Community Affairs
General Fund Investment Summary
For Period Ending February 28, 2003**

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	2,486,029.40	2,486,029.40	8,112.48				2,494,141.88	2,494,141.88	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	2,336,764.70	2,336,764.70	11,058.29				2,347,822.99	2,347,822.99	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	2,139,816.38	2,139,816.38	6,982.74				2,146,799.12	2,146,799.12	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	576,531.62	576,531.62		(62,089.71)			514,441.91	514,441.91	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	304,613.74	304,613.74	994.05				305,607.79	305,607.79	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	520,328.09	520,328.09	1,697.96				522,026.05	522,026.05	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	590,085.25	590,085.25	1,925.55				592,010.80	592,010.80	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	80,507.78	80,507.78	262.86				80,770.64	80,770.64	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	31,025.08	31,025.08	10,047.57				41,072.65	41,072.65	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	613,307.46	613,307.46	2,001.36				615,308.82	615,308.82	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	493,776.23	493,776.23		(257,731.47)			236,044.76	236,044.76	-	0.00
Repo Agmnt	General Fund	1.36	02/28/03	03/03/03	131,306.75	131,306.75	10,203.38				141,510.13	141,510.13	-	0.00
					10,304,092.48	10,304,092.48	53,286.24	(319,821.18)	0.00	0.00	10,037,557.54	10,037,557.54	0.00	0.00
Total General Fund Investment Summary					10,304,092.48	10,304,092.48	53,286.24	(319,821.18)	0.00	0.00	10,037,557.54	10,037,557.54	0.00	0.00

**Texas Department of Housing and Community Affairs
Housing Trust Fund Investment Summary
For Period Ending February 28, 2003**

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized Gain
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	In Market Value	Recognized Gain
Repo Agmnt	Housing Assistance Fund	1.36	02/28/03	03/03/03	481,929.75	481,929.75	13,167.93				495,097.68	495,097.68	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	1,061,760.91	1,061,760.91	1,128,827.55				2,190,588.46	2,190,588.46	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	816,408.28	816,408.28	2,617.29				819,025.57	819,025.57	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	115,877.80	115,877.80	3,371.14				119,248.94	119,248.94	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	590,165.42	590,165.42	1,886.51				592,051.93	592,051.93	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	24,704.79	24,704.79	59.82				24,764.61	24,764.61	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	7,857.83	7,857.83	5.39				7,863.22	7,863.22	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	3,234,967.79	3,234,967.79		(2,231,965.63)			1,003,002.16	1,003,002.16	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03	1,768,992.54	1,768,992.54		5,737.62			1,774,730.16	1,774,730.16	-	0.00
Repo Agmnt	Housing Trust Fund	1.36	02/28/03	03/03/03			1,096,675.15				1,096,675.15	1,096,675.15	-	0.00
Total Housing Trust Fund Investment Summary					8,102,665.11	8,102,665.11	2,252,348.40	(2,231,965.63)	0.00	0.00	8,123,047.88	8,123,047.88	0.00	0.00

**Texas Department of Housing and Community Affairs
Administration Investment Summary
For Period Ending February 28, 2003**

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized Gain
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	In Market Value	Recognized Gain
Repo Agmnt	Administration	1.36	02/28/03	03/03/03	132,014.83	132,014.83	406.36				132,421.19	132,421.19	-	0.00
Total Administration Investment Summary					132,014.83	132,014.83	406.36	0.00	0.00	0.00	132,421.19	132,421.19	0.00	0.00

**Texas Department of Housing and Community Affairs
Compliance Investment Summary
For Period Ending February 28, 2003**

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized Gain
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	In Market Value	Recognized Gain
Repo Agmnt	RTC	1.36	02/28/03	03/03/03	783,049.76	783,049.76	103,170.42				886,220.18	886,220.18	-	0.00
Repo Agmnt	Multi Family	1.36	02/28/03	03/03/03	463,610.52	463,610.52		(9,381.40)			454,229.12	454,229.12	-	0.00
Repo Agmnt	Low Income Tax Credit Prog.	1.36	02/28/03	03/03/03	276,535.09	276,535.09	8,343.39				284,878.48	284,878.48	-	0.00
Total Compliance Investment Summary					1,523,195.37	1,523,195.37	111,513.81	(9,381.40)	0.00	0.00	1,625,327.78	1,625,327.78	0.00	0.00

**Texas Department of Housing and Community Affairs
Housing Initiatives Investment Summary
For Period Ending February 28, 2003**

Investment Type	Issue	Current	Current	Current	Beginning	Beginning	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending	Ending	Change in	Recognized Gain
		Interest Rate	Purchase Date	Maturity Date	Carrying Value 11/30/02	Market Value 11/30/02					Carrying Value 02/28/03	Market Value 02/28/03	In Market Value	
Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 11/30/02	Beginning Market Value 11/30/02	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 02/28/03	Ending Market Value 02/28/03	In Market Value	Recognized Gain
Repo Agmnt	S/F Interim Construction	1.36	02/28/03	03/03/03	430,075.98	430,075.98	1,369.26				431,445.24	431,445.24	-	0.00
Repo Agmnt	S/F Interim Construction	1.36	02/28/03	03/03/03	478.34	478.34		(18.33)			460.01	460.01	-	0.00
Repo Agmnt	S/F Interim Construction	1.36	02/28/03	03/03/03	311.30	311.30		(9.55)			301.75	301.75	-	0.00
Repo Agmnt	Mtg. Credit Certificate	1.36	02/28/03	03/03/03	64,461.44	64,461.44	298.38				64,759.82	64,759.82	-	0.00
Repo Agmnt	Low Income Tax Credit Prog.	1.36	02/28/03	03/03/03	1,240,225.68	1,240,225.68		(337,230.81)			902,994.87	902,994.87	-	0.00
Repo Agmnt	Low Income Tax Credit Prog.	1.36	02/28/03	03/03/03	1,398,402.99	1,398,402.99		(1,214,019.62)			184,383.37	184,383.37	-	0.00
Repo Agmnt	Low Income Tax Credit Prog.	1.36	02/28/03	03/03/03	360,218.12	360,218.12		(268,039.47)			92,178.65	92,178.65	-	0.00
Total Housing Initiatives Investment Summary					3,494,173.85	3,494,173.85	1,667.64	(1,819,317.78)	0.00	0.00	1,676,523.71	1,676,523.71	0.00	0.00

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INTERAGENCY MEMORANDUM

TO: Edwina P. Carrington
FROM: Bill Dally
DATE: 4/3/03
SUBJECT: Director and Officer's Insurance

The Department received preliminary quotes for the Director's and Officer's Insurance via State Office of Risk Management (SORM) as discussed at the Audit Committee Meeting on March 13th. I asked the Legal Department to review the new versus the old policy coverage(s). During this review of the initial application, it was noted that vital information had been omitted and therefore a revised application was resubmitted to SORM on March 24th. At this time, the revised application is under review by the insurance company, and as a result, the Department has been responding to their follow-up requests for additional information. SORM has informed the Department that revised quotes should be received by mid April.

LIABILITY INSURANCE FOR STATE OFFICIALS

CUE D. BOYKIN
Assistant Attorney General
Administrative Law Division
August 3, 2001

This paper attempts to discuss all claims for monetary damages that may be brought against state officials. The paper's purpose is to impart information about the financial risks of state service to assist public officials evaluate the fiscal prudence of purchasing liability insurance with appropriated funds.

State agencies are expressly authorized to purchase officers' and directors' liability insurance for board members, executive directors, and executive staff.¹ Beginning September 1, 2002 the State Office of Risk Management is designated as the agency responsible for purchasing liability insurance for all state agencies authorized to purchase it by Government Code, Chapter 612.²

Various immunities protect state agencies, officials and employees from liability for claims brought against them. The immunity available to state agencies is known as sovereign or governmental immunity.³ The immunity available to members and employees when sued for monetary damages in their individual capacities is known as official immunity.⁴ Official immunity may be either absolute or qualified, depending upon the action taken that occasions the claim.⁵ If an immunity is available to a member in the defense of the claim, liability insurance insures against a nonexistent risk.

TORT CLAIMS: Assume that a board member flies to Austin for a meeting and stays overnight at a local hotel. Early the next morning the member leaves the hotel for the board

¹ TEX. GOV'T. CODE ANN. §612.004 (Vernon Supp. 2001) authorizes the purchase of liability insurance for members and executive staff "to protect against any type of liability to third persons that may be incurred while conducting agency business" out of available funds without the necessity of a specific appropriation. Similarly, TEX. CIV. PRAC. & REM. CODE §104.009 (Vernon Supp. 1998) authorizes the purchase of liability insurance for agency directors, board members, and members of the executive staff "applicable to damages for conduct described under Section 104.002 and other conduct customarily covered under directors' and officers' liability insurance policies."

² House Bill 1203, 77th Legislature.

³ *State v. Snyder*, 18 S.W. 106 (Tex. 1886).

⁴ *Kassen v. Hatley*, 887 S.W.2d 4, 8 (Tex. 1994).

⁵ *Oden v. Reader*, 935 S.W. 2d 470, 474 (Tex. App.--Tyler 1996, no writ).

meeting traveling in a rental vehicle, runs a red light, and collides with another vehicle, causing personal injuries and property damage. The member is 100% at fault in causing the collision.

The member's act of causing personal injuries and property damage is known as a tort. The doctrine of governmental or sovereign immunity insulates the state from liability for the torts of its officers absent a constitutional or statutory waiver of its immunity.⁶ A state agency shares this immunity.⁷

⁶ *Texas Highway Department v. Weber*, 219 S.W.2d 70 (Tex. 1949).

⁷ *Lowe v. Texas Tech University*, 540 S.W.2d 297, 298 (Tex. 1976).

The Texas Constitution contains no waiver of liability in this instance. The legislature, however, has waived the state's immunity for certain conduct of its employees (including appointed officers who are in the paid service of the governmental unit) with the passage of the Tort Claims Act (the Act).⁸ Specifically the Act imposes liability on the state for

(1) property damage, personal injury, and death proximately caused by the wrongful act or omission or the negligence of an employee acting within his scope of employment if:

(A) the property damage, personal injury, or death arises from the operation or use of a motor-driven vehicle or motor-driven equipment; and

(B) the employee would be personally liable to the claimant according to Texas law...

The first issue to consider is whether the board member is personally liable to the plaintiff for the damages. The affirmative defense known as official immunity insulates state officials from personal liability for damages resulting from (1) the performance of a discretionary function, (2) in good faith, and (3) within the scope of their authority.⁹ In the foregoing hypothetical fact situation, the member's act of running a red light is not discretionary because laws require all motorists to stop for red lights. Therefore, the member could be held personally liable for the damages. The claimant, however, has a choice: Proceed against the board member directly or make a claim under the Act. If the claimant pursues the board member, then Civil Practice and Remedies Code, Chapter 108 caps the members liability for negligence for personal injury or death¹⁰ and property damage¹¹ at \$100,000 each. Civil Practice and Remedies Code, Chapter 104 completely shifts the member's personal liability for personal injury and death and partially shifts the member's liability for property damage to the state. This statute obligates the state to indemnify the member for up to \$100,000 for personal injury and death and up to \$10,000 for

⁸ TEX. CIV. PRAC. & REM. CODE Ch. 101 (Vernon 1997).

⁹ *City of Lancaster v. Chambers*, 883 S.W.2d 650, 653 (Tex. 1994).

¹⁰ TEX. CIV. PRAC. & REM. CODE §108.002(a) (Vernon 1997) provides, in part, that "...a public servant, other than a provider of health care...is not liable for damages in excess of \$100,000 arising from personal injury, death, or deprivation of a right, privilege, or immunity if:

(1) the damages are the result of an act or omission by the public servant in the course and scope of the public servant's office, employment,...; and

(2) for the amount not in excess of \$100,000, the public servant is covered;

(A) by the state's obligation to indemnify under Chapter 104;...

¹¹ TEX. CIV. PRAC. & REM. CODE §108.002(b) (Vernon 1997) provides, in part, that "...a public servant, other than a provider of health care...is not liable for damages in excess of \$100,000 for property damage if:

(1) the damages are the result of an act or omission by the public servant in the course and scope of the public servant's office, employment,...; and

(2) for the amount not in excess of \$100,000, the public servant is covered;

(A) by the state's obligation to indemnify under Chapter 104;...

This subsection indicates that for property damage of less than \$100,000 the state is obligated to indemnify the individual under Chapter 104; yet Chapter 104, particularly §104.003, limits the state's obligation to a \$10,000 indemnification for property damage.

property damage.¹² The state's liability under the Act is greater: \$250,000 for each person, \$500,000 for each occurrence of bodily injury or death, and \$100,000 for property damage.¹³ Therefore, if a claimant's personal injuries exceed \$100,000 or if property damage exceeds \$10,000 it makes economic sense to claim under the Act against the state rather than against the member individually.

CONTRACT CLAIMS: A second instance of potential liability for state officials involves contracts. Assume, for example, that an agency's executive director signs a contract with A Corporation to purchase 5 computers at a price of \$1,500 per computer. After entering into the contract, the director learns that identical computers are available from B Corporation for \$1,200 per computer. Desiring to save \$1,500, the director cancels the contract with A Corporation and purchases the computers from B Corporation. A Corporation then sues for its lost profits. Who is liable?

Under this set of facts, A Corporation's contract was with the agency, not with the executive director. Accordingly liability, if any, rests with the agency. The Texas Supreme Court has recently held that a party may not file suit against the state for breach of a written contract for goods, services, or construction without first following the procedural steps of Government Code, Chapter 2260.¹⁴ This law requires, in sequence, mediation or negotiation with the agency's chief administrative officer, a hearing at the state office of administrative hearings, followed by express legislative consent to sue under Civil Practice and Remedies Code, Chapter 107.¹⁵ Governmental immunity bars the claim if the aggrieved party fails to follow the statutory prerequisites.

LIBEL OR SLANDER: Disciplinary proceedings are another potential source of suits against officials. Consider, for example, the scenario whereby a board issues an order finding that Licensee Smith repeatedly violated the licensing act and ordering that the license be revoked. Assume further that an appellate court reverses the board, finding that the Board's decision was arbitrary and capricious. Licensee Smith responds by suing the members individually contending that the order libeled him. The man seeks \$200,000 damages from each member.

Is liability insurance needed to protect the members from personal liability for monetary damages under this set of facts?

Communications in the due course of a judicial proceeding will not serve as the basis of a civil action for libel or slander, regardless of the negligence or malice with which they are made. This privilege extends to any statement made by the judge, jurors, counsel, parties or witnesses, and attaches to all aspects of the

¹² TEX. CIV. PRAC. & REM. CODE §104.003 (Vernon Supp. 2001).

¹³ TEX. CIV. PRAC. & REM. CODE §101.023(a) (Vernon 1997).

¹⁴ *General Services Commission v. Little-Tex Insulation Co., Inc.*, 39 S.W.3d 591, 597 (Tex. 2001)

¹⁵ TEX. GOV'T CODE ANN. Ch. 2260 (Vernon 2000).

proceedings, including statements made in open court, pre-trial hearings, depositions, affidavits and any of the pleadings or other papers in the case.¹⁶

The immunity applicable to judges is appropriately known as judicial immunity. Judicial immunity is absolute and applies even when a judge is accused of acting corruptly or maliciously.¹⁷ Of course, proceedings before a board are not, strictly speaking, judicial proceedings because a board is not a court. Texas courts have long recognized, however, that adjudicative hearings before state agencies are judicial in character.¹⁸ When administrative agencies engage in judicial activities, their actions are characterized as “quasi judicial.”¹⁹

A quasi-judicial power has been described as the power or duty to investigate and to draw conclusions from such investigation. At least six powers have been delineated as comprising the judicial function and would be indicative of whether a commission was acting in a quasi-judicial, or merely an administrative, capacity:

- 1) the power to exercise judgment and discretion;
- 2) the power to hear and determine or to ascertain facts and decide;
- 3) the power to make binding orders and judgments;
- 4) the power to affect the personal or property rights of private persons;
- 5) the power to examine witnesses, to compel the attendance of witnesses, and to hear the litigation of issues on a hearing; and
- 6) the power to enforce decisions or impose penalties.²⁰

Absolute immunity attaches to statements made during the course of quasi-judicial proceedings even if the statement is made by a decision maker.²¹

¹⁶ *James v. Brown*, 637 S.W.2d 914 (Tex. 1982).

¹⁷ *Garza v. Morales*, 923 S.W.2d 800, 802 (Tex. App.--Corpus Christi 1996 no writ); *McDuffie v. Blassingame*, 883 S.W.2d 329, 334 (Tex. App.--Amarillo 1994, writ denied); *Spencer v. City of Seagoville*, 700 S.W.2d 953 at 957-958 (Tex. App.--Dallas 1985, no writ).

¹⁸ See for example *Reagan v. Guardian Life Ins. Co.*, 166 S.W.2d 909 (Tex. 1942) (proceedings before the Board of Insurance Commissioners, now the Department of Insurance); *Odeneal v. Wofford*, 668 S.W.2d 819 (Tex. App.--Dallas 1984, writ ref'd n.r.e.) (proceedings before a State Bar Grievance Committee); *Bloom v. Robins*, 479 S.W.2d 780 (Tex. Civ. App.--Waco 1972, writ dism'd w.o.j.) (proceedings before the Pharmacy Board); and *Aransas Harbor Terminal Ry. Co. v. Taber*, 235 S.W. 841 (Tex. Comm'n. App. Section A 1921) (proceedings before the Railroad Commission).

¹⁹ *Aransas Harbor Terminal Ry. Co.*, 235 S.W. at 842.

²⁰ *Village of Bayou Vista v. Glaskox*, 899 S.W.2d 826, 829 (Tex. App.--Houston [14th Dist.] 1995, no writ); *Parker v. Holbrook*, 647 S.W.2d 692 (Tex. App.--Houston [1st District] 1982, writ ref'd n. r. e.); *Town of South Padre Island v. Jacobs*, 736 S.W.2d 134, 144 (Tex. App.--Corpus Christi 1986, writ denied).

Most licensing boards are vested with the authority to issue subpoenas, to compel the attendance of witnesses, to take testimony, and to administer oaths. Probably all licensing boards may revoke or suspend a license, place a licensee on probation, impose fines and administrative penalties. Based on the forgoing, it appears that the disciplinary adjudications of licensing boards are quasi-judicial proceedings. Absolute immunity should attach to statements made by the officials in the context of these proceedings, including findings and conclusions reached by a board in its orders. Accordingly, in the area of disciplinary hearings, state officials have no financial risks for which insurance is needed.

OPEN MEETINGS ACT VIOLATIONS: The legislature has waived the state's governmental immunity in several areas other than tort claims and has even provided for personal liability for board members in one instance. For example, assume that a board posts a notice of its meeting with an agenda item captioned "Personnel Matters." At the meeting the board goes into executive session, following which it votes to terminate the executive director. This meeting violated the OMA because the agenda's generic reference to "Personnel Matters" was insufficient to give the public fair notice that the executive director's job was at risk.²² A court would likely set aside the termination decision as void and possibly issue an injunction against the agency.²³ Further, the court would likely order the agency to pay the director's costs of litigation and reasonable attorney fees.²⁴ The board members would not be personally liable for the director's costs and attorney's fees because the OMA only waives the state's governmental immunity for these items.

Next, assume that an agency properly posts notice of its meeting. The board goes into closed session as authorized by the OMA and makes a tape recording of the closed meeting. After the meeting a board member obtains a copy of the tape recording of the executive session and gives it to a former board member. The tape reveals the existence of a website containing highly embarrassing photographs of the agency's executive director.

A board member who knowingly discloses to a member of the public the certified agenda or tape recording of a meeting that was lawfully closed to the public under the Open Meetings Act may be held liable to a person injured or damaged by the disclosure for:

- (A) actual damages, including damages for personal injury or damage, lost wages, defamation, or mental or other emotional distress;
- (B) reasonable attorney fees and court costs; and
- (C) at the discretion of the trier of fact, exemplary damages²⁵

²¹ *Village of Bayou Vista*, 899 S.W.2d at 830 (holding that a board of alderman meeting is a quasi-judicial proceeding and that statements made therein by an alderman are absolutely privileged).

²² *City of San Antonio v. Fourth Court of Appeals*, 820 S.W.2d 762, 765 (Tex. 1991); *Cox Enterprises, Inc. v. Board of Trustees*, 706 S.W.2d 956, 959 (Tex. 1986); *Hays County Water Planning P'ship, v. Hays County*, 41 S.W.3d 174, 177 (Tex. App.—Austin, 2001, pet. filed).

²³ TEX. GOV'T CODE ANN. §551.15.141-.142.

²⁴ TEX. GOV'T CODE ANN. §551.142 (Vernon 1994).

²⁵ TEX. GOV'T CODE ANN. §551.146 (Vernon 1994).

TEXAS PUBLIC INFORMATION ACT VIOLATIONS: The Texas Public Information Act²⁶ contains a limited waiver of the state’s governmental immunity. Parties who prevail against a state agency in a mandamus action may recover litigation costs and reasonable attorney’s fees.²⁷ Suits brought under this law are against the agency possessing the public information. Therefore, no reason exists to insure the members or the director against liability.

TEXAS WHISTLEBLOWER ACT VIOLATIONS: The Texas Whistleblower Act²⁸ contains a waiver of the state’s governmental immunity. This law protects employees from adverse personnel action by agencies when the employee in good faith reports a violation of law by the employing agency to an appropriate law enforcement authority.²⁹ Agencies that violate this law may be held liable for damages in increasing amounts depending on the number of employees the agency employs as follows:

NOT TO EXCEED	NUMBER OF EMPLOYEES
\$ 50,000	<101
100,000	101-<201
200,000	201-<501
250,000	>500

Remedies available to a prevailing employee include actual damages, court costs, attorney fees, reinstatement, and recovery of lost wages, fringe benefits, and seniority rights.³⁰

Another aspect of the Whistleblower Act that merits discussion is that supervisors (e.g. executive directors) who violate the Act may be held liable for civil penalties of \$15,000.³¹ The civil penalties are recoverable by the Attorney General and are paid into the state treasury.³² Civil penalties must be paid by the supervisor and may not be paid by the agency.³³ Accordingly, I am of the opinion that a state agency may neither pay for nor insure against civil penalties awarded against supervisors.

TEXAS COMMISSION ON HUMAN RIGHTS ACT VIOLATIONS: The Texas Commission on Human Rights Act³⁴ also waives the state’s governmental immunity. This Act prohibits unlawful employment practices including discrimination and retaliation against persons

²⁶ TEX. GOV’T CODE ANN. Ch. 552 (Vernon 1994 and Supp. 1998).

²⁷ TEX. GOV’T CODE ANN. §552.323 (Vernon 1994).

²⁸ TEX. GOV’T CODE ANN. Ch. 554 (Vernon Supp. 1998).

²⁹ TEX. GOV’T CODE ANN. §554.002(a) (Vernon Supp. 1998).

³⁰ TEX. GOV’T CODE ANN. §554.003 (Vernon Supp. 1998).

³¹ TEX. GOV’T CODE ANN. §554.008 (Vernon Supp. 1998).

³² TEX. GOV’T CODE ANN. §554.008 (Vernon 1994).

³³ TEX. GOV’T CODE ANN. §554.008(d) (Vernon Supp. 1998).

³⁴ TEX. LAB. CODE ANN. Ch. 21 (Vernon 1996).

protected by the Civil Rights Act of 1964 and the Americans with Disabilities Act of 1990. Agencies that commit unlawful employment practices can be required to pay back pay for up to two years plus court costs.³⁵ Agencies that commit unlawful intentional employment practices may be required to pay compensatory damages (excluding back wages but including future pecuniary losses, emotional pain, suffering, inconvenience, mental anguish, loss of enjoyment of life, and other non-pecuniary losses) but not punitive damages. Recoverable damages are graduated, as under the Whistleblower Act, according to the number of employees as follows:

NOT TO EXCEED	NUMBER OF EMPLOYEES
\$ 50,000	<101
100,000	101-<201
200,000	201-<501
300,000	>500 ³⁶

FRIVOLOUS CLAIMS: State agencies may be held liable for all costs, expenses and attorneys’ fees awarded against them for filing frivolous or unreasonable claims or claims without foundation.³⁷ Agencies found liable for filing these claims must “pay the fees and expenses from funds appropriated for operation of the agency, funds appropriated for the payment of fees and expenses under this chapter, or other funds available for that purpose.”³⁸ The question whether insurance proceeds from a liability insurance policy represent “other funds available for that purpose” has not been answered. In either event the agency, not its officials, is responsible for paying the expense or fees.

GROUNDLESS CLAIMS: State agencies may be held liable for costs and attorneys’ fees if an administrative law judge or a court finds that the agency brought a groundless claim against a small business in bad faith or for the purpose of harassment.³⁹ The agency, not the members or director, is responsible for paying the costs and fees.

UNIFORM DECLARATORY JUDGMENTS ACT (UDJA): This law is being used more and more frequently by plaintiffs bringing suits against state agencies. The reason for the law’s popularity is its authorization for the award by the court of costs and attorney’s fees “as are equitable or just.”⁴⁰ The Texas Supreme Court has recently upheld awards of attorney’s fees against state agencies in two cases brought, in part, under the UDJA.⁴¹ These fees are assessed

³⁵ TEX. LAB. CODE ANN. §21.258 (Vernon 1996).

³⁶ TEX. LAB. CODE ANN. §21.2585 (Vernon 1996).

³⁷ TEX. CIV. PRAC. & REM CODE ANN. §105.002 (Vernon 1997).

³⁸ TEX. CIV. PRAC. & REM CODE ANN. §105.004 (Vernon 1997).

³⁹ TEX. GOV’T CODE ANN. §2006.013 (Vernon Pamphlet 1998).

⁴⁰ TEX. CIV. PRAC. & REM CODE ANN. §37.009 (Vernon 1997).

⁴¹ *Texas Workers Compensation Comm’n. v. Texas Builders Ins. Co.*, 994 S.W.2d 902 (Tex. App. - Austin, 2000, pet. denied); *Rylander v. Bandag Licensing Corp.*, 18 S.W. 3d 296 (Tex. App. - Austin, 2000, pet. denied).

against the agency, rather than the board members or director. No reason exists to provide insurance protection to the members or the director for proceedings brought pursuant to the UDJA.

FEDERAL CLAIMS

Various federal laws such as Title VII of The Civil Rights Act of 1964, the Rehabilitation Act of 1973 and the Americans With Disabilities Act (ADA) prohibit discrimination because of a person's race color, religion, sex, national origin, qualified disability or handicap.⁴² Until 1991 relief was limited to equitable remedies and back pay. The Civil Rights Act of 1991 amended these laws and provides for additional remedies: compensatory damages against all employers of 15 or more employees and punitive damages against non-governmental defendants. Punitive damages are not recoverable from state agencies. Claims for violations of these laws are brought against the agency. Amounts recoverable are graduated according to the number of employees as follows:

NOT TO EXCEED	NUMBER OF EMPLOYEES
\$ 50,000	15 to 101
100,000	101 to 200
200,000	201 to 500
300,000	>500

Because these claims must be brought against agencies, insurance for state officials offers no meaningful protection. Further, the Supreme Court recently held that the Eleventh Amendment to the United States Constitution bars suits by state employees to recover money damages by reason of a state's failure to comply with the ADA.⁴³

SECTION 1981 CLAIMS: The Civil Rights Act of 1866⁴⁴ provides a cause of action for challenging discriminatory conduct on the basis of race, ethnicity, and national origin in the "making, performance, modification, and termination of contracts, and the enjoyment of all benefits, privileges, terms, and conditions of the contractual relationship."⁴⁵ Section 1981 rights are protected against "impairment under color of State law."⁴⁶ This section deals with all forms of discriminatory conduct related to contracts, including employment contracts. Section 1981 contains no limitations on the amount of damages that may be recovered. Therefore, §1981 claims have the potential to impose liability on officials who engage in discriminatory conduct outside the scope of their authority. Recoverable damages may exceed the amount of the state's liability for indemnification under TEX. CIV. PRAC. & REM. CODE §104.003.

SECTION 1983 CLAIMS: The Civil Rights Act of 1871 provides, in part:

⁴² 42 U.S.C. § 2003-2; 29 U.S.C. §§701-796i; and 42 U.S.C. §§12101-12213.

⁴³ *Board of Trustees v. Garrett*, 531 U.S. 356, 121 S.Ct. 955, 960 (2001).

⁴⁴ 42 U.S.C. §1981.

⁴⁵ 42 U.S.C. §1981(b).

⁴⁶ 42 U.S.C. §1981(c).

Every person who, under color of any statute, ordinance, regulation, custom, or usage of any State or Territory or the District of Columbia, subjects or causes to be subjected, any citizen of the United State or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities secured by the Constitution and laws, shall be liable to the person injured in an action at law, suit in equity, or other proper proceeding for redress...⁴⁷

Section 1983 creates monetary liability on the part of state officials and employees who act outside their authority and deprive a person of rights guaranteed by the United States Constitution or federal statutes. State agencies are not responsible for monetary damages under §1983 because agencies are not considered “persons.”⁴⁸

Employment discrimination claims have given rise to most of the litigation involving state officials with §1983 as the basis. There is no monetary limit on an official’s potential liability for §1983 claims. Accordingly, as with §1981 claims, a properly written liability policy could insulate state officials from being personally responsible for paying a judgment against them.

PUBLIC SERVANT LIABILITY LIMIT

A board evaluating the decision to purchase liability insurance to protect its members from personal liability should be aware of the following provision: Civil Practice and Remedies Code, Chapter 108 places a cap of \$100,000 on a public servant’s liability for personal injury or deprivation of right claims and a cap of \$100,000 on property damage claims brought under Texas (not federal) law based on acts or omissions in the course and scope of the servant’s office or employment. Were it not for federal claims, liability insurance protecting members or employees in excess of \$100,000 for personal injury or death would offer no utility because of the state’s obligation for indemnification discussed in the following section.

STATE INDEMNIFICATION

The Civil Practice and Remedies Code establishes a procedure by which members and state employees are entitled to indemnification by the state. Section 104.001 defines the persons covered and obligates the state to indemnify employees and board members for damages, attorney’s fees and court costs adjudged against them.

Section 104.002 defines the conduct covered and authorizes indemnification when the damages are based on an act or omission by a covered person in the course and scope of the person’s office, employment, or contractual performance of a service on behalf of an agency and if:

- (1) the damages arise out of a cause of action for negligence, except willful or wrongful acts of gross negligence; or
- (2) the damages arise out of a cause of action for deprivation of a right, privilege, or immunity secured by the constitution or laws of the state or the United States; or
- (3) the attorney general determines that indemnification is in the interest of the state.

⁴⁷ 42 U.S.C. §1983.

⁴⁸ *Will v. Michigan Dept. of State Police*, 491 US 58, 71, 109 S. Ct. 2304, 2312 (1989).

Section 104.003 obligates the state to assume an official's or employee's liability for damage to a person in the amount of \$100,000 (\$300,000 per occurrence) and for property damage of \$10,000. Please note that the \$300,000 figure is a per occurrence indemnification cap not a per member cap. For example, if a single member is found liable for deprivation of a right, the cap on the state's liability to the member for indemnification is \$100,000.

Accordingly, members are entitled to indemnification by the state for money claims assessed against them in an amount up to \$100,000 per person and \$300,000 per occurrence for the conduct described in Section 104.002, regardless of the existence of a policy of officers' and directors' liability insurance.

Board Action Request

April 10, 2003

Action Items

Request for Qualifications for Trustees for TDHCA's Single Family Mortgage Revenue Bonds.

Required Action

The Board approve Bank One, NA and Wells Fargo Bank Texas, N.A. to provide trustee services for TDHCA's existing and prospective single family bond issues and indentures.

Background

In January 2003, TDHCA's Board approved issuing a request for qualifications ("RFQ") from qualified institutions to serve as trustee for TDHCA's single family bond issues and/or refundings. Staff has completed its review of the responses.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

**FIRMS RECOMMENDED TO PROVIDE TRUSTEE SERVICES FOR THE
DEPARTMENT'S SINGLE FAMILY MORTGAGE REVENUE BOND ISSUES
AND OTHER RELATED MATTERS**

In January 2003, TDHCA's Board approved issuing a request for qualifications ("RFQ") from qualified institutions to serve as trustee for TDHCA's single family bond issues and/or refundings. TDHCA issued the RFQ on Friday, January 24, 2003. Responses to the RFQ were due Friday, February 21, 2003. Eight responses were received. Staff recommends the following firms for providing trustee services for TDHCA's single family bond issues:

Bank One, NA

Wells Fargo Bank Texas, N.A.

RECOMMENDATION

The Board approve Bank One, NA and Wells Fargo Bank Texas, N.A. to provide trustee services for TDHCA's existing and prospective single family bond issues and indentures.

**Texas Department of Housing and Community Affairs
Request for Qualifications for Trustee Services
Qualifications Summary**

RFQ Section	Data Requested	A Bank One	B Bank of New York
<i>Staff Recommendation</i>		<i>Recommended</i>	<i>Not Recommended</i>
A.	1. Professionals assigned to TDHCA: name, office location, resume Level of responsibility & availability, professional background, state housing finance experience Percentage of work responsible per team member	Greg Stites: Austin, 10yrs Jose Gaytan: Austin, 4yrs Anne-Marie Hansen: Austin, 1yr Sandy Allen: Columbus, 16yrs Dorothy Boyd: Columbus, 33yrs Darlene Jackson: Columbus, 19yrs Julie Rotheerv: Columbus. 12vrs Greg, Jose, Anne-Marie: 50% Sandy, Dorothy, Darlene, Julie: 50%	Troy Kilpatrick: Birmingham, 16yrs John Stohlmann: N/A , 35yrs Richard J. Noblett: Dallas, 30yrs Kathy McQuiston: Dallas, 9yrs Dierdre Steven: Dallas, 5yrs John: 5% Richard: 40% Kathy: 40% Dierdre: 15%
	2. Specialty groups serving single family mortgage revenue bonds	Yes	Yes
	3. If yes to 2, length of time operating Group size Group location Group individuals assigned to TDHCA	5 years 12 FTEs Columbus, OH Sandy, Dorothy, Darlene, Julie	8 years 13 administrators & support staff Jacksonville, FL and Dallas, TX Richard, Kathy, & Diedre (Dallas)
B.	4. Most recent audited statement	Provided	Provided
	5. Description of liability, error and omissions insurance policies Dollar limits on policies	\$50M of insurance coverage	Financial Institutions Bond: \$100M Excess J-Form & Transit All Risk Money: \$400M Mail Insurance: \$100M Bankers Professional: \$20M
	6. Statement on imminent merger or acquisition activities affecting trust services	No imminent merger or acquisition	Acquired 38 corp. trust books of business over past 8 yrs.
C.	7. List of state housing agencies served as trustee for single-family mortgage revenue bond issues, 2002 Current relationship and Account Representative assigned to the agency Three (3) references: names, addresses, telephone numbers	33 Provided Provided 111 issues	Sample of 10 Relationship Not Provided Provided Not Provided
	8. List of single family mortgage revenue bonds sold by state housing agencies served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	Provided 2000-\$1,668,332,000 2001-\$1,186,804,943 2002-\$755,021,329 Aggregate total: \$3,610,158,272	Not Provided Not Provided
	9. List of Texas local housing bond issuers served as trustee for single-family bond issuers, 2002 Current relationship and Account Representative assigned to the issuer	22 issuers Provided	7 issuers Relationship Not Provided
D.	10. List of single family mortgage revenue bonds sold by Texas issuers served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	17 issues Provided 2000-\$116,417,000 2001-\$61,410,000 2002-\$293,701,000 Aggregate total: \$471,528,000	29 issues Provided Annual Totals Not Provided
	11. Direct experience with Texas Treasury Safekeeping Trust Company	Yes	Yes
	12. Experience and capabilities: CP notes, variable rate demand notes, and other short term instruments	Yes	Yes
E.	13. Description on general accounting management for single family bond issues and redemptions Tracking and reporting: bonds outstanding, fund investments, mortgage repayments and prepayments Computer capabilities, PC-based, internet/dial-in capabilities Sample report of single family transaction administration	SEI Trust Accounting, Account Connect, Bond Master/Cert Master, and Account Control. Account Control PC-based, Internet capable Provided	Not Provided Payment date statement tracks all housing issue information. Inform management reporting system. Internet capable Provided
	14. Litigation, arbitration, or other current, pending, or past against firm from involvement in municipal or public purpose debt Willingness to provide additional information on any pending litigation upon TDHCA request	None As a matter of corporate policy, unable to comment or respond on any pending litigation.	None Yes
	15. Trustee fee proposal (table submitted)	Provided	Provided
	16. Willingness to defer fees as proposed in table Fees to be deferred	Yes, under special circumstances Willing to negotiate fees as have done in previous issues w/TDHCA	Yes Any fees until origination

**Texas Department of Housing and Community Affairs
Request for Qualifications for Trustee Services
Qualifications Summary**

RFQ Section	Data Requested	C Hancock Bank	D UMB Bank
<i>Staff Recommendation</i>		<i>Not Recommended</i>	<i>Not Recommended</i>
A.	1. Professionals assigned to TDHCA: name, office location, resume Level of responsibility & availability, professional background, state housing finance experience	Colin Jedlund: New Orleans, 24yrs Dot Miller: Gulfport, 16yrs Arnold Wethey: Baton Rouge, 34yrs Susan Tsimortos: Jackson, 20yrs Elizabeth Zeigler: Baton Rouge, 18yrs Amy Temple: Baton Rouge, 8yrs	Douglas G. Hare: Kansas City, 10yrs Jamie Paredes: Kansas City, 1yr Kim Morrison: Kansas City, 10yrs
	Percentage of work responsible per team member	Colin: 10% Dot: 10% Arnold, Susan, Elizabeth, Amy: 80%	Douglas: 50% Jamie: 45% Kimberly: 5%
	2. Specialty groups serving single family mortgage revenue bonds	Yes	Yes
B.	3. If yes to 2, length of time operating Group size Group location Group individuals assigned to TDHCA	6 years 2 administrators & 5 support staff New Orleans, LA Carliss, Patterson	Early 1990s 7 associates Kansas City, MO & St. Louis, MO Doug, Jamie, & Kim (Kansas City)
	4. Most recent audited statement	Provided	Provided
	5. Description of liability, error and omissions insurance policies Dollar limits on policies	Fidelity Bond Insurance: \$20M Financial Institution Professional Liability Insurance: \$5M	\$10M per occurrence and in the aggregate \$1M retention per claim
C.	6. Statement on imminent merger or acquisition activities affecting trust services	No imminent merger or acquisition	No imminent merger or acquisition
	7. List of state housing agencies served as trustee for single-family mortgage revenue bond issues, 2002 Current relationship and Account Representative assigned to the agency Three (3) references: names, addresses, telephone numbers	2 Provided Provided 39 issues	1 Provided Provided 27 issues
	8. List of single family mortgage revenue bonds sold by state housing agencies served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	Provided 2000-\$198,060,000 2001-\$232,205,000 2002-\$192,880,000 Aggregate total: \$623,145,000	Provided 2000-\$305,775,000 2001-\$379,970,000 2002-\$425,250,000 Aggregate total: \$1,110,995,000
	9. List of Texas local housing bond issuers served as trustee for single-family bond issues, 2002 Current relationship and Account Representative assigned to the issuer	0 issuers N/A	0 issuers N/A
	10. List of single family mortgage revenue bonds sold by Texas issuers served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	0 issues N/A \$0	0 issues N/A \$0
	11. Direct experience with Texas Treasury Safekeeping Trust Company	No	No
D.	12. Experience and capabilities: CP notes, variable rate demand notes, and other short term instruments	Yes	Yes
	13. Description on general accounting management for single family bond issues and redemptions Tracking and reporting: bonds outstanding, fund investments, mortgage repayments and prepayments Computer capabilities, PC-based, internet/dial-in capabilities Sample report of single family transaction administration	Trust 3000 and Transtar Transtar, customized spreadsheets, Trustweb Reports PC-based, Internet capable Provided	Uses the trust accounting system, OmniTrust. Direct access provided via the Internet. Activity on OmniTrust provided in a monthly, quarterly or annual statement. In house systems for important event reminder notices, payment control and funds transfer. PC-based, Internet capable Provided
	14. Litigation, arbitration, or other current, pending, or past against firm from involvement in municipal or public purpose debt Willingness to provide additional information on any pending litigation upon TDHCA request	None Yes	None Not Answered
E.	15. Trustee fee proposal (table submitted)	Provided	Provided
	16. Willingness to defer fees as proposed in table Fees to be deferred	Yes Any inappropriate/unreasonable	Yes Semi-annual administrative fees may be deferred.

**Texas Department of Housing and Community Affairs
Request for Qualifications for Trustee Services
Qualifications Summary**

RFQ Section	Data Requested	E Union Bank of California	F Wachovia
<i>Staff Recommendation</i>		<i>Not Recommended</i>	<i>Not Recommended</i>
A.	1. Professionals assigned to TDHCA: name, office location, resume Level of responsibility & availability, professional background, state housing finance experience Percentage of work responsible per team member	Vicki Elnick: San Francisco, 20yrs Gillian Wallace: San Francisco, 20yrs Sonia Flores: San Francisco, 10 yrs Cora Serrano: Los Angeles, 20yrs Vicki: 100% managerial oversight Gillian: 90% administration Sonia: 10% administration Cora: 100% operational	Kevin Dobra: Houston, 15yrs R. Douglas Milner: Houston, 16yrs Kevin: 70% Douglas: 30%
	2. Specialty groups serving single family mortgage revenue bonds	Yes	No
	3. If yes to 2, length of time operating Group size Group location Group individuals assigned to TDHCA	6 years 3 administrators San Francisco, CA Gillian	N/A N/A N/A N/A
B.	4. Most recent audited statement	Provided	Provided
	5. Description of liability, error and omissions insurance policies Dollar limits on policies	\$100M insurance coverage	Banker's Blanket: \$200M Omissions & Errors: \$200M General Liability: \$1M each
	6. Statement on imminent merger or acquisition activities affecting trust services	No imminent merger or acquisition	No imminent merger or acquisition
C.	7. List of state housing agencies served as trustee for single-family mortgage revenue bond issues, 2002 Current relationship and Account Representative assigned to the agency Three (3) references: names, addresses, telephone numbers	1 Provided 1 reference	Sample of 6 Provided Provided
	8. List of single family mortgage revenue bonds sold by state housing agencies served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	4 issues Provided 2000-\$0 2001-\$0 2002-\$109,000,000 Aggregate total: \$109,000,000	Sample of 3 Provided Not Provided
	9. List of Texas local housing bond issuers served as trustee for single-family bond issuers, 2002 Current relationship and Account Representative assigned to the issuer	0 issuers N/A	1 issuer Provided
D.	10. List of single family mortgage revenue bonds sold by Texas issuers served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	0 issues N/A \$0	2 issues Provided 2000-\$90,000,000 2001-\$0 2000-\$0 Aggregate total: \$90,000,000
	11. Direct experience with Texas Treasury Safekeeping Trust Company	No	No
	12. Experience and capabilities: CP notes, variable rate demand notes, and other short term instruments	Yes	Yes
E.	13. Description on general accounting management for single family bond issues and redemptions Tracking and reporting: bonds outstanding, fund investments, mortgage repayments and prepayments Computer capabilities, PC-based, internet/dial-in capabilities Sample report of single family transaction administration	SEI Trust 3000 real time cash processing system. SUNSTAR security holder record keeping system. AccountControl and DirectData web PC-based, Internet capable Provided	NCS Trustware system NCS Trustware system, Account Control System, FirstConnect PC-based, Internet capable Provided
	14. Litigation, arbitration, or other current, pending, or past against firm from involvement in municipal or public purpose debt Willingness to provide additional information on any pending litigation upon TDHCA request	None Yes	None Not Answered
E.	15. Trustee fee proposal (table submitted)	Provided	Provided
	16. Willingness to defer fees as proposed in table Fees to be deferred	Yes Travel fees	Yes Annual Administration Fees may be paid in arrears.

**Texas Department of Housing and Community Affairs
Request for Qualifications for Trustee Services
Qualifications Summary**

RFQ Section	Data Requested	G Wells Fargo	H Zion First National Bank
<i>Staff Recommendation</i>		<i>Recommended</i>	<i>Not Recommended</i>
A.	1. Professionals assigned to TDHCA: name, office location, resume Level of responsibility & availability, professional background, state housing finance experience	Pamela Black: Ft. Worth, 18yrs Melissa Scott: Ft. Worth, 18yrs Cheri Whitford: Ft. Worth, 18yrs	Richard Sullivan III: Denver, 25yrs Dave Van Wagoner: Salt Lake, 25yrs Daniel Dixon: Salt Lake, 17yrs Linda Anderson: Salt Lake, 18yrs Jeri Christiansen: Salt Lake, 12yrs
	Percentage of work responsible per team member	Pam: 100% Cheri: 30%	Dave: 50% Dan: 10% Linda: 20% Jeri: 20%
	2. Specialty groups serving single family mortgage revenue bonds	No	Yes
	3. If yes to 2, length of time operating Group size Group location Group individuals assigned to TDHCA	N/A N/A N/A N/A	14 years 4 FTEs Salt Lake City Listed above
B.	4. Most recent audited statement	Provided	Provided
	5. Description of liability, error and omissions insurance policies Dollar limits on policies	Financial Institutions Bond: \$50M Professional Liability: \$50M	Commercial General Liability: \$1M Excess/Umbrella Liability: \$25M
	6. Statement on imminent merger or acquisition activities affecting trust services	No imminent merger or acquisition	No imminent merger or acquisition
C.	7. List of state housing agencies served as trustee for single-family mortgage revenue bond issues, 2002 Current relationship and Account Representative assigned to the agency Three (3) references: names, addresses, telephone numbers	14 Provided Provided 415 issues	3 Provided Provided 28 issues
	8. List of single family mortgage revenue bonds sold by state housing agencies served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	Provided 2000-\$2,381,560,000 2001-\$1,946,675,000 2002-\$1,600,897,919 Aggregate total: \$7,241,692,919	Provided 2000-\$303,185,000 2001-\$409,795,000 2002-\$649,135,000 Aggregate total: \$1,362,115,000
	9. List of Texas local housing bond issuers served as trustee for single-family bond issuers, 2002 Current relationship and Account Representative assigned to the issuer	21 issuers Provided	0 issuers N/A
	10. List of single family mortgage revenue bonds sold by Texas issuers served as trustee, 2000-2002 Sale date, size, issuer, description and structure of issue Annual and aggregate totals	43 issues Provided 2000-\$192,076,832 2001-\$175,832,500 2002-\$140,239,793 Aggregate total: \$508,149,125	0 issues N/A N/A
	11. Direct experience with Texas Treasury Safekeeping Trust Company	Yes	No
12. Experience and capabilities: CP notes, variable rate demand notes, and other short term instruments	Yes	Yes	
13. Description on general accounting management for single family bond issues and redemptions Tracking and reporting: bonds outstanding, fund investments, mortgage repayments and prepayments Computer capabilities, PC-based, internet/dial-in capabilities Sample report of single family transaction administration	Account Control tracks payments and generates reports. SEI Trust 3000.	SunGard's SunStar bond accounting system, Northern Trust's LAN-based Trust/Rite	
	Bondmaster, Trust Portfolio Reporting-On-line Statement System PC-based, Internet capable Provided	PC-based system developed in-house PC-based, Internet capable Provided	
D.	14. Litigation, arbitration, or other current, pending, or past against firm from involvement in municipal or public purpose debt Willingness to provide additional information on any pending litigation upon TDHCA request	None Maybe	None Not Answered
	E.	15. Trustee fee proposal (table submitted)	Provided
E.	16. Willingness to defer fees as proposed in table Fees to be deferred	Maybe Case by case basis upon request of TDHCA	Yes Semi-Annual fee paid in arrears

Board Action Request

April 10, 2003

Action Item

Request for Qualifications for Co-Managing Underwriters for TDHCA's Single Family Mortgage Revenue Bonds.

Required Action

The Board approve the addition of Loop Capital Markets, LLC and Samuel A. Ramirez & Co. to TDHCA's single family mortgage revenue bond co-managing investment banking pool.

Background

In January 2003, TDHCA's Board approved issuing a request for qualifications ("RFQ") from qualified institutions to serve as co-manager for TDHCA's single family bond issues and/or refundings. Staff has completed its review of the responses.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

**FIRMS RECOMMENDED TO PROVIDE CO-MANAGING INVESTMENT BANKING
SERVICES FOR THE SALE OF THE DEPARTMENT'S SINGLE FAMILY
MORTGAGE REVENUE AND REFUNDING BONDS**

In 2001 the Board selected twelve investment banking firms to provide single family bond underwriting services for the TDHCA. Six firms were designated as senior managers and six firms were designated as co-managers.

In January 2003, TDHCA's Board approved issuing a request for qualifications ("RFQ") from qualified institutions to serve as co-manager for TDHCA's single family bond issues and/or refundings. TDHCA issued the RFQ on Friday, January 24, 2003. Responses to the RFQ were due Friday, February 21, 2003. Fourteen responses were received. Staff recommends that the Board approve the following firms to provide investment banking services for TDHCA's single family bond issues:

Loop Capital Markets, LLC

Samuel A. Ramirez & Co.

Loop Capital Markets, LLC maintains its headquarters in Chicago, Illinois and has a local office in Texas. Samuel A. Ramirez & Co. maintains its headquarters in New York, New York and also has a local Texas presence.

The addition of these two investment banks will increase TDHCA's co-manager pool to eight firms. Due to deficiencies noted in many of the responses, Staff has included a related agenda item requesting reissuance of this RFQ.

RECOMMENDATION

The Board approve the addition of Loop Capital Markets, LLC and Samuel A. Ramirez & Co. to TDHCA's single family mortgage revenue bond co-managing investment banking pool.

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services
Draft Qualifications Summary**

RFQ Section	Data Requested	Minimum Value	Maximum Value	Average Value	A A.G. Edwards	B Banc of America Securities	C Berean Capital
<i>Staff Recommendation</i>					<i>Disqualified</i>	<i>Disqualified</i>	<i>Disqualified</i>
A.	Underwriting Role Desired				Co-Manager	Co-Manager	Co-Manager
B.	1. Total Number of Professionals Specializing in Housing Finance Separate and distinct housing finance group	0	151	17	3 Yes	5 Yes	6 Not Answered
	2. Number of Retail Salespeople	0	13,083	3,280	7,255	1,031	0
	3. Number of Retail Municipal Bond Salespeople	0	11,659	914	0	0	0
	4. Number of Institutional Municipal Bond Salespeople	3	29	13	29	17	3
	5. Number of Taxable Municipal Bond Salespeople	0	90	20	27	0	3
	6. Number of Institutional Mortgage-Backed Securities Salespeople	0	91	22	44	91	0
	7. Number of Underwriters	1	15	4	6	15	Not Answered
	Location of Underwriters handling TDHCA's Account				St. Louis, MO	Charlotte, NC	Not Answered
C.	1. Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 1999	\$0	\$5,004,908,595	\$1,354,334,584	\$5,004,908,595	\$1,319,121,382	\$1,390,815,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2000	\$0	\$2,655,926,424	\$888,993,890	\$2,655,926,424	\$696,535,000	\$972,413,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2001	\$0	\$3,027,460,322	\$1,064,586,025	\$2,600,939,700	\$511,708,680	\$356,960,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2002	\$0	\$2,933,820,000	\$713,474,822	\$2,933,820,000	\$368,110,000	\$0
	2. State Housing Agencies Serve as Senior Manager/Placement Agent	0	20	2	1	0	0
	State Housing Agencies Serve as Co-Senior Manager/Co-Manager	0	17	4	15	4	2
	Date Hired				Provided	Provided	Not Provided
	References (name, title, affiliation, address, phone number)				Provided	Provided	Not Provided
	3. Local Housing Agencies Serve as Co-Senior Manager or Co-Manager	0	19	2	0	0	5
	Date Hired				N/A	N/A	Not Provided
	References (name, title, affiliation, address, phone number)				N/A	N/A	Provided
D.	1. Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Book Manager	\$0	\$946,000,000	\$98,200,000	\$0	Not Answered	Not Answered
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Book Manager	\$0	\$436,000,000	\$53,025,000	\$0	Not Answered	Not Answered
	Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Each Manager	\$0	\$500,000,000	\$54,107,000	\$0	\$0	Not Answered
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Each Manager	\$0	\$500,000,000	\$90,359,000	\$253,900,000	\$120,000,000	Not Answered
	Separate and Distinct Taxable Municipal Bond Group				No	No	Not Answered
	2. Mortgage-Backed Securities Sales and Trading Operations				Yes	Yes	No
	Overall Par Amount of Agency Certificates and Whole Loans Sold, 1998-2002	\$0	\$100,000,000,000	\$10,038,165,680	\$10,500,000	\$100,000,000,000	\$0
	Separate and Distinct Mortgage-Backed Securities Sales and Trading Group				Yes	Yes	No
	Structures and Markets Subprime, 1st Lien Purchase and/or Refinance Mortgage-Backed Securities				No	Yes	No
	Par Amount of Subprime Mortgage Securities Senior Managed/Placement Agent, 2001-2002				\$0	Not Answered	\$0
	3. Experience with Variable Rate Demand Bonds				Not Answered	Yes	No
	Experience with Auction Rate Bonds				Not Answered	Yes	No
	Experience with Interest Rate Swaps				Not Answered	Yes	No
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2001	\$0	\$581,000,000	\$78,249,964	\$0	Not Answered	\$0
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2002	\$0	\$37,100,000,000	\$3,409,945,455	\$0	\$37,100,000,000	\$0
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2001	\$0	\$0	\$0	\$0	Not Answered	\$0
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2002	\$0	\$5,800,000,000	\$529,545,455	\$0	\$5,800,000,000	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2001	\$0	\$295,000,000	\$29,500,000	\$0	Not Answered	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2002	\$0	\$32,000,000,000	\$2,935,909,091	\$0	\$32,000,000,000	\$0
	Total for 2001	\$0	\$876,000,000	\$107,749,964	\$0	Not Answered	\$0
	Total for 2002	\$0	\$74,900,000,000	\$6,924,000,000	\$0	\$74,900,000,000	\$0
E.	1. Relationship Banker(s) Assigned to TDHCA				Richard Murray, Nora Chavez, Bob Cole	Art Morales, Elizabeth Moore	Dewey Fitzpatrick, Riley Simmons, Ron Browning
	2. Technical Banker(s) Assigned to TDHCA				Mark Shamleffer, Ryan Walton	Ellen Duffy	Dewey Fitzpatrick, Carl Despagni
	3. Analyst(s) Assigned to TDHCA						
F.	1. Copy of Most Recent Audited Financial Statements				Provided	Provided	Not Provided
	Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$125,429	\$5,265,988,295	\$710,759,622	Not Provided	\$1,182,942,874	\$608,411
	Excess Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$25,429	\$1,071,000,000	\$250,334,119	\$538,869,842	\$1,028,229,320	\$358,411

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services
Draft Qualifications Summary**

RFQ Section	Data Requested	Minimum Value	Maximum Value	Average Value	D Cabrera Capital Markets	E JP Morgan	F Loop Capital Markets
<i>Staff Recommendation</i>					<i>Not Recommended</i>	<i>Disqualified</i>	<i>Recommended</i>
A.	Underwriting Role Desired				Co-Manager	Co-Manager	Co-Manager
B.	1. Total Number of Professionals Specializing in Housing Finance Separate and distinct housing finance group	0	151	17	Not Answered No	151 Yes	2 No
	2. Number of Retail Salespeople	0	13,083	3,280	5	250	0
	3. Number of Retail Municipal Bond Salespeople	0	11,659	914	3	40	0
	4. Number of Institutional Municipal Bond Salespeople	3	29	13	5	17	19
	5. Number of Taxable Municipal Bond Salespeople	0	90	20	3	17	4
	6. Number of Institutional Mortgage-Backed Securities Salespeople	0	91	22	2	30	1
	7. Number of Underwriters	1	15	4	5	3	2
	Location of Underwriters handling TDHCA's Account				Houston, TX	New York, NY & Dallas, TX	New York, NY
C.	1. Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 1999	\$0	\$5,004,908,595	\$1,354,334,584	\$0	\$1,180,590,000	\$0
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2000	\$0	\$2,655,926,424	\$888,993,890	\$0	\$936,454,000	\$164,645,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2001	\$0	\$3,027,460,322	\$1,064,586,025	\$0	\$1,521,808,000	\$420,095,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2002	\$0	\$2,933,820,000	\$713,474,822	\$0	\$942,790,000	\$435,655,000
	2. State Housing Agencies Serve as Senior Manager/Placement Agent	0	20	2	0	3	0
	State Housing Agencies Serve as Co-Senior Manager/Co-Manager	0	17	4	0	5	3
	Date Hired				N/A	Provided	Provided
	References (name, title, affiliation, address, phone number)				N/A	Provided	Provided
	3. Local Housing Agencies Serve as Co-Senior Manager or Co-Manager	0	19	2	0	2	2
	Date Hired				N/A	Provided	Provided
	References (name, title, affiliation, address, phone number)				N/A	Provided	Provided
D.	1. Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Book Manager	\$0	\$946,000,000	\$98,200,000	\$0	Not Answered	\$0
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Book Manager	\$0	\$436,000,000	\$53,025,000	\$0	Not Answered	\$0
	Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Each Manager	\$0	\$500,000,000	\$54,107,000	\$0	Not Answered	\$0
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Each Manager	\$0	\$500,000,000	\$90,359,000	\$0	Not Answered	\$0
	Separate and Distinct Taxable Municipal Bond Group				No	Not Answered	Yes
	2. Mortgage-Backed Securities Sales and Trading Operations				No	Yes	Yes
	Overall Par Amount of Agency Certificates and Whole Loans Sold, 1998-2002	\$0	\$100,000,000,000	\$10,038,165,680	\$0	Not Answered	\$0
	Separate and Distinct Mortgage-Backed Securities Sales and Trading Group				No	Yes	Yes
	Structures and Markets Subprime, 1st Lien Purchase and/or Refinance Mortgage-Backed Securities				No	Not Answered	No
	Par Amount of Subprime Mortgage Securities Senior Managed/Placement Agent, 2001-2002				\$0	Not Answered	\$0
	3. Experience with Variable Rate Demand Bonds				No	Yes	No
	Experience with Auction Rate Bonds				No	Yes	No
	Experience with Interest Rate Swaps				No	Yes	No
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2001	\$0	\$581,000,000	\$78,249,964	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2002	\$0	\$37,100,000,000	\$3,409,945,455	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2001	\$0	\$0	\$0	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2002	\$0	\$5,800,000,000	\$529,545,455	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2001	\$0	\$295,000,000	\$29,500,000	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2002	\$0	\$32,000,000,000	\$2,935,909,091	\$0	Not Provided	\$0
	Total for 2001	\$0	\$876,000,000	\$107,749,964	\$0	Not Provided	\$0
	Total for 2002	\$0	\$74,900,000,000	\$6,924,000,000	\$0	Not Provided	\$0
E.	1. Relationship Banker(s) Assigned to TDHCA				Martin Cabrera, Carlos Sharpless	Peter Stevens, Anthony Snell, Tina Peterman	Jana Wesley, Curtis Flowers
	2. Technical Banker(s) Assigned to TDHCA						Stephen Bierer
	3. Analyst(s) Assigned to TDHCA					Lawrence Stephens, Alan Lotito	Rada Tuntasood
F.	1. Copy of Most Recent Audited Financial Statements				Provided	Provided	Provided
	Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$125,429	\$5,265,988,295	\$710,759,622	\$125,429	\$1,196,000,000	\$2,386,802
	Excess Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$25,429	\$1,071,000,000	\$250,334,119	\$25,429	\$1,071,000,000	\$2,136,802

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services
Draft Qualifications Summary**

RFQ Section	Data Requested	Minimum Value	Maximum Value	Average Value	G Melvin Securities	H Merrell Lynch	I Morgan Stanley
<i>Staff Recommendation</i>					<i>Not Recommended</i>	<i>Disqualified</i>	<i>Disqualified</i>
A.	Underwriting Role Desired				Co-Manager	Co-Manager	Co-Manager
B.	1. Total Number of Professionals Specializing in Housing Finance Separate and distinct housing finance group	0	151	17	1 No	8 Yes	Not Answered Not Answered
	2. Number of Retail Salespeople	0	13,083	3,280	0	13,083	11,659
	3. Number of Retail Municipal Bond Salespeople	0	11,659	914	0	15	11,659
	4. Number of Institutional Municipal Bond Salespeople	3	29	13	3	22	13
	5. Number of Taxable Municipal Bond Salespeople	0	90	20	5	17	13
	6. Number of Institutional Mortgage-Backed Securities Salespeople	0	91	22	5	22	12
	7. Number of Underwriters	1	15	4	1	3	3
	Location of Underwriters handling TDHCA's Account				Chicago, IL	New York, NY	New York, NY
C.	1. Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 1999	\$0	\$5,004,908,595	\$1,354,334,584	\$112,115,000	\$2,467,392,682	\$728,980,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2000	\$0	\$2,655,926,424	\$888,993,890	\$140,000,000	\$1,960,206,000	\$1,036,335,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2001	\$0	\$3,027,460,322	\$1,064,586,025	\$274,500,000	\$1,782,721,000	\$1,952,735,000
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2002	\$0	\$2,933,820,000	\$713,474,822	\$54,235,000	\$1,837,918,000	\$1,551,465,000
	2. State Housing Agencies Serve as Senior Manager/Placement Agent	0	20	2	0	20	1
	State Housing Agencies Serve as Co-Senior Manager/Co-Manager	0	17	4	1	17	0
	Date Hired				Provided	Provided	Provided
	References (name, title, affiliation, address, phone number)				Provided	Provided	Provided
	3. Local Housing Agencies Serve as Co-Senior Manager or Co-Manager	0	19	2	0	0	0
	Date Hired				N/A	N/A	N/A
	References (name, title, affiliation, address, phone number)				N/A	N/A	N/A
D.	1. Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Book Manager	\$0	\$946,000,000	\$98,200,000	\$0	\$946,000,000	\$5,000,000
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Book Manager	\$0	\$436,000,000	\$53,025,000	\$0	\$436,000,000	\$88,000,000
	Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Each Manager	\$0	\$500,000,000	\$54,107,000	\$0	Not Answered	\$0
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Each Manager	\$0	\$500,000,000	\$90,359,000	\$0	Not Answered	\$23,300,000
	Separate and Distinct Taxable Municipal Bond Group				No	No	Yes
	2. Mortgage-Backed Securities Sales and Trading Operations				Yes	Yes	Yes
	Overall Par Amount of Agency Certificates and Whole Loans Sold, 1998-2002	\$0	\$100,000,000,000	\$10,038,165,680	\$0	\$1,848,405 (SF & MF)	\$12,000,000,000
	Separate and Distinct Mortgage-Backed Securities Sales and Trading Group				No	Yes	Yes
	Structures and Markets Subprime, 1st Lien Purchase and/or Refinance Mortgage-Backed Securities				No	Yes	Yes
	Par Amount of Subprime Mortgage Securities Senior Managed/Placement Agent, 2001-2002				\$0	\$2,100,000,000	\$15,600,000,000
	3. Experience with Variable Rate Demand Bonds				No	Yes	Yes
	Experience with Auction Rate Bonds				No	Yes	Yes
	Experience with Interest Rate Swaps				No	Yes	Yes
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2001	\$0	\$581,000,000	\$78,249,964	\$0	\$581,000,000	Not Provided
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2002	\$0	\$37,100,000,000	\$3,409,945,455	\$0	\$59,400,000	Not Provided
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2001	\$0	\$0	\$0	\$0	\$0	Not Provided
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2002	\$0	\$5,800,000,000	\$529,545,455	\$0	\$25,000,000	Not Provided
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2001	\$0	\$295,000,000	\$29,500,000	\$0	\$295,000,000	Not Provided
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2002	\$0	\$32,000,000,000	\$2,935,909,091	\$0	\$295,000,000	Not Provided
	Total for 2001	\$0	\$876,000,000	\$107,749,964	\$0	\$876,000,000	Not Provided
	Total for 2002	\$0	\$74,900,000,000	\$6,924,000,000	\$0	\$914,000,000	Not Provided
E.	1. Relationship Banker(s) Assigned to TDHCA				Christopher Melvin, Debra Mairs, Michael Gagnon	Barbara Feldman, Daniel Rosen	Barry Adair, Joseph Branca
	2. Technical Banker(s) Assigned to TDHCA						Curt Shelmire
	3. Analyst(s) Assigned to TDHCA						
F.	1. Copy of Most Recent Audited Financial Statements				Provided	Provided	Provided
	Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$125,429	\$5,265,988,295	\$710,759,622	\$693,345	Not Provided	\$5,265,988,295
	Excess Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$25,429	\$1,071,000,000	\$250,334,119	\$443,345	Not Provided	Not Provided

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services
Draft Qualifications Summary**

RFQ Section	Data Requested	Minimum Value	Maximum Value	Average Value	J National Alliance Capital	K Prudential Securities	L Ramirez
<i>Staff Recommendation</i>					<i>Disqualified</i>	<i>Disqualified</i>	<i>Recommended</i>
A.	Underwriting Role Desired				Co-Manager	Co-Manager	Co-Manager
B.	1. Total Number of Professionals Specializing in Housing Finance Separate and distinct housing finance group	0	151	17	2 Not Answered	0 No	3 No
	2. Number of Retail Salespeople	0	13,083	3,280	2	4,200	23
	3. Number of Retail Municipal Bond Salespeople	0	11,659	914	2	90	18
	4. Number of Institutional Municipal Bond Salespeople	3	29	13	3	10	10
	5. Number of Taxable Municipal Bond Salespeople	0	90	20	3	90	19
	6. Number of Institutional Mortgage-Backed Securities Salespeople	0	91	22	6	80	0
	7. Number of Underwriters	1	15	4	Not Answered	1	1
	Location of Underwriters handling TDHCA's Account				Dallas, TX	Dallas, TX	New York, NY
C.	1. Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 1999	\$0	\$5,004,908,595	\$1,354,334,584	\$0	\$1,573,805,000	\$2,278,659,002
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2000	\$0	\$2,655,926,424	\$888,993,890	\$0	\$861,505,000	\$577,064,536
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2001	\$0	\$3,027,460,322	\$1,064,586,025	\$0	\$567,747,000	\$3,027,460,322
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2002	\$0	\$2,933,820,000	\$713,474,822	\$0	\$558,735,000	\$389,064,506
	2. State Housing Agencies Serve as Senior Manager/Placement Agent	0	20	2	0	0	0
	State Housing Agencies Serve as Co-Senior Manager/Co-Manager	0	17	4	0	0	5
	Date Hired				N/A	N/A	Provided
	References (name, title, affiliation, address, phone number)				N/A	N/A	Provided
	3. Local Housing Agencies Serve as Co-Senior Manager or Co-Manager	0	19	2	0	0	0
	Date Hired				N/A	N/A	Provided
	References (name, title, affiliation, address, phone number)				N/A	N/A	Provided
D.	1. Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Book Manager	\$0	\$946,000,000	\$98,200,000	\$0	Not Provided	\$0
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Book Manager	\$0	\$436,000,000	\$53,025,000	\$0	Not Provided	\$0
	Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Each Manager	\$0	\$500,000,000	\$54,107,000	\$0	Not Provided	\$500,000,000
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Each Manager	\$0	\$500,000,000	\$90,359,000	\$0	Not Provided	\$500,000,000
	Separate and Distinct Taxable Municipal Bond Group				No	Yes	No
	2. Mortgage-Backed Securities Sales and Trading Operations				Yes	Yes	No
	Overall Par Amount of Agency Certificates and Whole Loans Sold, 1998-2002	\$0	\$100,000,000,000	\$10,038,165,680	\$0	\$8,000,000,000	\$0
	Separate and Distinct Mortgage-Backed Securities Sales and Trading Group				Yes	Not Answered	No
	Structures and Markets Subprime, 1st Lien Purchase and/or Refinance Mortgage-Backed Securities				No	No	No
	Par Amount of Subprime Mortgage Securities Senior Managed/Placement Agent, 2001-2002				\$0	\$0	\$0
	3. Experience with Variable Rate Demand Bonds				No	Yes	No
	Experience with Auction Rate Bonds				Not Answered	Yes	No
	Experience with Interest Rate Swaps				Not Answered	Yes	No
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2001	\$0	\$581,000,000	\$78,249,964	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2002	\$0	\$37,100,000,000	\$3,409,945,455	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2001	\$0	\$0	\$0	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2002	\$0	\$5,800,000,000	\$529,545,455	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2001	\$0	\$295,000,000	\$29,500,000	\$0	Not Provided	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2002	\$0	\$32,000,000,000	\$2,935,909,091	\$0	Not Provided	\$0
	Total for 2001	\$0	\$876,000,000	\$107,749,964	\$0	Not Provided	\$0
	Total for 2002	\$0	\$74,900,000,000	\$6,924,000,000	\$0	Not Provided	\$0
E.	1. Relationship Banker(s) Assigned to TDHCA				Stephen Lipkin, Bradford Phillips	Greg Kaufman	George Graham, Maria Saldana
	2. Technical Banker(s) Assigned to TDHCA					John Thomas	Mary Meyers, Linda Martin
	3. Analyst(s) Assigned to TDHCA					David Smith, Alan Murphy	Larry Wadler, Jose Yandun, Stuart Bromberg
F.	1. Copy of Most Recent Audited Financial Statements				Not Provided	Provided	Provided
	Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$125,429	\$5,265,988,295	\$710,759,622	\$765,896	\$565,890,000	\$3,357,884
	Excess Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$25,429	\$1,071,000,000	\$250,334,119	\$515,896	\$71,166,000	\$3,207,696

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services
Draft Qualifications Summary**

RFQ Section	Data Requested	Minimum Value	Maximum Value	Average Value	M Raymond James	N William R. Hough
<i>Staff Recommendation</i>					<i>Not Recommended</i>	<i>Not Recommended</i>
A.	Underwriting Role Desired				Co-Manager	Co-Manager
B.	1. Total Number of Professionals Specializing in Housing Finance Separate and distinct housing finance group	0	151	17	3 Yes	15 Yes
	2. Number of Retail Salespeople	0	13,083	3,280	5,100	37
	3. Number of Retail Municipal Bond Salespeople	0	11,659	914	15	37
	4. Number of Institutional Municipal Bond Salespeople	3	29	13	21	14
	5. Number of Taxable Municipal Bond Salespeople	0	90	20	52	24
	6. Number of Institutional Mortgage-Backed Securities Salespeople	0	91	22	10	10
	7. Number of Underwriters	1	15	4	2	3
	Location of Underwriters handling TDHCA's Account				Dallas & St. Petersburg, FL	St. Petersburg, FL
C.	1. Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 1999	\$0	\$5,004,908,595	\$1,354,334,584	\$2,078,561,907	\$825,735,612
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2000	\$0	\$2,655,926,424	\$888,993,890	\$1,764,589,192	\$680,241,312
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2001	\$0	\$3,027,460,322	\$1,064,586,025	\$1,034,250,599	\$853,279,055
	Par Amount Co-Senior Manager, Co-Manager, or Selling Group Member Experience 2002	\$0	\$2,933,820,000	\$713,474,822	\$473,105,000	\$443,750,000
	2. State Housing Agencies Serve as Senior Manager/Placement Agent	0	20	2	0	3
	State Housing Agencies Serve as Co-Senior Manager/Co-Manager	0	17	4	7	2
	Date Hired				Provided	Provided
	References (name, title, affiliation, address, phone number)				Provided	Provided
	3. Local Housing Agencies Serve as Co-Senior Manager or Co-Manager	0	19	2	1	19
	Date Hired				Provided	Provided
	References (name, title, affiliation, address, phone number)				Provided	Provided
D.	1. Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Book Manager	\$0	\$946,000,000	\$98,200,000	\$4,150,000	\$26,850,000
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Book Manager	\$0	\$436,000,000	\$53,025,000	\$1,500,000	\$4,750,000
	Total Par Amount of Taxable Single Family Bonds Managed, 2001 Full Credit to Each Manager	\$0	\$500,000,000	\$54,107,000	\$0	\$41,070,000
	Total Par Amount of Taxable Single Family Bonds Managed, 2002 Full Credit to Each Manager	\$0	\$500,000,000	\$90,359,000	\$0	\$6,390,000
	Separate and Distinct Taxable Municipal Bond Group				Yes	No
	2. Mortgage-Backed Securities Sales and Trading Operations				Yes	Yes
	Overall Par Amount of Agency Certificates and Whole Loans Sold, 1998-2002	\$0	\$100,000,000,000	\$10,038,165,680	\$70,000,000	\$377,488,163
	Separate and Distinct Mortgage-Backed Securities Sales and Trading Group				Yes	Yes
	Structures and Markets Subprime, 1st Lien Purchase and/or Refinance Mortgage-Backed Securities				Yes	No
	Par Amount of Subprime Mortgage Securities Senior Managed/Placement Agent, 2001-2002				\$0	\$0
	3. Experience with Variable Rate Demand Bonds				No	Yes
	Experience with Auction Rate Bonds				No	Yes
	Experience with Interest Rate Swaps				No	Yes
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2001	\$0	\$581,000,000	\$78,249,964	\$0	\$201,499,636
	Par/Notional Amount Senior-Managed Variable Rate Demand Bonds 2002	\$0	\$37,100,000,000	\$3,409,945,455	\$0	\$350,000,000
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2001	\$0	\$0	\$0	\$0	\$0
	Par/Notional Amount Senior-Managed Auction Rate Bonds 2002	\$0	\$5,800,000,000	\$529,545,455	\$0	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2001	\$0	\$295,000,000	\$29,500,000	\$0	\$0
	Par/Notional Amount Senior-Managed Interest Rate Swaps 2002	\$0	\$32,000,000,000	\$2,935,909,091	\$0	\$0
	Total for 2001	\$0	\$876,000,000	\$107,749,964	\$0	\$201,499,636
	Total for 2002	\$0	\$74,900,000,000	\$6,924,000,000	\$0	\$350,000,000
E.	1. Relationship Banker(s) Assigned to TDHCA				Philip Harloff, Craig Ferguson, Mary Bert-Koelling	Janna Cormier, Helen Hough Feinberg
	2. Technical Banker(s) Assigned to TDHCA					Timothy Nelson, Monica Galuski, Gregory Brunner
	3. Analyst(s) Assigned to TDHCA					
F.	1. Copy of Most Recent Audited Financial Statements				Provided	Provided
	Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$125,429	\$5,265,988,295	\$710,759,622	\$282,012,397	\$28,344,128
	Excess Net Capital as of December 31, 2002 (FOCUS I/Focus IIa)	\$25,429	\$1,071,000,000	\$250,334,119	\$261,266,018	\$26,790,663

Board Action Request

April 10, 2003

Action Item

Reissuance of a Request for Qualifications for Co-Managing Underwriters for TDHCA's Single Family Mortgage Revenue Bonds.

Required Action

Authorize Staff to reissue a Request for Qualifications for co-managing underwriting firms for the sale of the TDHCA's single family mortgage revenue and refunding bonds.

Background

In January 2003, TDHCA's Board approved Staff reviewing the qualifications of investment banks to serve as co-managers for TDHCA's single family bond issues and/or refundings. Fourteen responses were received in conjunction with TDHCA's request for information.

Due to deficiencies noted in many of the responses, Staff only recommended two firms.

Staff requests approval for publication of a Request for Qualifications for co-managing underwriting firms for TDHCA's single family bond program. Responses to this RFQ are due Friday, May 23, 2003. Staff will present its recommendations at the June 2003 Board meeting.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

**REISSUANCE OF REQUEST FOR QUALIFICATIONS FOR CO-MANAGING
INVESTMENT BANKING FIRMS FOR THE SALE OF TDHCA'S SINGLE FAMILY
MORTGAGE REVENUE AND REFUNDING BONDS**

In 2001, the Board selected twelve investment banking firms to provide single family bond underwriting services for the TDHCA. Six firms were designated as senior managers and six firms were designated as co-managers.

In January 2003, TDHCA's Board approved Staff reviewing the qualifications of investment banks to serve as co-managers for TDHCA's single family bond issues and/or refundings. Fourteen responses were received in conjunction with TDHCA's request for information. Due to deficiencies noted in many of the responses, Staff only recommended two firms.

TDHCA is nearing the completion of rotating investment banks in the senior manager pool. Thereafter, TDHCA anticipates reducing the senior manager pool from six senior managers to three. TDHCA also anticipates transacting at least three single family bond issues in 2003. Bond Finance recommends the selection of additional firms to provide underwriting services as co-managers. The primary role of the co-managers will be to support senior managers with the sale of the Department's bonds.

Bond Finance seeks to add firms that will add value to TDHCA's single family mortgage revenue bond program. Specifically, in addition to firm's retail distribution capabilities, Bond Finance will review each submission to determine whether firms have the potential to contribute to TDHCA's future areas of focus. Those areas include the securitization of subprime mortgages and the integration of innovative financial techniques into TDHCA's overall plan of finance.

After the selection of these additional firms, TDHCA will have a total of at least fifteen investment banks in its single family bond underwriting pool. Bond Finance will then establish three underwriting teams. Each team will be comprised of at least five firms: one senior manager, one co-senior manager, and three co-managers. Each team will participate on at least one transaction per year on a rotational basis.

Staff requests approval for publication of a Request for Qualifications for co-managing underwriting firms for TDHCA's single family bond program. Responses to this RFQ are due Friday, May 23, 2003. Staff will present its recommendations at the June 2003 Board meeting.

RECOMMENDATION

Authorize Staff to reissue a Request for Qualifications for co-managing underwriting firms for the sale of the TDHCA's single family mortgage revenue and refunding bonds.

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services**

I. Purpose of Request

The Texas Department of Housing and Community Affairs (“TDHCA”) is issuing this request for qualifications (RFQ) from investment banking firms interested in providing investment banking services from time to time as Co-Manager for one or more of its proposed single family mortgage revenue bond new issues and/or refundings. TDHCA desires to revise its list of approved underwriters from which to select its underwriting team for specific municipal bond issues as financing opportunities arise. TDHCA reserves the right to select a team for any particular financing project, from the approved list of Senior Managers and Placement Agents, Co-Senior Managers, Co-Managers or Selling Group Members, with any combination or number of participants.

II. Deadline for Responses And Other Information

Response Due: Friday, May 23, 2003 4:00 P.M. C.S.T.

No proposal received after the deadline will be considered. Faxed and/or email responses will not be accepted. TDHCA further reserves the right to negotiate individual elements of a firm’s proposal.

All responses must be complete as to all terms and conditions, on the date submitted. Additional information submitted after the response or separate from the response for purposes of clarification, explanation, interpretation, or annotation will not be considered by TDHCA unless specifically requested by TDHCA and then only to the extent requested.

Also, in releasing this RFQ, TDHCA shall not be obligated to proceed with any action on the RFQ and may decide it is in TDHCA's best interest to refrain from pursuing any approval process. TDHCA reserves and may, at any time, exercise the right to 1) reject any or all responses to this RFQ, or 2) waive, in writing, minor irregularities in submitted responses. Any written waiver exercised under this section will in no way modify any provision of this RFQ.

With the exception of certain written communications allowed under Section VII, investment banking firms, or any representative of the firm, responding to the RFQ must refrain from any contact or communication with members of the Board of Directors or with any TDHCA staff as to the selection of firms pursuant to this RFQ. A DETERMINATION BY THE BOARD THAT A VIOLATION OF THIS POLICY HAS OCCURRED WILL BE GROUNDS FOR DISQUALIFICATION OF A FIRM’S PROPOSAL.

III. TDHCA Board Review and Oral Presentations

Firms that have responded to this RFQ may be asked to make oral presentations at a meeting of TDHCA’s Board. In such event, those firms will be given not less than three (3) business days notice along with the date, time and place for such oral presentation. The Board will give final approval to the selection of firms.

IV. Delivery of Responses

Please deliver 5 copies to TDHCA’s Director of Bond Finance as follows: Please deliver 1 copy to TDHCA’s Financial Advisor as follows:

Byron V. Johnson
Director of Bond Finance
Texas Department of Housing
And Community Affairs
507 Sabine Street
P.O. Box 13941
Austin, Texas 78711-3941

Gary Machak
Managing Director
Dain Rauscher, Inc.
Cityplace, Suite 2400
2711 N. Haskell Avenue
Dallas, Texas 75204-2936

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services**

V. Response Format

- Each question in this Section V should be specifically addressed or the reason no response was given should be indicated.
- Responses should be submitted by individual firms only. No responses should be submitted on a joint basis.
- Responses should be limited to the information requested by TDHCA in this RFQ and should be no longer than 10 pages. Do not submit any additional information, such as attachments or appendices, not requested by TDHCA. TDHCA will consider only the information for which a response has been requested.
- Identify the question being answered in the introduction to each response.

A. Underwriting Role

TDHCA seeks RFQ's from investment banking firms interested in providing investment banking services from time to time as Co-Manager for one or more of its proposed single family mortgage revenue bond new issues and/or refundings. However, should an investment bank appointed as a Co-Manager offer a truly unique and feasible idea which adds economic value to the TDHCA's bond program, TDHCA will consider, on a case-by-case basis, assigning that firm as a senior managing underwriter for that particular transaction.

B. Distribution Capabilities

Provide the following information:

1. Number of professionals (analyst level or above) *specializing* in housing finance.
2. Indicate whether your firm has a separate and distinct housing finance group.
3. Number of Retail Salespeople.
4. Number of Retail Municipal Bond Salespeople.
5. Number of Institutional Municipal Bond Salespeople.
6. Number of Taxable Municipal Bond Salespeople.
7. Number of Institutional Mortgage-Backed Securities Salespeople.
8. Please indicate the number of underwriters and location of the underwriting office(s) that would handle TDHCA's account.

C. Experience

1. Co-Senior Manager, Co-Manager or Selling Group Member Experience: For the past four calendar years (1999, 2000, 2001 and 2002), list in table format the firm's experience as co-senior manager, co-manager or selling group member with new money and refunding single family mortgage revenue bond transactions. **Do not include multi-family mortgage revenue bond transactions in your response to this question or any question in this RFQ.**

This information should be provided in **table format** with the column headings across the top in order from left to right. Please total each category and/or column by year and show an overall total. Use the column headings provided below for your response. (These items should be included as an attachment or appendix and will not be considered part of the page limitation).

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services**

Column Headings

- Date of Issue
- Name of Issuer
- Issue Description
- Issue Amount (Principal Amount (\$) and Lendable Proceeds Amount (\$))
- Amount of New Money Included in Issue Amount
- Role in Transaction (Co-Senior Manager, Co-Manager or Selling Group Member)
- Management Fee
- Takedown
- Expenses
- Risk
- Total Gross Spread
- Any Other Fees Outside the Transaction (Swap Fees, etc.)
- Participation %

2. State Housing Agency Clients. Indicate state housing agencies where your firm currently and actively serves as: 1) senior manager/placement agent, and/or 2) co-senior manager or co-manager. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact all such state housing agency references. TDHCA also reserves the right to independently contact any other references as deemed necessary. Use the format provided below for your response.

<u>State HFA</u>	<u>Role</u>	<u>Date Hired</u>	<u>Reference</u>
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3. Local Housing Issuer Clients in Texas. Indicate local housing issuer clients in Texas where your firm currently and actively serves as co-senior manager or co-manager. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact all such local housing issuer references. TDHCA also reserves the right to independently contact these and other references. Use the format provided below for your response.

<u>Local Housing Agency</u>	<u>Role</u>	<u>Date Hired</u>	<u>Reference</u>
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D. Other Qualifications

1. Taxable Capabilities. TDHCA is interested in pursuing tax-exempt/taxable **single family** bond financings. Provide the par amount of taxable single family bonds managed in calendar years 2001 and 2002 (Full Credit to Book Manager). Also provide the par amount of taxable single family bonds managed in calendar years 2001 and 2002 (Full Credit to Each Manager). Indicate whether your firm maintains a separate and distinct taxable municipal bond group. Use the format provided below for your response.

Taxable Single Family Bonds

	<i>Full Credit to Book Manager</i>	<i>Full Credit to Each Manager</i>
2001	\$	\$
2002	\$	\$
Total	\$	\$

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services**

2. Mortgage-Backed Securities Sales and Trading Capabilities. Describe your firm’s mortgage-backed securities sales and trading operations.

Provide the overall par amount of agency certificates/whole loans your firm has sold as principal or senior manager/placement agent in calendar years 2001 and 2002 as a result of refunding or restructuring tax-exempt single family mortgage revenue bond issues. Use the format provided below for your response.

Tax-Exempt Single Family Mortgages	
<i>Agency Certificates/Whole Loans</i>	
2001	\$
2002	\$
Total	\$

3. Indicate whether your firm maintains a separate and distinct mortgage-backed securities sales and trading group.

Indicate whether your firm has successfully structured and marketed mortgage-backed securities secured by subprime “A-” and/or “B” first lien, purchase and/or refinance mortgages.

Provide the par amount of such subprime mortgage-backed securities (asset-backed securities) your firm sold as senior manager/placement agent during 2001 and 2002. Please provide totals for each year. Use the format provided below for your response.

Subprime Mortgage MBS/ABS	
2001	\$
2002	\$
Total	\$

4. Variable Rate Demand Bonds, Auction Rate Bonds and Interest Rate Swaps. Describe your firm’s experience with Variable Rate Demand Bonds, Auction Rate Bonds and Interest Rate Swaps for single family mortgage revenue bonds. Provide the par/notional amount of such products your firm managed as senior manager/placement agent/structuring agent/financial advisor during 2001 and 2002 (single family mortgage revenue bonds only). Please provide totals for each product for each year. Use the format provided below for your response.

Single Family Mortgage Revenue Bonds			
	<i>Variable Rate Demand Bonds</i>	<i>Auction Rate Bonds</i>	<i>Interest Rate Swaps</i>
2001	\$	\$	\$
2002	\$	\$	\$
Total	\$	\$	\$

E. Personnel

Provide names, titles, brief resumes and office location of the persons to be assigned to this account. Specifically indicate the capacity of the persons assigned to this account as that of a relationship banker, a technical banker or an analyst.

List, on an individual basis by banker, other clients served by the personnel assigned to TDHCA’s team.

**Texas Department of Housing and Community Affairs
Request for Qualifications for Underwriting Services**

F. Financial Condition

Provide a copy of your firm’s most recent annual audited financial statements. **Provide a recent copy** of your firm’s FOCUS I or FOCUS IIa report. **Failure to provide a FOCUS I or FOCUS IIa will result in the disqualification of your response.** (These items should be included as an attachment or appendix and will not be considered part of the page limitation).

VI. Program Information

To obtain further information about the TDHCA Single Family Bond Program or this RFQ, please fax your request to the attention of Byron V. Johnson at (512) 475-3362 or visit the Bond Finance Division web page at www.tdhca.state.tx.us.

VII. Public Information

Information submitted to TDHCA is public information and is available upon request after the Board has approved the selection of firms for its list of underwriters in accordance with the Texas Public Information Act, chapter 552 of the Government Code (the “Act”). A firm submitting any information it considers confidential as to trade secrets or commercial or financial information which it desires not to be disclosed must clearly identify all such information in its proposal. If information so identified by a firm is requested from TDHCA, the firm will be notified and given an opportunity to present its position to the Texas Attorney General, who shall make the final determination as to whether such information is excepted from disclosure under the Act. Information not clearly identified as confidential will be deemed to be non-confidential and will be made available by TDHCA upon request.

VIII. Cost Incurred in Responding

All costs directly or indirectly related to preparation of a response to this RFQ or any oral presentation required to supplement and/or clarify the RFQ which may be required by TDHCA shall be the sole responsibility of and shall be borne by your firm.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

**TRANSFER OF INVESTMENT BANKING FIRMS BETWEEN THE SENIOR
MANAGER AND CO-SENIOR MANAGER INVESTMENT BANKING POOLS**

In 2001 the Board selected twelve investment banking firms to provide single family bond underwriting services for the TDHCA. Six firms were designated as senior managers and six firms were designated as co-managers.

In keeping with TDHCA's policy of providing opportunities for all qualified professionals, Staff recommends that the Board transfer M.R. Beal & Company from the senior manager pool to the co-manager pool. In conjunction with this action, Staff recommends that the Board transfer Siebert Brandford Shank & Co., LLC from the co-manager pool to the senior manager pool.

RECOMMENDATION

Authorize the transfer of investment banking firms between the senior manager and co-senior manager investment banking pools as noted above.

Board Action Request

April 10, 2003

Action Item

Transfer of investment banking firms between the senior manager and co-senior manager investment banking pools.

Required Action

Authorize the transfer of investment banking firms between the senior manager and co-senior manager investment banking pools as noted below.

Background

In keeping with TDHCA's policy of providing opportunities for all qualified professionals, Staff recommends that the Board transfer M.R. Beal & Company from the senior manager pool to the co-manager pool. In conjunction with this action, Staff recommends that the Board transfer Siebert Brandford Shank & Co., LLC from the co-manager pool to the senior manager pool.

Board Action Request

April 10, 2003

Action Item

Review of preliminary bond structure for the next issue of tax-exempt residential mortgage revenue bonds for single family mortgage loans.

Required Action

The Board approve the preliminary bond structure for Residential Mortgage Revenue Bonds, Series 2003A (Program 59A).

Background

Interest rates are at 40-year historical lows. To take advantage of these historical lows and create a marketable and competitive mortgage product for first-time homebuyers, Staff recommends issuing a portion of the transaction, approximately \$40 million, in the form of *variable rate auction bonds*. To reduce the interest rate exposure associated with variable interest rates that change according to market conditions, Staff recommends implementing a hedge referred to as an *interest rate swap*.

The new mortgages will be assisted and unassisted low rate mortgages with interest rates in the range of approximately 5.95% and 5.30% respectively. Without issuing variable rate bonds, TDHCA would attain mortgage rates of approximately 6.40% for assisted mortgages and 5.75% for unassisted mortgages.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

**RECOMMENDATIONS RELATING TO THE PROSPECTIVE ISSUANCE OF TAX-
EXEMPT RESIDENTIAL MORTGAGE REVENUE BONDS FOR SINGLE FAMILY
MORTGAGE LOANS AND OTHER RELATED MATTERS
(PROGRAM 59A)**

The structure of TDHCA's Residential Mortgage Revenue Bonds, Series 2003A (Program 59A) is in progress. The Series 2003A bonds will create lendable mortgage funds of approximately \$72,000,000 upon closing in July 2003. This bond transaction will refund the \$74,655,000 Convertible Option Bond warehouse facility issued in December 2002. TDHCA's total volume cap for calendar year 2003 equals approximately \$161 million and will be used later in the year.

Interest rates are at 40-year historical lows. To take advantage of these historical lows and create a marketable and competitive mortgage product for first-time homebuyers, Staff recommends issuing a portion of the transaction, approximately \$40 million, in the form of *variable rate auction bonds*. To reduce the interest rate exposure associated with variable interest rates that change according to market conditions, Staff recommends implementing a hedge referred to as an *interest rate swap*. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay a highly credit-rated counterparty a fixed interest rate. The highly credit-rated counterparty accordingly will pay TDHCA a variable interest rate similar to the variable interest rate due on the variable rate auction bonds. An interest rate swap is a derivative security.

Derivative securities are financial instruments the value of which is derived from, or based upon, either the value of another security, asset or financial index. The mortgage-backed securities securing most of TDHCA's single family and multifamily bonds are derivative securities. TDHCA has previously issued other forms of derivative securities, namely its \$132,200,000 Collateralized Home Mortgage Revenue Bonds, Series 1992 A/B/C. This bond issue was comprised entirely of variable rate and inverse-floating rate auction securities. The coupon interest rate on inverse-floating rate securities changes in the opposite direction of interest rates.

Like all financial instruments, variable rate auction securities and interest rate swaps possess certain risks. Over the past three years, Staff has identified, studied and to the extent feasible, quantified those risks.

The new mortgages will be assisted and unassisted low rate mortgages with interest rates in the range of approximately 5.95% and 5.30% respectively. Without issuing variable rate bonds, TDHCA would attain mortgage rates of approximately 6.40% for assisted mortgages and 5.75% for unassisted mortgages. The mortgages will be securitized. TDHCA will incorporate premium bonds into the bond structure for purposes of providing downpayment assistance. The mortgages will be marketed to very low, low and moderate income residents of Texas. If authorized, the bonds will be sold in June and the bond closing will occur approximately six weeks subsequent to the bond pricing.

RECOMMENDATION

The Board approve the preliminary bond structure for Residential Mortgage Revenue Bonds, Series 2003A (Program 59A).

Board Action Request

April 10, 2003

Action Item

Approval of the underwriting team for the next issue of tax-exempt residential mortgage revenue bonds for single family mortgage loans.

Required Action

The Board approve the investment banks recommended by Staff for structuring and managing the Department's next single family bond transaction, Residential Mortgage Revenue Bonds, Series 2003A (Program 59A).

Background

The structure of TDHCA's Residential Mortgage Revenue Bonds, Series 2003A (Program 59A) is in progress. This bond transaction will refund the \$74,655,000 the Convertible Option Bond warehouse facility issued in December 2002.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

**UNDERWRITING TEAMS RECOMMENDED FOR THE SALE OF RESIDENTIAL
MORTGAGE REVENUE BONDS (PROGRAM 59A)**

The structure of TDHCA's Residential Mortgage Revenue Bonds, Series 2003A (Program 59A) is in progress. The Series 2003A bonds will create lendable mortgage funds of approximately \$72,000,000 upon closing in July 2003. This bond transaction will refund the \$74,655,000 the Convertible Option Bond warehouse facility issued in December 2002. TDHCA's total volume cap for calendar year 2003 equals approximately \$161 million and will be used later in the year.

The attached page lists the investment banks recommended by Staff to manage the next single family bond transaction.

RECOMMENDATION

The Board approve the investment banks recommended by Staff for structuring and managing the Department's next single family bond transaction, Residential Mortgage Revenue Bonds, Series 2003A (Program 59A).

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

Program 59A Investment Banking Underwriting Team Recommendations

Estimated Transaction Size: \$ 74,655,000

<u>Firm</u>	<u>Underwriting Role</u>	<u>Liability%</u>
Bear Stearns & Co. Inc.	Senior Manager	47.5%
USbancorp Piper Jaffray	Co-Senior	15.0%
Salomon Smith Barney	Co-Senior	15.0%
George K. Baum & Company	Co-Manager	7.5%
Siebert Brandford Shank & Co., LLC	Co-Manager	7.5%
UBS/PaineWebber	Co-Manager	7.5%
		<u>100.0%</u>

	<u>Per Bond</u>	<u>Dollars</u>
Management Fee	\$ 0.50	\$ 37,327.50
Take-Down	6.25	466,593.75
Expenses	0.50	37,327.50
Structuring Fee	1.00	74,655.00
Underwriters' Counsel	0.50	37,327.50
Underwriters' Risk	0.00	0.00
	<u>\$ 8.75</u>	<u>\$ 653,231.25</u>

The proposed designation policy follows:

- Three (3) or more firms must be designated.
- No more than 45% allocated to any one firm.
- Minority designations must be at least 10%.

Board Action Request

April 10, 2003

Action Item

Revise allocations of taxable junior lien single family mortgage revenue bond proceeds.

Required Action

The Board approve allocating \$1.0 million of the Junior Lien Bond proceeds for use in TDHCA's Down Payment Assistance Program and \$152,944 for use in the Multifamily Preservation Program.

Background

Staff has reviewed the most recent status of various allocations of the \$10 million in bond proceeds generated by the Junior Lien Single Family Mortgage Revenue Bond transaction (the "Junior Lien Bonds"). The Board approved these uses in February and August 2002. The Junior Lien Bonds closed on March 27, at which time the funds became available for program use.

Staff recommends the following revised program allocations:

- Allocating \$1.0 million for use in TDHCA's Down Payment Assistance Program (DPAP). DPAP provides \$5,000, \$7,500 or \$10,000 for downpayment assistance contingent upon the borrower's county of residence.
- Allocating \$152,944 for use in the Multifamily Preservation Program.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
APRIL 10, 2003**

**RECOMMENDATIONS REVISING ALLOCATIONS OF TAXABLE JUNIOR LIEN
SINGLE FAMILY MORTGAGE REVENUE BOND PROCEEDS
(PROGRAM 58)**

Staff has reviewed the most recent status of various allocations of the \$10 million in bond proceeds generated by the Junior Lien Single Family Mortgage Revenue Bond transaction (the "Junior Lien Bonds"). The Board approved these uses in February and July 2002. The Junior Lien Bonds closed on March 27, at which time the funds became available for program use.

Staff recommends the following revised program allocation:

- Allocating \$1.0 million for use in TDHCA's Down Payment Assistance Program (DPAP). DPAP provides \$5,000, \$7,500 or \$10,000 for downpayment assistance contingent upon the borrower's county of residence.

These additional downpayment assistance funds are required to close-out TDHCA's First-Time Homebuyer Program 56.

The mortgage loan origination period related to the Department's Residential Mortgage Revenue Bonds, Series 2000B/C/D/E (Program 56) will terminate on December 1, 2003. A balance of approximately \$22 million remains in the mortgage acquisition account. The original amount of lendable proceeds equaled \$124,915,000. Unused proceeds calls must be made if all of the funds are not expended by December 1, 2003.

No downpayment assistance was funded by the bonds. Rather, Program 56 has relied upon TDHCA's internally funded Down Payment Assistance Program. The interest rate on the loans is 6.60%. The decrease in market mortgage rates and the lack of a consistent source of DPAP impacted Program 56 originations.

Staff is also examining reducing Program 56's mortgage rate. Staff believes that with the use of additional downpayment assistance and a reduction in the mortgage rate, all funds will be converted into mortgage loans.

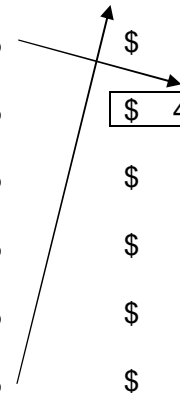
RECOMMENDATION

The Board approve allocating \$1.0 million of the Junior Lien Bond proceeds for use in TDHCA's Down Payment Assistance Program.

Texas Department of Housing and Community Affairs
\$10,000,000
Taxable Junior Lien Single Family Mortgage Revenue Bonds
Series 2002A

Recommended Uses and Allocations

Recommended Uses (In Alphabetical Order)	Original Allocations			August 2002 Revised Allocations		April 2003 Revised Allocations	
Bootstrap Program FY 2002	OCI	\$ 200,000	2%	\$ 200,000	2%	\$ 200,000	2%
Bootstrap Program FY 2003	OCI	\$ 1,800,000	18%	\$ 1,800,000	18%	\$ 1,800,000	18%
Downpayment Assistance - Program 56	Single Family	\$ 2,500,000	25%	\$ 2,500,000	25%	\$ 3,500,000	35%
JL SFMRB Series 2002A Costs of Issuance	Bond Finance	\$ 500,000	5%	\$ 500,000	5%	\$ 347,056	3%
Preservation	Multifamily	\$ 2,000,000	20%	\$ 4,000,000	40%	\$ 4,152,944	42%
Statewide Architectural Barrier Removal (SABR)	Hsg. Resources	\$ 1,000,000	10%	\$ -	0%	\$ -	0%
Transitional Housing Pilot Projects	Comm. Affairs	\$ 1,500,000	15%	\$ -	0%	\$ -	0%
Contingency	TBD	\$ 500,000	5%	\$ -	0%	\$ -	0%
Section 8 Homeownership Vouchers	Bond Finance	\$ -	0%	\$ 1,000,000	10%	\$ -	0%
Total Recommended Uses		\$ 10,000,000	100%	\$ 10,000,000	100%	\$ 10,000,000	100%



Texas Department of Housing and Community Affairs
\$10,000,000
Taxable Junior Lien Single Family Mortgage Revenue Bonds
Series 2002A

Recommended Uses (In Alphabetical Order)	Allocations			Funds Awarded/Expended		Funds Uncommitted as of March 2003
Bootstrap Program FY 2002	OCI	\$ 200,000	2%	\$ 200,000	2%	\$ -
Bootstrap Program FY 2003	OCI	\$ 1,800,000	18%	\$ -	0%	\$ 1,800,000
Downpayment Assistance - Program 56	Single Family	\$ 2,500,000	25%	\$ 2,500,000	25%	\$ -
JL SFMRB Series 2002A Costs of Issuance	Bond Finance	\$ 500,000	5%	\$ 347,056	3%	\$ 152,944
Preservation	Multifamily	\$ 4,000,000	40%	\$ 2,767,673	28%	\$ 1,232,327
Section 8 Homeownership Vouchers	Bond Finance	\$ 1,000,000	10%	\$ -	0%	\$ 1,000,000
Total		<u>\$ 10,000,000</u>	<u>100%</u>	<u>\$ 5,814,729</u>	<u>58%</u>	<u>\$ 4,185,271</u>

BOARD ACTION REQUEST

April 10, 2003

Action Items

Multifamily Underwriter Request for Qualifications.

Required Action

Approve the attached Multifamily Underwriter Request for Qualifications as submitted.

Background and Recommendations

Request for Qualifications will allow interested parties to submit their qualifications for consideration as Underwriter for Multifamily Transactions. Department staff will review the qualifications and consult with the Department's Financial Advisor as to recommended action. If it is determined that a firm is qualified to be approved as a Senior Managing Underwriter, a Co-Senior or Co-Managing Underwriter, or a Remarketing Agent, then the firm's qualifications will be presented for consideration of approval by the Department's Board of Directors. Firms who were approved on May 14, 1999, will remain as approved underwriters until May 14, 2004. Firms must then resubmit their qualifications if they desire to be considered for further approval. Firms desiring to do so may also request a change in status (e.g. from approval as a Co-Manager to approval as a Senior Managing Underwriter) by re-submitting their qualifications for consideration. The Department currently has twenty (20) Senior Managing Underwriters and fifteen (15) Co-Managing Underwriters on the approved list.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM
STANDARD OPERATING PROCEDURES

FOR

APPROVAL OF UNDERWRITERS' QUALIFICATIONS

I. Approval of Underwriter Qualifications

The Texas Department of Housing and Community Affairs (the "Department" or "TDHCA") maintains a list of qualified investment banking firms who are approved to serve as Senior Managing Underwriters, Underwriting Team Members or Remarketing Agents for bonds issued under the Department's Multifamily Mortgage Revenue Bond Program.

Firms who are interested in being considered by the Department for approval to serve as an Underwriter for multifamily bond transactions should submit their qualifications as outlined below to the Department and its Financial Advisor. Firms may be approved for a period of two years, after which they must re-submit their qualifications for subsequent approval by the Department. Firms who were approved on May 14, 1999, will remain as approved underwriters until May 14, 2004. Firms must then resubmit their qualifications if they desire to be considered for further approval. Firms desiring to do so may also request a change in status (e.g. from approval as a Co-Manager to approval as a Senior Managing Underwriter) by re-submitting their qualifications for consideration.

Upon the receipt of qualifications from a firm, Department staff will review the qualifications and consult with the Department's Financial Advisor as to recommended action. If it is determined that a firm is qualified to be approved as a Senior Managing Underwriter, a Co-Senior or Co-Managing Underwriter, or a Remarketing Agent, then the firm's qualifications will be presented for consideration of approval by the Department's Board of Directors.

II. Submission of Qualifications

Qualifications should be submitted no later than thirty (30) days before the Department's board meeting at which approval is requested for consideration. Qualifications should be submitted as follows:

2 Copies to:
Texas Department of Housing and Community Affairs
507 Sabine Street, Suite 800
Austin, Texas 78701
Attn.: Ms. Brooke Boston
Director of Multifamily Finance Production

*Texas Department of Housing and Community Affairs
Multifamily Finance Production Division*

1 copy to:
Dain Rauscher, Inc.
Cityplace
2711 N. Haskell Ave., Suite 2400
Dallas, Texas 75204-2936
Attn.: Mr. Gary Machak

1 copy to:
Dain Rauscher, Inc.
1001 Fannin, Suite 400
Houston, TX 77002
Attn.: Mr. J.C. Howell

TDHCA does not anticipate that an oral presentation will be necessary, but reserves the right to request oral presentations from any respondent. If an oral presentation is requested, the cost of such presentation shall be borne by the respondent.

III. Response Format

- A. Each question in Section IV of this Request for Proposal should be specifically addressed or an explanation provided as to why no response is given.
- B. Responses should be submitted by individual firms only; no responses should be submitted on a joint basis.
- C. Please limit your response to relevant material and your proposal to 25 pages in length; additional information must be submitted in the form of an attachment or appendix.
- D. Identify the question being answered in the introduction to each response.

IV. Proposal Content

- A. Background information: Provide general information regarding the organization and structure of your firm including but not limited to:
 - 1. Number of professionals in public finance,
 - 2. Number of professionals in housing finance,
 - 3. Number of institutional salespersons,
 - 4. Number of offices located in Texas,
 - 5. Number of registered representatives located in Texas, and
 - 6. Information as to your firm's municipal bond underwriting operation--underwriters, support staff, location of office, which would handle TDHCA's account, fixed income trading desk, secondary market support and taxable issue capabilities.

B. Experience

1. For the past three calendar years and year-to-date, indicate the firm's experience in separate tables by issue type with new money and refunding, Multifamily Revenue Bond transactions as Senior Manager, Co-Senior Manager, Co-Manager or Consultant. Be sure to indicate in which capacity the firm served. For all transactions where the firm served as Senior Manager, provide information as to the current status of the transaction (i.e. project completion/lease-up, satisfaction of public purpose objectives, bond performance, rating changes, default or restructuring information, any legal action resulting from the issue against the developer, the development, underwriting team member and /or issuer, etc.).

This information should be provided in table or spreadsheet format with the following column headings across the top in order from left to right. Please provide subtotals by year for each column, and show an overall total.

Column Headings

Date of Issue

Name of Issuer

Issue Description

Issue Amount (\$) (Principal Amount and Proceeds Amount)

Amount of New Money Included in Issue Amount

Taxable Amount

Equity Source

Rating Information

Credit Enhancement Type

Role in Transaction (Senior Manager, Co-Senior Manager, Co-Manager, Consultant)

Current status of the Transaction

Fees Paid for Services (also Include fees paid from Cost of Issuance and/or Third Party)

- a. Gross Spread (Breakout management Fees, Expenses, Takedown and Net to Underwriter)
 - b. Computer Fees
 - c. Consulting and Other Fees (specify)
2. State Housing Agency Clients. Indicate state housing agencies where your firm currently serves as a manager. Indicate when you were hired and provide a reference. Give name, title, affiliation, address and telephone number. Each applicant shall be deemed to have authorized TDHCA to contact all such State Housing Agency references. The TDHCA also reserves the right to independently contact other references.
 3. Local Housing Issuer Clients in Texas. Indicate local housing issuer clients in Texas where your firm currently serves as a manager. Provide references. Give name, title, affiliation, address and telephone number. The TDHCA reserves the right to independently contact these and other references.

4. Discuss your experience as a remarketing agent. Provide the number of issues and total principal your firm currently remarkets on a tax-exempt and taxable basis. Describe any innovations your firm has developed as remarketing agent.

C. Unique Qualifications and Innovative Techniques

1. Identify which position or positions on an underwriting team your firm is interested in: Senior Managing Underwriter, Co-senior Manager, or Co-manager and/or Remarketing Agent.
2. Please describe any innovative services or programs your firm has provided as a Senior Manager, Co-senior Manager, or Co-manager on multifamily housing bond issues since January 1, 1990. Provide specific examples of completed transactions and provide references for your recent clients including names and telephone numbers.
3. Describe your firm's tax-exempt and taxable distribution system; including any unique or innovative marketing ideas, your firm uses. What type(s) of investor(s) has your firm marketed housing bonds to in the past?
4. Discuss your firm's computer capabilities in structuring housing bond issues and cashflows, identifying the firm's current software.
5. List any unique qualifications your firm possesses to qualify it to be selected as a managing underwriter.

D. Personnel

1. Provide the names, titles, brief resumes and office location of the persons to be assigned to this account.
2. Provide a list of housing clients served by the personnel assigned to TDHCA team.

E. Affirmative Action

1. It is the policy of the TDHCA to encourage the participation of historically underutilized businesses ("HUB's"), including minorities and women in all facets of the Department's activities. To this end, the extent to which minorities and women participate in the ownership, management and professional work force of the firm will be a primary consideration by the Board in the selection of an underwriting group. Applicants are therefore requested to submit a historical profile of their firm in terms of ownership and management, as well as by professional, administrative, clerical and support personnel since 1990 to date. Please use year-end numbers for year by year profiles. Do not submit the Employer Information Report Form EE01. Use the matrix provided below to present your data.
2. Provide specific information about the firm's record in affirmative action and equal opportunity, including any relevant official policies in effect in the firm, and the firm's record of using HUB's in the various functions of the company and plans for enhancing such utilization

3. Enclose a statement of the firm's equal employment opportunity and affirmative action policies.

F. Financial Condition

Provide a copy of your firm's most recent annual audited financial statement and most recent focus report. (This should be included as an attachment or appendix and will not be considered part of the page limitation of proposals).

G. Legal Disclosures

Has your firm or any person in your firm to be assigned to work with the Department been: (1) indicted or convicted of a felony or misdemeanor greater than a Class C in the last five years; (2) terminated (for cause or otherwise) from any work being performed for any Federal, State, or Local Government or private entity; or (3) involved in any claim or litigation with any Federal, State, or Local Government or private entity during the last ten years?

V. Program Information

Additional information regarding TDHCA may be obtained from Robert Onion at TDHCA at 512.475.3872. All requests must be in writing and faxed to 512.475.0764. All questions and responses will be made available to all applicants and will be subject to disclosure under the Texas Open Records Act.

VI. Open Records

All Proposals shall be deemed, once submitted, to be the property of the TDHCA and subject to the Open Records Act, Tex. Rev. Civ. State. Ann., Art. 6252-17a. **Proprietary Information:** If a firm does not desire proprietary information in the proposal to be disclosed under the Texas Open Records Act or otherwise, it is required to clearly identify (and segregate, if possible) all proprietary information in the proposal, which identification shall be submitted concurrently with the proposal. If such information is requested under the Texas Open Records Act, the firm will be notified and given an opportunity to present its position to the Texas Attorney General, who shall make the final determination. If the firm fails to clearly identify proprietary information, it agrees, by the submission of a proposal, that those sections shall be deemed non-proprietary and made available upon public request after the contract is awarded.

VII. Cost Incurred in Responding

All costs directly or indirectly related to preparation and submission of qualifications, or any oral presentation required to supplement or clarify the request for clarifications which may be required by the TDHCA shall be the sole responsibility of, and shall be borne by your firm.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

REQUEST FOR QUALIFICATIONS FOR MULTIFAMILY TRUSTEE SERVICES

I. Purpose of Request

The Texas Department of Housing and Community Affairs ("TDHCA") requests proposals from qualified institutions to serve as Trustees for TDHCA's multifamily bond issues and/or refundings.

Firms who are interested in being considered by the Department for approval to serve as a Trustee for multifamily bond transactions should submit their qualifications as outlined below to the Department and its Financial Advisor. Firms may be approved for a period of two years, after which they must re-submit their qualifications for subsequent approval by the Department. Firms who were approved on or before April 1, 2003, will remain as approved Trustees until April 1, 2005. Firms must then resubmit their qualifications if they desire to be considered for further approval.

Upon the receipt of qualifications from a firm, Department staff will review the qualifications and consult with the Department's Financial Advisor as to recommended action. If it is determined that a firm is qualified to be approved as a Trustee, then the firm's qualifications will be presented for consideration of approval by the Department's Board of Directors.

II. Nature of Services Required

The respondents are expected to provide trustee services as necessary to complete new money financings and refundings, and to assign experienced professionals employed by the company who are best suited to appropriately respond to TDHCA's requirements.

The scope of services to be provided to TDHCA by the Trustee in connection with the financings will include, but not be limited to, the following:

1. Developing standard procedures to be used by bond counsel in structuring bond financing and preparing bond documents.
2. Reviewing all documents prepared by bond counsel and by other counsel.
3. Investing and transferring funds in accordance with TDHCA's instructions and indentures.
4. Providing recommendations on the investment of funds in compliance with TDHCA's Investment Policy and the timing of expenditures and receipts such that it serves the best interest of TDHCA.
5. Providing reports on bond issues and fund balances to TDHCA on a regular basis and upon request.
6. Tracking and reporting on investments of TDHCA for such things as arbitrage rebate compliance and compliance with the Public Funds Investment Act.
7. Working with TDHCA, its financial advisor, bond counsel and other State personnel in fulfilling responsibilities as trustee to TDHCA.
8. Advising TDHCA's officers and directors in the regular conduct of TDHCA's business, by telephone and in office conferences, both at the State and at other offices, and in writing.

Texas Department of Housing and Community Affairs

Request for Qualifications for Trustee Services

Page 2

9. Assisting in the development of policy guidelines and program criteria pertaining to bond issues.
10. Examination of all documents and procedures related to bond issues.
11. Assisting in disclosure requirements under SEC 15(c)(2)12.
12. Participating in activities associated with rating agency review of documentation and Department activity.
13. Assisting TDHCA, its financial advisor and underwriters in other matters as necessary to ensure the successful marketing, sale, and closing of bonds and subsequent matters which may affect bond transactions.
14. Providing on-going documentation and information to TDHCA and its financial advisor regarding cashflow reporting requirements.

III. Submission of Qualifications and Other Information

Responses should be submitted no later than 30 days before the Department's board meeting at which approval is requested for consideration. Faxed or emailed responses will not be considered a valid response. It is the expressed policy of TDHCA that responding firms refrain from initiating any direct contact or communication with members of the Board of Directors or TDHCA staff not listed below in regard to the selection of firms relative to this Request for Qualifications ("RFQ") while the firm is under consideration for approval. Any violation of this policy will be considered a basis for disqualification.

All responses must be complete as to all terms and conditions, on the date submitted. Additional information submitted after the response or separate from the response for purposes of clarification, explanation, interpretation, or annotation will not be considered by TDHCA unless specifically requested by TDHCA and then only to the extent requested.

Also, in releasing this RFQ, TDHCA shall not be obligated to proceed with any action on the RFQ and may decide it is in TDHCA's best interest to refrain from pursuing any approval process. TDHCA reserves and may, at any time, exercise the right to 1) reject any or all responses to this RFQ, or 2) waive, in writing, minor irregularities in submitted responses. Any written waiver exercised under this section will in no way modify any provision of this RFQ. TDHCA reserves the right to negotiate individual elements of any Trustee proposal.

Questions arising from the RFQ may be directed to TDHCA or its Financial Advisor, RBC Dain Rauscher, Inc., as follows:

Mr. Byron V. Johnson
Director of Bond Finance
Texas Department of Housing
and Community Affairs
507 Sabine Street
9th Floor
Austin, Texas 78701
(512) 475-3856

Mr. Gary P. Machak
Managing Director
RBC Dain Rauscher Inc.
Cityplace
2711 N. Haskell Avenue, Suite 2400
Dallas, Texas 75204-2936
(214) 989-1659

IV. Oral Presentations

TDHCA reserves the option to request oral presentations from any number of respondents.

V. Delivery of Responses

Responses should be delivered as follows:

5 Copies to:

Texas Department of Housing and Community Affairs
507 Sabine Street
5th Floor
Austin, Texas 78701

Attn: Mr. Byron V. Johnson
Director of Bond Finance
(512) 475-3856

1 copy each to:

RBC Dain Rauscher, Inc.
Cityplace
2711 N. Haskell Ave., Suite 2400
Dallas, Texas 75204-2936

Attn: Mr. Gary P. Machak
Managing Director
(214) 989-1659

RBC Dain Rauscher, Inc
First City Tower
1001 Fannin, Suite 400
Houston, TX 77002-0220

Attn: Mr. J.C. Howell
Vice President
(713) 651-3345

VI. Response Format

1. **Each question in Section VII of this Request for Qualifications should be specifically addressed. Otherwise, indicate why no response is given.**
2. Responses should be submitted by individual firms only; no responses should be submitted on a joint basis.
3. Please limit your response to relevant material and your proposal to 25 pages in length; additional information must be submitted in the form of an attachment or appendix.
4. Identify the question being answered in the introduction to each response.

VII. Proposal Content

A. Organizational and Personnel Background

1. Provide the names, office location, and brief resumes (including State of Texas, TDHCA and other state or local Texas housing finance agency experience) for the professionals who will be assigned to TDHCA's account. Include their level of responsibility and availability. Describe the professional background of these individuals, in particular their relevant state or local Texas housing finance experience. Please designate the percentage of work for which each team member will be responsible.
2. Does your firm maintain a specialty group focused solely on serving multifamily mortgage revenue bonds?
3. If you answered yes to question 2, please list; 1) how long this group has been operating, 2) the group's size (full-time employees) and 3) the group's location? Please specify which individuals from this group would work directly with TDHCA.

B. Financial

4. Provide your firm's most recent **audited financial statements**, along with a brief description of your firm's ownership and capital structure. Provide your firm's total capital and net available capital as of December 31, 2002.
5. Provide a description of liability, error and omissions insurance policies your company may carry and the dollar limits of these policies.
6. Provide a statement discussing any imminent merger or acquisition activities affecting the trust services of your firm.

C. Experience

7. Provide a list of state housing agencies for which your which your company served as trustee during 2002 for multifamily mortgage revenue bond issues, and indicate what the current relationship is to each agency as well as the name of the Account Representative assigned to the agency. Provide a list of references from three of the agencies listed above, including names, addresses, and telephone numbers.
8. Provide a list of multifamily mortgage revenue bonds sold and closed during 2000, 2001 and 2002 by state housing agencies for which your company acted as trustee.. Do not list transactions closed in years prior to 2000. Indicate the sale date, size, issuer, description and structure of the issue (senior/subordinate bonds, external credit enhancement, rated/unrated, etc.). **Provide annual and aggregate totals.**
9. Provide a list of Texas local housing bond issuers for which your company served as trustee during 2002 for multifamily bond issues, and indicate what the current relationship is to each issuer as well as the name of the Account Representative assigned to the issuer.
10. Provide a list of multifamily mortgage revenue bonds sold and closed during 2000, 2001, and 2002 by Texas local housing issuers for whom your company acted as trustee. Do not list transactions closed in years prior to 2000. Indicate the sale date, size, issuer, description and structure of the issues

(senior/subordinate bonds, external credit enhancement, rated/unrated, etc.) **Provide annual and aggregate totals.**

11. Describe your direct experience with the Texas Treasury Safekeeping Trust Company.
12. Describe your experience and capabilities with, Variable Rate Demand Notes, and other short term instruments.
13. Describe how your firm manages general accounting for multifamily bond issues and redemptions, etc. How do you keep track of and inform your clients of bonds outstanding, fund investments, mortgage repayments and prepayments? Describe your computer capabilities. Is your system PC-based? Do you provide internet/dial-in capabilities to your clients? Include a sample report that would be provided as part of your administration of a multifamily transaction.

D. Disclosure

14. Describe any litigation, arbitration, or other actions current, pending, or past against the firm arising from the firm's involvement in municipal or public purpose debt. **Please indicate your willingness to provide additional information on any litigation pending against your firm should TDHCA request it.**

E. Compensation

15. Please prepare and submit a table, as illustrated below, detailing your proposed fees.

Trustee Fee Proposal												
Issue Size:	\$5,000,000		\$7,500,000		\$10,000,000		\$12,500,000		\$15,000,000		\$20,000,000	
	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points
Fees:												
Acceptance												
Semi-annual Administration	\$		\$		\$		\$		\$		\$	
Legal												
Other (Specify)												
Other (Specify)												
Total Fees	\$		\$		\$		\$		\$		\$	

If the company proposes that TDHCA bear the costs of incidental expenses associated with its representation of TDHCA, the proposal should clearly state the nature of such incidental expenses and their estimated costs to TDHCA. Please indicate minimum charges on any of the fees. Invoices presented for payment must be itemized and contain details of specific expenses. Reimbursement for time spent traveling will be negotiated with TDHCA. All proposals must include a statement that fee rates are valid for the duration of the contract. Any fees not disclosed will not be considered.

Although TDHCA seeks to minimize transaction costs, submission of the lowest bid may not result in an appointment.

16. Express your willingness to defer any fees you have proposed in the above table. State which fees would be deferred.

VIII. Program Information

Additional information regarding TDHCA may be obtained from Byron V. Johnson at the aforementioned address. All requests must be **in writing and faxed** to (512) 475-3362. All questions and responses will be made available to all applicants and will be subject to disclosure under the Open Records Act.

IX. Open Records

Information submitted to TDHCA is public information and is available upon request in accordance with the Texas Public Information Act, Chapter 552 of the Government Code (the "Act") after the Board has approved Staff's recommendations. A firm submitting any information it considers confidential as to trade secrets or commercial or financial information which it desires not to be disclosed must clearly identify all such information in its proposal. If information so identified by a firm is requested from TDHCA, the firm will be notified and given an opportunity to present its position to the Texas Attorney General, who shall make the final determination as to whether such information is excepted from disclosure under the Act. Information not clearly identified as confidential will be deemed to be non-confidential and will be made available by TDHCA upon request.

X. Cost Incurred In Responding

All costs directly or indirectly related to preparation of a response to this RFQ or any oral presentation required to supplement and/or clarify the RFQ which may be required by TDHCA shall be the sole responsibility of and shall be borne by your firm.



TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2003 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

West Virginia Apartments

\$7,560,000 (*) Tax Exempt – Series 2003A

\$1,890,000 (*) Tax Exempt – Series 2003B

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	Sources & Uses of Funds Estimated Costs of Issuance
TAB 4	Department's Credit Underwriting Analysis
TAB 5	Rental Restrictions Explanation Results & Analysis
TAB 6	Location Map
TAB 7	TDHCA Compliance Report
TAB 8	Results of Public/TEFRA Hearings (February 27, 2003)

() Preliminary - subject to change*

**FINANCE COMMITTEE AND BOARD APPROVAL
MEMORANDUM
April 10, 2003**

PROJECT: West Virginia Apartments, Dallas, Dallas County, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2003 Multifamily Housing Revenue Bonds
(Reservation received 1/8/2003)

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

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to West Virginia Apartments Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 204-unit multifamily residential rental development to be constructed on approximately 10.517 acres of land located at the 7600 Block of West Virginia Drive, Dallas, Dallas County, Texas 75237 (the "Project").

BOND AMOUNT: \$ 7,560,000 Series 2003 A, Tax Exempt Senior Bonds
\$ 1,890,000 Series 2003 B Tax Exempt Subordinate Bonds
\$ 9,450,000 Total Tax Exempt Bonds

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

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on January 8, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 8, 2003, the anticipated closing date is May 6, 2003.

BORROWER: West Virginia Apartments Limited Partnership, a Texas Limited Partnership, the managing general partner of which is TCR West Virginia Partners Limited Partnership, a Texas limited partnership. The principals of the general partner are Kenneth J. Valach, J. Ronald Terwilliger, Terwilliger Partners, L.L.L.P., Christopher J. Bergmann, Scott Wise, and John A. Zeledon.

COMPLIANCE HISTORY: The Compliance Status Summary completed on April 1, 2003 reveals that the principal of the general partner above has a total of ten (10) properties being monitored by the Department. Six (6) of these properties have received a compliance score. All of the scores are

below the material non-compliance threshold score of 30.

ISSUANCE TEAM:

Ambac Assurance Corporation (“Credit Enhancer”)
SunAmerica Inc. (“Construction Phase Credit Facility Provider”)
SunAmerica Inc. (“Guaranty Provider, Subordinate Bonds”)
SunAmerica Inc. (“Equity Provider”)
U.S. Bancorp Piper Jaffray, Inc. (“Subordinate Bond Purchaser”)
Newman and Associates (“Underwriter”)
Bank One, National Association (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)

BOND PURCHASER:

The Senior Bonds will be publicly offered on a limited basis on or about April 28, 2003 at which time the final pricing and Bond Purchaser(s) will be determined.

The Subordinate Bonds will be privately purchased by U.S. Bancorp Piper Jaffray, Inc.. The Series B (Subordinate Bonds) will have the same terms as the Series A bonds, except that the note rate will be forty-one (41) basis points higher than the longest term bond of the Series A-1 Bonds.

PROJECT DESCRIPTION:

The Project is a 204-unit multifamily residential rental development to be constructed on approximately 10.517 acres of land located at the 7600 Block of West Virginia Drive, Dallas, Dallas County, Texas 75237 (the "Project"). The proposed site density will be 19.39 units per acre and will consist of seventeen (17) three building types wood-framed buildings on post-tension slabs with a total of 210,986 net rentable square feet and an average unit size of 1,034 square feet. There will be 8 one-bedroom flats and 196 two-story townhome units. Each of the townhome units will contain a half-bath on the ground floor and twenty percent of each unit size (based on number of units) contains a full bath and bedroom on the ground floor.

The residential building exteriors will consist of 35% masonry and 65% hardi-plank siding with wood trim. Unit amenities will include frost-free refrigerator, dishwasher, disposal, large storage areas, washer/dryer connections, ceiling fans, energy efficient HVAC systems and pre-wiring for cable television and high-speed internet service. The property will have clubhouse, leasing, office and community room space and a laundry building.

<u>Units</u>	<u>Unit Type</u>	<u>Square Feet</u>	<u>Proposed Net Rent</u>
8	1-Bedrooms/1-Bath	684	\$565.00
16	1-Bedrooms/1.5-Baths	809	\$565.00
10	1-Bedrooms/1.5-Baths	839	\$565.00
80	2-Bedrooms/1.5-Baths	1,027	\$674.00
40	2-Bedrooms/2-Baths	1,116	\$674.00
10	2-Bedrooms/2-Baths	1,142	\$674.00
<u>40</u>	3-Bedrooms/2.5-Baths	1,149	\$775.00

SET-ASIDE UNITS:

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

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

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (50%) of the area median income.

TENANT SERVICES:

Borrower will provide Tenant Services provided by Apartment Life (a Christian non-profit corporation dedicated to improving the quality of life and the value of apartment communities) based on the tenant profile upon lease-up that conforms to the Department's program guidelines.

**DEPARTMENT
ORIGINATION
FEES:**

\$1,000 Pre-Application Fee (Paid)
\$10,000 Application Fee (Paid)
\$47,250 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT
ANNUAL FEES:**

\$9,450 Bond Administration (0.10% per annum of the aggregate principle amount of the Bonds outstanding)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

**ASSET OVERSIGHT
FEE:**

\$5,100 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$686,048 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$5,551,431 of equity for the transaction.

**BOND STRUCTURE &
SECURITY FOR THE
BONDS:**

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

administration, investment and disbursement of Bond proceeds and program revenues.

As stated above, the Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Project. The Mortgage Loan will be secured by, among other things, a Deed of Trust and other security instruments on the Project. The Mortgage Loan, Deed of Trust and the other security instruments will be assigned to the Trustee and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Ambac will provide a Bond Insurance Policy for the Senior Bonds. This insurance provides a guaranty for the full and timely payment of the principal and interest on the Senior Bonds should the Borrower fail to make any payments under the Mortgage Loan. In such event, the Trustee will have the right to require Ambac to fund any payment(s) in default.

During the Construction Phase, the Interim Lender will provide a Construction Phase Credit Facility to the benefit of Ambac to cover the construction and lease-up risk. This interim credit facility will be secured by a 2nd lien mortgage on the property. According to the Intercreditor Agreement between the Interim Lender and the Bond Insurer, the Construction Phase Credit Facility will fund any deficiencies in payments on the Senior Bonds during the construction and lease-up period. Upon satisfaction of certain stabilization requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Ambac will return the Construction Phase Credit Facility to the Interim Lender. At this time, the Interim Lender's Deed of Trust and security documents cease to exist.

The Subordinate Bonds do not have the benefit of the bond insurance policy or the Construction Phase Credit Facility. The Subordinate Bonds will carry term risk credit support provided by SunAmerica. The Subordinate bonds will be privately placed with U.S. Bancorp Piper Jaffray, Inc.. The Department expects the initial purchaser of the Subordinate Bonds to transfer the Subordinate Bonds into a custodial trust arrangement whereby beneficial interest in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The initial Subordinate Bond purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust. As required by SunAmerica, purchasers of the trust certificates will be Qualified Institutional Buyers.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consist of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts

otherwise on deposit in the Funds and Accounts (excluding the Rebate and Cost of Issuance Funds) and any investment earnings thereon. See Funds and Accounts section, below.

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

**CREDIT
ENHANCEMENT:**

Ambac's bond insurance allows for an anticipated rating of AAA/Aaa on the Senior Bonds and an anticipated interest rate of 5.20% for the tax exempt bonds. Without the credit enhancement, the Bonds would not be investment grade and would therefore command a higher interest rate from investors on similar maturity bonds.

While the Subordinate Bonds themselves are not rated, the guarantee provided by SunAmerica or AIG indirectly provides credit support for the Subordinate Bonds which allows for an interest rate of approximately 5.71%. Without the credit support, the Subordinate Bonds would command a higher interest rate from investors – approximately 8% or higher on similar maturity bonds.

FORM OF BONDS:

The Senior Bonds will be issued in book entry form and in denominations of \$5,000 or any integral multiples thereof. The Subordinate Bonds will be issued in physical form and in denominations of \$100,000 or any integral of \$5,000 in excess thereof.

MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest for 360 months beginning in the 36th month. The Stabilization Date is anticipated to occur within thirty-six (36) months from the closing date of the Bonds, but must occur before the Final Balancing Date which is forty-eight (48) months from closing of the Bonds. Stabilization of the Project will convert the Mortgage Loan from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the documents. Among other things, these requirements include completion of the Project according to plans and specifications and achievement of certain occupancy and debt-coverage thresholds.

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

The Bonds will bear interest at a fixed rate until maturity, which is anticipated to be June 1, 2036.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan (which during the Construction Phase will be payable as to interest only); (2) earnings derived from amounts held in Funds & Accounts (discussed below) on deposit in an investment agreement; (3) funds deposited to the Construction Fund specifically for capitalized interest during a portion of the Construction Phase; or (4) payments made by the Ambac under the bond insurance policy.

The Bonds will be structured to have level debt service from commencement of amortization until maturity.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

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

Optional Redemption:

The Senior Bonds are subject to optional redemption by the Borrower on or after June 1, 2013 (a preliminary date that is subject to change). After that date, the Bonds are subject to optional redemption with certain applicable premiums. The Subordinate Bonds are subject to optional redemption by the Borrower on or after June 1, 2013 without premium.

Mandatory Redemption:

- (1) The Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued and unpaid interest, on specified dates of redemption starting June 1, 2006 (a preliminary date that is subject to change). The Subordinate Bonds will only be redeemed to the extent that sufficient funds are available for such redemption and any insufficient amount for a period will be added to the installment due in the next succeeding period.
- (2) The Bonds are subject to special mandatory redemption:
 - (a) in part to the extent that funds remain in the Construction Fund that are not required to pay costs of the Project;
 - (b) in whole or in part to the extent that insurance or condemnation proceeds, if any, are not applied to the rebuilding of the Project;
 - (c) in whole or in part upon the occurrence of certain events of default under the documents;
 - (d) in whole with respect to the Senior Bonds at the direction of the Interim Lender if stabilization of the Project does not occur;
 - (e) in whole with respect to the Subordinate Bonds at the direction of the Interim Lender if stabilization of the Project does not occur; or
 - (f) in part with respect to the Senior Bonds only, within 60

days of the Stabilization Date, to satisfy stabilization requirements.

Special Purchase in Lieu of Redemption:

If the Bonds are called for redemption in whole, and not in part, as a result of either a conversion failure or certain events of default under the documents (during the period that the Construction Phase Credit Facility from the Interim Lender is in effect), the Bonds may be purchased in lieu of such redemption by the Trustee for the account of a designated purchaser selected by the Interim Lender. Upon this special purchase, the Bonds would not benefit from the bond insurance and would not be transferable to any other third-party owner without the approval of the Department or receipt of an investment grade rating.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, Bank One, National Association (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Senior Bonds. The Senior Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Senior Bonds will be deposited with DTC. The Subordinate Bonds will be physical bonds.

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

The Trust Indenture will create up to seven (7) funds with the following general purposes:

- 1) Revenue Fund (containing an Administrative Fees Account) – Used as the repository for most revenues and payments paid to the Trustee. The Administrative Fees Account is used to administer various ongoing administrative fees and expenses such as the Credit Enhancement fee, Trustee fee, Asset Oversight Agent's fee, and Issuer fee;
- 2) Bond Fund (containing an Interest Account, Principal Account, Redemption Account and Subordinate Bond Account) – Used to receive, hold and payout bond interest and principal;
- 3) Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds.

Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;

- 4) Mortgage Recovery Fund – A fund used for receipt and disbursement of insurance or condemnation proceeds, if any, or proceeds realized from a foreclosure upon the occurrence of an event of default;
- 5) Servicing Fund (containing a Real Estate Tax and Insurance Account and Replacement Reserve Account) – A fund used in the servicing of the mortgage loans as a repository of certain payments made by the Borrower for on-going Project related costs and expenses;
- 6) Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;
- 7) Construction Fund - The Trustee shall deposit net bond proceeds and disburse for the purpose of paying the costs of the project and paying interest on the Bonds during the Construction Phase.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase (over 18 to 36 months) to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

DEPARTMENT
ADVISORS:

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Bank One, National Association was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
1. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

2. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

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

RESOLUTION NO. 03-22

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE SENIOR BONDS (WEST VIRGINIA APARTMENTS) 2003 SERIES A, AND MULTIFAMILY HOUSING REVENUE SUBORDINATE BONDS (WEST VIRGINIA APARTMENTS) 2003 SERIES B; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Senior Bonds (West Virginia Apartments) 2003 Series A (the "Senior Bonds") and Multifamily Housing Revenue Subordinate Bonds (West Virginia Apartments) 2003 Series B (the "Subordinate Bonds") (the Senior Bonds and the Subordinate Bonds are referred to herein, collectively, as the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Bank One, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to West Virginia Apartments Limited Partnership, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified

residential rental project described on Exhibit A attached hereto (the “Project”) located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the “Loan Agreement”) pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the “Loan”) to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department its two promissory notes (the “Notes”) one in an original principal amount corresponding to the original aggregate principal amount of the Senior Bonds and one in an amount corresponding to the original aggregate principal amount of the Subordinate Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Senior Bonds will be provided for initially by a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation; and

WHEREAS, it is anticipated that the Notes will each be secured by a separate Deed of Trust (with Security Agreement and Assignment of Rents) (collectively, the “Deeds of Trust”) and a separate Assignment of Leases and Rents (collectively, the “Assignments of Leases and Rents”) from the Borrower for the benefit of the Department; and

WHEREAS, the Department’s interest in the Loan, including the Notes and the Deeds of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Notes (collectively, the “Assignments”) from the Department to the Trustee; and

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

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Senior Bonds of a Preliminary Official Statement (the “Preliminary Official Statement”) and to authorize the authorized representatives of the Department to deem the Preliminary Official Statement “final” for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Preliminary Official Statement as may be required to provide a final Official Statement (the “Official Statement”) for use in the public offering and sale of the Senior Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the “Purchase Agreement”) with the Borrower, Newman and Associates,

A Division of GMAC Commercial Holding Capital Markets Corp. (the “Underwriter”) and U.S. Bancorp Piper Jaffray Inc. (the “Purchaser”) and any other party to the Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Senior Bonds and the Purchaser will purchase the Subordinate Bonds from the Department and the Department will sell the Senior Bonds to the Underwriter or another party and sell the Subordinate Bonds to the Purchaser; and

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

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Asset Oversight Agreement, the Preliminary Official Statement and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.14, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. (a) That the Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Purchase Agreement, the Senior Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Indenture, and the Purchase Agreement; provided, however, that: (i) the net effective interest rate on the Senior Bonds shall not exceed 6.25% per annum; (ii) the aggregate principal amount of the Senior Bonds shall not exceed \$8,000,000; (iii) the final maturity of the

Senior Bonds shall occur not later than December 1, 2038; and (iv) the fee paid to the Underwriter in connection with the marketing of the Senior Bonds shall not exceed the amount approved by the Texas Bond Review Board; provided, further, that the aggregate principal amount of the Bonds shall not exceed \$10,000,000; and

(b) That: (i) the interest rate on the Subordinate Bonds shall be the interest rate on the Senior Bond with the longest maturity plus 0.41% per annum; (ii) the aggregate principal amount of the Subordinate Bonds shall be 25% of the aggregate principal amount of the Senior Bonds plus amounts necessary to meet the denomination requirements of the Indenture; and (iii) the final maturity of the Subordinate Bonds shall occur on May 1, 2036.

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

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

Section 1.5--Acceptance of the Deeds of Trust, Assignments of Leases and Rents and Notes. That the Deeds of Trust, Assignments of Leases and Rents and the Notes are hereby accepted by the Department.

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

Section 1.7--Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are approved, ratified, confirmed and authorized hereby; that the Chairman and the Executive Director of the Department are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Senior Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Preliminary Official Statement and the Official Statement; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions

thereto as may be required by the Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.8--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement is hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Purchase Agreement and to deliver the Purchase Agreement to the Borrower, the Underwriter, the Purchaser and any additional party to the Purchase Agreement as appropriate.

Section 1.9--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.10--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.11--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

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

Section 1.12--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.13--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the

other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Board Secretary.

Section 1.14--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

Section 2.3--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

Section 2.4--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.5--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.6--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.7--Underwriter. That the underwriter with respect to the issuance of the Senior Bonds shall be Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

Section 2.8--Purchaser. That the initial purchaser of the Subordinate Bonds shall be U.S. Bancorp Piper Jaffray Inc.

Section 2.9--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually redetermined by the Issuer, as stated in Section 7.15 of the Loan Agreement.

Section 2.10--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III CERTAIN FINDINGS AND DETERMINATIONS

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

- (a) Need for Housing Development.
 - (i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,
 - (ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,
 - (iii) that the Borrower is financially responsible,
 - (iv) that the financing of the Project is a public purpose and will provide a public benefit, and
 - (v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.
- (b) Findings with Respect to the Borrower.
 - (i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building

requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

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

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

(c) Public Purpose and Benefits.

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

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

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

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

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

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

ARTICLE IV

GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 10th day of April, 2003.

[SEAL]

By: _____
Michael E. Jones, Chairman

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: West Virginia Apartments Limited Partnership, a Texas limited partnership

Project: The Project is a 204-unit multifamily facility to be known as West Virginia Apartments and to be located at 8005 West Virginia Drive, Dallas, Texas 75237. It will consist of 17 two-story residential apartment buildings with approximately 210,986 net rentable square feet. The unit mix will consist of:

- 8 one-bedroom/one-bath units
- 26 one-bedroom/one and one-half bath units
- 50 two-bedroom/two-bath units
- 80 two-bedroom/two and one-half bath units
- 40 three-bedroom/two and one-half bath units

204 Total Units

Unit sizes will range from approximately 684 square feet to approximately 1,149 square feet.

Common areas will include a swimming pool, community center and central laundry facilities, picnic area and a play area with playground equipment.

West Virginia Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Series 2003A-1 Tax-Exempt Bond Proceeds	\$ 7,560,000
Series 2003 A-2 Tax-Exempt Bond Proceeds	\$ 1,890,000
Tax Credit Proceeds	5,569,383
GIC Earnings from Bond Proceeds	73,000
Net Operating Income Prior to Stabilization	276,810
Deferred Developer's Fee	1,894,758
Deferred GC Fee (DGC)	186,680
Deferred LP Fees (DCFF)	68,758
Total Sources	\$ 17,519,389

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 13,244,844
Capitalized Interest	1,079,071
Rent Up Reserves	272,237
Developer's Overhead & Fee	1,894,758
Costs of Issuance	
Direct Bond Related	386,117
Bond Purchaser Costs	320,238
Other Transaction Costs	135,280
Real Estate Closing Costs	186,845
Total Uses	\$ 17,519,389

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (0.50% of Issuance)	\$ 47,250
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	5,455
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	35,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	5,000
Borrower's Bond Counsel	45,000
Underwriter/Placement Agent Fee (0.92%)	68,040
Underwriter/Placement Agent Council	25,000
Trustee's Fees (Note 1)	7,744
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	5,000
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Issuance)	2,813
Rating Agency Fee	25,000
TEFRA Hearing Publication Expenses	3,000
Miscellaneous/Contingency	20,315
Total Direct Bond Related	\$ 386,117

West Virginia Apartments

Bond Purchase Costs	
AMBAC Counsel & Expenses	40,000
AMBAC Initial Premium	95,988
SunAmerica Interim Credit Facility Origination Fee (0.50% of Issuance)	47,250
SunAmerica Construction Facility Fee (2 yrs)	94,500
SunAmerica Bond Counsel & Expenses (Interim Credit Facility)	35,000
Miscellaneous	7,500
Total	\$ 320,238

Other Transaction Costs	
Bridge Loan Fee	68,758
Limited Partner Legal Counsel & Expenses	35,000
Tax Credit Determination Fee (4% annual tax cr.)	27,442
Tax Credit Application Fee (\$20/u)	4,080
Total	\$ 135,280

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	86,845
Property Taxes	100,000
Total Real Estate Costs	\$ 186,845

Estimated Total Costs of Issuance \$ 1,028,479

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

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

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

DATE: March 31, 2003 PROGRAM: 4% LIHTC FILE NUMBER: 03401
MRB 2003-099

DEVELOPMENT NAME

West Virginia Apartments

APPLICANT

Name: West Virginia Apartments L.P. Type: For Profit Non-Profit Municipal Other
Address: 3101 Bee Caves Road, Suite 270 City: Austin State: Texas
Zip: 78746 Contact: Brent Stewart Phone: (512) 477-9900 Fax: (512) 480-9424

PRINCIPALS of the APPLICANT

Name:	<u>TCR West Virginia Partners, L.P.</u>	(%):	<u>.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>TCR 2003 Housing, Inc.</u>	(%):	<u>1.0</u>	Title:	<u>Owner of G.P. (Corp. G.P.)</u>
Name:	<u>Terwilliger Partners, LLP</u>	(%):	<u>39.5</u>	Title:	<u>Owner of G.P.</u>
Name:	<u>Kenneth J. Valach</u>	(%):	<u>39.5</u>	Title:	<u>Owner of G.P.</u>
Name:	<u>Christopher J. Bergmann</u>	(%):	<u>20</u>	Title:	<u>Owner of G.P.</u>
Name:	<u>J. Ronald Terwilliger</u>	(%):	<u>51</u>	Title:	<u>Owner of Corp. G.P.</u>
Name:	<u>Kenneth J. Valach</u>	(%):	<u>49</u>	Title:	<u>Owner of Corp. G.P.</u>

GENERAL PARTNER

Name: TCR West Virginia Partners, L.P. Type: For Profit Non-Profit Municipal Other
Address: 3101 Bee Caves Road, Suite 270 City: Austin State: Texas
Zip: 78746 Contact: Brent Stewart Phone: (512) 477-9900 Fax: (512) 480-9424

PROPERTY LOCATION

Location: 7600 Block of West Virginia Drive QCT DDA
City: Dallas County: Dallas Zip: 75237

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
① \$9,450,000	5.10%	30 yrs.	33 yrs.
② \$688,264	n/a	n/a	n/a

Other Requested Terms: ① Multifamily Revenue Bonds
 ② Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction

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

SITE DESCRIPTION			
Size:	<u>10.517</u> acres	<u>458,121</u> square feet	Zoning/ Permitted Uses: <u>MU-3 Allowing for multi-family</u>
Flood Zone Designation:	<u>Zone X</u>	Status of Off-Sites:	<u>Raw Land</u>

DESCRIPTION of IMPROVEMENTS

Total Units: 204 **# Rental Buildings:** 17 **# Common Area Bldgs:** 2 **# of Floors:** 2 **Age:** 0 yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
8	1	1	684
16	1	1.5	809
10	1	1.5	839
80	2	1.5	1,027
40	2	2	1,116
10	2	2	1,142
40	3	2.5	1,149

Net Rentable SF: 210,986 **Av Un SF:** 1,034 **Common Area SF:** 4,769 **Gross Bldg SF** 215,755

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 35% brick veneer 65% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing, 9 foot ceilings

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

ON-SITE AMENITIES

4,211 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, daycare facility, central mailroom, swimming pool, equipped children's play area, sports courts, perimeter fencing. There will also be a 458 s.f. laundry building.

Uncovered Parking: 414 spaces **Carports:** _____ spaces **Garages:** _____ spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

Source: Sun America **Contact:** Michael Fowler

Principal Amount: \$9,450,000 **Interest Rate:** 5.10% plus 41 basis points for \$7,560,000 in tax exempt Series A Bonds, \$1,890,000 in tax exempt Series B Bonds.

Additional Information: _____

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

Annual Payment: \$647,473 **Lien Priority:** 1st **Commitment Date** 3/ 24/ 2003

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

LIHTC SYNDICATION

Source: Sun America Affordable Housing Partners **Contact:** Michael Fowler
Address: 1 Sun America Center, Century City **City:** Los Angeles
State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179
Net Proceeds: \$5,569,383 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 81¢
Commitment None Firm Conditional **Date:** 3/ 24/ 2003
Additional Information: _____

APPLICANT EQUITY

Amount: 1) \$349,810 **Source:** Applicant Equity/GIC Income
2) \$2,150,196 Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: \$412,310 **Assessment for the Year of:** 2002
Building: 0 **Valuation by:** Dallas County Appraisal District
Total Assessed Value: \$412,310

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract
Contract Expiration Date: 6/ 1/ 2003 **Anticipated Closing Date:** 6/ 1/ 2003
Acquisition Cost: \$ 1,236,925 **Other Terms/Conditions:** _____
Seller: PRS Gross I L.P. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: West Virginia is a proposed new construction development of 204 units of affordable housing located in southwest Dallas. The development is comprised of 17 residential buildings as follows:

- (5) Building Type/Style A with 2 one-bedroom units, and 8 two-bedroom units;
- (10) Building Type/Style B with 8 two-bedroom units, 4 three-bedroom units; and
- (2) Building Type/Style C with 12 one-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the entrance to the site. However, the site plan does not indicate the location of the swimming pool. Receipt, review and acceptance of a site plan indicating the location of the swimming pool is a condition of the report. A 458-square foot laundry and mail room will be located near the center of the site. The 4,211-square foot community building plan includes the management office, community room, exercise room, activity room, kitchen, restrooms, and maintenance facilities.

Supportive Services: The Applicant has contracted with Apartment Life Inc. to provide the following supportive services to tenants: welcome visits, community activities, youth programs and residence care

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

programs. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a fee of \$1 per unit per month for these support services.

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

Special Needs Construction: None of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments. The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES

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

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study dated February 13, 2003 was prepared by Butler" Burgher, LLC and highlighted the following findings:

Definition of Market/Submarket: "The primary market area is defined as the area (bounded by) Illinois Avenue, IH35E, Belt Line Road and Clark Road" (p. 52)

Total Local/Submarket Demand for Rental Units: The market analyst projected a demand of 5,483 units. (p. 70)

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	85	2%	71	2%
Resident Turnover	5,398	98%	4,559	98%
TOTAL ANNUAL DEMAND	5,483	100%	4,630	100%

Ref: p. 70

Capture Rate: The market analyst projected a demand of 5,483 units and an unstabilized supply of 964 units, resulting in a capture rate of 17.58% (p. 70). The Underwriter calculated a concentration capture rate of 20% based upon a revised supply of unstabilized comparable affordable units of 924 divided by a revised demand of 4,630.

Local Housing Authority Waiting List Information: "The Dallas County and City of Dallas Housing Authorities offer 4,290 low rent units and 11,400 Section 8 units to qualified residents of Dallas County and/or City of Dallas.....the waiting period is approximately 6 to 18 months due to the lack of available units." (p. 66)

Market Rent Comparables: The market analyst surveyed 12 comparable apartment projects totaling 2,888

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

units in the market area. (p. 74)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$565	\$565	\$0	\$650 to \$785	-\$85 to -\$220
2-Bedroom (50%)	\$674	\$674	\$0	\$875 to \$955	-\$201 to -\$281
3-Bedroom (50%)	\$775	\$775	\$0	\$1,085	-\$310

(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)

p. 80

Submarket Vacancy Rates: The southwest area of Dallas, which covers more than the submarket, was 92.7% occupied for the 4th quarter of 2002. (p. 72) Despite the fact that this market covers a greater area than the submarket that the analyst is utilizing, it still adequately provides enough data for the Underwriter to determine the occupancy rate for the subject's submarket.

Absorption Projections: "An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in just over a 10-month absorption period to obtain stabilized physical occupancy." (p. 72)

Known Planned Development: Ridge Parc, under construction with 248 units, is 80% leased or pre-leased through April 2003. Although not a rent restricted property, they are classified as affordable and will accept vouchers. Rosemont at Timbercreek has 100 units under construction with 60 being set aside as affordable. Clarkridge Villas recently began construction and will have 240 units. Hickory Trace is an LIHTC property approved in 2002 and will have 180 affordable units.

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southwest area approximately 11 linear miles from the central business district. The site is situated on the southwest side of West Virginia Avenue.

Population: The estimated 2002 population of the market area was 162,655 and is expected to increase by 5.2% to approximately 171,076 by 2007. Within the primary market area there were estimated to be 60,137 households in 2007.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed use. Adjacent land uses include: multifamily to the north, an auto dealership to the south, vacant land to the east and Highway 67 to the west.

Site Access: Access to the property is from the east or west along IH-20 and north on West Virginia. The development is to have one main entry from West Virginia and a Fire Department access gate from Highway 67. Access to Interstate Highway 20 is 0.25 miles south.

Public Transportation: Public transportation to the area is provided by Dallas Area Rapid Transit with stops adjacent to the site.

Shopping & Services: The site is within ½ mile of major grocery, shopping centers and a variety of other retail establishments, one mile from schools and ½ mile from employment centers.

Special Adverse Site Characteristics: The title commitment lists two liens by the City of Dallas for the removal of weeds or other refuse dated in 1990. These are typical liens that will be cleared at closing.

Site Inspection Findings: The site was inspected by a TDHCA staff member on February 27, 2003 and rated the site as acceptable.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 24, 2003 was prepared by Terra-Mar and contained the following findings:

Findings: There are no recognized environmental conditions in connection with the property. No further environmental investigations are recommended at this time.

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are slightly higher than the maximum rents allowed under LIHTC guidelines. Both the Applicant and the Underwriter are anticipating the maximum rents allowed and a vacancy and collection loss of 7.5%. However, the Applicant is assuming secondary income of \$20 per unit per month, which is higher than the Underwriting guidelines of \$15 per unit per month. The Underwriter has reviewed secondary income from the TDHCA database for other Dallas/Fort Worth developments and found historical evidence for slightly more than \$20, thus the Applicant's estimate is acceptable.

Expenses: The Applicant's estimate of total operating expense is 3% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's reserve for replacements is based upon a \$250 per unit assumption rather than the typical \$200 per unit guideline.

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 an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price of \$1,236,925, or \$2.70 s.f., is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$6,648 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

Ineligible Costs: The Applicant included \$101,000 in marketing, club and FF&E as an eligible cost; the Underwriter moved this to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Interim Financing Fees: The Applicant included as eligible the full amount of tax counsel and underwriting fees for the bonds, when only the portion attributable to the construction period is eligible. This issue was clarified in correspondence with the Applicant and amounts to an additional \$22,000 reduction in 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: Overall, the Applicant's total development cost is within 5% of the Underwriter's estimate. Therefore, the Applicant's total development cost estimate, as adjusted, will be used to determine the development's eligible basis and total funding need.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from three sources: a conventional interim to permanent loan based on tax-exempt and taxable private activity mortgage revenue bond proceeds, syndicated LIHTC equity, GIC/Operating Income and deferred developer's fees.

Bonds: The bonds are private activity mortgage revenue bonds to be issued by TDHCA. As of the date of the underwriting analysis, the documentation provided indicates that the Partnership will use Sun America's Ambac AAA rated enhancement program to issue \$7,560,000 in Series A tax-exempt Bonds at an interest rate of 5.10% plus a 41 basis point credit enhancement fee. Sun America will purchase and privately place \$1,890,000 of Series B tax exempt bonds at an interest rate 41 basis points higher than the Series A Bonds. (which are also underwritten at 5.51%). The term of the Bonds will be 30 years.

LIHTC Syndication: Sun America has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,566,509 based on a syndication factor of 81%. The funds would be disbursed in a four-phased pay-in schedule:

1. 2% upon admission to the partnership;

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

2. 80% upon receipt of Certificate of Occupancy;
3. 14% upon achievement of 90% occupancy and a DCR of 1.15 for 3 consecutive months.
4. 4% all condition above met and receipt of 8609's.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$2,150,194 (exclusive of GIC income and construction period cash flow) amount to 67% of the total developer and contractor fees. The General Partner and the Limited Partner will split the development fee 50/50 and act as co-developers. The General Partner and Limited Partner will split the deferred developer fee. The deferred fee will bear interest at the long-term AFR and will be returned from cash flow. Also, according to the agreement, the General Contractor shall defer \$186,680 of its contractor fee and the Limited Partner will defer \$68,758 in bridge loan fees and \$94,500 in on-going construction facility fees. These fees have been combined as one line item in the analysis.

GIC/Operating Income: The Applicant has proposed \$349,810 in GIC earnings and interim net operating income as a source of funds. These figures have been included in the deferred developer fee in the final recommendation since they remain a developer risk and must be funded from additional deferral if they are not achieved.

Financing Conclusions: The Applicant's total development costs are used to determine a qualified basis of \$18,820,853 and a recommended annual tax credit allocation of \$686,961 resulting in syndication proceeds of approximately \$5,563,829. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$2,505,558, which represents approximately 132% of the eligible developer fee, though more than just the developer fee is being deferred. The fee is not repayable in ten years but is repayable in 15 years out of cash flow. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional with brick and hardiboard siding and pitched roofs. All of the units except for the 684 s.f. one-bedroom units are two-story units. Although the 2002 QAP required all one-bedroom, non-elderly units to have a minimum of 750 s.f., this development falls under the 2003 guidelines which allow for one-bedroom, non-elderly units to have a minimum size of 650 s.f. At least 20% of each unit type has a bedroom and a half bathroom on the first floor. Some of the units share a main entrance, while other units have a separate entryway.

IDENTITIES of INTEREST

The Developer, General Contractor and Property Manager 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.

- TCR 2003 Housing, Inc. submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$451,500 and liabilities totaling \$201,500, resulting in a net worth of \$250,000.
- J. Ronald Terwilliger, Christopher J. Bergmann and Kenneth J. Valach are anticipated to be guarantors of the development. They submitted unaudited compiled financial statement as of June 30, 2002. Although these statements are dated more than 90 older than the application period, statements have been signed by the guarantors indicating that their financial statements are true and unchanged as of January 3, 2003.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- J. Ronald Terwilliger has completed 17 multi-family developments totaling 3,714 units since 1992.
- Kenneth J. Valach has completed 12 multi-family developments totaling 2,450 units since 1999.
- Christopher J. Bergmann, the Developer, has completed 12 multi-family developments totaling 2,450 units since 1999.
- Scott Wise, the General Contractor, has completed 8 multi-family developments totaling 1,710 units since 1999.

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

- John Zeledon has completed 8 multi-family developments totaling 1,710 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

None Noted

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$686,961 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

- RECOMMEND ISSUANCE OF SERIES A TAX-EXEMPT BONDS OF \$7,560,000 AND SERIES B TAX EXEMPT BONDS OF \$1,890,000 BASED ON THE FOLLOWING TERMS. THE BONDS WILL BE FULLY AMORTIZED OVER 30 YEARS WITH A TERM OF 33 YEARS AND THE INTEREST RATE WILL BE 5.10% PLUS ANY CREDIT ENHANCEMENT FEES FOR THE SERIES A BONDS AND 5.51% FOR THE SERIES B BONDS, SUBJECT TO THE FOLLOWING CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of a site plan indicating the location of the swimming pool;
2. Should the terms of the proposed debt or syndication be altered, the recommendations and conditions should be re-evaluated.

Underwriter:

Mark Fugina

Date: March 31, 2003

Director of Credit Underwriting:

Tom Gouris

Date: March 31, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

West Virginia, Dallas, LIHTC 03401

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, Trash
TC50%	8	1	1	684	\$624	\$565	\$4,520	\$0.83	\$59.00	\$46.00
TC50%	16	1	1.5	809	624	565	9,040	0.70	59.00	46.00
TC50%	10	1	1.5	839	624	565	5,650	0.67	59.00	46.00
TC50%	80	2	1.5	1,027	749	674	53,920	0.66	75.00	52.00
TC50%	40	2	2	1,116	749	674	26,960	0.60	75.00	52.00
TC50%	10	2	2	1,142	749	674	6,740	0.59	75.00	52.00
TC50%	40	3	2.5	1,149	864	775	31,000	0.67	89.00	61.00
TOTAL:	204		AVERAGE:	1,034	\$751	\$676	\$137,830	\$0.65	\$75.08	\$52.76

INCOME				TDHCA		APPLICANT			
Total Net Rentable Sq Ft: 210,986				\$1,653,960	\$1,653,648				
POTENTIAL GROSS RENT				48,960	48,960	\$20.00	Per Unit Per Month		
Secondary Income	Per Unit Per Month: \$20.00			0	0				
Other Support Income: (describe)									
POTENTIAL GROSS INCOME				\$1,702,920	\$1,702,608				
Vacancy & Collection Loss	% of Potential Gross Income: -7.50%			(127,719)	(127,692)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions				0	0				
EFFECTIVE GROSS INCOME				\$1,575,201	\$1,574,916				
EXPENSES						PER SQ FT	PER UNIT	% OF RGI	
General & Administrative	4.22%	\$326	\$0.32	\$66,540	\$56,780	\$0.27	\$278	3.61%	
Management	5.00%	386	0.37	78,760	78,746	0.37	386	5.00%	
Payroll & Payroll Tax	10.80%	834	0.81	170,136	165,000	0.78	809	10.48%	
Repairs & Maintenance	5.52%	426	0.41	86,970	78,860	0.37	387	5.01%	
Utilities	2.98%	230	0.22	46,867	40,800	0.19	200	2.59%	
Water, Sewer, & Trash	4.31%	333	0.32	67,898	65,280	0.31	320	4.14%	
Property Insurance	2.68%	207	0.20	42,197	43,860	0.21	215	2.78%	
Property Tax 2.9613	9.59%	740	0.72	151,026	153,000	0.73	750	9.71%	
Reserve for Replacements	2.59%	200	0.19	40,800	51,000	0.24	250	3.24%	
Other: Compliance, Supportive	2.58%	199	0.19	40,696	40,696	0.19	199	2.58%	
TOTAL EXPENSES	50.27%	\$3,882	\$3.75	\$791,891	\$774,022	\$3.67	\$3,794	49.15%	
NET OPERATING INC	49.73%	\$3,840	\$3.71	\$783,310	\$800,894	\$3.80	\$3,926	50.85%	
DEBT SERVICE									
Series A Bonds	40.92%	\$3,160	\$3.06	\$644,584	\$647,473	\$3.07	\$3,174	41.11%	
Trustee Fee	0.22%	\$17	\$0.02	\$3,500		\$0.00	\$0	0.00%	
TDHCA Admin. Fees	0.48%	\$37	\$0.04	7,560		\$0.00	\$0	0.00%	
Asset Oversight	0.19%	\$15	\$0.01	3,060		\$0.00	\$0	0.00%	
NET CASH FLOW	7.91%	\$611	\$0.59	\$124,606	\$153,421	\$0.73	\$752	9.74%	
AGGREGATE DEBT COVERAGE RATIO				1.19	1.24				
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO				1.21	1.24				
BONDS-ONLY DEBT COVERAGE RATIO					1.24				

CONSTRUCTION COST				TDHCA		APPLICANT			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldng)		6.83%	\$6,063	\$5.86	\$1,236,925	\$1,236,925	\$5.86	\$6,063	7.06%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		7.49%	6,648	6.43	1,356,240	1,356,240	6.43	6,648	7.74%
Direct Construction		47.33%	42,028	40.64	8,573,759	7,977,780	37.81	39,107	45.54%
Contingency 2.99%		1.64%	1,455	1.41	296,822	296,822	1.41	1,455	1.69%
General Req'ts 5.64%		3.09%	2,745	2.65	560,041	560,041	2.65	2,745	3.20%
Contractor's G & A 1.88%		1.03%	915	0.88	186,680	186,680	0.88	915	1.07%
Contractor's Prof: 5.64%		3.09%	2,745	2.65	560,041	560,041	2.65	2,745	3.20%
Indirect Construction		4.36%	3,870	3.74	789,500	789,500	3.74	3,870	4.51%
Ineligible Costs		8.43%	7,482	7.23	1,526,268	1,526,268	7.23	7,482	8.71%
Developer's G & A 1.37%		1.00%	886	0.86	180,685		0.00	0	0.00%
Developer's Profit 13.00%		9.46%	8,402	8.12	1,714,073	1,894,758	8.98	9,288	10.82%
Interim Financing		4.76%	4,226	4.09	862,095	862,095	4.09	4,226	4.92%
Reserves		1.50%	1,334	1.29	272,237	272,237	1.29	1,334	1.55%
TOTAL COST		100.00%	\$88,801	\$85.86	\$18,115,366	\$17,519,387	\$83.04	\$85,879	100.00%
Recap-Hard Construction Costs		63.67%	\$56,537	\$54.67	\$11,533,583	\$10,937,604	\$51.84	\$53,616	62.43%
SOURCES OF FUNDS				TDHCA		APPLICANT		RECOMMENDED	
Series A Bonds		41.73%	\$37,059	\$35.83	\$7,560,000	\$7,560,000	\$7,560,000		
Series B Bonds		10.43%	\$9,265	\$8.96	1,890,000	1,890,000	1,890,000		
GIC Income/Cash Flow		1.93%	\$1,715	\$1.66	349,810	349,810			
LIHTC Syndication Proceeds		30.74%	\$27,301	\$26.40	5,569,383	5,569,383	5,563,829		
Deferred Developer's Fee		11.87%	\$10,540	\$10.19	2,150,194	2,150,194	2,505,558		
Additional (excess) Funds Required		3.29%	\$2,921	\$2.82	595,979	0	0		
TOTAL SOURCES					\$18,115,366	\$17,519,387	\$17,519,387		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
West Virginia, Dallas, LIHTC 03401

DIRECT CONSTRUCTION COST ESTIMATE
Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.79	\$8,817,154
Adjustments				
Exterior Wall Finish	2.80%		\$1.17	\$246,880
Nine Foot Ceiling	3.00%		1.25	264,515
Roofing			0.00	0
Subfloor			(1.01)	(213,096)
Floor Cover			1.92	405,093
Porches/Balconies	\$21.59	6,718	0.69	145,058
Plumbing	\$615	562	1.64	345,630
Built-In Appliances	\$1,625	204	1.57	331,500
Stairs	\$975	196	0.91	191,100
Floor Insulation			0.00	0
Heating/Cooling			1.47	310,149
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$57.91	4,211	1.16	243,848
Other: Laundry	\$50.85	458	0.11	23,291
SUBTOTAL			52.66	11,111,123
Current Cost Multiplier	1.03		1.58	333,334
Local Multiplier	0.92		(4.21)	(888,890)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.03	\$10,555,567
Plans, specs, survy, b	3.90%		(\$1.95)	(\$411,667)
Interim Construction I	3.38%		(1.69)	(356,250)
Contractor's OH & Prof.	11.50%		(5.75)	(1,213,890)
NET DIRECT CONSTRUCTION COSTS			\$40.64	\$8,573,759

PAYMENT COMPUTATION

Primary	\$7,560,000	Amort	360
Int Rate	5.51%	DCR	1.22

Secondary	\$1,890,000	Amort	360
Int Rate	5.51%	Subtotal DCR	1.23

Additional		Amort	
Int Rate		Aggregate DCR	1.19

ALTERNATIVE FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$644,584
Trustee Fee	3,500
TDHCA Fees	10,620
NET CASH FLOW	\$124,606

Primary	\$9,450,000	Amort	360
Int Rate	5.51%	DCR	1.24

Secondary		Amort	
Int Rate		Subtotal DCR	1.24

Additional		Amort	
Int Rate		Aggregate DCR	1.22

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,653,648	\$1,703,257	\$1,754,355	\$1,806,986	\$1,861,195	\$2,157,636	\$2,501,291	\$2,899,682	\$3,896,930
Secondary Income	48,960	50,429	51,942	53,500	55,105	63,882	74,056	85,852	115,377
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,702,608	1,753,686	1,806,297	1,860,486	1,916,300	2,221,517	2,575,347	2,985,533	4,012,307
Vacancy & Collection Los	(127,692)	(131,526)	(135,472)	(139,536)	(143,723)	(166,614)	(193,151)	(223,915)	(300,923)
Employee or Other Non-Res	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,574,916	\$1,622,160	\$1,670,825	\$1,720,949	\$1,772,578	\$2,054,903	\$2,382,196	\$2,761,618	\$3,711,384
EXPENSES at 4.00%									
General & Administrative	\$56,780	\$59,051	\$61,413	\$63,870	\$66,425	\$80,816	\$98,325	\$119,627	\$177,077
Management	78,746	81,108	83,541	86,047	88,629	102,745	119,110	138,081	185,569
Payroll & Payroll Tax	165,000	171,600	178,464	185,603	193,027	234,846	285,727	347,630	514,577
Repairs & Maintenance	78,860	82,014	85,295	88,707	92,255	112,242	136,560	166,146	245,937
Utilities	40,800	42,432	44,129	45,894	47,730	58,071	70,652	85,959	127,241
Water, Sewer & Trash	65,280	67,891	70,607	73,431	76,368	92,914	113,044	137,535	203,586
Insurance	43,860	45,614	47,439	49,337	51,310	62,426	75,951	92,406	136,784
Property Tax	153,000	159,120	165,485	172,104	178,988	217,767	264,946	322,348	477,154
Reserve for Replacements	51,000	53,040	55,162	57,368	59,663	72,589	88,315	107,449	159,051
Other	40,696	42,324	44,017	45,777	47,609	57,923	70,472	85,740	126,917
TOTAL EXPENSES	\$774,022	\$804,195	\$835,552	\$868,138	\$902,003	\$1,092,340	\$1,323,103	\$1,602,923	\$2,353,893
NET OPERATING INCOME	\$800,894	\$817,965	\$835,273	\$852,811	\$870,574	\$962,564	\$1,059,093	\$1,158,696	\$1,357,492
DEBT SERVICE									
First Lien Financing	\$644,584	\$644,584	\$644,584	\$644,584	\$644,584	\$644,584	\$644,584	\$644,584	\$644,584
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	7,560	9,323	9,189	9,047	8,897	8,011	6,844	5,308	626
Asset Oversight	3,060	3,182	3,310	3,442	3,580	4,355	5,299	6,447	9,543
Cash Flow	142,190	157,375	174,690	192,238	210,013	302,113	398,866	498,856	699,238
AGGREGATE DCR	1.22	1.24	1.26	1.29	1.32	1.46	1.60	1.76	2.06

LIHTC Allocation Calculation - West Virginia, Dallas, LIHTC 03401

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,236,925	\$1,236,925		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,356,240	\$1,356,240	\$1,356,240	\$1,356,240
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$7,977,780	\$8,573,759	\$7,977,780	\$8,573,759
(4) Contractor Fees & General Requirements				
Contractor overhead	\$186,680	\$186,680	\$186,680	\$186,680
Contractor profit	\$560,041	\$560,041	\$560,041	\$560,041
General requirements	\$560,041	\$560,041	\$560,041	\$560,041
(5) Contingencies	\$296,822	\$296,822	\$296,822	\$296,822
(6) Eligible Indirect Fees	\$789,500	\$789,500	\$789,500	\$789,500
(7) Eligible Financing Fees	\$862,095	\$862,095	\$862,095	\$862,095
(8) All Ineligible Costs	\$1,526,268	\$1,526,268		
(9) Developer Fees			\$1,888,380	
Developer overhead		\$180,685		\$180,685
Developer fee	\$1,894,758	\$1,714,073		\$1,714,073
(10) Development Reserves	\$272,237	\$272,237		
TOTAL DEVELOPMENT COSTS	\$17,519,387	\$18,115,366	\$14,477,579	\$15,079,936

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$14,477,579	\$15,079,936
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$18,820,853	\$19,603,917
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$18,820,853	\$19,603,917
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$686,961	\$715,543
Syndication Proceeds		0.8099	\$5,563,829	\$5,795,318

RENT CAP EXPLANATION

Dallas MSA

AFFORDABILITY DEFINITION & COMMENTS

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

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

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

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Dallas **Area Median Family Income (Annual):** \$65,000

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of Persons	At or Below			Unit Type	At or Below				At or Below		
	50%	60%	80%		50%	60%	80%		50%	60%	80%
1	\$ 23,300	\$ 27,960	\$ 37,250	Efficiency	\$ 582	\$ 699	\$ 931	\$ 46.00	\$ 536	\$ 653	\$ 885
2	26,600	31,920	42,550	1-Bedroom	623	748	997	59.00	564	689	938
3	29,950	35,940	47,900	2-Bedroom	748	898	1,197	75.00	673	823	1,122
4	33,250	39,900	53,200	3-Bedroom	864	1,037	1,383	89.00	775	948	1,294
5	35,900	43,080	57,450	4-Bedroom	963	1,156	1,542	106.00	857	1,050	1,436
6	38,550	46,260	61,700	5-Bedroom	1,064	1,277	1,701	120.00	958	1,171	1,595
7	41,250	49,500	65,950								
8	43,900	52,680	70,200								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

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

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

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

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

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

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

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

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

RESULTS & ANALYSIS:

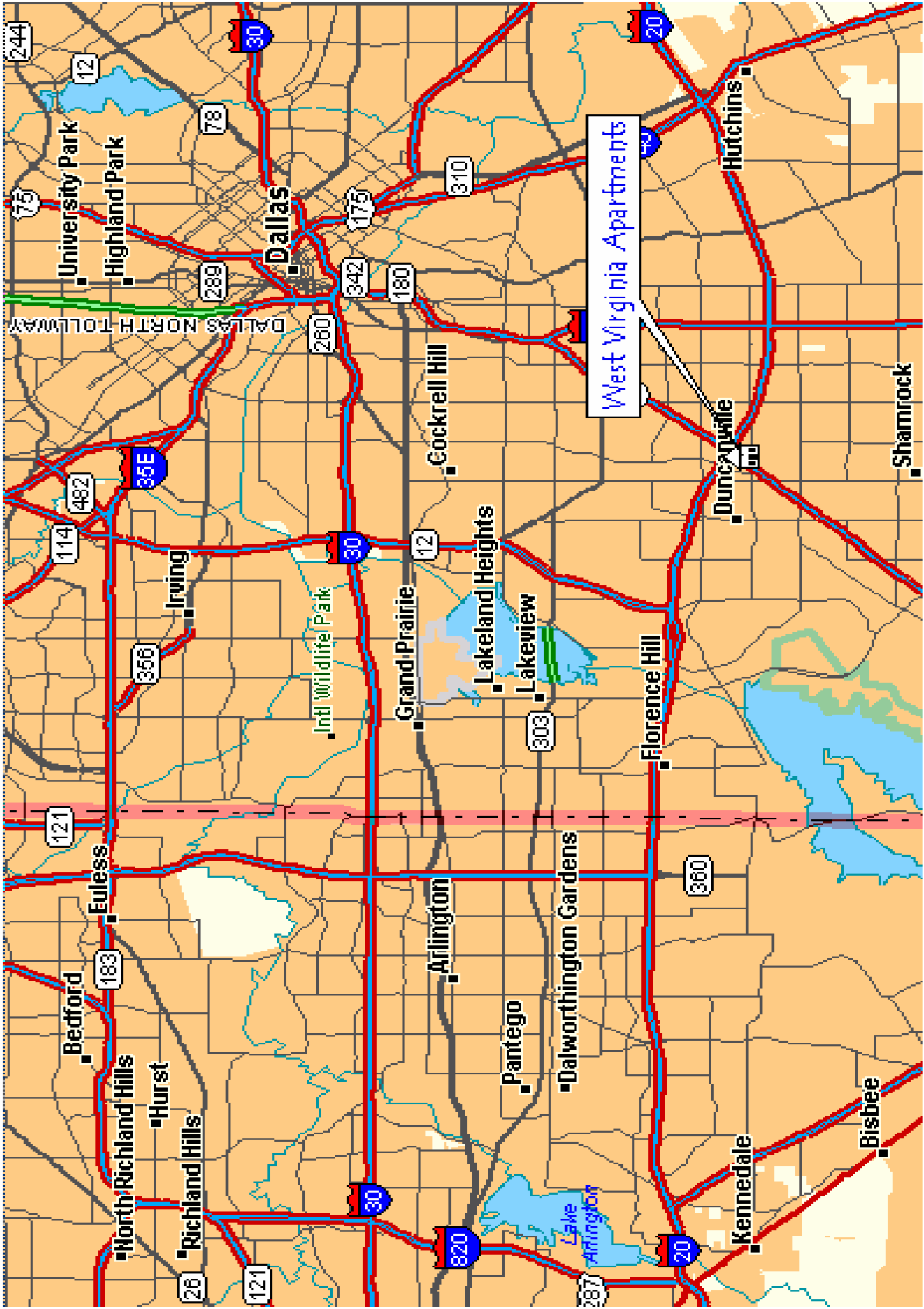
Tenants in the 60% AMFI bracket will **save \$177 to \$305** per month (leaving 6.6% to 8.8% more of their monthly income for food, child care and other living expenses).

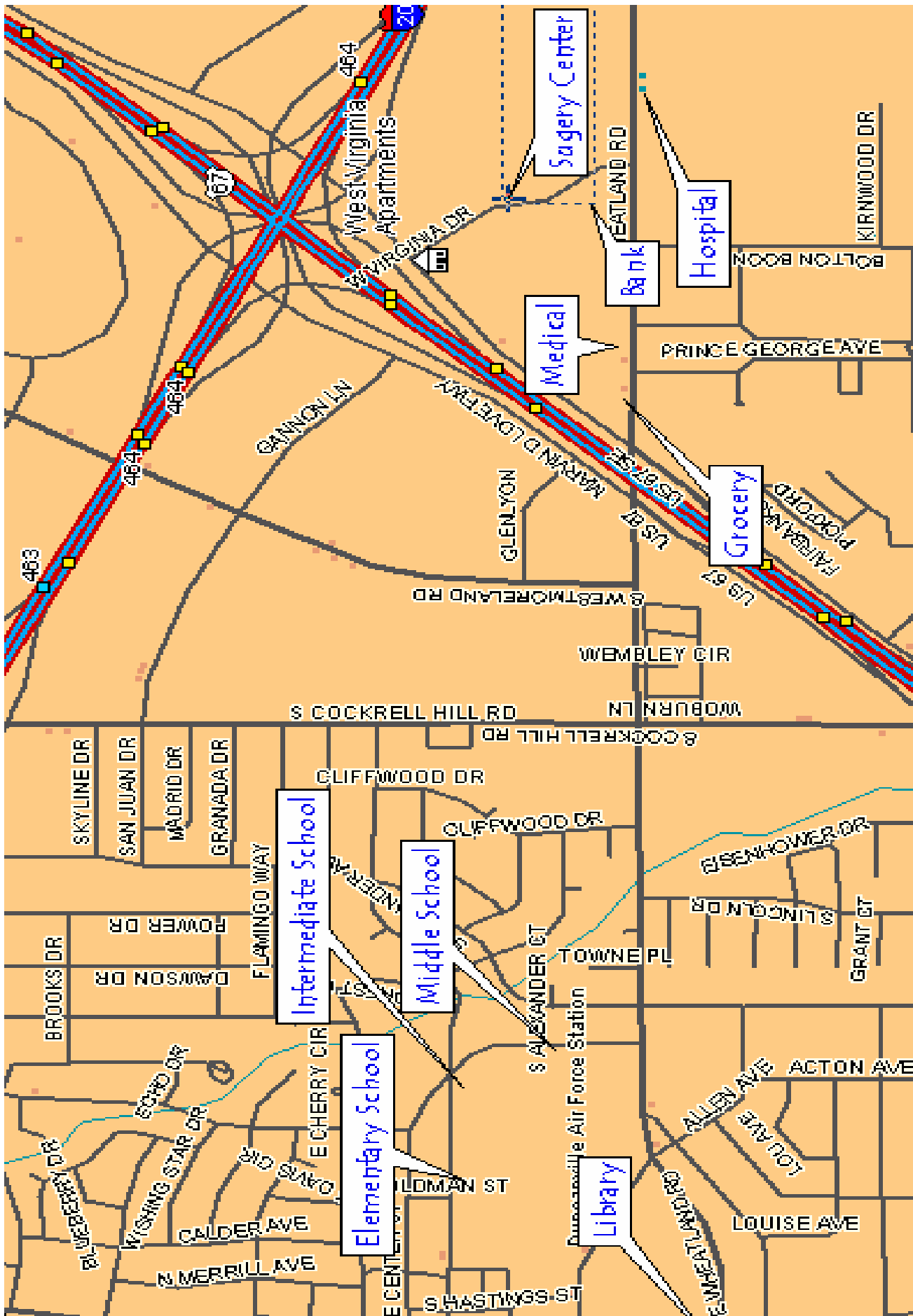
This is a monthly savings off the market rents of **23.9% to 28.2%**.

PROJECT INFORMATION				
Unit Mix				
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom	
Square Footage	788	1,063	1,149	
Rents if Offered at Market Rates	\$ 741	\$ 904	\$ 1,080	
Rent per Square Foot	\$0.94	\$0.85	\$0.94	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside	\$564	\$673	\$775	
Monthly Savings for Tenant	\$ 177	\$ 231	\$ 305	
Rent per Square Foot	\$0.72	\$0.63	\$0.67	
Maximum Monthly Income - 60% AMFI	\$2,660	\$2,995	\$3,458	
Monthly Savings as % of Monthly Income	6.6%	7.7%	8.8%	
% DISCOUNT OFF MONTHLY RENT	23.9%	25.5%	28.2%	

Market information provided by: Butler Burgher, Inc., 8150 North Central Expressway, Suite 801, Dallas, Texas 75206. Report dated March 15, 2003





Developer Evaluation

Compliance Status Summary

Project ID #: 03401

LIHTC 9% LIHTC 4%

Project Name: West Virginia Apartments

HOME HTF

Project City: Dallas

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 6

total # monitored 6 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 3/10/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 3/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 3/12/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Stephanie Stuntz **Completed on** 3 /11/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 3 /17/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 3 /10/2003

Executive Director: _____ **Date Signed:** _____



LOW INCOME HOUSING TAX CREDIT PROGRAM
2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **West Virginia Apartments**

TDHCA#: 03401

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: Y DDA: N TTC: N
 Development Owner: West Virginia Apartments, L.P.
 General Partner(s): TCR West Virginia Partners, LP, 100% Contact: Brent Stewart
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$688,264 Eligible Basis Amt: \$686,961 Equity/Gap Amt.: \$996,344
Annual Tax Credit Allocation Recommendation: \$686,961
 Total Tax Credit Allocation Over Ten Years: \$ 6,869,610

PROPERTY INFORMATION

Unit and Building Information

Total Units: 204 LIHTC Units: 204 % of LIHTC Units: 100%
 Gross Square Footage: 215,755 Net Rentable Square Footage: 210,986
 Average Square Footage/Unit: 1034
 Number of Buildings: 17
 Currently Occupied: N

Development Cost

Total Cost: \$17,519,387 Total Cost/Net Rentable Sq. Ft.: \$83.04

Income and Expenses

Effective Gross Income:¹ \$1,574,916 Ttl. Expenses: \$774,022 Net Operating Inc.: \$800,894
 Estimated 1st Year DCR: 1.22

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	South Central RS, Inc.
Attorney:	Jones, Day, Reavis & Pogue	Architect:	HLR Architects, Inc.
Accountant:	Reznick, Fedder & Silverman	Engineer:	To Be Determined
Market Analyst:	Butler Burgher, LLC	Lender:	Sun America
Contractor:	TCR West Virginia Construction, L.P.	Syndicator:	Sun America Affordable Housing Partners

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Royce West, District 23 - NC Rep. Yvonne Davis, District 111 - NC Mayor Laura Miller - NC Jerry Killingsworth, Director, City of Dallas Housing Department; Consistent with the local Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review, and acceptance of a site plan indicating the location of the swimming pool.
3. Should the terms of the proposed debt or syndication be altered, the recommendations and conditions should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

_____ Date _____ Date
 Robert Onion, Multifamily Finance Manager Brooke Boston, Director of Multifamily Finance

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

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

Other Comments including discretionary factors (if applicable). _____

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

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

Chairperson Signature: _____ Date
 Michael E. Jones, Chairman of the Board

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS

WEST VIRGINIA APARTMENTS

SERIES 2003

PUBLIC HEARING

6:00 p.m.
Thursday,
February 27, 2003

Glenn C. Hardin Intermediate School
426 E. Freeman
Duncanville, Texas

COMMITTEE MEMBERS:

ROBBYE MEYER, Multifamily Bond Administrator

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P R O C E E D I N G S

1
2 MS. MEYER: Again, my name is Robbye Meyer and I am with
3 the Texas Department of Housing and I do like to welcome you for
4 coming out and participating in this public hearing and give you an
5 overview of the program itself.

6 And it's a Private Activity Bond program that is
7 administered by the Texas Bond Review Board. And for that, the Texas
8 Department of Housing and Community Affairs is an issuer.

9 And our responsibility in that or our participation in
10 it is to facilitate bringing developers and lenders and private
11 investors together to build affordable housing for the State of
12 Texas. And that's what we do.

13 And the Private Activity Bond Program is not is not a
14 federal or state-subsidized housing public housing program. It's not
15 Section 8 subsidized. It's not HUD sponsored. It is all private
16 industry. It's private developers. It's private lenders. It's not
17 your tax dollars going into the projects themselves.

18 The -- one of the big concerns that a lot of people have
19 is the tax-exempt nature of the bonds. A lot of people think that
20 that means that the development's not going to be paying property
21 taxes or school taxes. And that's not the case.

22 The tax exemption actually has to do with the actual
23 investor that purchases the bonds. And that exemption is to that
24 purchaser. And it's not to the developer.

1 This development will be paying its taxes. It will be
2 paying property taxes. It will be paying school taxes.

3 In the program itself for the 2003 round there's
4 approximately \$1.6 billion that was awarded to the state for
5 authority in tax exemption and about 376 million of that is set aside
6 for multifamily developments.

7 Again, this development will be paying its taxes. The
8 developments are handled through a lottery process that the Bond
9 Review Board has every year. And they hold that lottery in October.

10 And there's several -- well, there's many different
11 issuers within the state besides the Texas Department of Housing and
12 Community Affairs. There's local issuers. Tarrant County. Dallas
13 County has also an issuer. Collin County. There's a lot of local
14 issuers that are in this same lottery process that we are.

15 So the issuers really don't have a choice of which
16 developments come up. It's who has the luck of the draw. And
17 they're put in lot order. And that's how reservations for the
18 allocations are issued.

19 And the issuers also don't have any way of setting a
20 time frame for when those reservations are issued or again, who will
21 get those reservations.

22 The -- this particular development received a
23 reservation on January 8. And there's a 120-day time limit to be
24 able to close the bonds. And the expiration for this particular

1 reservation is May 8 of 2003.

2 A little bit about the development itself. It's located
3 at the 7900 block of Highway 67 just south of the I-20 interchange
4 there.

5 The development will consist of 17 two-story residential
6 buildings and two non-residential buildings, a total of 204 units, 34
7 which will be one bedroom, one and one-and-a-half baths. There will
8 be 132 two bedroom two and two-and-a-half baths and 40 three bedrooms
9 that have two-and-a-half baths.

10 The development will have rent set asides at 50 percent
11 of the area median income. And the area median family income for
12 Dallas for 2003 is 65,000. And if you take a family of four, they
13 can't have a combined income more than \$39,900 in order to be able to
14 live in this particular development.

15 Give you an example of the rents. For a one bedroom the
16 max rent would be \$565. For a two bedroom the maximum rent would be
17 \$674. And for a three bedroom the maximum rent would be \$775.

18 The leasing criteria for the development. Applicants
19 must meet employment and income and credit and rental history
20 guidelines that the developer sets out and the management company
21 sets out.

22 Occupancy is limited to a maximum of two persons per
23 bedroom. And also, applicants must also pass a criminal background
24 check.

1 In just a minute I'm going to start the hearing. And
2 I'll read a brief statement. Going to give you some guidelines for
3 the hearing. You'll have two minutes to make your comments. And
4 seeing that there's not a crowd, I'm not going to be real picky about
5 that if you don't just drag on for days here.

6 But if you will, whenever you approach the microphone,
7 if you will state your name clearly for the record so that the Court
8 Reporter will be able to transcribe that accordingly.

9 If you will, if you'll be considerate of kind of the
10 inclement weather so we can get out of here in a timely manner, if
11 you'll make your comments to comments that haven't bene made pervious
12 to you. I'm not going to harp on that. But if you will, just make
13 statements that haven't already been stated.

14 The purpose of the hearing is to provide you a
15 reasonable opportunity to make your comments about the development
16 and also, about the bond issuance.

17 At the end of the hearing if there -- if time permits, I
18 will try to answer questions for you if at all possible. You'll also
19 have additional time until March
20 28 -- up until five o'clock on March 28 to send me any additional
21 comments that you would like to make.

22 If you don't want to speak tonight and think about it
23 for awhile, I've got some information cards up here that you can take
24 my address and everything back with you and you can e-mail me some

1 comments or you can fax them to me or you can mail them to me, either
2 way. But I need to receive those by March 28.

3 The TDHCA board meeting is scheduled right now for April
4 10. And that will be the date that they will hear all the
5 information concerning this development and they will render a
6 decision on this development.

7 The transcription from this public hearing and any other
8 public comments that I receive in between now and March 28 will also
9 be presented to my board at that board meeting.

10 Okay. I'd like to go ahead and start the hearing.

11 Again, my name is Robbye Meyer. And let the record show
12 that it is 6:20 and it is Thursday, February 27, 2003. And we're at
13 the Glenn C. Hardin Intermediate School located at 426 East Freeman
14 in Duncanville, Texas.

15 I'm here to conduct a public hearing on behalf of the
16 Texas Department of Housing and Community Affairs with respect to an
17 issue of tax-exempt multifamily revenue bonds for a residential
18 rental community.

19 This hearing is required by the Internal Revenue Code.
20 And the sole purpose of the hearing is to provide a reasonable
21 opportunity for interested individuals to express their views
22 regarding the development and the proposed bond issuance.

23 No decisions regarding the development will be made at
24 this hearing. There are no Department board members present. The

1 board will meet to consider the transaction on April 10 of 2003, upon
2 recommendation by the Finance Committee.

3 In addition to providing your comments at this hearing,
4 the public is also invited to provide comment directly to the Finance
5 Committee or the board at any of their meetings.

6 The Department staff will also accept written comments
7 via facsimile at 512-475-0764 up until five o'clock on March 28 of
8 2003.

9 The bonds will be issued as tax-exempt multifamily
10 revenue bonds in the aggregate principal amount not to exceed
11 \$11,100,000 and taxable bonds, if necessary, in an amount to be
12 determined and issued in one or more series by the Texas Department
13 of Housing and Community Affairs.

14 The proceeds of the bonds will be loaned to West
15 Virginia Apartments Limited Partnership or a related person or
16 affiliate entity thereof to finance a portion of the cost of
17 acquiring, constructing and equipping a multifamily rental housing
18 community described as follows.

19 204 unit multifamily rental development to be
20 constructed on approximately 10.5 acres of land located at the 7900
21 block of Highway 67 immediately south of its intersection with
22 Interstate Highway 20 in Dallas, Dallas County, Texas.

23 The proposed multifamily rental housing community will
24 be initially owned and operated by the borrower or a related person

1 or affiliate thereof.

2 I would now like to open the floor up for public
3 comment, and I'll call your name out. Again, there's a two-minute
4 limit and we'll go with that for right now.

5 The first name I have is Scott Cannon.

6 MR. CANNON: My name is Scott Cannon. I'm live at 343
7 Cardinal Creek Drive in Duncanville, Texas. I am a resident of Swan
8 Ridge. And I also am president of the Swan Ridge Residents
9 Association.

10 I just want to register our 329 votes of opposition for
11 the residents that live -- those are how many housing units we have
12 in Swan Ridge. Our opposition to this project mainly because of the
13 adverse effect it will have on the Duncanville Independent School
14 District.

15 Dr. Cook is here and he is the superintendent. He will
16 speak more eloquently to the problems that we will experience should
17 you approve this.

18 But for our part we want to register our opposition to
19 this development.

20 MS. MEYER: Dr. Cook?

21 DR. COOK: Than you. My name is Jerry Cook. I live at
22 1703 Beaver Creek Drive, Duncanville. I'm the superintendent of the
23 Duncanville Schools. Speaking tonight on behalf of the Duncanville
24 schools.

1 The Duncanville ISD recommends that the Texas Department
2 of Housing and Community Affairs deny the request of Trammel Crow
3 Residential Partners for the issuance of tax-exempt bonds for the
4 West Virginia Apartments Limited Partnership.

5 And the reason for the recommendation is as follows.
6 Number one, the number of students produced by TDHCA and the Dallas
7 Housing Authority Developments.

8 Just this past summer TDHCA approved tax-exempt bonds
9 for the Southwest Housing Development Project, Park Ridge Villas,
10 which is 256 units that will produce 150 to 180 students. Further,
11 the Dallas Housing Authority is building over 200 subsidized units
12 right across the street from this development, which will produce
13 another 120 to 145 students.

14 Now Trammell Crow Residential requests 204 units which
15 will produce yet another 125 to 150 students. Accordingly, since
16 July these subsidized units have created the need for an additional
17 elementary school that was not planned in the district, which will
18 cost the district approximately \$12 million, resulting in additional
19 bond issuance and additional taxes for the DISD residents and
20 businesses.

21 There are two ways that you look at the costs. One is
22 the maintenance and operation costs. And due to term limitations, I
23 will not go through it.

24 But you have presented there in writing the information

1 which shows that the West Virginia Apartments will fund about 59 out
2 of the 125 to 150 students from the M and O [phonetic] side.

3 And that's not even considering the factor that you have
4 to consider for free and reduced lunch students which has a premium
5 of anywhere from ten to 50 percent, which would further decrease the
6 level of students funded.

7 Second, there is a debt service cost needed to pay for
8 construction of new buildings. Since the aggregate growth of TDHCA
9 and VHA units will produce the need for an additional school, then
10 the annual debt payments will increase 1.5 to \$1.8 million per year.

11 Since our tax evaluation produces about \$250,000 per
12 penny effort, if a \$12 million school is financed over 20 years then
13 to pay for the additional debt will require a debt service increase
14 of approximately seven cents per \$100 valuation.

15 Secondly, concentration of TDHCA units in Duncanville.
16 Within the past nine months we've seen two different subsidized
17 apartments start construction within the district. And now a third
18 is proposed.

19 Our question is, When will it end. How many more of
20 these units will be placed in DISD? And how much more can our
21 taxpayers support? When will TDHCA consider placing such units in
22 South Lake Carroll, Coppell, Highland Park, Plano, Greentville,
23 Colleyville and other wealthy districts?

24 The answer that I received from the representatives of

1 Trammell Crow Residential Services is never. Because the fact is
2 that the above-mentioned districts are too expensive for these units.

3
4 Accordingly, these students -- these districts continue
5 to get high-end homes that more than pay for the students produced
6 while DISD gets more and more subsidized units producing vastly more
7 students than the units will financially support.

8 I suppose we're seeing an old axiom lived out before our
9 lives -- before our eyes. And that is the rich get richer or the
10 poor get poorer.

11 In conclusion, we have absolutely nothing against the
12 individuals that will be living in these units.

13 We're dedicated to educating to the best of our ability
14 all students who go to our schools. The facts show that we've done a
15 clearly outstanding job with our students, over 40 percent of which
16 are free and reduced lunch students.

17 And we will continue to even if the increase comes for
18 more free and reduced lunch program students which will come from
19 these apartments. Then we'll do all that's humanly possible to
20 educate them to the best of our ability.

21 But that's not the issue. The issue is simple. Will
22 the TDHCA step forward and do what is fair for the individuals who
23 are in need of housing and also do what is fair for the taxpayers of
24 districts affected by these units?

1 The proposal before you of Trammell Crow Residential for
2 West Virginia Apartments is your opportunity to provide the
3 leadership needed for a fair deal for all. What will your answer be?

4 Thank you.

5 MS. MEYER: The next one I have is Michael Jonason.

6 MR. JONASON: My name is Michael Jonason. I live at 210
7 Hummingbird Lane in Duncanville, Texas. I really can't add anything
8 to what's already been said, other than I am part of the Swan Ridge
9 Association. And I'm just another taxpayer in -- and homeowner in
10 Duncanville that does not want to see the tax burden increase again
11 in Duncanville. And that's it.

12 MS. MEYER: Thank you.

13 Max Harper?

14 MR. HARPER: Hi. My name is Max Harper, 1376 Greenhills
15 Court in Duncanville. I'm a member of the board of trustees for the
16 Duncanville ISD and currently serve as president of the board of
17 trustees.

18 And I only want to echo what Dr. Cook said and add to
19 that that as more of these subsidized housing units come to
20 Duncanville the burden on the rest of the tax base, in so far as the
21 school tax is concerned, continues to increase.

22 In addition, the culture of our schools tends to change
23 as we get more of the subsidized housing, to the point that the
24 culture of the schools becomes a free- and reduced-lunch culture, as

1 opposed to a mixed culture that we've striven very hard to balance
2 and to create an educational environment to properly educate all
3 these kids.

4 All we're asking for is that the burden be shared, the
5 burden in other districts that are more wealthy than we are. We're a
6 medium-range-wealthy district. We don't get money from the state
7 insofar as the Robin Hood is concerned. We don't send money.

8 We just ask that other districts where land is
9 available, such as Coppell, Plano; CF, Carrollton-Farmer's Branch;
10 and other areas in the Dallas-Fort Worth Metroplex where land is
11 available. And we just ask that they share this burden with us in
12 educating these kids for public education.

13 Thank you.

14 MS. MEYER: Thank you.

15 I don't have anybody else on the list that has put down
16 to speak. Is there anybody that would like to speak that said no or
17 that didn't answer?

18 (No response)

19 MS. MEYER: Okay. Seeing that there is not anybody
20 else, I'm going to go ahead and adjourn the meeting at this time.
21 And it is 6:30.

22 Is there any questions that I can answer for anybody or

23 --

24 Yes, sir. Can you step up to the mike just so she can

1 get it on record?

2 DR. COOK: In July we had a -- June or July we had a
3 series of hearings that resulted in units being placed in our
4 district. And now we're here again. What's the future? Will --
5 three months from now, six months from now will we have another and
6 then another and then another and then another?

7 MS. MEYER: Well, I'll kind of go back to the way I
8 explained -- the way the program works is by lottery.

9 And actually, I can't think of another development
10 that's in Duncanville at this time. I am the program administrator.

11 And I can't think of anything for the 2003 round now. I can't tell
12 you for 2004 what will happen. But --

13 DR. COOK: Let's be clear about one thing. City of
14 Duncanville and the Duncanville ISD are not congruent. The
15 Duncanville Independent School District takes in all of the City of
16 Duncanville. That is correct.

17 MS. MEYER: Uh-huh.

18 DR. COOK: But our boundaries go far beyond the City of
19 Duncanville. Our boundaries go all the way to the Potter's House on
20 the northwest and into Cedar Hill and Desoto in the south and the
21 entirety of the Mountain Creek on the west.

22 MS. MEYER: Uh-huh.

23 DR. COOK: So -- as well as to areas on the --to the
24 east of Highway 67. So if you look at the geographic distribution of

1 the Duncanville ISD compared to the City of Duncanville, you will see
2 that there is more square miles, whereas almost as much square miles
3 outside of the City of Duncanville as there is within the City of
4 Duncanville.

5 So I think I would encourage the TDHCA to be careful in
6 its assessment of the Duncanville ISD impact based upon the City of
7 Duncanville. Because the vast majority of these projects are going
8 to come in the City of Dallas.

9 MS. MEYER: Right.

10 DR. COOK: Which are in -- such as this one, which are
11 in the Duncanville Independent School District, as well as the last
12 June.

13 MS. MEYER: Okay.

14 DR. COOK: So our primary concern is that one in July,
15 this one now, one more, one more, one more. And you look at each one
16 of them individually, they're okay. But somewhere along the line
17 someone has to step back and look at the big picture and look at the
18 total impact that we are receiving on this situation.

19 MS. MEYER: Okay. Thank you.

20 Yes, sir.

21 MR. HARPER: Max Harper again. Who do you all report
22 to?

23 MS. MEYER: What do you mean? I'm sorry.

24 MR. HARPER: Who oversees your agency? What branch of

1 the state government?

2 MS. MEYER: Well, I mean, our board of directors is
3 appointed by the Governor.

4 MR. HARPER: The Governor?

5 MS. MEYER: Uh-huh.

6 MR. HARPER: Okay. So the board of the directors and
7 the board of directors then appoints people such as yourself or how
8 do you --

9 MS. MEYER: Well, we have --

10 MR. HARPER: -- get your job?

11 MS. MEYER: We have the staff that the State -- which is
12 what I am. I am staff.

13 MR. HARPER: Uh-huh.

14 MS. MEYER: And then we have an executive director,
15 which is Edwina Carrington. And she presents our information to the
16 board.

17 MR. HARPER: Okay.

18 MS. MEYER: And that's --

19 MR. HARPER: Is the board politically appointed?

20 MS. MEYER: Well, they're -- each of the board members
21 are appointed by the Governor, by --

22 MR. HARPER: By --

23 MS. MEYER: -- Governor Perry.

24 MR. HARPER: By Governor Perry? Okay.

1 MS. MEYER: And actually, all six of them are.

2 MR. HARPER: All six of them have been appointed by him?

3 MS. MEYER: Uh-huh.

4 MR. HARPER: Okay. So you all basically report -- and
5 if you look at a chart, your direct supervisor would be the Governor.
6 Is that correct?

7 MS. MEYER: Well, he doesn't really oversee --

8 MR. HARPER: I mean, does the State Legislator --

9 MS. MEYER: -- our board. But --

10 MR. HARPER: Yes.

11 MS. MEYER: -- I mean, our board makes the housing
12 decisions. And he appointed those board members to do --

13 MR. HARPER: Okay.

14 MS. MEYER: -- that.

15 MR. HARPER: I understand.

16 MS. MEYER: Now, again, he appoints them. Now, what the
17 --

18 MR. HARPER: Does the State --

19 MS. MEYER: -- contact is --

20 MR. HARPER: -- Legislature have -- what do they have
21 to do with this branch of the government?

22 MS. MEYER: Well, they have a lot of things to do --
23 they had a lot of things to do with this a couple of years ago. And,
24 I mean, they control all the state agencies and they can, you know,

1 make legislation to change whatever they want to change.

2 MR. HARPER: Okay.

3 MS. MEYER: They are in session right now and there's a
4 lot of things that are under consideration, you know, for the Private
5 Activity Bond Program itself and how to make that better or changes
6 that need to be made. And they're hearing comments on those now.

7 MR. HARPER: Are there any representatives from Trammell
8 Crow here tonight?

9 MS. MEYER: Yes, sir. Mr. Brent Stewart is here.

10 MR. HARPER: Okay.

11 So you all represent Trammell Crow? Okay.

12 Thank you.

13 MS. MEYER: Sure.

14 Yes, sir.

15 MR. CANNON: I just had a question. I know you said
16 earlier that the reason you have a public hearing is because you're
17 required to by the Internal Revenue Service. It seems to me that the
18 last public hearing -- and this is the third one I've attended. The
19 first one we sent the developer running scared. And so he went
20 through his proposal.

21 But there was overwhelming opposition against the last
22 development that you approved in our school district which was
23 approved back in July, both at the public hearing and in Austin when
24 the board met, where people spoke publicly, where people wrote

1 letters. And I just wonder what would cause the board to deny a
2 request.

3 MS. MEYER: Well, I can't answer a question like that
4 for my board. My board takes each individual development
5 individually. And it's their decision.

6 I supply them with all the information about the
7 development itself, as far as the feasibility of the bonds, the
8 feasibility of the development itself and give them all the
9 information, as far as the compliance history for the developer and
10 then what he's done with past developments.

11 They'll get a copy of the transcript and any other
12 public comment that I get. And the board makes its own decision.
13 And they take each development individually. And I -- so I can't
14 answer that question as to, you know, what makes them say no and what
15 makes them say yes.

16 MR. CANNON: Thank you.

17 MS. MEYER: Are there any other questions?

18 No, that's fine. That's fine.

19 DR. COOK: Did I hear you say something about a meeting
20 on March 28?

21 MS. MEYER: That's when I need to have all public
22 comment to me in order to be able to put it together to present it to
23 the board.

24 DR. COOK: So if someone has written comments to send --

1 MS. MEYER: Yes. If anybody has -- and if you have
2 additional comments by people -- I know the weather wasn't the --

3 DR. COOK: And --

4 MS. MEYER: -- best. So --

5 DR. COOK: -- where do we send those?

6 MS. MEYER: I've got some cards here that I
7 can --

8 DR. COOK: Okay.

9 MS. MEYER: -- pass out --

10 DR. COOK: Okay.

11 MS. MEYER: -- and you can --

12 DR. COOK: All right.

13 MS. MEYER: -- e-mail them to me or fax them. And my -
14 -

15 DR. COOK: Okay. Again --

16 MS. MEYER: -- fax number --

17 DR. COOK: -- where will the April 10 board meeting be?

18 MS. MEYER: April 10 board meeting will be in -- it's
19 scheduled for Austin. And I don't know that they're changing it --

20 DR. COOK: In Austin?

21 MS. MEYER: -- as of this time. It should be in
22 Austin.

23 DR. COOK: Will they receive comments from the --

24 MS. MEYER: Yes, sir.

1 DR. COOK: -- at that time? How would be find out
2 where and what time that meeting --

3 MS. MEYER: It -- the board meetings are at our office.
4 And my address is --

5 DR. COOK: Okay.

6 MS. MEYER: -- on the cards here. And it -- they --
7 normally, the board meetings actually, usually start either nine or
8 ten o'clock. My web site is on here. And you can get a copy of that
9 -- I think it's on the fourth -- it's on the tenth -- I mean, I got
10 to count back here. It will be posted to our web site on the third,
11 that Thursday.

12 DR. COOK: What is -- so help me understand. What
13 happens in between now and April 10?

14 MS. MEYER: Well, the developer has to finish getting
15 the things done for the development that he's got to do, all the due
16 diligence and getting the lender information and all that. We have
17 to get final commitments and those things.

18 On March 28 what I will do is build the board package
19 and present that. We put it on our web site. And it should be on
20 the web site that Thursday, on the third, April 3. You can download
21 that if you want to. Or you can just read it. And you'll see
22 everything that's being presented to the board.

23 DR. COOK: All right. So one follow-up question then.
24 Then does the TDHCA staff make a recommendation to the board as to

1 what, approval or non-approval?

2 MS. MEYER: We make a recommendation of -- it's really
3 about the feasibility of the bonds. The board makes the decision on
4 all the other things that are presented to it.

5 DR. COOK: Just wanted to ask that question. My
6 recollection of last July was is that that was -- that the staff had
7 recommendation of approval.

8 MS. MEYER: We do -- we either recommend or we don't
9 recommend. There will be a statement from staff.

10 DR. COOK: So April 10 is a key date. That's when it
11 will be approved?

12 MS. MEYER: That's when the board will vote.

13 DR. COOK: Okay.

14 MS. MEYER: Or that's when it's scheduled to vote.

15 DR. COOK: Final --

16 MS. MEYER: And as far as I know, it's not changing.

17 DR. COOK: Final on point question. What legislation
18 funds this? If I were to want to address to the Legislature the
19 funding aspects for this program, where is this in law? What act
20 supports it?

21 MS. MEYER: It's under the Bond Review Board rules.
22 It's 1372.

23 DR. COOK: Pardon me?

24 MS. MEYER: 1372 of the Texas Government Code.

1 DR. COOK: 13 -- that's 13.72 or --

2 MS. MEYER: Now, it's 1372 -- oh, point -- oh, what are
3 they? If you pull up 1372 in the Texas Government Code you can go
4 down to the Bond Review Board. There's a section on there.

5 DR. COOK: That's --

6 MS. MEYER: And it will --

7 DR. COOK: That's what I need --

8 MS. MEYER: -- show Private Activity Bonds. And that
9 will show the rules of the program.

10 DR. COOK: So 1372 of the Texas Government
11 Code --

12 MS. MEYER: That's correct.

13 DR. COOK: -- somewhere in that chapter?

14 MS. MEYER: That's correct.

15 DR. COOK: Okay.

16 MS. MEYER: And actually, if you'll e-mail me I'll send
17 you the link --

18 DR. COOK: Okay.

19 MS. MEYER: -- because I --

20 DR. COOK: Okay.

21 MS. MEYER: I use it --

22 DR. COOK: May I have one of those cards?

23 MS. MEYER: Sure.

24 And anybody else. My fax number have changed. Just --

1 DR. COOK: All right.

2 MS. MEYER: -- recently. So --

3 Any other questions?

4 Go ahead.

5 MR. HARPER: Promise this will be the last time. My --

6
7 MS. MEYER: No, that's fine.

8 MR. HARPER: -- son's playing a hockey game down here
9 starting at 6:30 and I want to go watch him. But I just want to just
10 get on the record again for the Trammel Crow company that we welcome
11 development in Duncanville.

12 We want development. We've been begging for attention
13 in this part of the county for a long time. We just need development
14 that will either bring tax revenue through commercial development --
15 you folks are very familiar with that type of development -- or we
16 would like to have some medium and high-end income homes built down
17 here.

18 The subsidized housing we can't take any more of and
19 still keep going what we've got going. Because we're suffocating.
20 We're suffocating with the subsidized, subsidized, subsidized. We
21 need the rest of the Dallas Fort Worth area to share in publicly
22 educating these kids. And believe me, I'm a big proponent,
23 a big advocate for public education. All three of my kids have gone
24 through the Duncanville schools and are doing extremely well.

1 And all I'm asking is bring us some developments that
2 can give us more than just a few dollars to educate the kids that
3 they were going to give with this. Because we -- we're suffocating.
4 We can't have any more.

5 MS. MEYER: Okay. If there's no more questions, I'd
6 like to thank all of you for coming in and giving your comments.

7 Again, the deadline for any other additional public
8 comment -- written public comment -- is March 28, about a month away.
9 And so it gives you a little bit of time.

10 I also have some cards up here. My fax number changed.
11 We changed our offices this past weekend. And so it's kind of a
12 nightmare around there. But my fax number did change. But I've got
13 some information cards that will give you the address of the
14 building. It gives you my web site. It gives you my e-mail address
15 if you would like to e-mail me. Or if anybody else -- and you're
16 welcome to take any of these. If you want to pass them out you can
17 do that, too. Okay?

18 Thank you, all for coming.

19 (Whereupon, this public hearing was concluded.)

C E R T I F I C A T E

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10

IN RE: West Virginia Apartments

LOCATION: Duncanville, Texas

DATE: February 27, 2003

I do hereby certify that the foregoing pages, numbers 1 through 27, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Debi Eaton before the Texas Department of Housing and Community Affairs.

(Transcriber) 3/5/2003
(Date)

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



CITY OF DALLAS

James L. Pantoy
Counselor

COUNCIL COMMITTEES
Health, Safety & Human Services
Legislative Affairs
Municipal & Minority Affairs

February 24, 2003

Edwina Carrington
Executive Director
Texas Department of Housing & Community Affairs
507 Sabine, Suite 900
Austin, Texas 78761

RE: West Virginia Park Town homes, Trammel Crow Residential

Dear Ms. Carrington:

Please accept this letter as evidence of my fiscal support of the West Virginia Park Town homes to be located in the 7900 block of Highway 67. As the elected representative for constituents in this area of Dallas, I can attest that the need for quality, well-managed, affordable rental units in this area is substantial.

After meeting with representatives of Trammel Crow Residential to discuss their plans for the property as well as the social services provided to the residents, I am convinced that this low density, town-home style design will be an attractive benefit to the community. Additionally, the specific location of the property is appropriate for this type of housing.

Please consider the bond-financing request favorably.

Sincerely,

James L. Pantoy
Counselor - District 3

C. Robert Ocker
Director of Multifamily Finance
TERICA



The Senate of The State of Texas

SENATE COMMITTEES
CHAIRMAN
 Subcommittee on Higher Education

VICE CHAIRMAN
 Education

MEMBER
 Finance
 Health and Human Services
 Jurisprudence

Senator Royce West
 District 23

DISTRICT OFFICE
 3907 South Hampton Road
 Suite 205
 Dallas, Texas 75222
 Tel: 467-0123
 Fax: 214/467-0050

CAPITOL OFFICE
 P.O. Box 12068
 Austin, Texas 78711
 512/463-0123
 Fax: 512/463-0999
 Dial 711 for Betty Cobb

February 26, 2003

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

Dear Ms. Carrington:

I have been informed that Trammell Crow Residential has received a proposed multi-family bond transaction to fund the construction of West Virginia Apartments. This proposed development would be built on West Virginia Road, within my senatorial district. This development will provide much needed affordable housing in my district and I support its construction.

Please contact Jennifer Wichmann in my office, at (214) 467-0123, if you have any questions regarding this issue. Thank you for your time.

Sincerely,

Royce West
 State Senator
 District 23

RW/jw

cc: Texas Department of Housing and Community Affairs Board



TO: Texas Department of Housing and Community Affairs

FROM: Duncanville Independent School District

PRESENTED BY: Jerry Cook, Superintendent

DATE: February 27, 2003

The Duncanville ISD (DISD) recommends that the Texas Department of Housing and Community Affairs (TDHCA) deny the request of Trammell Crow Residential partnership for the issuance of Tax Exempt Bonds for the West Virginia Apartments Limited Partnership. Reasons for our recommendation are as follows:

Number of students produced by TDHCA and the Dallas Housing Authority (DHA) developments: Just this past summer the TDHCA approved Tax Exempt Bonds for the Southwest Housing Development project, Clarkridge Villas, which is a 256 unit complex that will produce 150 – 180 students. Further, the Dallas Housing Authority (DHA) is building over 200 subsidized units right across the street from the Clarkridge Villas, which will produce 120 – 145 students. Now Trammell Crow Residential requests 204 units which will produce yet another 125 – 150 students. Accordingly, since July these subsidized units have created the need for an additional elementary school that will cost over \$12 M, resulting in an additional bond issue and additional taxes for DISD residents and businesses.

Cost of additional students: There are two dimensions to the costs associated with these additional students. First, there is the Maintenance & Operation (M & O) cost; note the table below related to M & O cost:

Estimated value of West Virginia Apartments:	\$17.3 M
Estimated annual M & O tax revenue from WV Apts.:	\$254,310
*DISD per pupil expenditures:	\$6585
**Percent of per pupil expenditures from local sources:	65%
Per pupil expenditure from local sources:	\$4,280
Students produced by WV Apts.:	125 – 150
Student's supported by WV Apts.:	59.42
Students not supported by WV Apts.:	65.58 – 90.58

* 2001 – 2002 Academic Excellence Indicator Report, produced by TEA.

** 2002 – 2003 DISD Budget.

215 Meadowlark Lane
Duncanville, Texas 75137
March 15, 2003

REC

MAR 17 2003

Multifamily Finance Division

Ms. Robbye C. Meyer
Multifamily Financial Analyst
Texas Dept. of Housing and Community Affairs
P. O. Box 13941
507 Sabine, Suite 800
Austin, Texas 78711-3941

Dear Ms. Meyer:

Please allow us to go on record as being opposed to the issuing of tax-exempt multifamily residential rental project revenue bonds for a 204 unit project to be located in the 7900 block of Highway 67. This project would be in Dallas, Texas, but in the Duncanville School District.

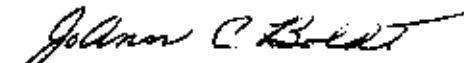
Our school district is already bursting at the seams, in part because the City of Dallas Planning and Zoning Commission continues to rezone those areas contiguous to Duncanville as multifamily. This adds a disproportionate amount of school age children to the tax revenues it contributes to the school district.

We hope that you will turn down this request.

Sincerely,



DONALD K. BOLDT



JOANN C. BOLDT

March 18, 2003

MAR 20 PM 2:20

1 MAR 20 2003



Duncanville Independent
School District
"Champions for Children"

Jerry Cook
Superintendent of Schools

802 South Main Street
Duncanville, Texas 75137
(972) 708-2000
Fax: (972) 708-2008

March 24, 2003

Robbye G. Meyer
Texas Department of Housing and Community Affairs
PO Box 13941
507 Sabine, Suite 800
Austin, Texas 78711-3941

RECEIVED
MAR 27 2003
LIHTC

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Robbye Meyer
Page Two

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* 2001 – 2002 Academic Excellence Indicator Report, produced by TEA.

** 2002 – 2003 DISD Budget.

Second, there is the Debt Service cost needed to pay for construction of new buildings. Since the aggregate student growth of TDHCA and DHA units will produce the need for an additional school, then the annual debt payment will increase \$1.5 M to \$1.8 M per year. Since our tax valuation produces about \$250,000 per penny tax effort, if a \$12 M school is financed over 20 years, then to pay for the additional debt will require a debt service tax increase of approximately a \$0.07 cent per \$100 valuation.

Concentration of TDHCA units in DISD: Within the past nine months we have seen two different subsidized apartments start construction within DISD, and now a third is proposed. When will it end? How many more of these units will be placed in DISD? How much more can the taxpayers of DISD support?

When will TDHCA consider placing such units in Carroll (Southlake), Coppell, Highland Park, Plano, Grapevine-Colleyville, and other wealthy districts? The answer that we received from representatives of Trammell Crow Residential Services is NEVER. The fact is that the above mentioned districts are TOO EXPENSIVE for such units. Accordingly, these districts continue to get high end homes that more than pay for the students produced, while DISD gets more and more subsidized units producing vastly more students than the units will financially support.

CONCLUSION: The DISD has nothing against the individuals that will be living in these units, and we are dedicated to educating to the best of our ability all students who go to our schools. The facts show that we have done a clearly outstanding job with the students that attend our schools, over 40% of which are on the free/reduced lunch program. If these units are developed resulting in even more free/reduced lunch students in our District, then we will do all that is humanly possible to give them a first rate education.

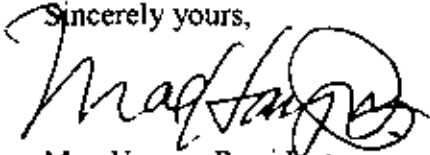
But, that is not the issue. The issue is simple: Will the TDHCA step forward and do what is fair for the individuals who are in need of housing, and also do what is fair for the taxpayers of districts affected by these units?

Robbye Meyer
Page Three

The proposal before you of Trammell Crow Residential for the West Virginia Apartments is your opportunity to provide the leadership needed for a fair deal for all. What will be the answer of the TDHCA?

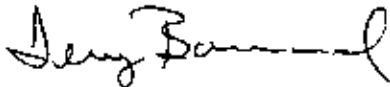
This letter was approved on March 24, 2003, by the Duncanville ISD Board of Trustees.

Sincerely yours,

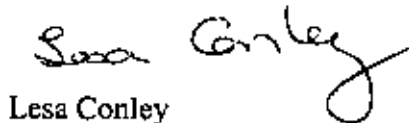


Max Harper, President

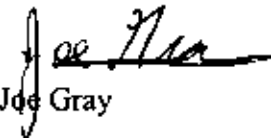
Dan Jespersen, Vice President



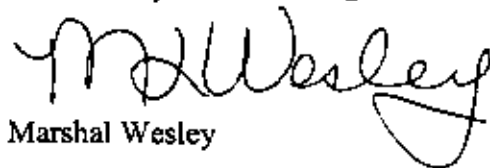
Terry Barnard, Secretary



Lesa Conley

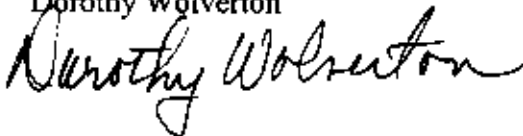


Joe Gray



Marshal Wesley

Dorothy Wolverton



Mrs. Frank L. Lassetter
334 Swan Ridge Drive
Duncanville, Texas 75137

3/18/03

Robbye G. Meyer
Multifamily Financial Analyst
Texas Department of Housing & Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Dear Robbye G. Meyer:

Regarding the Virginia Project proposed for the area south of I-20 and Hwy. #67, I am opposed to the current plan. This would put an unnecessarily heavy burden on the Duncanville Independent School District.

Sincerely,

F. L. Lassetter



TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2003 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

Hillery Garden Villas

\$13,300,000 (*) Tax Exempt – Series 2003

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	Sources & Uses of Funds Estimated Costs of Issuance
TAB 4	Department's Credit Underwriting Analysis
TAB 5	Rental Restrictions Explanation Results & Analysis
TAB 6	Location Map
TAB 7	TDHCA Compliance Report
TAB 8	Results of Public/TEFRA Hearings (February 20, 2003)

() Preliminary - subject to change*

**FINANCE COMMITTEE AND BOARD APPROVAL
MEMORANDUM**

April 10, 2003

PROJECT: Hillery Garden Villas in Burleson, Johnson County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2003 Multifamily Housing Mortgage Revenue Bonds
(Reservation received 1/09/2003)

**ACTION
REQUESTED:**

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

PURPOSE:

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Mesquite Shilling Enterprises V, L.P., a limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 272-unit multifamily residential rental project located at 300 NW Hillery Street in Burleson, Texas (the "Project"). The Tax-Exempt Bonds will be tax-exempt by virtue of the Project's qualifying as a residential rental project.

BOND AMOUNT:

\$13,300,000 Series 2003 Bonds (the "Tax-Exempt Bonds")

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

**ANTICIPATED
CLOSING DATE:**

The Department received a volume cap allocation for the Bonds on January 9, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 9, 2003, the anticipated closing date is May 8, 2003.

BORROWER:

Mesquite Shilling Enterprises V, L.P., a limited partnership, the general partner of which is Picerne Hillery Garden, LLC, of which Robert M. Picerne is the Manager.

**COMPLIANCE
HISTORY:**

The Compliance Status Summary completed on March 31, 2003 reveals that the principal of the general partner above has a total of (9) properties being monitored by the Department. (9) of these properties have received a compliance score. All of the scores are below the

material non-compliance threshold score of 30.

ISSUANCE TEAM & ADVISORS:

Charter Municipal Mortgage Acceptance Company (“Bond Purchaser”)
Related Capital Company (“Equity Provider”)
Wells Fargo Bank Texas, N.A., (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)

BOND PURCHASER:

The Bonds will be purchased by Charter Municipal Mortgage Acceptance Company. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

PROJECT DESCRIPTION:

Site: The proposed affordable housing community is a 272-unit multifamily residential rental development to be constructed on approximately 16.377 acres of land located at 300 NW Hillery Street, Burleson, Johnson County, Texas. The proposed density is 16.6 dwelling units per acre.

Buildings: The development will include a total of eleven (11) three story, wood-framed apartment buildings containing approximately 286,752 net rentable square feet and having an average unit size of 1,054 square feet. The units will feature two full baths, washer/dryer connections, energy efficient appliances, cable television outlets, central air and heat, and wall to wall carpeting.

<u>Units</u>	<u>Unit Type</u>	<u>Square Feet</u>	<u>Proposed Net Rent</u>
64	2-Bedrooms/2-Baths	893	\$583.00
160	3-Bedrooms/2-Baths	1,063	\$672.00
<u>48</u>	4-Bedrooms/2-Baths	1,240	\$748.00
272			

On-site Amenities: Common areas will include a swimming pool, a children’s play area, laundry facilities, game/recreation room, furnished community room, exercise room, picnic area, and perimeter fencing. All ground units will be wheelchair accessible.

SET-ASIDE UNITS:

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

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

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income.

TENANT SERVICES:

Borrower has provided a fully executed Supportive Services Agreement with Picerne Management Corporation a Florida Corporation (Service Provider) to provide a wide range of supportive services that would otherwise not be available for the tenants. The provision of these services will be included in the Regulatory and Land Use Restriction Agreement (LURA).

**DEPARTMENT
ORIGINATION
FEES:**

\$1,000 Pre-Application Fee (Paid).
\$10,000 Application Fee (Paid).
\$66,500 Issuance Fee (.50% of the bond amount paid at closing).

**DEPARTMENT
ANNUAL FEES:**

\$13,300 Bond Administration (0.10% of first year bond amount)
\$ 6,800 Compliance (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

**ASSET OVERSIGHT
FEE:**

\$6,800 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$681,694 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$5,209,000 of equity for the transaction.

BOND STRUCTURE:

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

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

The Bonds are mortgage revenue bonds and, as such, create no

potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the project financed through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Tax-Exempt Bonds will be 5.75% to and including September 30, 2004 and thereafter, 6.75%.

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

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

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

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

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

Mandatory Redemption:

- (a) in whole or in part on the first Interest Payment Date for which notice can be given in accordance with this Indenture after the Completion Date to the extent excess funds remain on deposit on such date in the Loan Account of the Construction Fund, determined as provided in Section 6.03 of this Indenture; or

- (b) (i) in part, in an amount necessary to achieve the specified debt service coverage ratio, if the project has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Project achieves Completion or (B) the Completion Date; or
- (c) in whole or in part, if there is damage to or destruction or condemnation of the Project, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project are deposited in the Revenue Fund and are not to be used to repair or restore the Project; or
- (d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days prior to such date; or
- (e) in whole on any interest payment date on or after May 1, 2020, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' prior written notice to the Issuer, Trustee and Borrower; or
- (f) in part, according to the dates and amounts indicated for either the Bonds on the Mandatory Sinking Fund Schedule of Redemptions attached to the Trust Indenture.

Optional Redemption:

- (a) The Bonds are subject to redemption, in whole, at the option of the Borrower any time on or after May 1, 2020 from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

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

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

The Trust Indenture will create the following Funds and Accounts:

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

- (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds to pay for Qualified Project Costs;
 - (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Project pursuant to the Loan Documents;
 - (c) Capitalized Interest Account – represents a portion of the initial equity contribution of the Borrower and a portion of the proceeds of the Bonds which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Project;
 - (d) Costs of Issuance Account – represents a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;
 - (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower; and
 - (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.
2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Project.
 3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.
 4. Revenue Fund – Revenues from the Project are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.
 5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Tax-Exempt Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid from proceeds of the initial equity deposit by the Borrower.

**DEPARTMENT
ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee - Wells Fargo Bank Texas, N.A. (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

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

RESOLUTION NO. 03-20

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (HILLERY GARDEN VILLAS) SERIES 2003; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Hillery Garden Villas) Series 2003 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank Texas, N.A. (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

WHEREAS, the Board, by resolution adopted on October 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

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

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

WHEREAS, the Board has determined that the Department, the Borrower and Charter Municipal Mortgage Acceptance Company, a Delaware business trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

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

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

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be five and three-fourths percent (5.75%) per annum from the date of issuance to and including September 30, 2004 and six and three-fourths percent (6.75%) per annum thereafter until paid on the maturity date or earlier redemption or acceleration thereof; (ii) the aggregate principal amount of the Bonds shall be \$13,300,000; and (iii) the final maturity of the Bonds shall occur on May 1, 2043.

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

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

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

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

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

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the

authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

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

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

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

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

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

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

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

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

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Issuer as stated in Section 2.3(s) of the Loan Agreement.

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

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

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

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

(iii) That the Borrower is financially responsible;

(iv) That the financing of the Project is a public purpose and will provide a public benefit; and

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

(b) Findings with Respect to the Borrower.

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

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

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

(c) Public Purpose and Benefits.

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

(ii) That the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary

housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

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

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

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

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

ARTICLE IV

GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding

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

PASSED AND APPROVED this _____ day of April, 2003.

By: _____
Michael E. Jones, Chairman

[SEAL]

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Borrower: Mesquite Shillingi Enterprises, V, L.P., a Texas limited partnership

Project: The Project is a 272-unit multifamily rental residential development to be known as Hillery Garden Villas and to be located at 300 NW Hillery Street in Burleson, Texas. The Project will include a total of 11 two- and three-story residential apartment buildings with a total of approximately 286,752 net rentable square feet and an average unit size of approximately 1,054 square feet. The unit mix will consist of:

64 two-bedroom/two-bath units
160 three-bedroom/two-bath units
48 four-bedroom/two-bath units

272 Total Units

Unit sizes will range from approximately 893 square feet to approximately 1,240 square feet.

Common areas will include a swimming pool and a community building with kitchen facilities, laundry facilities, kid's room, computer room, vending area, parlor with television and fireplace, fitness center and telephones. All ground units will be wheelchair accessible.

Hillery Garden Villas

Estimated Sources & Uses of Funds

Sources of Funds

Bond Proceeds, Series 2003A Bonds (Tax-Exempt)	\$ 13,300,000
LIHTC Equity	4,973,000
Interest Income	75,274
Soft Financing	-
Deferred Developer's Fee	1,365,022
Total Sources	\$ 19,713,296

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 15,911,361
Capitalized Interest (Constr. Interest)	1,019,667
Marketing	25,000
Developer's Overhead Fee	879,978
Developer Note	1,360,022
Costs of Issuance	
Direct Bond Related	199,100
Bond Purchaser Costs	114,000
Other Transaction Costs	99,168
Real Estate Closing Costs	105,000
Total Uses	\$ 19,713,296

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (.50% of Issuance)	\$ 66,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	6,800
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	-
Placement Agent	-
Trustee's Fees (Note 1)	8,050
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
TEFRA Hearing Publication Expenses	2,500
Total Direct Bond Related	\$ 199,100

Bond Purchase Costs

Loan Origination Fee (CharterMac @ 0.5%)	66,500
Due Diligence Cost (CharterMac)	12,500
Bond Counsel & Expenses (CharterMac)	35,000
Total	\$ 114,000

Hillery Garden Villas

Other Transaction Costs	
Construction Servicing (Charter Mac @ 1%)	66,500
Tax Credit Determination Fee (4% annual tax cr.)	27,268
Tax Credit Application Fee (\$20/u)	5,400
Total	<u>\$ 99,168</u>

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	80,000
Property Taxes	25,000
Total Real Estate Costs	<u>\$ 105,000</u>

Estimated Total Costs of Issuance	<u>\$ 517,268</u>
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Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

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

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

DATE: March 31, 2003 PROGRAM: Multifamily Bonds FILE NUMBER: 2003-012
4% LIHTC 02488

DEVELOPMENT NAME

Hillery Garden Villas Apartments

APPLICANT

Name: Mesquite Shillingi Enterprises V, LP Type: For Profit Non-Profit Municipal Other
Address: 247 N Westmonte Drive City: Altamonte Springs State: FL
Zip: 32714 Contact: Kurt P. Kehoe Phone: (407) 772-0200 Fax: (407) 772-0220

PRINCIPALS of the APPLICANT

Name:	<u>Picerne Hillary Garden, LLC</u>	(%):	<u>0.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Related Capital Co</u>	(%):	<u>99.99</u>	Title:	<u>Limited Partner</u>
Name:	<u>Robert M. Picerne</u>	(%):	<u>N/A</u>	Title:	<u>12% owner of GP</u>
Name:	<u>John Paul</u>	(%):	<u>N/A</u>	Title:	<u>12% owner of GP</u>
Name:	<u>Raymond M. Uritescu</u>	(%):	<u>N/A</u>	Title:	<u>12% owner of GP</u>
Name:	<u>John G. Picerne</u>	(%):	<u>N/A</u>	Title:	<u>12% owner of GP</u>
Name:	<u>David R. Picerne</u>	(%):	<u>N/A</u>	Title:	<u>12% owner of GP</u>
Name:	<u>Jeanne M. Picerne</u>	(%):	<u>N/A</u>	Title:	<u>4% owner of G.P.</u>
Name:	<u>Picerne Investment Corporation</u>	(%):	<u>N/A</u>	Title:	<u>36% owner of GP</u>

GENERAL PARTNER

Name: Picerne Hillary Garden, LLC Type: For Profit Non-Profit Municipal Other
Address: 247 N Westmonte Drive City: Altamonte Springs State: FL
Zip: 32714 Contact: Kurt P. Kehoe Phone: (407) 772-0200 Fax: (407) 772-0220

PROPERTY LOCATION

Location: 300 NW Hillary Street QCT DDA
City: Burleson County: Johnson Zip: 76028

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1. \$13,300,000	6.75%	40 years	40 years
2. \$681,694	N/A	N/A	N/A

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

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 16 acres 696,960 square feet Zoning/ Permitted Uses: MF-2
Flood Zone Designation: Zone X Status of Off-Sites: Partially improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 272 **# Rental Buildings:** 13 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
64	2	2	893
160	3	2	1,063
48	4	2	1,240

Net Rentable SF: 286,752 **Av Un SF:** 1,054 **Common Area SF:** 3,002 **Gross Bldg SF:** 289,754

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% cement fiber siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting, tile & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters, 9' ceilings

ON-SITE AMENITIES

Community room, management offices, fitness & laundry facilities, kitchen, restrooms, business center, central mailroom, swimming pool, equipped children's play area, perimeter fencing

Uncovered Parking: 613 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: Charter Municipal Mortgage Acceptance Company **Contact:** Marnie Miller

Principal Amount: \$13,300,000 **Interest Rate:** 6.75% plus 0.0625% monthly servicing fee

Additional Information: Interest-only payments during 24-month construction period

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

Annual Payment: \$980,233 **Lien Priority:** 1st **Commitment Date:** 12/ 20/ 2002

LIHTC SYNDICATION

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

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

State: NY **Zip:** 10022 **Phone:** (212) 521-6369 **Fax:** (212) 751-3550

Net Proceeds: \$5,209,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 82¢

Commitment: None Firm Conditional **Date:** 12/ 16/ 2002

Additional Information: _____

APPLICANT EQUITY

Amount: \$1,233,307 **Source:** Deferred developer fee

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

VALUATION INFORMATION			
ASSESSED VALUE			
Land: 16.69 acres	\$625,800	Assessment for the Year of:	2001
Building:	N/A	Valuation by:	Johnson County Appraisal District
Total Assessed Value:	\$625,800	Tax Rate:	2.87606

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved commercial property contract

Contract Expiration Date: 5/ 9/ 2003 Anticipated Closing Date: 5/7/2003

Acquisition Cost: \$ 1,611,300 Other Terms/Conditions: John Paul listed as purchaser

Seller: DTMC, Ltd Related to Development Team Member: No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Hillery Garden Villas Apartments is a proposed new construction development of 272 units of affordable housing located in southeast Burleson. The development is comprised of 13 residential buildings as follows:

- Four Building Type I with 12 2-bedroom units and 12 3-bedroom units;
- Two Building Type II with eight 2-bedroom units and 12 3-bedroom units;
- Six Building Type III with 12 3-bedroom units and eight 4-bedroom units; and
- One Building Type IV with 16 3-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,002-square foot community building is planned to have the management offices, a 536-square foot community room, business center, exercise and media rooms, kitchen, restrooms, and laundry facilities. There is also to be a 600-square foot maintenance building.

Supportive Services: The Applicant has contracted with the Royal Community Foundation, Inc. to provide the following supportive service programs to tenants: social and cognitive development, job enrichment, career and personal skills training, and youth mentoring, academic, and physical fitness. The contract requires the Applicant to recruit staff members and to pay \$1,083 per month (\$13,000/year) for these support services.

Special Needs Construction: Though none of the units appear to be specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments, the applicant provided the required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

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MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

Compliance Period Extension:

The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study dated December 26, 2002 was prepared by Patrick O'Connor & Associates, L.P. and highlighted the following findings:

Definition of Market/Submarket: “The subject property is located in the “South Fort Worth” submarket [as defined by the M/PF Apartment Report]. For the purposes of this report, the subject’s primary market area [PMA] includes those properties located in [six] zip codes...The secondary market area can be defined as the area within the primary market area, plus [five additional] zip codes...” (p. 13) The analyst’s PMA is unusual in that it extends up to 29 miles southwest of the site into rural areas but only six miles north into Fort Worth and its suburbs. The secondary market extends only five miles further north into Fort Worth but includes 90% more population and includes two recently funded LIHTC properties (Sycamore Pointe Townhomes, 9% LIHTC #00144, 126 affordable units; and The Park at Sycamore School Apartments, 4% LIHTC #02459, 216 affordable units). Although the analyst did not describe the reasoning behind the definition of the PMA, it appears that it could have been shaped to exclude these two properties which are approximately seven miles away.

Total Local/Submarket Demand for Rental Units: “With respect to affordable housing projects, due to the overall lack of recently-constructed affordable housing projects in the subject’s primary market area, and based on the performance of the current low-income housing projects, it appears as though there is a pent-up demand in the subject’s primary market area. With the only newer LIHRTC projects being at or near 100% leased, it is reasonable to project that a new affordable housing project with competitive amenities and an average rent of ±\$0.63 per square foot per month, such as the subject property, would perform favorably in this market.” (p. 41)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	74	6%
Resident Turnover	1,148	86%
Demand from outside PMA	122	8%
TOTAL ANNUAL DEMAND	1,344	100%

Ref: p. 45

Capture Rate: The analyst calculated an inclusive capture rate of 20.24% based upon the PMA demand of 1,344 units and no unstabilized comparable units. In light of the 342 comparable affordable units recently funded seven miles north of the subject, the Underwriter used the demographics of the secondary market area to derive a revised demand of 2,490 units and an inclusive capture rate of 24.7%.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The market analyst surveyed four comparable apartment projects totaling 537 units in the market area. “Based on discussions with leasing agents and out own analysis of the rental rates at the selected comparables in the primary market, it is our opinion that the proposed unit mix is appropriate and will complement the local affordable housing market. The developer’s proposed rents...are reasonable for a newly-constructed project in this market.” (p. 11)

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RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$583	\$572	+\$10	\$750	-\$167
3-Bedroom (50%)	\$672	\$660	+\$12	\$850	-\$178
4-Bedroom (50%)	\$748	\$736	+\$12	\$975	-\$227

(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 occupancy rate for projects in this submarket is currently 92.4%.” (p. 36)

Absorption Projections: “...an absorption rate of at least 20 to 30 units per month should be achievable for the subject, indicating an absorption period of under twelve months.” (p. 37)

Known Planned Development: “There is no proposed apartment development (excluding the subject) in the subject’s primary market.” (p. 37)

Effect on Existing Housing Stock: No information provided.

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Burleson is located in north central Texas, approximately 15 miles south of the Fort Worth central business district in Johnson County. The site is a roughly rectangularly-shaped parcel located in the northeast area of Burleson, approximately one-half mile from the central business district. The site is situated on the northeast side of Hillery Street.

Population: The estimated 2001 population of the primary market area was 146,758 and is expected to increase by 16.5% to approximately 146,758 by 2006. Within the primary market area there were estimated to be 43,940 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, commercial, and single- and multifamily residential. Adjacent land uses include:

- **Northeast:** vacant land under development
- **Southeast:** NE Wilshire Boulevard (State Highway 174) with commercial beyond
- **Northwest:** single-family residential
- **Southwest:** Hillery Street with an apartment complex and retail beyond

Site Access: Access to the property is from the southeast or northwest along Hillery Street. The project is to have one entry from Hillery Street. Access to Interstate Highway 35W is one-quarter mile east, which provides connections to all other major roads serving the Metroplex area.

Public Transportation: The availability of public transportation is unknown.

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

Site Inspection Findings: A TDHCA staff member performed a site inspection on February 20, 2003 and found the location to be acceptable for the proposed development. The inspector noted that shopping and daily essential activities are within walking distance of the site.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 9, 2002 was prepared by Tidewater Environmental Services, Inc. and contained the following findings and recommendations:

Findings: “...Tidewater Environmental Services, Inc. found the following recognized environmental conditions in connection with the subject property: numerous old oil filters and old tires were observed scattered over the northwestern portion of the subject property. No oil staining was observed.” (p. 17)

Recommendations: “Therefore, no immediate response actions, further field studies, or environmental

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research are necessary at this time.” (p. 17)

The Underwriter assumes the refuse materials mentioned will be removed and disposed of in the course of construction and therefore no further documentation will be required.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are intended to be the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. The Applicant correctly used the Tarrant County Housing Assistance Office’s utility allowances, but these are unusual in that no allowance is included for electric heat. The Underwriter was able to clarify this situation with the PHA, and they confirmed that these are included the “other electric” allowance. The Applicant also utilized a secondary income figure that is in excess of the \$15 per unit TDHCA guideline without additional justification. After reviewing database information for the DFW area, the Underwriter accepted the Applicant’s secondary income estimate of \$20.83, as the average in the TDHCA database was slightly higher. The Applicant also used a vacancy and collection loss rate of 7% that is lower than the TDHCA underwriting guideline of 7.5%. The net effect of these differences is that the Applicant’s effective gross income estimate exceeds the Underwriter’s by \$12K.

Expenses: The Applicant’s estimated total estimated operating expense of \$3,587 per unit is inconsistent with the Underwriter’s expectation of \$3,818 per unit. Primary differences include general and administrative (\$42K lower), repairs and maintenance (\$45K lower), utilities (\$61K lower), and property taxes (\$65K higher). The Applicant provided five examples of developments they own and operate that have lower operating expenses, however, all of these were located in Coastal Bend and border areas, and once adjustments were made to payroll costs for locational differences all were more consistent with the Underwriter’s expense expectation. In fact, the average operating expense for the five developments referenced by the developer after the payroll adjustment was made is \$3,790 per unit or only \$28 per unit less than the Underwriter’s estimate for the subject.

Conclusion: The Applicant’s expenses and 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. Due to the difference in expense estimates and despite a higher estimated debt service amount by the Applicant, the Underwriter’s estimated debt coverage ratio (DCR) of 1.05 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$937,617, and based upon the proposed terms a reduction of the bond amount to \$12,950,000 is likely.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$1,611,300 (\$2.26/SF or \$98.6K/acre), although almost twice the tax assessed value, is assumed to be reasonable since the acquisition is an arm’s-length transaction.

Sitework Cost: The Applicant’s claimed sitework costs of \$5,429 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant’s costs are more than \$1.7M (15%) lower than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant’s additional justifications (including the elimination of nine-foot ceilings and reduction in exterior masonry finish from 50% to 30%) were considered. This would suggest that the Applicant’s direct construction costs are significantly understated. In an attempt to understand the Applicant’s hard cost estimate of \$47.30 per square foot or \$49,868 per unit, the Underwriter gathered information on seven previous developments constructed by Picerne Construction Corporation, three of which were completed and submitted cost certification in 2002. The hard construction costs (including sitework) increased from \$47.22 per square foot/\$43,767 per unit (certified) in 2002 to \$50.03-\$58.97 per square foot/\$49,698-\$58,400 per unit in applications submitted in 2002. The following chart reflects the hard costs per unit and per foot excluding fluctuating sitework costs.

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**HILLERY GARDEN VILLAS COST COMPARISON
Hard Costs Less Sitework**

Project	Cost Issues	Year of Appl/Comp		Application	Underwriting	Cost Certification
Timber Point (#00021T)	Average units,	2000/2002	Per Unit	40,833	40,791	42,631
Houston 240 units	no exterior wall adjustment		Per SF	44.06	44.01	46.00
Cullen Park (#01410)	Large units, all 2 bath,	2000/2002	Per Unit	43,746	44,589	44,811
Houston 240 units	7% balconies & landings		Per SF	43.14	43.97	44.18
Creek Point (#00015T)	Average units, built-in garages, no exterior wall adjustment	2000/2002	Per Unit	41,784	42,165	40,758
Houston 200 units			Per SF	45.02	45.43	43.91
Circle S (#01458)	Fire sprinkler, small units	2002	Per Unit	44,569	41,658	
Austin 200 units	15% balconies & landings		Per SF	52.88	49.42	
Windmill Point (#02148)	Large units, all 2-bath,	2002	Per Unit	50,462	51,471	
Merkel 76 units						
Withdraw	6% balconies & landings		Per SF	46.32	47.24	
Madison Point (#02149)	Large units, all 2-bath,	2002	Per Unit	52,199	53,491	
Dallas 176 units	5% balconies & landings		Per SF	44.72	45.83	
Emerald Bay (#02421)	Large units, all 2-bath,	2002	Per Unit	48,956	49,623	
Houston 248 units	5% balconies & landings		Per SF	45.33	45.95	
HILLERY GARDEN	Large units, all 2-bath,	2003	Per Unit	44,439	50,746	
Burleson 272 units	10% balconies & landings		Per SF	42.15	48.14	

This data shows a clearly increasing cost trend which is also reflected in Marshall & Swift cost information. It also shows that the current development has several high cost issues that developments which recently went through the cost cert process at a lower cost did not have. As justification for the reduced estimate the Applicant stated in correspondence that, "Material costs and labor costs have actually gone down overall since the [Creek Point, Timber Point, and Cullen Park] projects were complete. Of course, not in all cases is this true but due to our subcontractor relationships...and the overall volume of work our ability to see these reduced costs is a reality." The Applicant also offered a fixed price construction contract as substantiation of the construction cost. This contract would be by and through a related party general contractor but the Applicant has confirmed that subcontractor contracts have not yet been obtained.

In light of the increasing cost trend evident from the previous applications and Marshall & Swift data, the Underwriter regards the Applicant's estimate as significantly understated.

Ineligible Costs: The Applicant incorrectly included \$25K 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 Underwriter regards total costs to be understated by \$2.0M or 9%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total

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sources of funds needed for the project. The Applicant's requested credit amount, as adjusted for the current applicable percentage and ineligible costs, is significantly less than the Underwriter's eligible basis tax credit calculation but must be used as the lowest of the three methods for determining the credit amount. As a result an eligible basis of \$17,681,336 is used to determine a credit allocation of \$645,369 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

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

Bonds and Conventional Interim to Permanent Loan : There is a commitment for interim to permanent financing based on tax-exempt bond proceeds through Charter Municipal Mortgage Acceptance Company in the amount of \$13,300,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 40 years for the permanent at an interest rate of 6.75%. The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with Charter MAC.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,209,000 based on a syndication factor of 82%. The funds would be disbursed in a seven-phased pay-in schedule:

1. 25% upon admission to the partnership;
2. 12% upon completion of 25% of construction;
3. 15% upon completion of 50% of construction;
4. 15% upon completion of 75% of construction;
5. 18% upon completion of 98% of construction;
6. 5% upon completion of construction; and
7. 10% upon closing of permanent financing, receipt of IRS Forms 8609, and attainment of three consecutive months of breakeven operating status.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,233,307 amount to 55% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$645,369 annually for ten years, resulting in syndication proceeds of approximately \$5,291,748. Due to the difference in estimated net operating income, the Underwriter's bonds-only debt coverage ratio (DCR) of 1.05 is less than the program minimum standard of 1.10. This suggests that the requested bond amount should be adjusted downward to allow for a debt service amount of no more than \$937,617 annually. It is anticipated the bond amount will be reduced by a mandatory redemption at conversion to permanent. To compensate for the reduction in loan funds the Applicant's deferred developer fee will be increased by \$350,000. Based on the Underwriter's anticipated costs, the Applicant's deferred developer and related general contractor's fees would likely increase to \$3,522,049, which represents over 100% of developer fees and approximately 86% of all the eligible contractor and developer fees. The Underwriter's analysis reflects that this amount is not be repayable from cash flow within 15 years. If 100% of the anticipated 15-year cash flow of the development were to be used as a source of funds at zero percent interest, a funding shortfall of \$229,029 would still exist, which renders the development infeasible as proposed.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are attractive and typical of current apartment design. The units are in two- and three-story walk-up structures with mixed brick veneer and cement fiber siding exterior finish and pitched roofs. The units feature efficient floor plans and are of larger than average size for LIHTC units, and have a second enclosed living area called a solarium in place of patios or balconies. The Applicant indicated in the original application that nine-foot ceilings would be used but has subsequently elected to use eight-foot ceilings in response to cost concerns. Storage space appears adequate. Each unit has a semi-private exterior entry off an interior breezeway that is shared with two or four other units.

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IDENTITIES of INTEREST

The owner, developer, general contractor, and management company share common principals. These appear to be acceptable relationships.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Picerne Affordable Development, LLC, submitted an unaudited financial statement as of March 2002 reporting total assets of \$11.8M, consisting entirely of receivables. Liabilities totaled \$12.7M, resulting in a net worth of (\$869K).
- The 36% owner of the General Partner and parent entity of the developer and general contractor, Picerne Investment Corporation, submitted an unaudited financial statement as of March 31, 2002 reporting total assets of \$671K and \$613K in liabilities, resulting in a net worth of \$115K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Picerne Investment Corporation and Robert M. Picerne, manager of the developer, listed completion of 73 affordable housing developments in the United States and Puerto Rico totaling 9,670 units since 1979.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer and contractor fee cannot be repaid within fifteen years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

L NOT RECOMMENDED DUE TO INSUFFICIENT SOURCES OF FUNDS AVAILABLE TO COMPLETE THE DEVELOPMENT AS PROPOSED.

CONDITIONS

1. Should an affirmative funding recommendation be made, a re-evaluation of this development with the approval assumptions should be conducted.
2. Documentation of revised financing and syndication commitments reflecting the assumptions made by the Board.
3. Receipt, review, and acceptance of financial statements and credit information release authorizations for the following members of the general partner: John Paul, Raymond Uritescu, John Picerne, David Picerne, and Jeanne Picerne.

Credit Underwriting Supervisor:

Jim Anderson

Date: March 31, 2003

Director of Credit Underwriting:

Tom Gouris

Date: March 31, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Hillery Garden Villas Apartments, Burlleson, MBF #2003-012/4% LIHTC #02488

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	64	2	2	893	\$689	\$582	\$37,248	\$0.65	\$107.00	\$34.00
TC (50%)	160	3	2	1,063	796	672	107,520	0.63	124.00	41.00
TC (50%)	48	4	2	1,240	888	748	35,904	0.60	140.00	41.00
TOTAL: 272										
AVERAGE: 1,054 \$787 \$664 \$180,672 \$0.63 \$122.82 \$39.35										

INCOME Total Net Rentable Sq Ft: 286,752

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month:	\$20.83	
Other Support Income:			
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		
	\$2,168,064	\$2,168,832		
	67,989	68,004	\$20.83	Per Unit Per Month
	0	0		
	\$2,236,053	\$2,236,836		
	(167,704)	(156,576)	-7.00%	of Potential Gross Income
	0	0		
	\$2,068,349	\$2,080,260		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.60%	\$274	\$0.26
Management	5.00%	380	0.36
Payroll & Payroll Tax	11.07%	842	0.80
Repairs & Maintenance	5.64%	429	0.41
Utilities	4.62%	351	0.33
Water, Sewer, & Trash	4.44%	338	0.32
Property Insurance	2.63%	200	0.19
Property Tax 2.87606	9.69%	737	0.70
Reserve for Replacements	2.63%	200	0.19
Other: compliance fees, spt svcs	0.96%	73	0.07
TOTAL EXPENSES	50.29%	\$3,824	\$3.63
NET OPERATING INC	49.71%	\$3,780	\$3.59

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	\$74,539	\$32,600	\$0.11	\$120	1.57%
	103,417	104,013	0.36	382	5.00%
	229,024	245,000	0.85	901	11.78%
	116,617	71,960	0.25	265	3.46%
	95,472	34,000	0.12	125	1.63%
	91,936	93,800	0.33	345	4.51%
	54,483	54,400	0.19	200	2.62%
	200,431	265,200	0.92	975	12.75%
	54,400	54,400	0.19	200	2.62%
	19,800	20,400	0.07	75	0.98%
	\$1,040,119	\$975,773	\$3.40	\$3,587	46.91%
	\$1,028,231	\$1,104,487	\$3.85	\$4,061	53.09%

DEBT SERVICE	%	PER UNIT	PER SQ FT
1st Lien Mortgage	46.56%	\$3,540	\$3.36
Trustee Fee	0.17%	\$13	\$0.01
TDHCA Admin. Fees	0.64%	\$49	\$0.05
Asset Oversight	0.20%	\$15	\$0.01
NET CASH FLOW	2.15%	\$163	\$0.15

	\$962,958	\$980,233	\$3.42	\$3,604	47.12%
	\$3,500		\$0.00	\$0	0.00%
	13,300		\$0.00	\$0	0.00%
	4,080		\$0.00	\$0	0.00%
	\$44,393	\$124,254	\$0.43	\$457	5.97%

AGGREGATE DEBT COVERAGE RATIO: 1.05

BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO: 1.06

ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO: 1.10

	1.05	1.13
	1.06	
	1.10	

CONSTRUCTION COST	Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldng)			7.40%	\$5,924	\$5.62
Off-Sites			0.00%	0	0.00
Sitework			6.79%	5,429	5.15
Direct Construction			53.47%	42,784	40.58
Contingency	4.35%		2.62%	2,095	1.99
General Req'ts	5.22%		3.14%	2,514	2.39
Contractor's G & J	1.74%		1.05%	838	0.80
Contractor's Prof.	5.22%		3.14%	2,514	2.39
Indirect Construction			3.32%	2,656	2.52
Ineligible Costs			2.07%	1,653	1.57
Developer's G & A	3.28%		2.58%	2,068	1.96
Developer's Profit	9.84%		7.75%	6,204	5.88
Interim Financing			5.26%	4,209	3.99
Reserves			1.41%	1,125	1.07
TOTAL COST			100.00%	\$80,014	\$75.90
Recap-Hard Construction Costs			70.21%	\$56,175	\$53.29

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,611,300	\$1,611,300	\$5.62	\$5,924	8.16%
	0	0	0.00	0	0.00%
	1,476,772	1,476,772	5.15	5,429	7.48%
	11,637,199	9,921,619	34.60	36,477	50.26%
	569,920	569,920	1.99	2,095	2.89%
	683,904	683,904	2.39	2,514	3.46%
	227,968	227,968	0.80	838	1.15%
	683,904	683,904	2.39	2,514	3.46%
	722,500	722,500	2.52	2,656	3.66%
	449,671	449,671	1.57	1,653	2.28%
	562,500	562,500	1.96	2,068	2.85%
	1,687,500	1,687,500	5.88	6,204	8.55%
	1,144,750	1,144,750	3.99	4,209	5.80%
	305,911	0	0.00	0	0.00%
	\$21,763,797	\$19,742,307	\$68.85	\$72,582	100.00%
	\$15,279,665	\$13,564,086	\$47.30	\$49,868	68.71%

SOURCES OF FUNDS			
1st Lien Mortgage	61.11%	\$48,897	\$46.38
LIHTC Syndication Proceeds	23.93%	\$19,151	\$18.17
Additional Financing	0.00%	\$0	\$0.00
Deferred Developer's Fee	5.67%	\$4,534	\$4.30
Additional (excess) Funds Required	9.29%	\$7,432	\$7.05
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED	
	\$13,300,000	\$13,300,000	\$12,950,000	
	5,209,000	5,209,000	5,291,748	
	0	0	0	2,250,000
	1,233,307	1,233,307	3,292,958	3,522,049
	2,021,490	(0)	229,092	
	\$21,763,797	\$19,742,307	\$21,763,797	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Hillery Garden Villas Apartments, Burleson, MBF #2003-012/4% LIHTC #02488

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.29	\$11,840,783
Adjustments				
Exterior Wall Fini	3.1%		\$1.28	\$367,064
9' Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(0.73)	(210,632)
Floor Cover			1.92	550,564
Porches/Balconies	\$29.24	28,968	2.95	847,024
Plumbing	\$615	816	1.75	501,840
Built-In Appliance	\$1,625	272	1.54	442,000
Fireplaces	\$2,200	1	0.01	2,200
Floor Insulation			0.00	0
Heating/Cooling			1.47	421,525
Stairs	\$1,400	100	0.49	140,000
Comm &/or Aux Bldg	\$59.56	3,002	0.62	178,805
Other:			0.00	0
SUBTOTAL			52.59	15,081,173
Current Cost Multiplie	1.03		1.58	452,435
Local Multiplier	0.92		(4.21)	(1,206,494)
TOTAL DIRECT CONSTRUCTION COSTS			\$49.96	\$14,327,114
Plans, specs, survy, b	3.90%		(\$1.95)	(\$558,757)
Interim Construction I	3.38%		(1.69)	(483,540)
Contractor's OH & Prof	11.50%		(5.75)	(1,647,618)
NET DIRECT CONSTRUCTION COSTS			\$40.58	\$11,637,199

PAYMENT COMPUTATION

Primary	\$13,300,000	Amort	480
Int Rate	6.75%	DCR	1.07
Secondary	\$5,209,000	Amort	
Int Rate		Subtotal DCR	1.05
Additional	\$0	Amort	
Int Rate		Aggregate DCR	1.05

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	\$937,617
Trustee Fee	3,500
TDHCA Fees	17,380
NET CASH FLOW	\$69,734

Primary	\$12,950,000	Amort	480
Int Rate	6.75%	DCR	1.10
Secondary	\$5,209,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.09
Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.07

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,168,064	\$2,233,106	\$2,300,099	\$2,369,102	\$2,440,175	\$2,828,832	\$3,279,391	\$3,801,713	\$5,109,185
Secondary Income	67,989	70,029	72,130	74,294	76,522	88,710	102,840	119,219	160,221
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,236,053	2,303,135	2,372,229	2,443,396	2,516,697	2,917,542	3,382,231	3,920,933	5,269,406
Vacancy & Collection Los	(167,704)	(172,735)	(177,917)	(183,255)	(188,752)	(218,816)	(253,667)	(294,070)	(395,205)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,068,349	\$2,130,400	\$2,194,312	\$2,260,141	\$2,327,945	\$2,698,726	\$3,128,564	\$3,626,863	\$4,874,200
EXPENSES at 4.00%									
General & Administrative	\$74,539	\$77,520	\$80,621	\$83,846	\$87,200	\$106,092	\$129,077	\$157,042	\$232,461
Management	103,417	106,520	109,716	113,007	116,397	134,936	156,428	181,343	243,710
Payroll & Payroll Tax	229,024	238,185	247,712	257,621	267,926	325,973	396,595	482,519	714,246
Repairs & Maintenance	116,617	121,281	126,133	131,178	136,425	165,982	201,942	245,694	363,687
Utilities	95,472	99,291	103,263	107,393	111,689	135,886	165,327	201,145	297,744
Water, Sewer & Trash	91,936	95,613	99,438	103,415	107,552	130,854	159,203	193,695	286,716
Insurance	54,483	56,662	58,929	61,286	63,737	77,546	94,347	114,787	169,913
Property Tax	200,431	208,448	216,786	225,457	234,476	285,275	347,081	422,277	625,074
Reserve for Replacements	54,400	56,576	58,839	61,193	63,640	77,428	94,203	114,613	169,655
Other	19,800	20,592	21,416	22,272	23,163	28,182	34,287	41,716	61,749
TOTAL EXPENSES	\$1,040,119	\$1,080,689	\$1,122,851	\$1,166,668	\$1,212,205	\$1,468,154	\$1,778,491	\$2,154,831	\$3,164,954
NET OPERATING INCOME	\$1,028,231	\$1,049,711	\$1,071,460	\$1,093,473	\$1,115,740	\$1,230,572	\$1,350,072	\$1,472,032	\$1,709,246
DEBT SERVICE									
First Lien Financing	\$937,617	\$937,617	\$937,617	\$937,617	\$937,617	\$937,617	\$937,617	\$937,617	\$937,617
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	13,300	12,885	12,814	12,740	12,659	12,167	11,477	10,511	7,266
Asset Oversight	4,080	4,243	4,413	4,589	4,773	5,807	7,065	8,596	12,724
Cash Flow	69,734	91,466	113,116	135,027	157,191	271,482	390,414	511,808	748,140
AGGREGATE DCR	1.07	1.10	1.12	1.14	1.16	1.28	1.41	1.53	1.78

LIHTC Allocation Calculation - Hillery Garden Villas Apartments, Burleson, MBF #2003-012/4%

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,611,300	\$1,611,300		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,476,772	\$1,476,772	\$1,476,772	\$1,476,772
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,921,619	\$11,637,199	\$9,921,619	\$11,637,199
(4) Contractor Fees & General Requirements				
Contractor overhead	\$227,968	\$227,968	\$227,968	\$227,968
Contractor profit	\$683,904	\$683,904	\$683,903	\$683,904
General requirements	\$683,904	\$683,904	\$683,903	\$683,904
(5) Contingencies	\$569,920	\$569,920	\$569,920	\$569,920
(6) Eligible Indirect Fees	\$722,500	\$722,500	\$722,500	\$722,500
(7) Eligible Financing Fees	\$1,144,750	\$1,144,750	\$1,144,750	\$1,144,750
(8) All Ineligible Costs	\$449,671	\$449,671		
(9) Developer Fees				
Developer overhead	\$562,500	\$562,500	\$562,500	\$562,500
Developer fee	\$1,687,500	\$1,687,500	\$1,687,500	\$1,687,500
(10) Development Reserves				
		\$305,911		
TOTAL DEVELOPMENT COSTS	\$19,742,307	\$21,763,797	\$17,681,336	\$19,396,915

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		\$17,681,336	\$19,396,915
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$17,681,336	\$19,396,915
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$17,681,336	\$19,396,915
Applicable Percentage		3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS		\$645,369	\$707,987

Syndication Proceeds	0.8200	\$5,291,748	\$5,805,194
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RENT CAP EXPLANATION Fort Worth / Arlington MSA

AFFORDABILITY DEFINITION & COMMENTS

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

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

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

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2002

MSA/County: Fort Worth/Arlington **Area Median Family Income (Annual):** \$60,300

ANNUALLY				MONTHLY								
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below				At or Below			
	50%	60%	80%		50%	60%	80%		50%	60%	80%	
1	\$ 21,450	\$ 25,740	\$ 34,350	Efficiency	\$ 536	\$ 643	\$ 858	\$ 78.00	\$ 458	\$ 565	\$ 780	
2	24,500	29,400	39,250	1-Bedroom	574	689	920	92.00	482	597	828	
3	27,600	33,120	\$ 44,150	2-Bedroom	690	828	1,103	107.00	583	721	996	
4	30,650	36,780	\$ 49,050	3-Bedroom	796	956	1,275	124.00	672	832	1,151	
5	33,100	39,720	\$ 52,950	4-Bedroom	888	1,066	1,422	140.00	748	926	1,282	
6	35,550	42,660	\$ 56,900	5-Bedroom	980	1,176	1,569	168.00	840	1,036	1,429	
7	38,000	45,600	\$ 60,800									
8	40,450	48,540	\$ 64,750									
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4			

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

For example, a family of three earning \$30,000 per year would fall in the 60% set-aside group. A family of three earning \$25,000 would fall in the 50% set-aside group.

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

For example, a family of three in the 50% income bracket earning \$27,600 could not pay more than \$690 for rent and utilities under the affordable definition.

- 1) \$27,600 divided by 12 = **\$2,300** monthly income; then,
- 2) **\$2,300** monthly income times 30% = **\$690** maximum total housing expense.

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

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

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

Hillery Garden Villas

RESULTS & ANALYSIS:

Tenants in the 60% AMFI bracket will **save \$167 to \$232** per month (leaving 5.6% to 6.5% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **21.0% to 23.6%**.

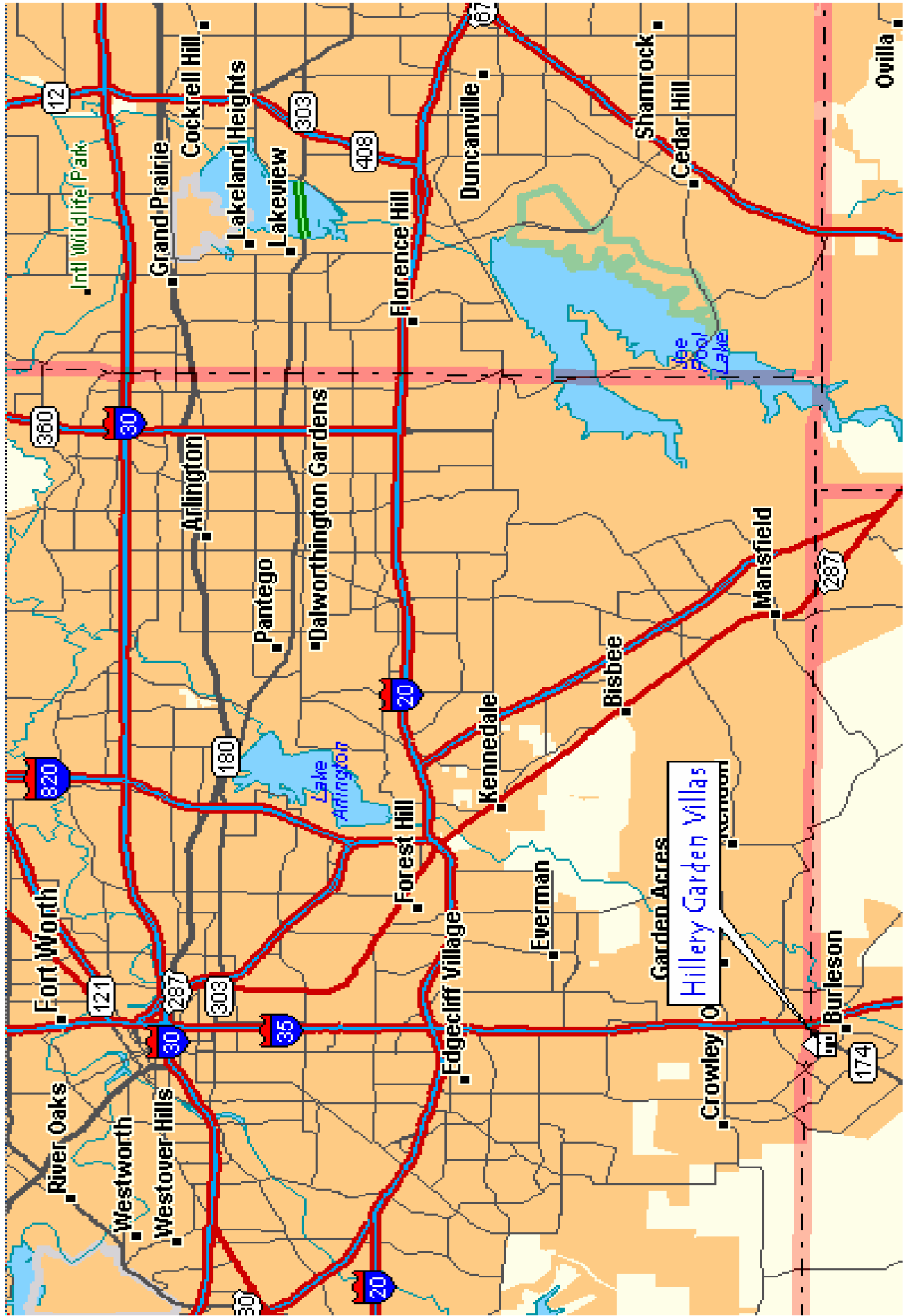
PROJECT INFORMATION

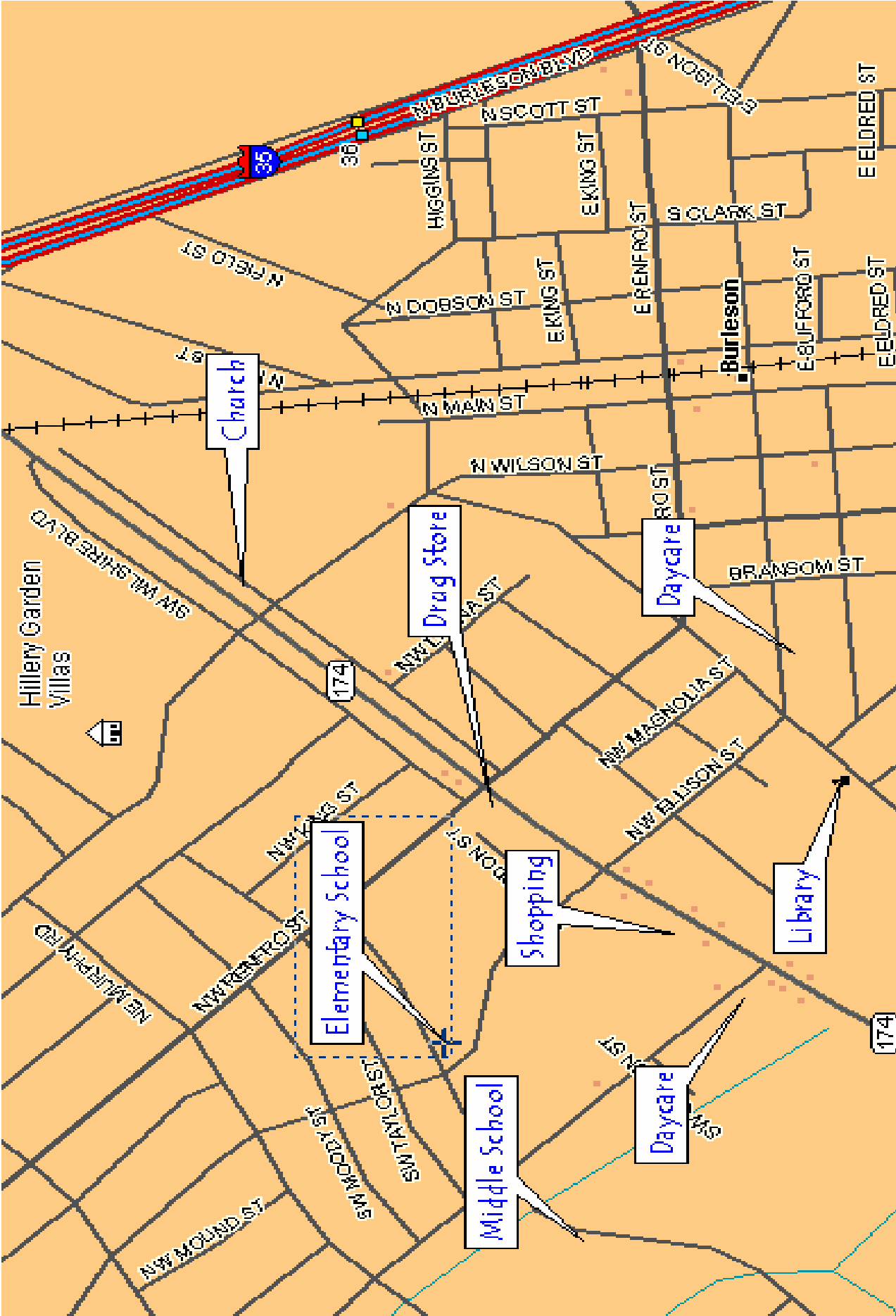
Unit Mix				
Unit Description	2-Bedroom	3-Bedroom	4-Bedroom	
Square Footage	893	1,063	1,240	
Rents if Offered at Market Rates	\$750	\$850	\$980	
Rent per Square Foot	\$0.84	\$0.80	\$0.79	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING

Rent Cap for 50% AMFI Set-Aside	\$583	\$672	\$748	
Monthly Savings for Tenant	\$167	\$178	\$232	
Rent per Square Foot	\$0.65	\$0.63	\$0.60	
Maximum Monthly Income - 60% AMFI	\$2,760	\$3,188	\$3,555	
Monthly Savings as % of Monthly Income	6.1%	5.6%	6.5%	
% DISCOUNT OFF MONTHLY RENT	22.3%	21.0%	23.6%	

Market information provided by: Urban Appraisal, Inc., 53 West Jackson Boulevard, Suite 340, Chicago, IL 60604. Report dated February 25, 2003.





Developer Evaluation

Compliance Status Summary

Project ID #: 02488

LIHTC 9% LIHTC 4%

Project Name: Hillery Garden Villas

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 9

total # monitored 9 # not yet monitored or pending review 4

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 2/5/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/14/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 2 /6 /2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 2 /7 /2003

Executive Director: _____ **Date Signed:** _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2003
HILLERY GARDEN VILLAS

PUBLIC HEARING

Mound Elementary School
205 SW Thomas Street
Burleson, Texas

February 20, 2003
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Donald Bleeker	11
Sharon Sebring	14
Mary Frye	16
Kurt Kehoe	18

P R O C E E D I N G S

1
2 MS. MEYER: My name is Robbye Meyer, and I'm
3 with the Texas Department of Housing out of Austin. And
4 I'm going to kind of give you an overview of the
5 development itself and give you -- answer a couple of
6 questions that just came up as far as the type of housing
7 and all that.

8 And now I'll start the hearing. And then you
9 can make your comments at that time. And now I'll give
10 Kurt Kehoe a chance to answer some of your questions
11 verbally if you have some additional questions that you
12 want to ask him at that time. And hopefully, he can make
13 you feel more comfortable about the development in itself.

14 First of all, the Texas Department of
15 Housing -- our mission is to help Texans improve their
16 quality of life by building better communities, and that's
17 pretty much what we do in the Multifamily Division and
18 Single Family Division. And I am the program
19 administrator for the Private Activity Bond Program.

20 The Private Activity Bond Program is a tax-
21 exempt program that is administered by the Texas Bond
22 Review Board. They hold a lottery each year in October.
23 The tax exemption -- a lot of people get concerned about
24 that that somebody's not going to be paying their property

1 tax or school taxes.

2 The tax exemption on the private activity bonds
3 are to the bond purchaser, whoever actually purchases the
4 bonds. And it's not the developer not paying their
5 property taxes on a developed property. The Texas
6 Department of Housing is an issuer, along with several
7 other issuers, within the state.

8 Tarrant County has a housing authority that
9 also is in the lottery with us. Dallas County is an
10 issuer also. There are several other issuers, along with
11 us, in the lottery itself. And what we do is bring the
12 private parties together. I think one of your questions
13 were earlier, is it government-subsidized housing, and the
14 answer to that question is, no.

15 The Private Activity Bond is just that; it's
16 private industry. You have private developers, and you
17 have private investors that actually purchase the bonds.
18 And you also have a lender in there. The part where the
19 government is in there -- it gives the authority to the
20 State to allow the bonds the tax exemption, which allows a
21 developer to have a lower interest rate on the bonds.

22 But as far as your tax dollars are concerned,
23 it's not taking your tax money. It's using private
24 industry to build these. So it's not HUD subsidized; it's

1 not Section 8, just to kind of alleviate those worries.

2 The total authority that was given to the State of Texas
3 is about \$1.6 billion for the 2003 year.

4 And out of that, about 376 million of that will
5 be used to develop multifamily developments within the
6 state through the Private Activity Bond program. That's
7 not just with the Texas Department of Housing, but that's
8 with all the other issuers within the State of Texas. And
9 there's 13 service regions within the State of Texas.

10 Again, the tax-exemption piece is for the bond
11 purchaser. It's not an exemption of property taxes. This
12 development will be paying the property taxes; they'll be
13 paying school taxes. That's not something that they're
14 trying to avoid.

15 Again, the developments are chosen through a
16 lottery, so the issuers, along with TDHCA -- we don't
17 choose which developments come up first. It's all drawn
18 by lot. And this particular development, I guess you
19 could say, got a lucky ball, and they actually received a
20 reservation on January 9.

21 Once they receive a reservation, they have 120
22 days to close the transaction as far as the -- money-wise.

23 They have to be able to expend the bonds within that 120
24 days. At the end of that 120 days, they've got to be

1 ready to build and to break ground and have building
2 permits.

3 So we have a very short window, when you're
4 dealing with a big development like this, to actually put
5 all that together. And within that 120 days, we do a
6 public hearing and get public comment and have board
7 meetings, and people make decisions on whether we're going
8 to move forward. And so that's what all happens in this
9 one little 120-day window.

10 Again, this reservation will expire on May 9.
11 And our anticipated closing date, I do believe, is a week
12 prior to that. Am I right, Kurt -- about there? I think
13 everybody knows where it's going to be located. It's 300
14 West Hillery.

15 And it's going to consist of 13 two- and three-
16 story buildings, residential buildings. And there's two
17 nonresidential buildings, a total of 272 units. There are
18 64 two-bedroom, two-bath units with an average square feet
19 of 893; 163 three-bedroom, two-bath units with an average
20 square feet of 1,063 feet; and 48 four-bedroom, two-bath
21 units with an average square feet of 1,200 -- 1,240 square
22 feet.

23 Now, within the lottery system in the Private
24 Activity Program, they have different priority systems --

1 or groups, I should say. The priority one group services
2 families at 50 percent of area median income and below.
3 And priority two services 60 percent of area median income
4 and below.

5 This particular development is in the priority
6 one. It'll be serving families that are at 50 percent or
7 below of area median income. And for Fort Worth
8 metropolitan area, that area median income is 60,300. So
9 an average family of four can't earn more than \$36,780 in
10 order to qualify. If they make more than that, they
11 wouldn't be able to qualify to live in this development.

12 We had a question awhile ago on the rents. The
13 rents are capped at 50 percent, according to those income
14 restrictions. So maximum rents for a two-bedroom will be
15 \$583. For a three-bedroom, it would be \$672, and for a
16 four-bedroom, \$748 of rent.

17 UNIDENTIFIED WOMAN: You sound like you're
18 talking subsidized.

19 MS. MEYER: No.

20 UNIDENTIFIED WOMAN: You're talking caps,
21 you're talking restrictions on rent: you're talking
22 subsidizing. How's this different?

23 MS. MEYER: We're not talking subsidizing.
24 That's --

1 UNIDENTIFIED MAN: What's the minimum rent?

2 MS. MEYER: There's not really a minimum rent.
3 There's just a maximum rent that the tenant is allowed to
4 pay, and it's all based on their income.

5 UNIDENTIFIED WOMAN: That's where I'm getting
6 at. If it's based on your income -- I mean, I'm a new
7 homeowner of just two years. I've lived in apartments.
8 And I've moved into an apartment -- they didn't ask for my
9 income. I got past the credit check, I paid my rent.
10 Nobody cared about my income.

11 MS. MEYER: But you weren't in a rent-
12 restricted development either, or it would have, because
13 that's -- by our compliance guidelines, they have to --
14 they have to prove all that income, and they do have to
15 have a minimum income.

16 And I don't have all that information. Kurt
17 may be able to answer when we get to the end of the
18 hearing. I don't know if he's got that, but we can get
19 that information to you for minimums.

20 But we have -- one of the leasing criteria --
21 they do have to pass employment checks, rental histories,
22 credit checks, and income. They can't just move in and
23 just live there and not have a source of income.

24 The occupancy is limited to two persons per

1 bedroom. A lot of people get worried about that, that
2 you're going to have a family of 13 move into a two-
3 bedroom house. And that's not allowed. And all
4 applicants also have to pass a criminal background check.

5 And that's part of this developer's leasing criteria that
6 they have.

7 I'm going to read a statement here in just a
8 minute for the actual hearing itself, and then we'll start
9 the public comment.

10 Whenever you come up to speak, if you will --
11 the mic that's actually attached to the stand -- if you'll
12 make sure you speak clearly in that. If you'll state your
13 name clearly for the record so that we make sure we get
14 everybody's public comments and who they belong to.

15 Everything that is said here tonight will be
16 presented to my board for them to render a decision on the
17 development itself.

18 It's really -- we don't have it -- it's not a
19 debate or really a discussion time; it's a time for me to
20 collect your public comments and your concerns and take
21 that information back to my board so that they can make a
22 decision as to what to do with the development itself.

23 Okay. I have some cards up here, so if -- once
24 we get through the hearing -- like two days from now --

1 and you want to voice some more concerns or if you have
2 some other questions and you need to get in touch with me,
3 I'll be glad to give you some information.

4 You can e-mail me or call me, fax me a note, or
5 just snail-mail it if you want to. And I'll be glad to
6 get that information back to you. I can also get you Mr.
7 Kehoe's information if you'd like to talk to him also.

8 But I will at this point proceed with the
9 public hearing. And again, my name is Robbye Meyer, and
10 I'd like to proceed with the public hearing. Let the
11 record show that it is 6:28 on Thursday, February 20,
12 2003, and we are at the Mound Elementary School located at
13 205 Southwest Thomas in Burleson, Texas 76028.

14 I am here to conduct the public hearing on
15 behalf of the Texas Department of Housing and Community
16 Affairs with respect to an issue of tax-exempt multifamily
17 revenue bonds for a residential rental community.

18 This hearing is required by the Internal
19 Revenue Code, and the sole purpose of the hearing is to
20 provide a reasonable opportunity for interested
21 individuals to express their views regarding the
22 development and the proposed bond issuance.

23 No decisions regarding the development will be
24 made at this hearing. There aren't any board members

1 present. My board, the Texas Department of Housing Board,
2 will meet to consider the transaction on April 10 of 2003,
3 upon recommendation by the Finance Committee.

4 In addition to providing your comments at this
5 hearing, the public is also invited to provide public
6 comment directly to the Finance Committee or to the board
7 at any of their meetings. The department staff will also
8 accept written comments via facsimile at 512-475-3085 --
9 and I'll give you that information at the end of the
10 hearing -- up until 5:00 on March 28 of 2003.

11 The bonds will be issued as tax-exempt
12 multifamily revenue bonds in the aggregate principal
13 amount not to exceed \$15 million, and taxable bonds, if
14 necessary, in an amount to be determined and issued in one
15 or more series by the Texas Department of Housing and
16 Community Affairs.

17 The proceeds of the bonds will be loaned to
18 Mesquite Shilling Enterprises V, LP, or a related person
19 or affiliate entity thereof, to finance a portion of the
20 costs of acquiring, constructing, and equipping a
21 multifamily rental housing community, described as
22 follows: 272-unit multifamily rental residential
23 development to be constructed on approximately 16 acres of
24 land located at 300 Northwest Hillery Street in Burleson,

1 Johnson County, Texas.

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

5 I'm now going to open the floor up for public
6 comment, if you'd like to speak, or if you decide you want
7 to speak, that's fine. The first one is Donald Bleeker.

8 MR. BLEEKER: My concern is that my property
9 value will go down as a result of the apartments being
10 built. Also, I am concerned with the water drainage that
11 has been a big issue for 40-some-odd years.

12 There is construction close to us on the other
13 side of Douglas Street, and they've dug a big, old holding
14 pond to hold the water. All this last summer -- there has
15 been nothing on the news but West Nile Virus mosquito
16 bites killing people. We don't need holding ponds to
17 create health hazards.

18 The red light, where Hillery Street adjoins
19 174 -- which from this, I understand, is going to turn
20 into Hemphill Street -- the crossing time, the length of
21 time that light is green to cross from -- or to get on to
22 Highway 174 -- is one minute.

23 That's approximately four cars if they all --
24 three get on it pretty quick; otherwise, it's three cars.

1 We're going to have 500 people, roughly -- 500 more cars
2 trying to get on the freeway, trying to get off the
3 freeway. I don't think the traffic light will handle it.

4 Tax-reduced bonds I didn't understand, but I do
5 now since you mentioned it. Maintenance on projects
6 normally are not -- is not up to snuff, but I understand
7 this is not a project.

8 The board -- where you all posted your sign --
9 said "project," which makes people think that it's going
10 to be a government-assisted project, which also, we were
11 concerned about high theft, things of that nature, which
12 you said are not -- I want to know what was going to
13 separate our property from the apartments, and I saw on
14 the diagram it's going to be a six-foot wood fence, I
15 presume to be maintained by the builder.

16 I just spent \$4,800 leveling my house. The
17 soil where you're fixing to build is not really good for
18 building. My father, six houses down from me, just spent
19 \$4800 leveling his house.

20 I have several neighbors in between me and him
21 and farther up the street that need to spend it but don't
22 have it to spend. Three years ago, they were going to
23 build a project there called Gateway at Wilshire, project
24 number 98048.

1 We sent to Mr. Cherno Njie, with Texas
2 Department of Housing and Community Affairs -- we sent him
3 letters; we sent him a petition that had over 250
4 signatures, and minutes of meetings with the city, trying
5 to keep them from making the property multifamily.

6 They changed it from -- it's either commercial
7 or light industrial; they changed it to multifamily. We
8 tried to stop that, and they wouldn't stop it.

9 We intervened with the Texas Department of
10 Housing and Community Affairs, and they did not grant
11 money for the building. I think we're in the same boat
12 with the same complaints and the same arguments that we
13 were then. Their rent was not going to be reduced either,
14 but it was not built.

15 We don't really want it in our neighborhood and
16 haven't for over 40 years; have beat it down several times
17 and hopefully can do so again.

18 MS. MEYER: Thank you for your comments.

19 MR. BLEEKER: Thank you.

20 MS. MEYER: Sharon Sebring?

21 MS. SEBRING: My name is Sharon Sebring, and I
22 live at 413 Northwest Douglas in Burleson 76028. I've
23 lived here since 1965. As I told you earlier, when we
24 moved to Burleson, there were only 20,000 people. This

1 was a bedroom community. People worked either in Dallas
2 or Fort Worth. My main concerns for this is what I
3 outlined in my letter.

4 Number one, the traffic control is going to
5 impact our traffic terrifically.

6 Number two, the impaction on the school -- the
7 elementary, Taylor; number three, the flood plain, which
8 we've lived in all these years; and number four, the drugs
9 and the crime is what concerns me, because I don't know
10 whether these bonds are like church bonds that we used to
11 buy to help build our church buildings.

12 I don't know whether these are similar type
13 bonds are not. But those were tax-exempt bonds. And I'm
14 hoping if this does go through, that it will be monitored
15 and where people will be -- living there will be decent,
16 upright people; they will have employment.

17 But like Mr. Bleeker said, when they come there
18 to 174 to exit to go back to Fort Worth, it's going to
19 really create a traffic problem. And the flood plain does
20 concern me. I don't even know what's going to happen with
21 these single-family residents in this field behind us.

22 The only thing that's going to do is eliminate
23 the field catching on fire, which -- our homes have been
24 in danger from that. But I would really love to see,

1 instead of apartments being built there -- we tried to get
2 this years ago -- having soccer fields, baseball diamonds,
3 and softball diamonds for the children of this town to
4 have a place to play and to practice.

5 And concerning the crime, in our Burleson Star,
6 just this -- several weeks ago, a young man from Arlington
7 was high on marijuana, was also heavily intoxicated;
8 struck a man on his motorcycle, and this man died.

9 And we have a police report in the Burleson
10 Star once a week. And most of the people that are
11 arrested for drugs or alcohol are either from Fort Worth
12 or Cleburne or Joshua or Dallas.

13 And in fact, there's just been a trial
14 completed in Cleburne yesterday of a man that had raped
15 several women here in Burleson and Cleburne and Benbrook
16 and Fort Worth -- was apprehended by a good Samaritan in
17 Arlington. He was convicted in Tarrant County; he was
18 sentenced to life imprisonment with possibility of parole
19 in 40 years.

20 They took him to Cleburne because the offenses
21 were in Johnson County. He was convicted there, and they
22 haven't decided the punishment. I hope it's life, so he
23 will never get out of jail where he can inflict the pain
24 that he inflicted on these women, and the fear.

1 And I'm hoping that if this does go through,
2 that these people that move in here will be law-abiding
3 citizens, will take their children to school, will attend
4 our churches, will help our community. But I do have a
5 lot of reservations concerning this. Thank you.

6 MS. MEYER: Thank you for your comments.

7 Mary Frye?

8 MS. FRYE: Hi. I'm Mary Frye. I live at 117
9 Northeast Anderson. I came here with an issue of the
10 apartments being government. Now I know they're
11 different.

12 But as I've sat here and listened now, another
13 issue has arose. The gentleman over at the project has
14 been discussing the flood plains, and he has redirected
15 the water to 174, directing it toward my home, which
16 already floods due to another project -- or another
17 business that was built.

18 I don't see any city representation here. This
19 city is very well-known for letting everything slide under
20 the board. They ramrod things through here. No matter
21 what the protest, we get stuck with it, and we have to
22 deal with it.

23 I've recently, like I said, purchased my home,
24 within two years. My house right now -- due to how I

1 live, I'm going to have to spend thousands of dollars to
2 landscape, put French drains in to redirect water. And
3 that means flooding my neighbors. So as it stands, I'm
4 already being flooded out during the rain season.

5 I don't know the occupancy of this 16-acre
6 apartment complex, but the gentleman has stated that
7 another agency has not saw this to be flood plain. Anyone
8 that has lived in this town all their lives know that
9 land's flood plain. A good rain season? That's a lake.

10 Now you're wanting to build housing there, and
11 he's redirecting that water off of that land to 174 to the
12 ditch, and that ditch is coming toward my house, and
13 that's where the water's coming from that floods our
14 streets. I have two streets -- there's Anderson and
15 Haskew [phonetic] -- that flood.

16 And now my concern is I understand the
17 engineers have decided to send the water that way. Have
18 they looked beyond where the water's going to go? That's
19 all I have. Thank you.

20 MS. MEYER: Thank you.

21 Gerald Kinsey, do you want to speak, sir? No?
22 Okay.

23 Kurt, do you want to make any comments?

24 MR. KEHOE: I'll try to answer any questions,

1 just sum up.

2 Kurt Kehoe. I represent the borrower and
3 property manager. Thank you for the three of you speaking
4 your concerns today. I hope I answered some of the
5 questions earlier before we started the public hearing.

6 Looking over the plan, as far as the traffic
7 concerns, I believe that -- I believe that the -- the
8 city's demand that we build, as per their thoroughfare
9 plan -- build Hillery Street and Hemphill Street -- is
10 going to redirect traffic away from the neighborhood in
11 question, the neighborhood that you live in, and will
12 actually help access throughout this area and obviously,
13 when the single family homes get built on the far side.

14 So that together, I think, is going to be a
15 good thing. As far as the drainage, Mrs. Frye's concern
16 about the drainage -- the water has always gone this way.

17 We're not going to redirect the water to another
18 location. It has always flown -- flowed south under 174.

19 And I believe, Ms. Frye, that's where you live on the
20 other side.

21 I can understand that you are downstream of
22 everything else. A large rainstorm -- yes, it's going to
23 move a lot of water down there. And we're not adding to
24 that water or subtracting from it.

1 The requirement that we're having to build to
2 is that because we're putting impervious on our -- within
3 our community -- the parking lots, the buildings, and
4 stuff like that, that's impervious; water cannot soak into
5 the ground in those areas anymore.

6 But we're having to build detention areas that
7 hold the water there and only release it at the same rate
8 that it was released at before. And it's a common
9 engineering practice, and it's one we have to adhere to.
10 The city's requiring it.

11 So if it's designed correctly and built
12 correctly, the person downstream -- Mrs. Frye, your home
13 downstream unfortunately will not see anything better, but
14 you will not see anything worse. Now, it may not comfort
15 you. Hopefully, the city's going to take that into
16 consideration and say, well, there's got to be some
17 improvements on downstream.

18 I'd love to see them do that. I cannot, of
19 course, say that they're going to. But I can commit to
20 you that we're going to build it as per we're supposed --
21 as per it's designed, we're going to design it -- have it
22 designed the way it's supposed to be. The city's going to
23 make sure of that. So I wanted to speak to that.

24 As far as the two other issues I just wanted to

1 speak to real fast, the flood plan issue -- yes. This is
2 not defined as being in a flood plain. I understand that
3 water -- it drains to this area, to this piece of
4 property, and there's depressed areas on the property, and
5 water will sit there.

6 And it probably becomes a lake; it becomes a
7 pond if you've got a large storm event like we're having
8 tonight. By developing the property and diverting the
9 storm and having these detention areas, that should not
10 occur any longer. You talked about mosquito problems and
11 such, and I can definitely understand that.

12 The detention areas we're designing will only
13 have water in them during a large storm event. We're
14 having to design it to a hundred-year storm, so if
15 statistics play out right, we'll only see the storm event
16 that fills up this pond every 100 years.

17 MS. SEBRING: Well, where will the water go
18 when it fills it up? I mean --

19 MR. KEHOE: It'll hold it there for awhile, and
20 it'll be released at a constant rate the same place it
21 goes now, really; like I said, the design criteria being
22 that you're not supposed to release the water any faster
23 or any slower than what it was originally.

24 MS. SEBRING: So the residents will exit on to

1 Hemphill Road to go all the way around to come back to
2 Taylor Elementary to bring the children. Is that what
3 you're saying?

4 MR. KEHOE: Yes, ma'am. To my understanding,
5 yes.

6 MS. SEBRING: And then they'll hit Alsbury to
7 go to Fort Worth to go to work. Are they --

8 MR. KEHOE: I believe that -- once -- I don't
9 know the timing of when Hemphill Road is going to continue
10 all the way up. I don't know the timing of that adjacent
11 development.

12 MS. SEBRING: It's going to connect to Alsbury.

13 MR. KEHOE: Right. That's the thoroughfare
14 plan -- says it will. But I don't -- I can't tell you
15 when exactly that's going to occur.

16 MS. SEBRING: Right.

17 MR. KEHOE: Eventually that's going to occur.

18 MS. SEBRING: Where will they exit until that
19 time? Will they exit onto 174 to go to Fort Worth?

20 MR. KEHOE: If it's not built, I assume they
21 have to.

22 MS. SEBRING: That's really going to impact the
23 traffic there.

24 MR. KEHOE: Right, at the traffic light. I

1 understand that.

2 MS. SEBRING: Yes, it will. It will be
3 terrible.

4 MR. KEHOE: Well, like I said, I can't speak to
5 their timing. I know the single-family home subdivisions
6 obviously building now --

7 MS. SEBRING: Right.

8 MR. KEHOE: -- and we're not hoping to start
9 construction until June, so --

10 MS. SEBRING: But see, they're going to have an
11 exit road to come onto Murphy -- isn't it, Donald? That
12 Murphy that runs up there by me?

13 MR. BLEEKER: Yes, Murphy.

14 MS. SEBRING: They'll come onto Murphy; then
15 they'll come onto Hillery to go to 174. They'll either --

16 MR. BLEEKER: They'll ultimately end up at the
17 same red light.

18 MS. SEBRING: They'll have to, or they'll come
19 to Douglas and go right.

20 MR. BLEEKER: Or they'll --

21 MR. KEHOE: You mean prior to it being
22 connected to Alsbury.

23 MS. SEBRING: Right.

24 MR. KEHOE: Right. I would assume that they

1 have to.

2 MS. SEBRING: They have to.

3 MR. KEHOE: There's no other way to go.

4 MS. SEBRING: So we're going to have traffic
5 impact from that, and we didn't even know that was going
6 to go in. Nothing was ever said to us about that.

7 MR. BLEEKER: The red light at Alsbury and and
8 I-35, that red light's already packed. You come up to
9 that red light in the morning, and you're almost back --
10 well, you're back past the railroad track.

11 MS. SEBRING: You're back to the cleaners.

12 MR. KEHOE: Yes. That's right.

13 MS. FRYE: What brought you to Burleson?

14 MR. KEHOE: What brought us here? We have a
15 property right in Fort Worth, in the south part of Fort
16 Worth, about eight miles from here. And it's a community
17 that is --

18 MS. FRYE: What's the name of it, so we can
19 visit it possibly and see your management style?

20 MR. KEHOE: Sure. It's called Cobb Park
21 [phonetic] Park Town Homes. It's a townhome property.
22 It's off --

23 THE REPORTER: Excuse me just a minute. I need
24 you to move up a little closer, or you repeat her --

1 MR. KEHOE: Okay.

2 THE REPORTER: -- question for me.

3 MR. KEHOE: The question Ms. Frye asked was,
4 why did we decide to develop a community like this in
5 Forth Worth -- excuse me -- in Burleson. And my answer
6 was, we have a property, a community, fairly close, within
7 about eight miles, that has experienced just large amounts
8 of demand.

9 It seems that the demand for housing in this
10 south part of Fort Worth, north part of Burleson, if you
11 want to call it that, it has been great. The market
12 studies we've done have shown just a huge demand for new,
13 quality apartment housing.

14 The other thing I wanted to do was go over
15 the -- kind of what their community is going to have as
16 far as amenities.

17 Yes, ma'am?

18 MS. SEBRING: This apartment complex in Fort
19 Worth -- is it -- now, don't get me on race. Is it in a
20 predominantly black area of Fort Worth? You said Cobb
21 Park.

22 MR. KEHOE: It is right adjacent to a golf
23 course community and then -- yes, a predominantly minority
24 neighborhood. It's right on the line between them.

1 MS. SEBRING: Because I know that area is
2 predominantly black.

3 MR. KEHOE: Yes, ma'am. But to go through real
4 quick some of the things that Ms. Meyer didn't mention:
5 In the community, we're going to have a swimming pool,
6 fitness room.

7 The community's completely gated and fenced, so
8 if you don't live there or if you're not a guest of a
9 resident, you're not going to be able to drive in there.
10 You're going to have to have a card or clicker in order to
11 get into the community.

12 We'll have management -- full-time management,
13 community room, a business center for the residents to
14 do -- for the children after school; they'll have some
15 after school activities and computer training and stuff
16 like that. So I just want to mention some of the
17 amenities. And that's --

18 MS. SEBRING: Are they going to build a fence
19 behind the apartment complex?

20 MR. KEHOE: Yes. I'm sorry. Thank you for
21 mentioning that. To clarify, the city does not want us to
22 build a wood fence. What they've told us to build is a
23 chain -- vinyl-coated chain link fence with a six-foot or
24 higher thick hedgerow. So we're having to put that along

1 all boundaries of the property in the back. So that'll
2 be --

3 MR. BLEEKER: Six-foot chain link fence and
4 bushes, shrubbery?

5 MR. KEHOE: Shrubbery. Six-foot, vinyl-coated
6 chain link fence with shrubbery. So that is not shown on
7 there. That was a comment received from them recently.

8 MS. SEBRING: So in other words, the people
9 that live there -- they have one way in and one way out,
10 is what you're saying.

11 MR. KEHOE: Yes. Yes, ma'am. Thank you.

12 MS. MEYER: One other thing before I adjourn
13 the hearing, I think one of the comments earlier about the
14 property being maintained properly -- with the tax
15 exemption on the bonds and also the tax credits that the
16 developer is getting, they are, I guess you could say, on
17 the hook with the State for the next 30 years as far as
18 compliance and monitoring.

19 Also, this particular developer developed this
20 property, and he also manages and owns it. And so when
21 you're spending \$15 million in bonds, I think that it's
22 going to end up -- the whole cost will be about \$21
23 million that the developer's going to have wrapped up into
24 this project when it's all said and done.

1 And I call it a project -- the development;
2 keep from scaring people with that word. I mean, that \$21
3 million -- and you think about that with a developer.
4 He's not going to let a bunch of hoodlums come in and tear
5 the place up. Nor is our compliance department going to
6 allow the place to be run down.

7 They are on the hook with the State for
8 monitoring for the next 30 years or as long as the bonds
9 are outstanding. And I'm not sure on the financing
10 exactly, whether we're doing 30-year or 40-year, but if
11 they go to 40-year bonds, they're on the hook as long as
12 the bonds are outstanding, so that makes a big difference.

13 If you have a zoning for multifamily and you
14 have a choice -- and in this particular instance you do
15 have a choice -- this is one of those areas where you at
16 least have the developer on the hook. If you get a
17 market-rate property in there, they can build it, sell it,
18 and let it do whatever it wants to do. This particular
19 developer doesn't do that.

20 He does have quite a few very good tenant
21 services for the tenants that are there. Kurt mentioned
22 the after-school programs that they have for the kids. So
23 it gives children a place to be so they're not out running
24 around in the neighborhood and tearing things up. So

1 that --

2 MS. FRYE: That sounds really nice and due to
3 the jobs I've had, some of the projects over in south
4 Arlington -- they had a YMCA that [inaudible].

5 MS. MEYER: Well, I mean, I can't --

6 MS. FRYE: It sounds really nice. The
7 amenities are wonderful, but in all reality of it all,
8 who's to say in five years -- his company does a lot of
9 business? I mean, what happens to the bonds then? When
10 the next person buys the property and then wants to make
11 it subsidized or doesn't take care of it -- we're the ones
12 living here.

13 MS. MEYER: Again, as long as the bonds are
14 outstanding -- I mean, anybody would be a fool to get rid
15 of them because of the low rate. So as long as those
16 bonds are outstanding, they're on the hook with the State.
17 So you do have a protection there.

18 Again, it's private industry. It's not
19 subsidized housing with -- I know you have that mindset at
20 this point, but it's not subsidized housing. And so there
21 is some control here, and you do have a private developer
22 and private industry.

23 Not only is the State looking at them, but they
24 also have a lender that's going to make sure that their

1 assets are being taken care of. They don't want \$21
2 million sitting out there that they're a lender on that's
3 going to pot, either. So there are some controls in place
4 with this type of development that you do have a choice
5 with.

6 MR. BLEEKER: The average life of a bond is
7 about 15 years, especially a housing bond.

8 MS. MEYER: Well, we have -- do you know
9 what --

10 MR. BLEEKER: [inaudible].

11 MS. MEYER: Have you decided whether it --

12 MR. KEHOE: This is a 40-year term.

13 MS. MEYER: It is 40-year? So, I mean, he's
14 going to have 40-year bonds outstanding.

15 MR. BLEEKER: And as soon as they're paid
16 for --

17 MS. MEYER: In 40 years?

18 MR. BLEEKER: -- [inaudible] paid --

19 MR. KEHOE: Forty years [inaudible] --

20 MR. BLEEKER: -- if they repay faster than 40
21 years.

22 MR. KEHOE: We do -- we have the option to
23 repay after the 18th year; we cannot repay before that.
24 It's just due to the way the bonds are marketed and sold.

1 So after 18 years, we could, but additionally beyond
2 that, Robbye mentioned the compliance requirements within
3 the state. Those don't go away even if the bonds are
4 repaid. We have a certain compliance period we have to go
5 through.

6 MR. BLEEKER: Which is 40 years?

7 MR. KEHOE: Well, in this case --

8 MS. MEYER: Well, it's either 30 years or as
9 long as the bonds are outstanding. So if the bonds are
10 outstanding for 40 years, it's going to go to 40 years.
11 If they're not, it goes to 30.

12 MR. BLEEKER: Then you'll pay them off in 18.

13 MS. MEYER: They're still -- they're still --

14 MR. BLEEKER: You could pay them off at 18, but
15 you still have to comply until 30.

16 MR. KEHOE: Right. With the State's
17 requirements, yes, sir.

18 MS. MEYER: For the affordability.

19 MR. BLEEKER: On the income part of it, I'm not
20 sure I understand that.

21 MS. MEYER: Okay.

22 MR. BLEEKER: An average family of four has to
23 make -- or cannot make --

24 MS. MEYER: Cannot make more.

1 MR. BLEEKER: -- cannot make more the \$36,000?

2 MS. MEYER: \$-780. That's correct. For
3 that -- for this particular area.

4 MR. BLEEKER: \$780?

5 MS. MEYER: \$36,780. \$36,780 annually --
6 combined income. That's not --

7 MR. BLEEKER: Well, let's just keep round
8 figures. That's simple.

9 MS. MEYER: Okay. \$38,000.

10 MR. BLEEKER: Cannot make more than \$36,000.

11 MS. MEYER: Thirty-six.

12 MR. BLEEKER: I'm applying to get an apartment,
13 and there's four people in my family. I make \$15,000 a
14 year. Can I get in?

15 MR. KEHOE: Yes.

16 MR. BLEEKER: What would my rent be?

17 MR. KEHOE: Your rent would be the same as
18 anybody else's.

19 MR. BLEEKER: That would be \$650 for two
20 bedrooms?

21 MR. KEHOE: Approximately. I think they're a
22 little bit less than that, actually, but it's probably --

23 MS. MEYER: It's -- what did I say a minute
24 ago? For a two-bedroom, yes. It's \$583.

1 MR. KEHOE: Assuming there's a credit history
2 that would --

3 MS. FRYE: You can't even rent a two-bedroom
4 apartment in this town for less than \$650 a month, so --

5 MS. MEYER: On market rate, that's true, okay.
6 But you have to realize you have two pieces --

7 MS. FRYE: After all, you're about to move into
8 my neighborhood.

9 MS. MEYER: Well, you have to realize what
10 we're servicing. We're servicing lower-income families.
11 Okay. That's one.

12 With the tax exemption on the bonds, plus the
13 tax credit piece that the developer is also getting, that
14 allows him to be able to charge the lower rents in order
15 to improve the quality of life for the lower-income
16 families to give them a nice place to live. That's the
17 whole point.

18 MR. BLEEKER: But it still costs them \$650 a
19 month.

20 MS. MEYER: No. It's costing them 583. So if
21 your market rate for a two-bedroom, as she's saying, is
22 \$650, then this family can get into that same apartment
23 for \$583 instead of \$650.

24 MS. SEBRING: Who takes up the slack from 583

1 to 650?

2 MR. KEHOE: I'm sorry. I misspoke. When I
3 said 650, I was using a round figure. It's -- the two-
4 bedroom apartment, the rent will be 583. And I don't know
5 of any other apartments with the amenities we're going to
6 offer that you can get two bedrooms for --

7 MS. FRYE: That's right. There you go. You
8 don't know of any other apartments that are going to offer
9 that low rent with those amenities. Why? Because you're
10 bringing in low income. I'm a single parent with two
11 kids; okay? I've been there, done that. I'm sorry. I
12 never had to live in your low-income housing. I got a
13 job, and I worked my butt off. I don't want them around
14 me.

15 And this meeting -- this is my first meeting.
16 So this has raised like three, now, questions. One, why
17 do we not have any city representation here? Two, this --
18 I mean, you're already in -- the sign itself -- you have
19 to stop traffic to get out and read the sign. The sign --
20 it almost looks like you don't even want us here. So
21 hence, there's only a few of us here.

22 And three, they're already building on the
23 property. They're out drilling on it already, so what
24 does this meeting even matter?

1 MS. MEYER: Nothing has been decided for the
2 development. There's no --

3 MS. FRYE: So why are you working on the land?
4 If this meeting is to figure it out -- the land is
5 already being worked. They're already drilling on the
6 land. They're already working on the land.

7 MR. BLEEKER: Yes. I've seen men over there
8 working.

9 MS. FRYE: So if this meeting -- so why are we
10 even here?

11 MS. MEYER: Is it your engineers? Probably.

12 MR. KEHOE: We -- you may have been seeing the
13 geotechnical truck out there. We have to do soil borings
14 to test the viscosity --

15 MS. FRYE: I'm sorry --

16 MR. KEHOE: -- and the strength of the soil.

17 MS. FRYE: -- I'm thinking, what if they
18 stopped this right here now? You've wasted how much
19 money. That's not cost efficient for you.

20 MR. KEHOE: Ma'am, that's my business.

21 MS. FRYE: I understand it's your business, but
22 I'm just saying, you've now put out there a bad neighbor.
23 You just now made a bad neighbor. You are now telling us
24 this meeting is not really making anything because you're

1 going ahead no matter what.

2 MR. KEHOE: No, ma'am. We're trying to go
3 ahead because we think that this community is needed and
4 that it's going to do well. There are many things in the
5 future over the next couple months that could cause us to
6 change parameters about the community, that could cause us
7 to delay the community, that could cause the community to
8 stop its forward progress, this being one of them.

9 We're here to solicit public comment, and Ms.
10 Meyer's going to have to take this public comment back to
11 the governing board, and they're going to look at it.
12 You know, they listen. Believe me, they listen.

13 MS. FRYE: What has the City of Burleson
14 offered you to build it?

15 MR. KEHOE: They haven't offered me anything.

16 MS. FRYE: Well, being from this town and
17 knowing the City of Burleson -- yes, the golf course, the
18 Seventh-Day Adventists -- they -- And I'm not being rude.
19 I don't mean to be rude.

20 MR. KEHOE: Yes, ma'am.

21 MS. FRYE: They're offering you something,
22 because this town does not let industry or apartments or
23 restaurants into this town unless somebody on the city
24 council is being helped out. That is a known fact. And

1 since that no one is here represent this city, you're in
2 bed with them. I mean, that's just basically putting it
3 bluntly.

4 MS. SEBRING: And we're having a recall
5 election on some of our city council members -- annexation
6 of --

7 THE REPORTER: We're going to have to get a
8 little organization here. Everybody's talking, and I
9 can't tell who's doing what. We're going to have to have
10 one at a time, now, if you want to get on the record.

11 MS. SEBRING: As I was saying, we're having a
12 recall of the city council members, or some of them,
13 because the city council has wanted to annex a lot of land
14 around Burleson because this Highway 121 is going to go
15 around Burleson. They want the property-tax value. And
16 the people out there in the country came unglued.

17 And so I don't know what this is going to
18 entail, and I talked with a lady in the engineering
19 department, and I said, are some of our city council
20 people going to be at this meeting? Well, I don't know
21 whether they'll have time. I said, They better have time.

22 MS. MEYER: Well, again, you've got me in the
23 middle of a city problem, and that's not where I need to
24 be.

1 MS. SEBRING: I understand that.

2 MS. MEYER: Everything -- there has been no
3 decision made on this. I will guarantee that to you. The
4 reason why the hearing is scheduled when it is -- so we
5 can get the public comment and we can have enough time to
6 mitigate anything if there's a possibility of the
7 developer doing that. But nothing -- my board has not
8 made a decision at this time. Okay?

9 And your comment of, he -- that the developer
10 does have a lot of money into it, that's true. And that
11 it is a risk that they take. I've had developers that
12 have put several hundreds of thousands of dollars in
13 developments, and the deals don't go through. Again, that
14 is a risk, and that's the business that they are in.

15 So to answer your question in that, that's a
16 risk that he's taking. But no decision has been made. I
17 will guarantee you that. And nothing will be made until
18 April 10. And that's when our board meeting is --

19 MS. FRYE: Okay. I am concerned about the
20 whole flood plan issue you were saying [inaudible].
21 What -- I mean, have you looked beyond -- and I
22 understand, the best laid plans go awry. I do live
23 downstream of it. The reality of it is it will work, or
24 it won't work. We really don't know.

1 But all I know is the City of Arlington did
2 something similar, and everything was supposed to work.
3 They wound up spending almost \$10 million due to down-flow
4 of their reworking of drainage. It wasn't what it was
5 supposed to have been.

6 What happens if it doesn't work? What happens
7 if, instead of only four months out of the year my house
8 is flooded, now it's on six months?

9 MR. KEHOE: I can only say that we're going to
10 do everything we can to build it correctly. The city -- I
11 have faith in the city that they're going to do everything
12 they can to ensure that we follow the rules. And if
13 there's problems after that, I can only say that hopefully
14 the city's going to have an open door.

15 MS. FRYE: Right now, the City of Burleson
16 drainage system cannot handle what it has, even in the
17 neighborhood you're in and about to add more to. And I'm
18 talking sewer, the drainage, everything. These people
19 know. Their streets flood. They cannot handle -- the
20 sewer system can't handle it.

21 My mother works for the department. We already
22 know all this. And now you're about to go and add on top
23 of this -- and on top of everything. It's our concern.

24 MS. MEYER: Everything that you said are valid

1 concerns. Everything that you've said tonight will be
2 taken back to my board to make a final decision. And
3 everything else will be considered about the development.

4 The public is taken into consideration by my board before
5 a decision is made. Right now, that board meeting is
6 scheduled for April 10 --

7 MS. SEBRING: My birthday.

8 MS. MEYER: Well, happy birthday on that day.

9 MS. FRYE: Will this be the only meeting?

10 MS. MEYER: This will be the -- yes. It'll be
11 the only public meeting. Now, I don't know if the
12 developer will have any additional meetings. If that's
13 something that you all want to work out between
14 yourselves, you can. As far as the department, this is
15 the only public hearing that we will have.

16 Now, anybody else can -- I mean, if you have
17 neighbors or friends or family or whatever that want to
18 voice concerns that couldn't make it to the hearing
19 tonight, they're more than welcome to send me those
20 comments by the 28th of March. And that's -- that will
21 also be presented to my board.

22 Everything that I get in public comment will go
23 to my board. Okay? So I've got some cards here with all
24 my information on it, and you can take a handful of them

1 if you want to and pass them out. And anybody else can
2 make public comment that they want to.

3 Yes, ma'am?

4 MS. SEBRING: You're saying that they have
5 apartments that are called Cobb Park Apartments?

6 MS. MEYER: Cobb Park.

7 MS. SEBRING: What -- are they kept up, or what
8 kind of crime ratio do you have or --

9 MR. KEHOE: We just finished building them
10 about six months ago.

11 MS. SEBRING: They're not occupied yet.

12 MR. KEHOE: Oh, yes. They're occupied.

13 MS. SEBRING: Okay. Where are they located?

14 MR. KEHOE: They're on East Fair Street.

15 MS. SEBRING: I'm well acquainted with that
16 area. That's where I grew up.

17 MR. KEHOE: Right near the golf course on East
18 Fair Street.

19 MS. SEBRING: Is that towards Riverside Drive?

20 MR. KEHOE: I'm not sure about Riverside.

21 MS. SEBRING: Is it -- you're saying East Fair,
22 like you're going towards town.

23 MR. KEHOE: I can show you on the map before we
24 leave.

1 MS. SEBRING: Okay. That'll be helpful.

2 Great.

3 MS. MEYER: The developer also has another one
4 up in McKinney, if you're up in north Dallas, called
5 Timber Point.

6 MR. KEHOE: Creek Point.

7 MS. MEYER: Creek Point. I'm sorry. Timber's
8 in Houston. Creek Point. But that'll give you a good
9 idea of the quality of the building that they do do. I
10 think you'll be impressed with that if you go look at the
11 development.

12 You can't tell the difference between one of
13 these properties and market-rate luxury apartments. You
14 won't be able to tell the difference. The quality and the
15 look and the shrubs and everything else, all the
16 landscaping -- you're not going to be able to tell the
17 difference.

18 MS. FRYE: Your assurance is what? Are you
19 saying that these are plans you've seen, or you know this
20 builder?

21 MS. MEYER: Do what, now?

22 MS. FRYE: And you're saying that due to the
23 plans you've seen, or you know this builder, or you've
24 seen the property?

1 MS. MEYER: I know the developer, and I've seen
2 the properties. And I've also seen the plans. But I
3 have -- the developers that my division deals with, they
4 don't build a piece of junk.

5 You're not going to be able to tell the
6 difference between a luxury apartment complex and to look
7 at one of these. I can guarantee it. You wouldn't -- if
8 you drove by it, you would not know that it was an
9 affordable-housing development. You wouldn't.

10 MS. SEBRING: But I'm glad that they're not
11 going to put up wooden fencing.

12 MS. MEYER: That's a city thing, so --

13 MR. KEHOE: Right.

14 MS. MEYER: And --

15 MS. SEBRING: That deteriorates.

16 MR. KEHOE: It's a maintenance nightmare.

17 MS. SEBRING: It is, the wooden fencing.

18 MR. KEHOE: I think the shrubbery is the best.
19 I mean, that's what we've tried to do.

20 MS. SEBRING: Right. And that will give it
21 some good backing.

22 MS. MEYER: Well, if there's no more comments,
23 I'm going to go ahead and adjourn the meeting. Again, if
24 you would like to, send me any additional information, and

1 you can take as many of my cards as you want and pass them
2 out. Anybody else can send me public comments, and I'll
3 make sure that they get into the record.

4 There will be a board package that is -- my web
5 site is also listed on my card here. If you have access
6 to the internet, you can get a copy of what we call a
7 board package that will actually be presented to my board
8 on April 10. It'll be on there Thursday prior to the
9 meeting.

10 Our meetings are on Thursday, and it'll be on
11 our web site that -- the evening of that Thursday prior to
12 the meeting. And you can get everything that will be
13 presented to our board on this particular development if
14 you'd like to see that. Okay?

15 MR. BLEEKER: I have one more comment, please.

16 MS. MEYER: Okay.

17 MR. BLEEKER: Would it be possible for you to
18 get the information that I sent to Mr. Chernon Njie three
19 years ago?

20 MS. MEYER: The information -- you want the --

21 MR. BLEEKER: Concerning the Gateway at
22 Wilshire Project, showing where the city refused to hear
23 us or refused to go along with us in changing the zoning.

24 MS. MEYER: If the development -- okay. If the

1 development did not go through --

2 MR. BLEEKER: Well, the development did not go
3 through for one reason only.

4 MS. MEYER: Okay. Well, I'll have to see what
5 we still have. If the development actually didn't make
6 it -- and obviously it didn't, is what you're telling
7 me --

8 MR. BLEEKER: Yes, it did not make it.

9 MS. MEYER: -- I don't know what information
10 that we still have, and I don't know if it was a tax-
11 credit application or if it was a -- do you know?

12 MR. KEHOE: It was a tax-credit application.

13 MS. MEYER: It was 9 percent?

14 MR. KEHOE: If it's [indiscernible], I'm sure
15 it was a tax credit application.

16 MR. BLEEKER: It was a tax credit.

17 MS. MEYER: Well, it might have been 4
18 percents, though. It could've been a bond deal.

19 I will check on it, and I know you e-mailed --

20 MR. BLEEKER: It has a petition signed by over
21 250 people in the neighborhood where we were trying to
22 stop the City of Burleson from changing the zoning. The
23 City of Burleson doesn't care.

24 They want that property taken care -- they

1 don't care what is done with that property as long as
2 somebody does something with it because we have all
3 complained for years about the water problem, the drainage
4 problem.

5 They're going to dump the drainage problem onto
6 him, he's going to dump the drainage problem onto Highway
7 174 Service Road, and then the city's going to have it
8 back again, and they're not going to do anything with it
9 because --

10 MS. MEYER: Okay. Well, again, you're talking
11 city infrastructures here, and I can't do anything about
12 that, but --

13 MR. BLEEKER: Now, my new -- well, I understand
14 you can't do anything about it, but I feel like it is
15 something that needs to be considered, because it happens.
16 It's there, and the city is not going to do anything
17 about anything.

18 MS. MEYER: Right. Okay.

19 MS. FRYE: Let's talk petition? How many
20 signatures will get your attention to stop this?

21 MS. MEYER: Well, I mean, that -- I can't
22 answer that question. I don't have an answer to that. My
23 board makes the decision; I don't. All I do is --

24 MR. BLEEKER: Present it.

1 MS. MEYER: -- put all the information
2 together, and my board makes a decision. And that's their
3 responsibility, to render a decision on the development.

4 Yes, ma'am?

5 MS. SEBRING: I do know that where this
6 apartment complex is -- the Cobb Park Apartment complex --
7 that is a high crime area, and they're going to have their
8 hands full.

9 MS. MEYER: Again, I mean, if you want to go by
10 and see that property --

11 MS. SEBRING: I will.

12 MS. MEYER: -- I think you'll be impressed with
13 the quality of the development, and you'll see.

14 MS. SEBRING: Well, the quality of the
15 development is one thing, but the people that move in
16 there is another.

17 I mean, if they move in there to keep their
18 apartments up, to obey the laws -- I mean, you know, to be
19 law-abiding citizens, take their children to school, and
20 keep their rent up and not let their apartments get torn
21 up or drug -- there was a motel in Dallas today that
22 caught on fire. They think they were -- had a meth lab in
23 it.

24 So the drug problem is -- we're so close to

1 Fort Worth, we really have had the drug problem for years.

2 MS. MEYER: I understand that concern. Okay.

3 But, again, all your comments I'll take back to my board.

4 I'm going to adjourn the meeting, and it is now 7:10.

5 (Whereupon, at 7:10 p.m., the hearing was
6 concluded.)

C E R T I F I C A T E

1
2
3 IN RE: Hillery Garden Villas

4 LOCATION: Burleson, Texas

5 DATE: February 20, 2003

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 49, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Joseph Gillis before the
10 Texas Department of Housing and Community Affairs.

3/6/2003

(Transcriber) (Date)

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

Mr. Robbie D. Meyer
Multifamily Financial Analyst

3-6-2003

Dear Mr. Meyer:

We, Mrs Mrs. Billy Joe Solving
413 N.W. Douglas St., Burleson Texas
76028-3548 wish to oppose
the Apartment Complex to be
built adjacent to Hwy 174 for
the following reasons.

- (1) Traffic Impact
- (2) Flood Plain Impact
- (3) Impact on Taylor Elementary
- (4) Crime & Drugs

We have lived at this address since
June 5, 1965. We feel there
are going to be great concerns if
this complex is built.

Thank you for your time,

Mrs Mrs. Billy Joe Solving
413 N.W. Douglas
Burleson, Texas 76028-3548

Monday - February 10, 2003 (1)

Mr. Robert Enion
Texas Department of Housing
and Community Affairs
507 Sabine
Austin, Texas 78701

Dear Mr. Enion,

I am writing to
ask to please speak at the
meeting February 20th at
6:00 p.m. at Round Elementary
School.

This concerns issuance
of Bonds to construct a 272
unit Apartment Complex, to be
named "Hill and Jackson Villa".
It is reported the bonds
are to be issued to a
"Mesquite Shilling Enterprises".

These are the reasons I
object to this Apartment
Complex being built
in Burleson at this time

(next page)

(1) Traffic Impact:

The traffic will increase on Hillery, N.W. Taylor and onto N.W. Douglas. At present N.W. Douglas does not go thru to the egress road adjacent to Hwy. 174, but I fear if the building does occur then they will extend N.W. Douglas thru to the egress road causing even more traffic on our street.

(2) Flood Plain:

Whenever we have an excessive amount of rain in a short period of time the water runs curb to curb on our street and I fear our homes will be flooded if more housing is built

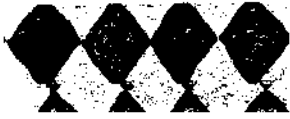
(3) Impact on Taylor Elementary School;

Taylor is already overflowing with students, (see page)

3
and more children living
in the apartment complex
will overly impact the
school, as well as also
causing the traffic problem
with parents taking their
children to Taylor.

(4) Drugs and Crime Impact:
Burleson is very close to
Dert Worth and therefore
there has been a terrible
drug problem for many
years. Also crime in our
fair city is on the increase.

They are already building
single family homes adjacent
to where the apartment
complex is purported to be
built. We do not know
how these homes will
affect our flood plain
as well as impact Taylor.



- A... (4) ... since ...



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Hillery Garden Villas Apartments**

TDHCA#: 02488

DEVELOPMENT AND OWNER INFORMATION

Development Location: Burseson QCT: N DDA: N TTC: N
 Development Owner: Mesquite Shillingi Enterprises V, L.P.
 General Partner(s): Picerne Hillery Garden, LLC, 100% Contact: Kurt P. Kehoe
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$681,694 Eligible Basis Amt: \$645,369 Equity/Gap Amt.: \$1,074,853

Annual Tax Credit Allocation Recommendation:

Total Tax Credit Allocation Over Ten Years: \$0

PROPERTY INFORMATION

Unit and Building Information

Total Units: 272 LIHTC Units: 272 % of LIHTC Units: 100%
 Gross Square Footage: 289,754 Net Rentable Square Footage: 286,752
 Average Square Footage/Unit: 1054
 Number of Buildings: 13
 Currently Occupied: N

Development Cost

Total Cost: \$21,763,797 Total Cost/Net Rentable Sq. Ft.: \$75.9

Income and Expenses

Effective Gross Income:¹ \$2,068,349 Ttl. Expenses: \$1,040,119 Net Operating Inc.: \$1,028,230
 Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Picerne Management Corp.
 Attorney: Gray, Harris & Robinson Architect: Forum Architecture & Interior Design
 Accountant: Reznick, Fedder & Silverman Engineer: TAN Associates
 Market Analyst: O'Connor & Associates Lender: Charter MAC
 Contractor: Picerne Construction Corp. Syndicator: Related Capital Company

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 1	Sen. Chirs Harris, District 10 - NC
# in Opposition: 0	Rep. Arlene Wohlgemuth, District 58 - NC
	Mayor Byron Black - NC
	Mark Lewis, Director of Community Development, City of Burseson; Consistent with the local Comprehensive Plan.

1. Gross Income less Vacancy

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

CONDITION(S) TO COMMITMENT IN THE EVENT OF AWARD:

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Should an affirmative funding recommendation be made, a re-evaluation of this development with the approval of assumptions should be conducted.
3. Documentation of revised financing and sundication commitments reflecting the assumptions made by the Board.
4. Receipt, review, and acceptance of financial statements and credit information release authorizations for the following members of the general partner: John Paul, Raymond Uritescu, John Picerne, David Picerne and Jeanne Picerne.

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

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

Other Comments including discretionary factors (if applicable). This development is not being recommended based on the analysis conducted by the Department's Underwriting Staff.

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director

Date

Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date



TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2003 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

Sphinx @ Murdeaux

\$13,400,000 (*) Tax Exempt – Series 2003A

\$1,685,000 (*) Taxable – Series 2003B

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	Sources & Uses of Funds Estimated Costs of Issuance
TAB 4	Department's Credit Underwriting Analysis
TAB 5	Rental Restrictions Explanation Results & Analysis
TAB 6	Location Map
TAB 7	TDHCA Compliance Report
TAB 8	Results of Public/TEFRA Hearings (March 24, 2003)

() Preliminary - subject to change*

**FINANCE COMMITTEE AND BOARD APPROVAL
MEMORANDUM
April 10, 2003**

PROJECT: Sphinx at Murdeaux, Dallas, Dallas County, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2003 Multifamily Housing Revenue Bonds
(Reservation received 1/16/2003)

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

PURPOSE: The proceeds of the Bonds will be used for the purpose of providing funds to finance a Federal Housing Administration insured mortgage loan (the "Mortgage Loan") to be originated by Malone Mortgage Company America, Ltd. (the "FHA Lender") to Murdeaux Villas, L.P., a Texas limited partnership (the "Borrower"), for the acquisition, construction, equipping and long-term financing of a new, 240-unit multifamily residential rental development to be constructed on approximately 18 acres of land located at the southwest quadrant of the 7400 block of Murdeaux and Loop 12, Dallas, Dallas County, Texas 75217 (the "Project").

BOND AMOUNT: \$13,400,000 Series 2003A, Tax Exempt Bonds
\$ 1,685,000 Series 2003B Taxable Bonds
\$15,085,000 Total Bonds

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

**ANTICIPATED
CLOSING DATE:** The Department received a volume cap allocation for the Bonds on January 16, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 16, 2003, the anticipated closing date is May 2, 2003.

BORROWER: Murdeaux Villas, L.P., a Texas limited partnership, the general partner of which is SDC Murdeaux, L.L.C., a Texas limited liability company. The principal of the general partner is Jay O. Oji, President.

**COMPLIANCE
HISTORY:** The Compliance Status Summary completed on March 31, 2003 reveals that the principal of the general partner above has a total of three (3) properties being monitored by the Department. None of these properties have received a compliance score at this time.

ISSUANCE TEAM:

Malone Mortgage Company America, Ltd. (“FHA Lender”)
Lend Lease Real Estate Investments, Inc.(“Equity Provider”)
Newman and Associates (“Underwriter”)
Wells Fargo Bank Texas, N.A. (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)

BOND PURCHASER:

The Bonds will be publicly offered on a limited basis on or about April 24, 2003, at which time the final pricing and Bond Purchaser(s) will be determined.

PROJECT DESCRIPTION:

The Project is a 240-unit multifamily residential rental development to be constructed on approximately 18 acres of land located at at the southwest quadrant of the 7400 block of Murdeaux and Loop 12, Dallas, Dallas County, Texas 75217. (the "Project"). The proposed site density will be 13 units per acre and will consist of fourteen (14) two or three story building types wood-framed buildings on post-tension slabs with a total of 272,864 net rentable square feet and an average unit size of 1,137 square feet. The complex will have perimeter fencing with control access gates.

The residential building exteriors will consist of 25% masonry and 75% stucco with wood trim. Unit amenities will include frost-free refrigerator, dishwasher, disposal, large storage areas, washer/dryer connections, ceiling fans, energy efficient HVAC systems and pre-wiring for cable television and high-speed internet service. The property will have clubhouse, leasing, office and community room space and a laundry building.

Table with 4 columns: Units, Unit Type, Square Feet, Proposed Net Rent. Rows include 32 units for 2-Bedrooms/2-Baths (955 sq ft, \$673.00), 32 units for 2-Bedrooms/2-Baths (990 sq ft, \$673.00), 128 units for 3-Bedrooms/2-Baths (1,158 sq ft, \$775.00), 48 units for 4-Bedrooms/2-Baths (1,300 sq ft, \$856.00), and a total of 240 units.

SET-ASIDE UNITS:

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

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

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income.

TENANT SERVICES:

Borrower will provide Tenant Services provided by Beacon Endeavors, Inc. (Bright New Horizons) based on the tenant profile upon lease-up that conforms to the Department's program guidelines.

**DEPARTMENT
ORIGINATION
FEES:**

\$1,000 Pre-Application Fee (Paid)
\$10,000 Application Fee (Paid)
\$75,425 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT
ANNUAL FEES:**

\$15,085 Bond Administration (0.10% per annum of the aggregate principle amount of the Bonds outstanding)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

**ASSET OVERSIGHT
FEE:**

\$6,000 TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$973,846 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$7,762,979 of equity for the transaction.

**BOND STRUCTURE &
SECURITY FOR THE
BONDS:**

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

As stated above, the Mortgage Loan will be originated by the FHA Lender as evidenced by a note of the Borrower (the "Mortgage Note"). The FHA Lender will make advances on the Mortgage Loan to the Borrower for the acquisition, construction, equipping and long-term financing of the Project. The Mortgage Loan will be secured by, among other things, a Deed of Trust for the benefit of the FHA Lender.

The FHA Lender will issue mortgage-backed securities in the form of Construction Loan Certificates and a Project Loan Certificate (the "GNMA Certificates") to be purchased by the trustee from Bond proceeds at a price of par plus accrued interest thereon. The trustee will collect the payments on the GNMA Certificates to pay bondholders.

The Bonds will be secured primarily by the payments on the GNMA Certificates and from other security pledged under the Indenture. Prior to the acquisition of the GNMA Certificates by the Trustee, the Bonds will be secured by certain of the Bond proceeds held under the Indenture and invested by the Trustee pursuant to an investment agreement. Upon the purchase thereof by the Trustee, the Bonds will be secured primarily by the GNMA Certificates to be issued by the FHA Lender, guaranteed as to principal and interest by the Government National Mortgage Association (“Ginnie Mae”) and to be backed by the Mortgage Loan.

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

**CREDIT
ENHANCEMENT:**

As stated above, the GNMA Certificates are guaranteed as to principal and interest by Ginnie Mae, which allows for an anticipated rating of AAA/Aaa on both the Tax-Exempt Bonds and the Taxable Bonds and an anticipated interest rate of 5.10% on the Tax Exempt Bonds. Without the credit enhancement, the Tax-Exempt Bonds would not be investment grade and would therefore command a higher interest rate from investors on similar maturity bonds and the Taxable Bonds would command a higher interest rate from investors – approximately 8% or higher on similar maturity bonds.

FORM OF BONDS:

The Bonds will be issued in book entry form and in denominations of \$5,000 or any integral multiples thereof.

MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan is funded by the FHA Lender. Two types of GNMA Certificates are intended to be issued by the FHA Lender in connection with the Mortgage Loan to the Borrower: (i) Construction Loan Certificates which are to be issued with respect to each construction loan advance under the Mortgage Loan, and (ii) the Project Loan Certificate which is to be issued with respect to the permanent Mortgage Loan with payment provisions which correspond to the monthly scheduled installments of principal and interest on the Mortgage Note. The Delivery Date or maturity of the construction loan means the date on which the Project Loan Certificate is delivered to the Trustee, which shall be on or before December 31, 2004 (the “Delivery Date”) (a preliminary date that is subject to change), unless extended in accordance with the Trust Indenture.

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

The Bonds will bear interest at a fixed rate until maturity, which is anticipated to be April 20, 2043.

The Bonds will be payable from: (1) payments on the GNMA Certificates; (2) earnings derived from amounts held in Funds & Accounts (discussed below) or on deposit in an investment agreement; and (3) funds deposited to the Acquisition Fund specifically for capitalized interest.

The Bonds will be structured to have level debt service from commencement of amortization until maturity.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

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

Optional Redemption:

The Tax-Exempt Bonds are subject to optional redemption by the Borrower on or after June 20, 2013 (a preliminary date that is subject to change) with certain applicable premiums in the event the Borrower exercises any option to prepay the Mortgage Note and amounts are paid under the GNMA Certificates representing such prepayments. The Taxable Bonds are not subject to optional redemption.

Mandatory Redemption:

- (1) The Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued interest, on the dates of redemption specified in the Indenture.
- (2) The Bonds are subject to extraordinary mandatory redemption:
 - (a) in part, following the Delivery Date of the Project Loan Certificate in the amount of the difference between Bonds then outstanding and the Construction Loan Certificates delivered to the Trustee;
 - (b) in whole, following the maturity date of the Construction Loan Certificates if the Project Loan Certificate is not delivered to the Trustee on or before the Delivery Date;
 - (c) in part, following the date on which the Project Loan Certificate is delivered to the Trustee, in an amount equal to the remainder, if any, of the difference between the Bonds then outstanding less the amount of the Project Loan Certificate delivered to the Trustee;
 - (d) in whole or in part to the extent the Trustee receives payments on the GNMA Certificates exceeding regularly scheduled payments of principal and interest thereon; or

- (e) in whole, following the delivery date of the Initial Construction Loan Certificate, which is expected to be July 1, 2003 (a preliminary date that is subject to change), if the Initial Construction Loan Certificate is not delivered to the Trustee on or before the delivery date of the Initial Construction Loan Certificate in the amount specified in the Indenture.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, Wells Fargo Bank Texas, N.A. (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Bonds will be deposited with DTC.

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

The Trust Indenture will create up to four (4) funds with the following general purposes:

- 1) Acquisition Fund (containing a Capitalized Interest Account therein) – Fund into which Bond proceeds shall be deposited and shall be applied to the acquisition of the GNMA Certificates and accrued interest thereon.
- 2) Bond Fund (containing a Special Mandatory Redemption Account therein) – Fund into which amounts, if any, paid by the Underwriter as accrued interest; all income, revenues, proceeds and other amounts received from or in connection with the GNMA Certificates; all earnings and gains from the investment of money held in the Bond and Acquisition Fund; and amounts transferred from the Acquisition Fund to the Bond Fund for mandatory redemption of the Bonds in the Special Mandatory Redemption Account attributable to the receipt by the Trustee of payments under the GNMA Certificates exceeding regularly scheduled payments of principal and interest thereon.
- 3) Costs of Issuance Fund - A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;

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

**DEPARTMENT
ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Wells Fargo Bank Texas, N.A., was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

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

RESOLUTION NO. 03-21

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (GNMA COLLATERALIZED MORTGAGE LOAN—SPHINX AT MURDEAUX) SERIES 2003A AND MULTIFAMILY HOUSING REVENUE BONDS (GNMA COLLATERALIZED MORTGAGE LOAN—SPHINX AT MURDEAUX) TAXABLE SERIES 2003B; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Sphinx at Murdeaux) Series 2003A (the “Tax-Exempt Bonds”), and Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Sphinx at Murdeaux) Taxable Series 2003B (the “Taxable Bonds”) (the Tax-Exempt Bonds and the Taxable Bonds are referred to herein, collectively, as the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and Wells Fargo Bank Texas, N.A., as trustee (the “Trustee”), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

WHEREAS, the Board, by resolution adopted on October 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower, Malone Mortgage Company America, Ltd., as lender (the "Lender"), and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") (i) for the purpose of providing funds to finance the loan to be originated by the Lender (the "Loan") to provide financing for the cost of acquisition and construction of the Project and related costs, and (ii) pursuant to which repayment of the Loan will be secured by a first lien Deed of Trust from the Borrower for the benefit of the Lender; and

WHEREAS, the Department now desires to authorize the use and distribution of a preliminary official statement (the "Preliminary Official Statement") in connection with the offering of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with the Borrower and Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Underwriter"), and any other party to the Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter will purchase the Bonds and the Department will sell the Bonds to the Underwriter and any other party to such Purchase Agreement; and

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

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

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Regulatory Agreement, the Asset Oversight Agreement, the Preliminary Official Statement and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.12, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of and the redemption provisions related to, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Indenture and the Purchase Agreement; provided, however, that: (a)(i) the interest rate on the Tax-Exempt Bonds shall not exceed 6.75% per annum; (ii) the aggregate principal amount of the Tax-Exempt Bonds shall not exceed \$13,400,000; (iii) the final maturity of the Tax-Exempt Bonds shall occur not later than April 20, 2043; and (iv) the price at which the Tax-Exempt Bonds are sold to the Underwriter and/or any additional party to the Purchase Agreement shall not exceed 105% of the principal amount thereof for the Tax-Exempt Bonds; and (b)(i) the interest rate on the Taxable Bonds shall not exceed 7.00% per annum; (ii) the aggregate principal amount of the Taxable Bonds shall not exceed \$2,000,000; and (iii) the final maturity of the Taxable Bonds shall occur not later than April 20, 2043.

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

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

Section 1.5--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement is hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement and to deliver the Purchase Agreement to the Borrower and the Underwriter and any additional party to the Purchase Agreement as appropriate.

Section 1.6--Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chairman and the Executive Director are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Preliminary Official Statement and the Official Statement, as required; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.7-- Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized

representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

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

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

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Preliminary Official Statement
- Exhibit F - Purchase Agreement
- Exhibit G - Asset Oversight Agreement

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

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

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

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the

Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

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

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

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

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually redetermined by the Issuer, as stated in Section 5.15 of the Loan Agreement.

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

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

Section 2.8--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.9--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

ARTICLE III CERTAIN FINDINGS AND DETERMINATIONS

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

- (a) Need for Housing Development.

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

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

(iii) the Borrower is financially responsible,

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

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

(b) Findings with Respect to the Borrower.

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

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

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

(c) Public Purpose and Benefits.

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

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

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income,

(2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.4--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2002 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 10th day of April, 2003.

By: _____
Michael E. Jones, Chairman

[SEAL]

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Murdeaux Villas, L.P., a Texas limited partnership

Project: The Project is a 240-unit multifamily facility to be known as Sphinx at Murdeaux and to be located at the southwest quadrant of the 7400 block of Murdeaux and Loop 12, Dallas, Dallas County, Texas. The Project will include a total of 14 two- and three-story residential apartment buildings with approximately 273,000 net rentable square feet and an approximate average unit size of 1,137 square feet. The unit mix will consist of:

64 two-bedroom/two-bath units
128 three-bedroom/two-bath units
48 four-bedroom/two-bath units

240 Total Units

Unit sizes will range from approximately 972 square feet to approximately 1,300 square feet.

The Project will include a recreation center with offices, a business center, a fitness room, a community room, a computer room, a laundry room, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, a children's play area, playground equipment, and a picnic area. All ground units will be wheelchair accessible with 5% of the units equipped for persons with mobility impairments and 2% of the units will be for persons with visual/hearing impairments. All individual units will have washer/dryer connections.

Sphinx at Murdeaux Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Series 2003A-1 Tax-Exempt Bond Proceeds	\$ 13,400,000
Series 2003 B Taxable Bond Proceeds	\$ 1,685,000
Tax Credit Proceeds	6,999,000
Deferred Developer's Fee	86,764
Total Sources	\$ 22,170,764

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 15,461,400
Capitalized Interest	658,478
Capitalized Interest Account (Neg. Arbitrage)	791,984
Developer's Overhead & Fee	2,568,582
Costs of Issuance	
Direct Bond Related	470,555
Bond Purchaser Costs	1,954,783
Other Transaction Costs	31,522
Real Estate Closing Costs	233,460
Total Uses	\$ 22,170,764

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (0.50% of Issuance)	\$ 75,425
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	6,000
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	5,000
Borrower's Bond Counsel	35,000
Underwriter/Placement Agent Fee (0.92%)	150,850
Underwriter/Placement Agent Council	30,000
Trustee's Fees (Note 1)	8,780
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	5,000
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Issuance)	4,000
Rating Agency Fee & Printing Cost	20,000
TEFRA Hearing Publication Expenses	3,000
Miscellaneous/Contingency	6,000
Total Direct Bond Related	\$ 470,555

Bond Purchase Costs

FHA Mortgage Insurance Premium (1%)	\$150,854
FHA Application Fee (.30%)	45,256
FHA Inspection Fee (.50%)	75,427

Sphinx at Murdeaux Apartments

Financing Fee	301,708
Lender Legal Counsel	30,000
Working Captial	301,708
Initial Operating Deficit	257,846
Deposit to Acquisition Fund (Neg. Arbitrage)	791,984
Total	\$ 1,954,783

Other Transaction Costs

Tax Credit Determination Fee (4% annual tax cr.)	\$27,442
Tax Credit Application Fee (\$20/u)	4,080
Total	\$ 31,522

Real Estate Closing Costs

Title & Recording (Const.& Perm.)	116,803
Property Taxes & Insurance	116,657
Total Real Estate Costs	\$ 233,460

Estimated Total Costs of Issuance \$ 2,690,320

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

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

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

DATE: March 31, 2003

PROGRAM: 4% LIHTC
MRB

FILE NUMBER: 02469
2003-031

DEVELOPMENT NAME

Sphinx at Murdeaux

APPLICANT

Name: Murdeaux Villas, LP Type: For Profit Non-Profit Municipal Other
 Address: 3030 LBJ Freeway, Suite 880 City: Dallas State: TX
 Zip: 75234 Contact: Jay O Oji Phone: (214) 342-1405 Fax: (214) 342-1409

PRINCIPALS of the APPLICANT

Name: SDC Murdeaux, LLC (%): 0.01 Title: Managing General Partner
 Name: Wachovia Bank, NA (%): 99.99 Title: Limited Partner
 Name: Sphinx Development Corporation (%): n/a Title: 50% owner of GP
 Name: Jay O Oji (%): n/a Title: 50% owner of GP

GENERAL PARTNER

Name: SDC Murdeaux, LLC Type: For Profit Non-Profit Municipal Other
 Address: 3030 LBJ Freeway, Suite 880 City: Dallas State: TX
 Zip: 75234 Contact: Jay O Oji Phone: (214) 342-1405 Fax: (214) 342-1409

PROPERTY LOCATION

Location: 7400 Block of Loop 12 QCT DDA
 City: Dallas County: Dallas Zip: 75217

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
① \$973,846	n/a	n/a	n/a
② \$13,400,000	5.05% (blended)	38 yrs	38 yrs
③ \$1,685,000	4 7/8%		

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits
 ② Tax-exempt mortgage revenue bonds
 ③ Taxable mortgage revenue bonds

Proposed Use of Funds: New Construction

SITE DESCRIPTION

Size: 18.01 acres 784,516 square feet Zoning/ Permitted Uses: MF-1(A)
 Flood Zone Designation: Zone X & AE Status of Off-Sites: Partially Improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 240 **# Rental Buildings:** 14 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
32	2	2	955
32	2	2	990
128	3	2	1,158
48	4	2	1,300

Net Rentable SF: 272,864 **Av Un SF:** 1,137 **Common Area SF:** 4,148 **Gross Bldng SF:** 277,012

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 25% brick veneer/75% stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing, 9 foot ceilings

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, management offices, laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area, sports courts, perimeter fencing with limited access gates

Uncovered Parking: 546 spaces **Carports:** 80 spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

BOND-FINANCED INTERIM to PERMANENT FINANCING

Source: Malone Mortgage Company **Contact:** Jonnie Pardue

Tax-Exempt Bond Amount: \$13,400,000 **Interim Interest Rate:** 6.320%

Taxable Bond Amount: \$1,685,000 **Permanent Interest Rate:** 6.070%

Additional Information: FHA-insured with fee of 50 bps; taxable portion will amortize first

Amortization: 38 yrs **Term:** 40 yrs **Commitment:** None Firm Conditional

Annual Payment: \$955,958 **Lien Priority:** 1st **Commitment Date** 03/ 13/ 2003

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments **Contact:** Marie H Keutmann

Address: _____ **City:** _____

State: _____ **Zip:** _____ **Phone:** () _____ **Fax:** () _____

Net Proceeds: \$6,999,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 81.5¢

Commitment None Firm Conditional **Date:** 03/ 13/ 2003

Additional Information: For each dollar the annual credit allocable to LLREI is less than \$858,650 (99.99% of \$858,736), the capital contribution will be reduced by \$9.14

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

APPLICANT EQUITY

Amount: \$1,037,336 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 18.01 acres	<u>\$81,050</u>	Assessment for the Year of:	<u>2002</u>
Building:	<u>n/a</u>	Valuation by:	<u>Dallas County Appraisal District</u>
Total Assessed Value:	<u>\$81,050</u>	Tax Rate:	<u>2.80283</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Letter Agreement

Contract Expiration Date: 07/ 31/ 2003 **Anticipated Closing Date:** 05/ 15/ 2003

Acquisition Cost: \$ 988,500 **Other Terms/Conditions:** \$2,500 earnest money

Seller: Graue Properties, Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

The proposed development was underwritten during the 2002 9% LIHTC cycle. The development included 150 units consisting of 90 LIHTC and 60 market rate units. The Underwriter recommended an LIHTC allocation not to exceed \$1,133,095 annually for ten years, subject to the following conditions:

1. Receipt, review and acceptance of consistent building plans and site plans to match the rent schedule;
2. Receipt, review, and acceptance of a revised permanent loan commitments reflecting a maximum total debt service not to exceed \$338,716;
3. Receipt, review and acceptance of a complete pay-in schedule by the equity partner;
4. Should the rates or terms of the proposed debt or syndication be altered, the previous recommendations and conditions should be re-evaluated by the Underwriter.

The development did not receive a 2002 9% LIHTC allocation.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Sphinx at Murdeaux is a proposed new construction development of 240 units of affordable housing located in southeast Dallas. The development is comprised of 14 residential buildings as follows:

- Eight Building Type I with eight two-bedroom units and 16 three-bedroom units; and
- Six Building Type II with eight four-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site arranged in two groups separated by parking lots, with the community building, swimming pool and basketball court located near the entrance to the site. The community building plan includes the management office, a community room, business center, kitchen, conference room, restrooms, laundry facilities and maintenance room. It should be noted the development rears a creek and the associated 100 year floodplain.

Supportive Services: The Applicant has contracted with Beacon Services, Inc. (Bright New Horizons) to provide the following supportive services to tenants: recreational and activities programming, information center, mentoring program, youth program, promoting a healthy lifestyle, support services for mentally and physically challenged, senior's program, and promoting resident participation. The Applicant will pay \$1,200 per month over a five year period. Tenants will not be charged an additional fee for the optional services.

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

Special Needs Construction: Twelve units (5%) will be reserved for households with handicapped/

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CREDIT UNDERWRITING ANALYSIS**

developmentally-disabled individuals. The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI). Although the units may be leased to tenants earning up to 60% of AMGI, due to the development's participation in the Priority 1 Bond lottery, all of the unit rents must be restricted at the 50% of AMGI level.

MAXIMUM ELIGIBLE INCOMES					
	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

Compliance Period Extension: The total length of the compliance period was not specified in the submitted application. However, all LIHTC developments are required to maintain a minimum 30-year compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated December 17, 2002 was prepared by Apartment Market Data and highlighted the following findings:

Definition of Market/Submarket: "For this analysis we utilized a primary market area comprising an 84.8 square mile Trade Area in southeast Dallas. The boundaries of the Trade Area are as follows: North: Interstate Highway 30; West: State Highway 342 (Lancaster Road); South: Interstate Highway 20; and East: Interstate Highway Loop 635." (p. 3)

Total Demand for Rental Units: "The competitive...supply and demand analysis conducted by Apartment MarketData Research Services included 1,640 existing income restricted units and 1,353 conventional units within the Primary Trade Area." (p. 9) "Based on our analysis, the demand for larger three and four bedroom unit types is apparent...there are only 27 three bedroom units limited to the 50% income level. These units were 100% occupied. Additionally, there are 12 four bedroom units limited to the 50% income level. These units are also 100% occupied." (cover letter)

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/Employment Growth	14/116	n/a/12%	24/57	n/a/2%
Resident Turnover	4,367	88%	5,558	98%
TOTAL ANNUAL DEMAND (Emp)	4,483	100%	5,615	100%

Ref: supplement – Mar 27

The market analyst's demand conclusion from turnover of existing income-qualified renter households appears to be understated compared to the Underwriter's conclusion based on the same demographic information. However, the analyst's demand conclusion from income-qualified renter household growth calculated based on the CCIM employment growth method appears to be overstated. The analyst did not provide the raw data used to calculate employment growth; therefore, the Underwriter's conclusion is based on information garnered from the Texas Workforce Commission website. The use of different demographic information may account for the difference in the demand conclusions. Despite these discrepancies, both total demand figures indicate sufficient demand for affordable housing within the primary market area.

Capture Rate: "based on the above table, we calculate the capture rate for the subject to be as follows: 734 Total L/I Units/4,483 Units of Demand = 16.37% Capture Rate." (supplement – Mar 27) The Underwriter's

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CREDIT UNDERWRITING ANALYSIS**

calculations result in an inclusive capture rate of 13%.

Market Rent Comparables: "...comparisons indicate that the subject rents are higher on a price per square foot and total rent basis. This is primarily due to the fact that six of the comparable projects were constructed prior to 1990, and thus do not offer the same amenities and quality that the subject and newer properties offer." (cover letter) "Currently, the income restricted comparables used for this study offer no rental concessions, and the market rate comparables offer minimal rental concessions." (cover letter)

RENT ANALYSIS (net tenant-paid rents)								
Unit Type (% AMI)	Proposed		Program Max	Differential	Market		Differential	
	unit	sf			unit	sf	unit	sf
2-Bedroom (50%)	\$673	69¢	\$672	+\$1	\$623	69¢	+\$50	0¢
3-Bedroom (50%)	\$775	67¢	\$776	-\$1	\$770	73¢	+\$5	-6¢
4-Bedroom (50%)	\$856	66¢	\$854	+\$2	n/a	n/a	n/a	n/a

(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)

Although the analyst's per unit market rent conclusions are below the proposed rents, the market per square foot conclusions are comparable to the maximum 50% of AMGI rent limits. Upon request, the analyst also provided the market rent conclusions from an appraisal of the property performed by Butler-Burgher & Associates as an exhibit for an FHA 221(d)4 application. Both the appraiser's market rent per unit and per square foot conclusions for each unit are well-above the 50% of AMGI rent limit.

Submarket Occupancy Rates: "...the occupancy rate reported by all existing projects is 92.7%, while projects constructed since 1990 report average occupancy of 93.9%." (p. 8)

Absorption Projections: The property is projected to absorb 19 households per month (8% of the subject units) for a lease-up period of one-year to reach 93% occupancy. (p. 77) "Absorption over the previous six years is estimated to be 560 units per year. We expect this pace to continue as the number of new households continues to grow, and as additional rental units become available." (p. 80)

Unstabilized Comparables: The market analyst identified three LIHTC developments either currently under construction or proposed for construction with total LIHTC units of 494. (p. 8)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Dallas is located in northern region of the state in Dallas County. The site is an irregularly-shaped parcel located in the southeast area of Dallas, approximately 7.5 miles from the central business district, a twenty minute commute. The site is situated on the west side of Murdeaux Lane near Loop 12.

Population: The estimated 2002 population of the primary market area was 223,242 and is expected to increase by 0.5% annually to approximately 228,949 by 2007. Within the primary market area there were estimated to be 70,723 households in 2002.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with vacant commercial land to the north, freestanding retail to the east, vacant flood plain land to the west and single family residence constructed in the 1960's to the south.

Site Access: Access to the property is from going west along Highway 12 from Highway 175. The development has one main entry, from the north along Murdeaux. Access to Interstate Highway 20 is 3.5 miles southeast, which provides connections to all other major roads serving the Dallas area.

Public Transportation: The Dallas Area Rapid Transit Authority (DART) provides public transportation in the area however the location of the nearest bus stop is unknown.

Special Adverse Site Characteristics: According to the market study performed by James Sawyer and Associates, Inc. for a 2002 9% LIHTC application "a portion of the western boundary of the site appears to be within a flood hazard zone." However no mention of this was made by the environmental engineer. A flood map provided was too small to determine the effect of the floodplain. Also, one of the site plans

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provided indicates that the portions of three buildings and drives are within the 100-year floodplain. Based on phone conversations with the engineer, the site had a drainage improvement in the late 1970s. The channelization of the creek removed a portion of the property not directly within the channel out of the floodplain. However, the most current FEMA map does not reflect these improvements.

In response to a request, the engineer is provided appropriate documentation to substantiate the above and a letter certifying that all of the buildings, drives and parking will be constructed out of the FEMA 100-year floodplain.

Site Inspection Findings: TDHCA staff performed a site inspection on March 24, 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 February 28, 2002 was prepared by RRI Environmental Consulting and Risk Management and contained the following findings and recommendations:

Findings: Although various types and quantities of trash and debris were observed, none of the items appeared to represent potential hazards to the subject site. As a result, no further environmental assessment is needed at this time.

It should be noted the Phase I ESA does not mention a flood hazard or the development's proximity to the 100-year floodplain.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's potential gross rent projection is slightly higher than the Underwriter's estimate due to their use of understated utility allowances in calculating the units' net rents. The Applicant's total secondary income figure is also higher than the Underwriter's estimate. This difference can be attributed to the inclusion of rental income from 50 garages and 80 carports. Although the Applicant did not include the cost to construct the covered parking in their eligible basis estimate and, therefore, potentially may charge a fee for the amenity, based on the rent conclusions of the market analyst and the nature of the income restrictions on the property, this secondary income source is questionable. However, the TDHCA database indicates that multifamily developments of comparable size in Dallas reported secondary income averaging \$24.16 per unit per month. Therefore, the Underwriter's income estimate includes \$24.16 per unit per month in secondary income. Despite these differences, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expenses: The Applicant's estimate of total operating expense is also within 5% of the Underwriter's estimate. The Applicant's budget, however, shows several line item estimates that deviate significantly when compared to the adjusted database averages, particularly: general and administrative (\$18K lower) and payroll (\$32K lower), and property taxes (\$18K higher).

Conclusion: The Applicant's effective gross income is more than 5% outside the Underwriter's estimate; therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The development's aggregate debt coverage ratio (DCR), which includes primary loan debt service, trustee fee, TDHCA administrative and asset oversight fees, is less than the Department's minimum DCR guideline of 1.10. However, assuming that all loan fees may be deferred for one year by TDHCA results in a bonds-only DCR of 1.10 indicating that the development may be able to support the proposed bond amount.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$1,018,500 is assumed to be reasonable since the acquisition is arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$10,149 per unit and the portion considered to be eligible for basis were verified by an accounting firm, Thomas Stephen and Company, LLP.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$300K or 3% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$171,841 to bring the eligible construction interest expense down to one year of fully drawn interest. This results in an equivalent adjustment to the Applicant's eligible basis estimate.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's

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profit were above the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis. Therefore, the Applicant's eligible basis estimate must be further reduced by \$95,646.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and, therefore, the Applicant's eligible basis estimate, as adjusted by the Underwriter will be used to determine the eligible tax credit allocation. The Applicant is requesting \$973,846 annually in tax credits, based on an applicable percentage of 3.60%. As a result of the Underwriter's adjustments to the Applicant's eligible basis and the use of the underwriting applicable percentage of 3.65%, the resulting eligible tax credits amount to \$973,584 annually. This credit amount will be used to compare to the gap.

FINANCING STRUCTURE ANALYSIS

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

Bond-Financed Interim to Permanent Loan: Malone Mortgage Company/Newman & Associates will purchase tax-exempt bonds totaling \$13,085,000 and taxable bonds totaling \$1,685,000. The resulting \$15,085,000 FHA-insured mortgage will amortize over a term of 38 years at an interest rate of 5.570%. The taxable portion will have priority amortization and an annual fee of 50 basis points will be assessed for the FHA insurance. The interim period is anticipated to be 16 months with an interest rate of 5.820%.

LIHTC Syndication: Lend Lease Real Estate Investments (LLREI) has offered to provide syndication proceeds totaling \$6,999,000 based a cost of \$0.815 per tax credit dollar and a tax credit allocation of at least \$858,736 annually. The pay-in schedule is as follows:

1. 40.9% upon the later of admission to the partnership, close of the construction loan, or receipt of permanent loan commitment;
2. 37.7% paid in monthly installments during construction;
3. 10.5% upon the later of completion, final closing, or tax credit determination; and
4. 11% upon the later of 115% debt service coverage for three consecutive months, or receipt of forms 8609.

The conditional commitment indicates for each dollar the annual credit allocable to LLREI is less than \$858,650 (99.99% of \$858,736), the capital contributions will be reduced by \$9.14.

Deferred Developer Fee: The Applicant's initial sources and uses statement indicated deferred developer fees of \$1,037,366, which amounts to 38% of anticipated fees.

Financing Conclusions: Based on the Applicant's calculation of eligible basis as adjusted by the Underwriter, the LIHTC allocation should not exceed \$973,584, resulting in syndication proceeds of \$7,933,915 based on the current commitment terms. The gap analysis indicates that the development will utilize all of the eligible tax credits in addition to deferred developer fees projected at 676,400. Deferred developer fees in this amount appear to repayable from cashflow within 10 year of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit shares an exterior entry area with three other units off an interior breezeway. The units are in two- to three-story walk-up structures with mixed brick and stucco exterior finish and pitched roofs..

IDENTITIES of INTEREST

Applicant, general partner and developer are 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.
- Sphinx Development Corporation, 50% owner of the general partner, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$3,695,965 consisting of cash, receivables, partnership interests, machinery and equipment, deferred developer fees and escrow deposits. Liabilities

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CREDIT UNDERWRITING ANALYSIS**

totaled \$1,235,625, resulting in equity of \$2,460,340.

- Personal financial statements for Jay O Oji, 50% owner of the general partner, were also submitted.

Background & Experience:

- The Applicant and general partner are a new entities formed for the purpose of developing the project.
- The Developer has completed three LIHTC housing developments totaling 440 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports/ or analysis have not been satisfactorily addressed.
- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant environmental/location risks exist regarding potential for encroachment of the 100-year floodplain on the buildable portion of the site.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$973,584 ANNUALLY FOR TEN YEARS, AND ISSUANCE OF \$13,400,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS AND \$1,685,000 IN TAXABLE MORTGAGE REVENUE BONDS AT THE RATES AND TERMS PROPOSED, SUBJECT TO CONDITIONS.

CONDITIONS

- If the terms of the financing and/or syndication change from those indicated herein, the recommendations of this report should be re-evaluated.

Credit Underwriting Supervisor:

_____ *Lisa Vecchietti*

Date: March 31, 2003

Director of Credit Underwriting:

_____ *Tom Gouris*

Date: March 31, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Sphinx at Murdeaux, Dallas, LIHTC 02469/MRB

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	32	2	2	955	\$748	\$672	\$21,504	\$0.70	\$76.00	\$52.00
TC 50%	32	2	2	990	748	672	21,504	0.68	76.00	52.00
TC 50%	128	3	2	1,158	864	776	99,328	0.67	88.00	61.00
TC 50%	48	4	2	1,300	963	854	40,992	0.66	109.00	75.00
TOTAL:	240		AVERAGE:	1,137	\$853	\$764	\$183,328	\$0.67	\$89.00	\$61.40

INCOME

Total Net Rentable Sq Ft: 272,864

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$24.16
 Other Support Income: 50 garages at \$60 and 80 Carports at \$15

POTENTIAL GROSS INCOME

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

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.73%	\$326	\$0.29
Management	5.00%	437	0.38
Payroll & Payroll Tax	9.53%	834	0.73
Repairs & Maintenance	5.14%	450	0.40
Utilities	3.11%	272	0.24
Water, Sewer, & Trash	3.24%	283	0.25
Property Insurance	2.60%	227	0.20
Property Tax 2.80283	9.61%	841	0.74
Reserve for Replacements	2.29%	200	0.18
Supportive Services, Security &	2.43%	213	0.19

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
MRB Financing	48.47%	\$4,240	\$3.73
Trustee Fee	0.17%	\$15	\$0.01
TDHCA Admin. Fees	0.72%	\$63	\$0.06
Asset Oversight Fees	0.17%	\$15	\$0.01

NET CASH FLOW

AGGREGATE DEBT COVERAGE RATIO

BONDS, TRUSTEE FEE & FHA FEE-ONLY DEBT COVERAGE RATIO

BONDS-ONLY DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldng)		4.25%	\$4,244	\$3.73
Off-Sites		0.00%	0	0.00
Sitework		10.16%	10,149	8.93
Direct Construction		47.70%	47,670	41.93
Contingency 1.99%		1.15%	1,151	1.01
General Req'ts 5.97%		3.46%	3,454	3.04
Contractor's G & A 1.99%		1.15%	1,151	1.01
Contractor's Prof. 5.97%		3.46%	3,454	3.04
Indirect Construction		1.66%	1,654	1.45
Ineligible Costs		5.66%	5,653	4.97
Developer's G & A 3.95%		2.99%	2,992	2.63
Developer's Profit 11.05%		8.37%	8,368	7.36
Interim Financing		7.06%	7,051	6.20
Reserves		2.95%	2,945	2.59
TOTAL COST		100.00%	\$99,935	\$87.90

Recap-Hard Construction Costs

SOURCES OF FUNDS

	% OF TOTAL	PER UNIT	PER SQ FT
Tax-Exempt MRB Financing	55.87%	\$55,833	\$49.11
Taxable MRB-Financing	7.03%	\$7,021	\$6.18
LIHTC Syndication Proceeds	32.45%	\$32,429	\$28.52
Deferred Developer's Fee	4.33%	\$4,322	\$3.80
Additional (excess) Funds Required	0.33%	\$329	\$0.29
TOTAL SOURCES			

	TDHCA	APPLICANT		
	\$2,199,936	\$2,200,320		
	69,581	40,776	\$14.16	Per Unit Per Month
		50,004		
	\$2,269,517	\$2,291,100		
	(170,214)	(171,828)	-7.67%	of Potential Gross Income
	0	0		
	\$2,099,303	\$2,119,272		
	\$78,282	\$60,000	PER SQ FT	PER UNIT
	104,965	102,017	0.37	425
	200,160	168,100	0.62	700
	107,937	108,000	0.40	450
	65,362	60,000	0.22	250
	67,920	64,900	0.24	270
	54,573	60,000	0.22	250
	201,804	220,800	0.81	920
	48,000	48,000	0.18	200
	51,000	51,000	0.19	213
TOTAL EXPENSES	\$980,002	\$942,817	\$3.46	\$3,928
NET OPERATING INC	\$1,119,301	\$1,176,455	\$4.31	\$4,902
	\$1,017,603	\$1,017,603	\$3.73	\$4,240
	\$3,500	0	\$0.00	\$0
	15,085	0	\$0.00	\$0
	3,600	0	\$0.00	\$0
NET CASH FLOW	\$79,513	\$158,852	\$0.58	\$662
	1.08	1.16		
	1.10			
	1.10			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,018,500	\$1,018,500	\$3.73	\$4,244	4.30%
	0	0	0.00	0	0.00%
	2,435,800	2,435,800	8.93	10,149	10.28%
	11,440,817	11,140,000	40.83	46,417	47.01%
	276,288	276,288	1.01	1,151	1.17%
	828,865	828,865	3.04	3,454	3.50%
	276,288	276,288	1.01	1,151	1.17%
	828,865	828,865	3.04	3,454	3.50%
	396,966	396,966	1.45	1,654	1.68%
	1,356,625	1,356,335	4.97	5,651	5.72%
	718,163	730,270	2.68	3,043	3.08%
	2,008,244	2,008,244	7.36	8,368	8.48%
	1,692,160	1,692,160	6.20	7,051	7.14%
	706,735	706,735	2.59	2,945	2.98%
TOTAL COST	\$23,984,315	\$23,695,315	\$86.84	\$98,730	100.00%
Recap-Hard Construction Costs	\$16,086,923	\$15,786,106	\$57.85	\$65,775	66.62%
	\$13,400,000	\$13,400,000	\$13,400,000		
	1,685,000	1,685,000	1,685,000		
	7,782,979	7,782,979	7,933,915		
	1,037,336	1,037,336	676,400		
	79,000	(210,000)	0		
TOTAL SOURCES	\$23,984,315	\$23,695,315	\$23,695,315		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Sphinx at Murdeaux, Dallas, LIHTC 02469/MRB

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.84	\$11,143,748
Adjustments				
Exterior Wall Fini	2.00%		\$0.82	\$222,875
9' Ceilings	3.00%		1.23	334,312
Roofing			0.00	0
Subfloor			(0.81)	(220,474)
Floor Cover			1.92	523,899
Porches/Balconies	\$29.24	30,363	3.25	887,802
Plumbing	\$615	720	1.62	442,800
Built-In Appliance	\$1,625	240	1.43	390,000
Fireplaces	\$1,475	240	1.30	354,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	401,110
Garages/Carports			0.00	0
Comm &/or Aux Bldg	\$57.91	4,148	0.88	240,200
Exterior Stairs	\$1,400.00	76	0.39	106,400
SUBTOTAL			54.34	14,826,673
Current Cost Multiplie	1.03		1.63	444,800
Local Multiplier	0.92		(4.35)	(1,186,134)
TOTAL DIRECT CONSTRUCTION COSTS			\$51.62	\$14,085,339
Plans, specs, survy, b	3.90%		(\$2.01)	(\$549,328)
Interim Construction I	3.38%		(1.74)	(475,380)
Contractor's OH & Prof	11.50%		(5.94)	(1,619,814)
NET DIRECT CONSTRUCTION COSTS			\$41.93	\$11,440,817

PAYMENT COMPUTATION

Primary	\$15,085,000	Amort	456
Int Rate	6.07%	DCR	1.10
Secondary		Amort	
Int Rate		Subtotal DCR	1.08
Additional		Amort	
Int Rate		Aggregate DCR	1.08

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	\$1,017,603
Trustee Fee	3,500
TDHCA Fees	18,685
NET CASH FLOW	\$79,513

Primary	\$15,085,000	Amort	456
Int Rate	6.07%	DCR	1.10
Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.08

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,199,936	\$2,265,934	\$2,333,912	\$2,403,929	\$2,476,047	\$2,870,417	\$3,327,601	\$3,857,601	\$5,184,293
Secondary Income	69,581	71,668	73,818	76,033	78,314	90,787	105,247	122,010	163,972
Other Support Income: 50	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,269,517	2,337,602	2,407,730	2,479,962	2,554,361	2,961,205	3,432,848	3,979,611	5,348,265
Vacancy & Collection Los	(170,214)	(175,320)	(180,580)	(185,997)	(191,577)	(222,090)	(257,464)	(298,471)	(401,120)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,099,303	\$2,162,282	\$2,227,151	\$2,293,965	\$2,362,784	\$2,739,114	\$3,175,384	\$3,681,141	\$4,947,145
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$78,282	\$81,413	\$84,670	\$88,057	\$91,579	\$111,420	\$135,559	\$164,929	\$244,135
Management	104,965	108,114	111,358	114,698	118,139	136,956	158,769	184,057	247,357
Payroll & Payroll Tax	200,160	208,166	216,493	225,153	234,159	284,890	346,612	421,707	624,229
Repairs & Maintenance	107,937	112,254	116,744	121,414	126,271	153,628	186,911	227,406	336,617
Utilities	65,362	67,976	70,695	73,523	76,464	93,030	113,185	137,707	203,840
Water, Sewer & Trash	67,920	70,637	73,462	76,401	79,457	96,671	117,615	143,097	211,819
Insurance	54,573	56,756	59,026	61,387	63,842	77,674	94,502	114,977	170,194
Property Tax	201,804	209,876	218,271	227,002	236,082	287,230	349,459	425,170	629,356
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	51,000	53,040	55,162	57,368	59,663	72,589	88,315	107,449	159,051
TOTAL EXPENSES	\$980,002	\$1,018,153	\$1,057,798	\$1,098,996	\$1,141,809	\$1,382,406	\$1,674,050	\$2,027,628	\$2,976,293
NET OPERATING INCOME	\$1,119,301	\$1,144,130	\$1,169,353	\$1,194,969	\$1,220,975	\$1,356,708	\$1,501,334	\$1,653,512	\$1,970,852
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$1,017,603	\$1,017,603	\$1,017,603	\$1,017,603	\$1,017,603	\$1,017,603	\$1,017,603	\$1,017,603	\$1,017,603
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	15,085	14,980	14,869	14,750	14,625	13,868	12,844	11,458	7,043
Asset Oversight Fees	3,600	3,744	3,894	4,050	4,211	5,124	6,234	7,585	11,227
Cash Flow	79,513	104,302	129,487	155,066	181,036	316,613	461,153	613,366	931,479
AGGREGATE DCR	1.08	1.10	1.12	1.15	1.17	1.30	1.44	1.59	1.90

LIHTC Allocation Calculation - Sphinx at Murdeaux, Dallas, LIHTC 02469/MRB

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,018,500	\$1,018,500		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$2,435,800	\$2,435,800	\$2,435,800	\$2,435,800
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$11,140,000	\$11,440,817	\$11,140,000	\$11,440,817
(4) Contractor Fees & General Requirements				
Contractor overhead	\$276,288	\$276,288	\$271,516	\$276,288
Contractor profit	\$828,865	\$828,865	\$814,548	\$828,865
General requirements	\$828,865	\$828,865	\$814,548	\$828,865
(5) Contingencies	\$276,288	\$276,288	\$276,288	\$276,288
(6) Eligible Indirect Fees	\$396,966	\$396,966	\$396,966	\$396,966
(7) Eligible Financing Fees	\$1,692,160	\$1,692,160	\$1,692,160	\$1,692,160
(8) All Ineligible Costs	\$1,356,335	\$1,356,625		
(9) Developer Fees			\$2,676,274	
Developer overhead	\$730,270	\$718,163		\$718,163
Developer fee	\$2,008,244	\$2,008,244		\$2,008,244
(10) Development Reserves	\$706,735	\$706,735		
TOTAL DEVELOPMENT COSTS	\$23,695,315	\$23,984,315	\$20,518,099	\$20,902,456

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			\$20,518,099	\$20,902,456
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$26,673,529	\$27,173,192
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$26,673,529	\$27,173,192
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$973,584	\$991,822
Syndication Proceeds		0.8149	\$7,933,915	\$8,082,537

RENT CAP EXPLANATION

Dallas MSA

AFFORDABILITY DEFINITION & COMMENTS

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

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

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

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Dallas **Area Median Family Income (Annual):** \$65,000

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of Persons	At or Below			Unit Type	At or Below				At or Below		
	50%	60%	80%		50%	60%	80%		50%	60%	80%
1	\$ 23,300	\$ 27,960	\$ 37,250	Efficiency	\$ 582	\$ 699	\$ 931	\$ 48.00	\$ 534	\$ 651	\$ 883
2	26,600	31,920	42,550	1-Bedroom	623	748	997	59.00	564	689	938
3	29,950	35,940	47,900	2-Bedroom	748	898	1,197	76.00	672	822	1,121
4	33,250	39,900	53,200	3-Bedroom	864	1,037	1,383	88.00	776	949	1,295
5	35,900	43,080	57,450	4-Bedroom	963	1,156	1,542	107.00	856	1,049	1,435
6	38,550	46,260	61,700	5-Bedroom	1,064	1,277	1,701	121.00	957	1,170	1,594
7	41,250	49,500	65,950								
8	43,900	52,680	70,200								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

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

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

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

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

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

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

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

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

RESULTS & ANALYSIS:

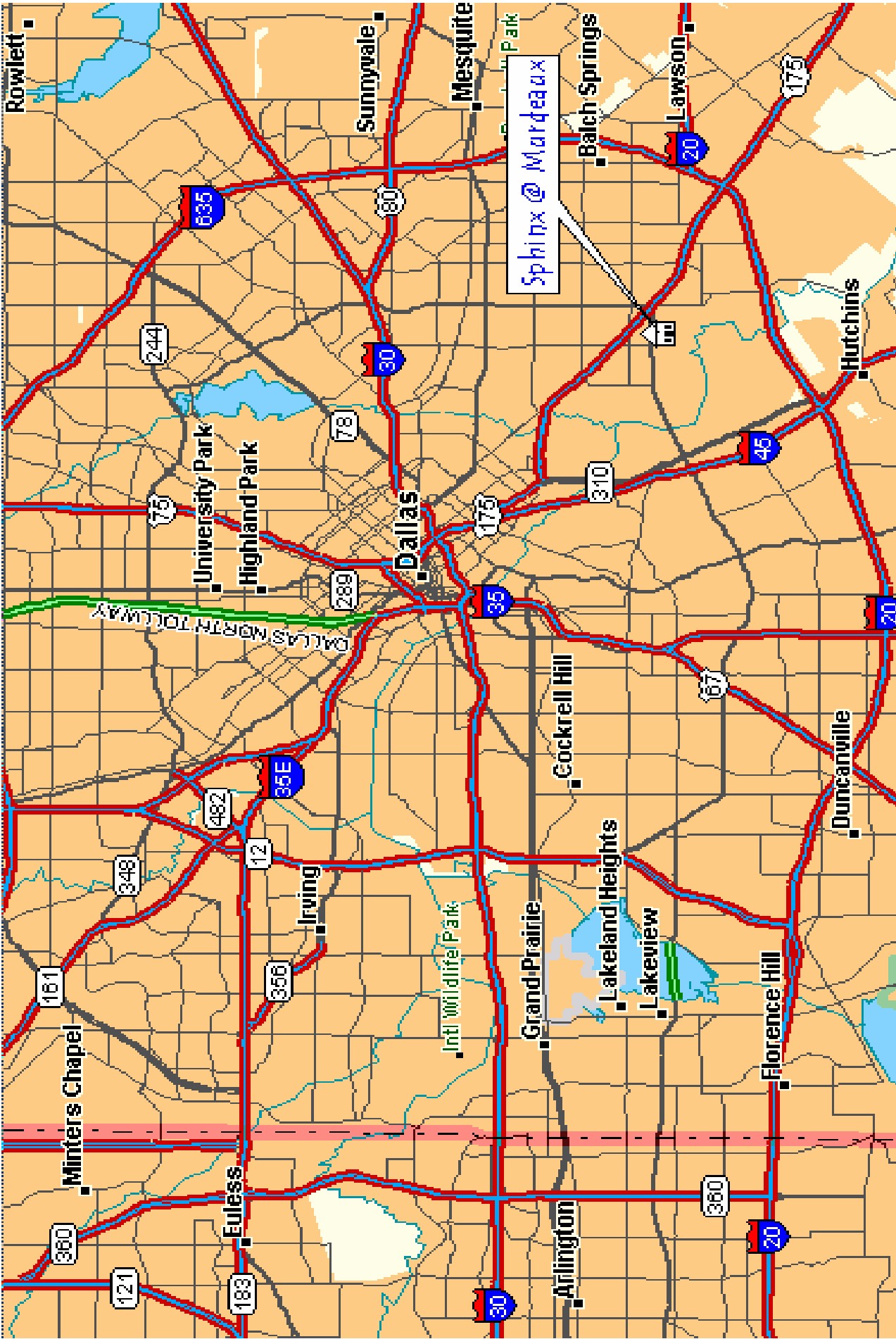
Tenants in the 60% AMFI bracket will **save \$126 to \$171** per month (leaving 4.0% to 4.4% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **15.2% to 16.7%**.

PROJECT INFORMATION				
Unit Mix				
Unit Description	2-Bedroom	3-Bedroom	4-Bedroom	
Square Footage	973	1,158	1,300	
Rents if Offered at Market Rates	\$ 798	\$ 915	\$ 1,027	
Rent per Square Foot	\$0.82	\$0.79	\$0.79	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside	\$672	\$776	\$856	
Monthly Savings for Tenant	\$ 126	\$ 139	\$ 171	
Rent per Square Foot	\$0.69	\$0.67	\$0.66	
Maximum Monthly Income - 60% AMFI	\$2,995	\$3,458	\$3,855	
Monthly Savings as % of Monthly Income	4.2%	4.0%	4.4%	
% DISCOUNT OFF MONTHLY RENT	15.8%	15.2%	16.7%	

Market information provided by: Butler Burgher, LLC., 8150 N Central Expressway, Suite 801, Dallas, Texas 75206. Report dated February 7, 2003.



Rowlett

Sunnyvale

Mesquite

Wildlife Park

Balch Springs

Lawson

175

635

244

80

30

Sphinx @ Mardeaux

20

75

University Park

Highland Park

78

289

Dallas

175

310

Hutchins

DALLAS NORTH TOLLWAY

45

20

Cockrell Hill

67

Duncanville

161

Minters Chapel

348

482

12

356

Irving

35E

Grand Prairie

Lakeland Heights

Lakeview

Florence Hill

360

121

Euless

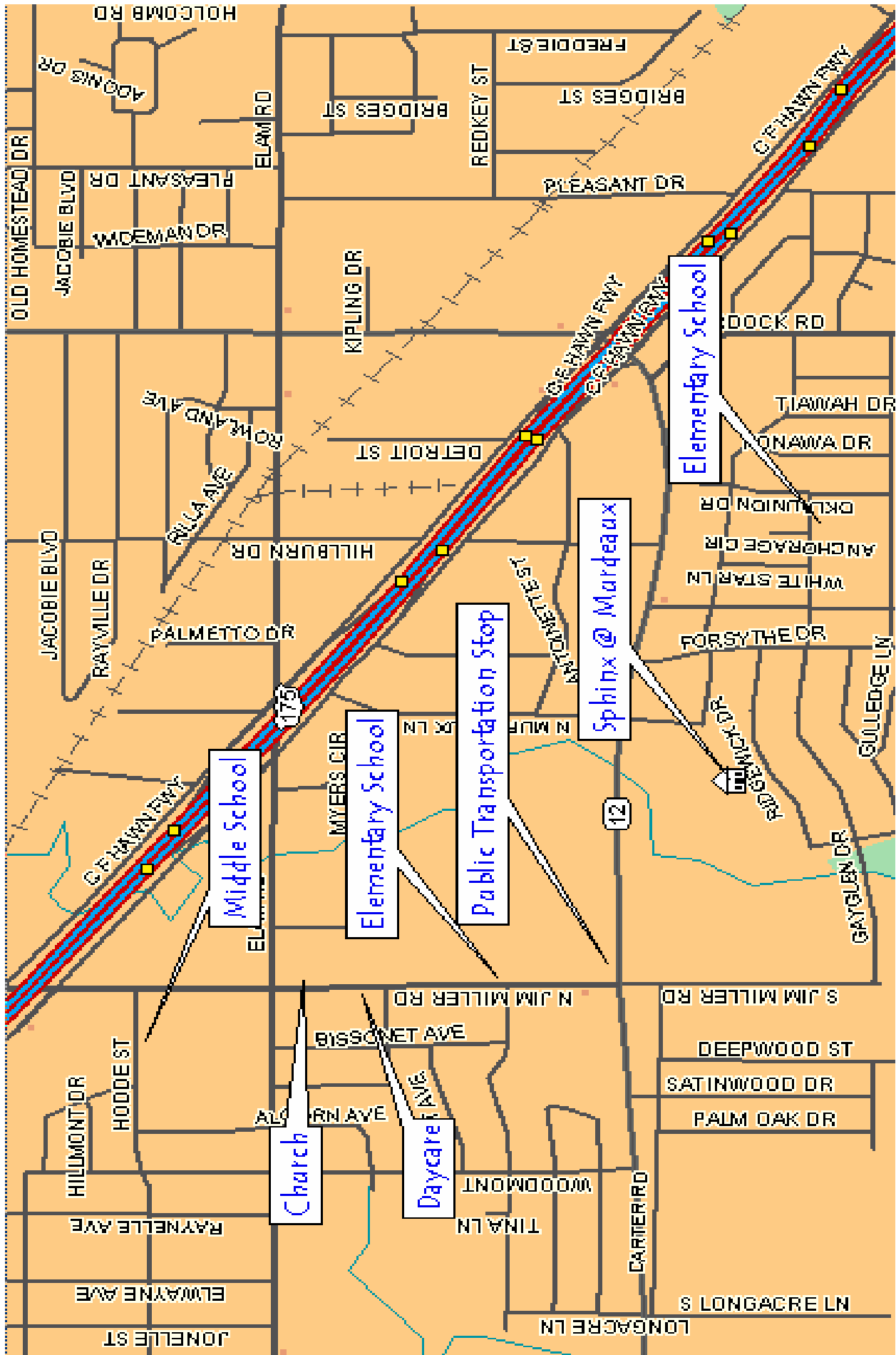
183

30

Arlington

360

20



Developer Evaluation

Compliance Status Summary

Project ID #: 02469

LIHTC 9% LIHTC 4%

Project Name: Sphinx @ Murdeaux

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 0

total # monitored 0 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/20/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 2 /6 /2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 2 /7 /2003

Executive Director: _____ **Date Signed:** _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2003
SPHINX AT MURDEAUX APARTMENTS

PUBLIC HEARING

Auditorium
E.B. Comstock Middle School
7044 Hodde
Dallas, Texas

March 24, 2003
6:35 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Eugene Thomas	5
The Rev. H.J. Johnson	6
Mildred Pope	9
Jim Flood	10
Mary Potter	13
Dianne Gibson	14
Constance McMillian	17
Earnestine McMillian	20

P R O C E E D I N G S

MS. MEYER: I'm going to read a short speech for the record, and then I'll start the hearing for public comment at that time.

Again, my name is Robbye Meyer, and I would like to proceed with the public hearing. Let the record show that it is 6:35, Monday, March 24, 2003, and we are at the E.B. Comstock Middle School, located at 7044 Hodde in Dallas, Texas 75217.

I'm here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issuance of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding the development will be made at this hearing. There are no department board members present. The department's board will meet to consider the transaction on April 10 of 2003 upon recommendation by the Finance Committee.

In addition to providing your comments at this

hearing, you're also invited to provide public comment directly to the Finance Committee or to the board at their meeting.

The department's staff will also accept written comments via facsimile at 512-475-0764, up until five o'clock on March 28.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed 13,400,000, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will belong to Murdeaux Villas LP or a related person or affiliate entity thereof to finance a portion of the costs of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 240-unit multifamily residential rental development to be constructed on approximately 18 acres of land located at the 7400 block of Murdeaux and Loop 12 in Dallas, Dallas County, Texas.

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

I'd now like to open the floor for public

comment. The first person I have is Eugene Thomas.

MR. THOMAS: Thank you for this opportunity, and thank you for coming down to hear our comments concerning the project that's at hand. My name is Eugene Thomas. I live at 5654 Winding Wood Trails, Dallas, Texas. I'm also the chairman of the Southeast Dallas Land Use Study.

I just want to come here this evening and say to you that we are in support of this project based on their track record and based on their ability to work with the community, as they have done over the past few weeks.

Our land use study has pointed out several factors that were very pertinent and very needed in this community, and that was housing. Housing was of a major issue here. We have not had any development in this area for over the past 40 years.

We've just received one development; now we have a second development coming into our neighborhood that we are really in support of. We think that this project will be very beneficial to the community, based on the fact that, number one -- you'll be hearing from them later -- Pleasant Wood/Pleasant Grove Community Economic Development Corporation is very instrumental and a catalyst for this development and other developments that

are brought here in the community.

They have allowed themselves to be a part of this project and to help oversee this project, along with the developers; they've been very open and very candid in what they want from us and also from the community from them.

We find that is a win-win situation for the community. If this property or this land was left to the hands of private developers, this community would not have the ability to have any input to this development, so we are very pleased and very excited that this project is coming to the community and that we will have some type of participation in this project.

We ask that you take our comments and support this project 100 percent.

MS. MEYER: Thank you.

MR. THOMAS: Thank you.

MS. MEYER: Reverend Johnson.

REV. JOHNSON: Thank you. Let me thank you, number one, for coming down and being a part of this discussion on this much-needed project in this particular area.

I am Reverend H.J. Johnson, pastor of Cathedral of Faith Baptist Church here in this area, only about

three blocks away from here. And of course I chair the Pleasant Wood/Pleasant Grove Community and Economic Development Corporation, which also was a very definite part of the Pemberton Hill project just a few blocks down Loop 12.

And we are excited about Sphinx project, because it's going to enhance our ability to bring what we call very up-to-date housing in this particular area. I think Eugene, who has stated earlier, as chair of the land use study -- southeast land use study -- a supporter of our study with the city of Dallas and the city staff, to look into this area to see what we could do to raise the quality of life for persons who would live here in this area.

And, of course, the CDC is a self-determining organization, which gives the citizens of a particular area the ability to choose and make decisions on their own.

We have been a part of the development of this community for ridding it of much of the crime that existed in this area some 12, 13 years ago. And, of course, I think Eugene also mentioned that the housing in this particular area is more than 40 years old, with the exception of the latest project, which is, again, the

Pemberton Hill project.

We have worked with several citizens in the area to make sure that there is input and a desire to raise the quality of life in this area. We've talked to our city council persons, and they are in support: Councilman Don Hill and Councilman James Fantroy, all of which support this. And I think you'll hear from some other state reps here a little bit later on.

But it is our desire to have you support this particular project, because of the fact that it's going to enhance the community in several ways, and I was glad to hear you speak of the part of this project which is quite different and it's a great amenity to be given to this community, which is the park.

And, of course, being part of the city of Dallas as a volunteer, then I know this is a great thing in this community to have a real decent park where the citizens of this area can go and enjoy themselves in a very protected and safe manner.

And so we would, again, ask for your support for this particular project. I know it's going to help to enhance the housing in the area, where we have so many what I call dilapidated apartment complexes in the area.

It's good, it's refreshing, to see this kind of

new development come in and the style, and I'm concerned and happy and elated and joyful because of the fact that it's going to have a community center within that project that would allow us to have the kind of meeting space we need to have in this community without harassment and that kind of thing.

So let me say, again, Ms. Meyer, I don't know the latest name, but you and I have been on projects before, but let me ask for your absolute, complete support and your recommendation to the housing department in Austin, Texas.

Thanks again for coming this way, and we appreciate you. Hope we can bring you back real soon for another development in the area. Thank you.

MS. MEYER: Thank you.

Mildred Pope?

MS. POPE: I'm Mildred Pope, and I'd like say this evening -- kind of piggyback on what Rev. Johnson said, that I'm in complete support of this housing units here, because, number one, I think they will enhance the community; I know they will.

It's been some 40-plus years since there's been any development in this community. I will say it's really past time for this type of endeavor in the Pleasant Grove

area.

But, you know, one other thing I'd like to just say: I just wish -- if I had my little magic wand that I could wave, well, then I would like for it to be mixed use, for the simple reason those are the kinds of things that will really indeed enhance our community, because if everybody goes to affordable housing, we need that, but we also need housing that everybody can fit into so that we can maintain the professionals in our community, because our young professionals leave our community, and I'm saying there's no need for that. But if there's anything you can do as respects this hearing today, please let them know in Austin that the people in this community need this project, and I'm in support of it 100 percent.

And when I heard you say that he was donating a bit of land for the park, you really got my ear, because I'm former park board member, so that really let me know that I needed to be in support.

Thank you.

MS. MEYER: Thank you.

Jim Flood?

MR. FLOOD: My name is Jim Flood, F-L-O-O-D, and I live at 221 South Acres Drive, Pleasant Grove 75217.

I want to thank you for allowing us the

opportunity to speak. I am definitely in favor of affordable housing. That's a big problem in the city limits of Dallas, is affordable housing.

I am in favor --

(Technical difficulties with audio equipment.)

MS. MEYER: Okay. You're going to have to speak up, because now we don't have it at all.

MR. FLOOD: I heard some comments made about this will enhance the community. I think this will -- this particular design -- well, first of all, I am in favor of affordable housing. This particular design stinks. The Sphinx stinks.

The -- it destroys a lot of the natural character of Southeast Dallas. The natural character of Southeast Dallas -- you can drive -- you can go over down Long Branch into that area and see how those houses were built within the natural character of the landscape. They kept the existing trees around the structures that were constructed over there.

The -- I asked -- there is something called conservation design and -- are you familiar with that?

MS. MEYER: So-so.

MR. FLOOD: Can you answer questions or can I just --

MS. MEYER: You need to make your comments, and we'll have questions after the hearing.

MR. FLOOD; Oh, okay. One of my concerns with this design, as I said before, was the destruction of the natural character of Southeast Dallas. Another concern is the runoff into Elam Creek.

As everyone around here knows, you can just -- you can go down to the end of Jim Miller Road and there is a illegal dump down there that went on for years and years, and it's still there, and as far as I know, it's going to stay there. I was told by Don Hill himself that they were not going to clean that up.

There is a -- what -- this kind of cluster housing development should be put on property that's already been stripped of its natural character. We need -- instead of destroying the character of Southeast Dallas, we need to design and maintain that character.

You cannot replace a 200-year-old tree; there's no way -- your grandchildren and great-grandchildren can enjoy these trees that are out here right now if the design is done with conservation in mind.

I do have concerns about the long term as a rule: 30 years is the maximum life expectancy for apartment housing, so, you know, maybe in that 20- or 30-

year period that will be -- you know, maintenance will be top-notch, but what's going to happen after that?

One of the things that builds a community and creates long-term community are single-family housing that generation after generation after generation buys and maintains and keeps up. And the neighborhood and the quality of life continues on.

And I guess the other things are -- I've got questions, so I guess that will be --

MS. MEYER: Okay.

MR. FLOOD: So my big concern is the quality of this design, and I think a lot more work has to be done with this. Okay. Thanks.

MS. MEYER: Thank you for your comments.

Mary Potter?

MS. POTTER: Thank you. My name is Mary Potter. I've lived here for 23 years. I taught in the Dallas Independent School District for 26 years in this area, and I'm very familiar with Comstock Middle School, with the high schools, with Fred Douglass Elementary School; with W.A. Blair, which is the school that these children would be attending.

And because I have been a teacher for so long -- or was; I'm retired now; God bless -- I know that

effect on the schools of high-density apartments. I've seen many, many schools in the district lose academic standing when apartments were built.

We are already dense in apartments, and in the time I've been living here, which is less than 40 years, there's been a major apartment development on Loop 12.

So my concern is that adding 240 units of families would negatively impact W.A. Blair, which would be the school that those kids would go to. It would negatively impact Fred Douglass; it would negatively impact Burleson up here if they went here. It would be a while before those kids got to Comstock, probably, and to Spruce, but it would not be good for those schools.

W.A. Blair already has about six portables; they're already crowded. All these schools are low-performing schools. There is not an -- except maybe Fred Douglass, which only is K-2. There is not a high-academic-achievement school in this area, and my primary concern, although I have a lot of concerns -- this is a high-crime area; 75217 gets very poor city services. There is very poor code enforcement. Trash is not picked up; you can't get a cop to your house when you need one.

Nevertheless, my concern is for the schools, and I think it would be bad for the children who live in

these apartments; I think it would be bad for the schools that receive these children, and according to the Dallas Morning News, the Dallas Independent School District has fallen, as many school districts have, several million dollars short of their projected income, so there's not going to be any money to build new schools and hire new teachers.

Thank you.

MS. MEYER: Thank you for your comments.

Dianne Gibson.

MS. GIBSON: Hello. My name is Dianne Gibson.

I'm a representative of Commissioner John Wiley Price, county commissioner, District 3, whose district falls in this area, so I'm going to wear two hats, but I'm also representing the Dallas Urban League, which is a social service nonprofit organization.

And I stand, not only as a representative from both of those agencies, but as a representative myself, as a part of the community, that stands in support of this.

I do have to comment, though, that Sphinx development nor any other development, has anything to do with kids failing in school. Downtown district is booming with new apartments all over the place; the downtown district has built at least 20-some-odd complexes within

the next area. Those complexes come with kids; those schools are not failing.

I mean, teachers is the problem with kids failing. The one good thing about this area is that, working in the clubhouse, working with Libby Lee [phonetic], who also have a 75216, 75217 after-school tutoring program, which one of those programs are already being administered in one of the complexes here now -- that program will also be done here in this unit as well.

So you can't put new development on kids falling in school -- or failing in school. If we get out and go to the polls and vote, we can get a bond election that will build bigger schools, larger schools, and better schools. So we can't put that on the fact that we don't have money.

You call your councilperson; you get the code enforcement. A developer has nothing to do with code enforcement. Also, with the trees and reservation for trees, there was trees downtown, there was trees in North Dallas, nobody preserving them.

You have a tree ordinance that even before you begin with the city, you have to meet those requirements.

So the bottom line is that, look, with new growth there comes new development, and we can't all have everything

that we want, so we're going to have to sacrifice something.

So if sacrificing affordable house for a tree for a child in safe affordable housing, I'd much rather have safe and affordable housing than a tree. It may be 200 years old, but that child needs an opportunity the same way we gave that tree an opportunity.

And, yes, there are other apartment complexes here; crime district is high in 75217. But the problem here is that you don't have security, and I don't think parents, because they're poor, should have to sacrifice safe and secure environment.

I feel like everybody can't afford to buy a home, so until then, with the Urban League, what we're willing to do is work with them and transition them from being renters to one day being a homeowner. But there's a step to that, there's a requirement to that.

But I feel like if we put a person in a better home, a better quality of home, you get a better surrounding, and that child will feel better about himself, knowing that he is coming to an environment that look like this.

It may not be a home, but what child wouldn't like having to come to apartment complex? So if you feel

good, look good, and he has a mentoring program, maybe, now maybe, his education level will increase.

And as far as overcrowding, as long as there's reproduction in the world, there's going to be overcrowding.

MS. MEYER: Thank you for your comments.

Constance McMillian.

MS. C. McMILLIAN: I'm Constance McMillian. I live in this district going on ten years. I'm both for and against. And where I work at, where she's talking about the development of that, that's fine, too, but I have a problem.

Are we going to sit here and say we're going to put a lot of Section 8 public housing in here? Is that what's going to be going on here?

MS. MEYER: No. This is not Section 8 public housing. I assure you this is not Section 8 public housing.

MS. C. McMILLIAN: Because where I work at, let me tell you, public housing and Section 8 people, they only pay from a dollar to \$14 on they rent, while everybody else out here pays from a thousand and above in house notes.

These people, some of these who don't want to

work, not even trying to find a job, but they lay on the system. Your tax money go up, and I'm tired of my taxes going up three and four times, you know, for somebody else to have a place to live.

It's all right for them to have a place to live, but not totally at my expense. I'm sick and tired of that there. You talking about putting these in here, that's nice, but they look like projects to me. Whatever they say, they look just like projects, and this is the reason why I'm asking: Are they going to be Section 8 public housing, or how much rent are they going to tend to pay, or are we just putting people here who's not going to pay tax? That's another problem we have in this district.

Not just the schools -- the schools -- like you said, the teachers -- I don't fault you there, and they will be overcrowded if we put these kids in here and the school's not built.

But I have a problem when it comes to my tax money -- already been four times -- everybody in this community know your tax went up four times. I'm paying almost \$2000 for a house, and I do not appreciate if they put a Section 8 public housing here who don't pay rent, who will not do anything.

I work for a company who does this. I'm still

uncomfortable. And I know -- I do not appreciate putting people who don't want to work, not trying to find a job, but they going to lay on the system. They can get everything they want, go to any kind of food stamp and get a thousand dollars for that, pay only a dollar for their house, live better than I do, and I'm out here with two durn jobs. I do not appreciate it.

All that's good, Reverend, but, please, let's make sure we don't put no what I just said in here. And the reason why everybody fights these kind of stuff like this is it is crime; when nobody works, what you going to do? When no one works, they going to go to crime.

Thank you, and I want to give you this.

MS. MEYER: Thank you. I'll pick it up. You can set it right there.

REV. JOHNSON: I can't answer yet?

MS. MEYER: I don't have anybody else that is checked yes. Is there anybody else that would like to speak, that you've changed your mind?

Is there anybody else that would like to speak.

MS. E. McMILLIAN: I didn't sign your list. I'm Earnestine McMillian.

MS. MEYER: Okay.

MS. E. McMILLIAN: My question: Are those

apartments or houses?

MS. MEYER: They're apartments. It's multifamily.

MS. E. McMILLIAN: Is it low-income or just regular standard family?

MS. MEYER: It's low and moderate income, It services families of actually 60 percent of the area median income, but they're capped at the 50 percent.

MS. E. McMILLIAN: Okay. So they can get public assistance. Right?

MS. MEYER: They can get -- they can, yes.

MS. E. McMILLIAN: That's what everybody kind of upset over. No problem. Thank you.

MS. MEYER: Okay.

(Discussion among audience members.)

MS. MEYER: Okay. Is there anybody else that would like to speak?

(No response.)

MS. MEYER: I'm going to adjourn the hearing, and then we'll have questions, and if you have any other comments -- I mean, as far as questions and answers, the developer is here, and also if you have any questions for the department of housing, I'll be glad to answer any questions that I can.

I'm going to adjourn the hearing, and it is now
7:03.

(Whereupon, at 7:03 p.m., the hearing was
concluded.)

(Whereupon, the hearing was concluded.)

C E R T I F I C A T E

IN RE: Sphinx at Murdeaux Apartments
LOCATION: Dallas, Texas
DATE: March 24, 2003

I do hereby certify that the foregoing pages, numbers 1 through 24, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Debi Eaton before the Texas Department of Housing and Community Affairs.

(Transcriber) 03/29/03
(Date)

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



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Sphinx at Murdeaux**

TDHCA#: 02469

DEVELOPMENT AND OWNER INFORMATION			
Development Location:	Dallas	QCT: Y	DDA: N TTC: N
Development Owner:	Murdeaux Villas, LP		
General Partner(s):	SDC Murdeaux, LLC, 100%, Contact: Jay Oji		
Construction Category:	New		
Set-Aside Category:	Tax Exempt Bond Bond Issuer: TDHCA		
Development Type:	Family		
Annual Tax Credit Allocation Calculation			
Applicant Request:	\$973,846	Eligible Basis Amt:	\$973,584 Equity/Gap Amt.: \$1,056,610
Annual Tax Credit Allocation Recommendation: \$973,584			
Total Tax Credit Allocation Over Ten Years: \$ 9,735,840			

PROPERTY INFORMATION			
Unit and Building Information			
Total Units:	240	LIHTC Units:	240 % of LIHTC Units: 100%
Gross Square Footage:	277,012	Net Rentable Square Footage: 272,864	
Average Square Footage/Unit:	1137		
Number of Buildings:	14		
Currently Occupied:	N		
Development Cost			
Total Cost:	\$23,695,315	Total Cost/Net Rentable Sq. Ft.: \$86.84	
Income and Expenses			
Effective Gross Income: ¹	\$2,099,303	Ttl. Expenses:	\$980,002 Net Operating Inc.: \$1,119,301
Estimated 1st Year DCR:	1.08		

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Innovative Management
Attorney:	Shakelford, Melton & MCKI	Architect:	Humphreys & Partners Architects
Accountant:	Thomas Stephens, LLC	Engineer:	Viewtech Civil Engineers
Market Analyst:	Apartment Market Data	Lender:	Malone Mortgage Company
Contractor:	Glenn Lynch Companies	Syndicator:	Lend Lease Real Estate Investments

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Royce West, District 12 - NC
# in Opposition: 0	Rep. Helen Giddings, District 109 - NC
	Mayor Laura Miller - NC
	Jerry Killingsworth, Director, Housing Department, City of Dallas; Consistent with the Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. If the terms of the financing and/or syndication change from those indicated herein, the recommendations of this report should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable).

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

Date

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

**Low Income Housing Tax Credit Program
Board Action Request
April 10, 2003**

Action Item

Request review and possible approval of three (3) four percent (4%) tax credit applications with TDHCA as the issuer.

Recommendation

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

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
02469	The Sphinx at Murdeaux	Dallas	TDHCA	240	240	\$23,695,315	\$15,085,000	\$973,584
02488	Hillery Garden Villas	Burleson	TDHCA	272	272	\$21,763,797	\$12,950,000	\$0
03401	West Virginia Apartments	Dallas	TDHCA	204	204	\$17,519,387	\$9,450,000	\$686,961

LOW INCOME HOUSING TAX CREDIT PROGRAM

BOARD ACTION REQUEST

March 31, 2003

Action Items

Request approval of a policy that will enable developments with funding from TX-USDA-RHS that are experiencing foreclosure or loan acceleration to be submitted to the Board for recommendation for a forward commitment of low income housing tax credits from the 2004 credit ceiling.

Required Action

Approval of attached policy.

Background and Recommendations

At the March 2003 Board Meeting, the Board asked that revisions be made to the policy so that Applicants must submit Volume IV of the Application reflecting their selection criteria. This revision has been made.

During the 2003 QAP public comment period, TDHCA staff garnered public input on many issues. A half-day meeting was held in Temple, TX with representatives from TDHCA, Office of Rural Community Affairs (ORCA), Rural Rental Housing Association (RRHA), United States Department of Agriculture Rural Housing Services (RHS) and several rural LIHTC developers. The meeting was held to discuss pressing rural issues as they related to the LIHTC program. One recurring issue was the dilemma associated with RHS developments facing foreclosure or loan acceleration that have missed the LIHTC filing deadline, but need assistance prior to the following year's credit cycle. These developments were termed rural "rescue" developments. It was suggested at the time that these rescue developments be able to request credits any time in a calendar year and be granted a forward commitment from the following year's credits. Based on these discussions, the following language was added to the 2003 QAP:

"The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the 2003 calendar year."

This language allows TDHCA to allocate credits to a set-aside that is generally undersubscribed. By allowing these credit applications, and awards, for this type of development, the Department will better be able to meet the needs of rural low income Texans. The QAP language grants the Board the authority to enact this process; however the specific details of how these requests would be handled has not yet been determined. The attached policy outlines the steps that will be taken upon receipt of one of these requests.

Low Income Housing Tax Credit Program
Policy for Granting Forward Commitments to Rural “Rescue” Developments

I. Introduction

§49.10(c) of the 2003 Qualified Allocation Plan and Rules (QAP) states: “The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the 2003 calendar year.” This language was included in the QAP so that RHS developments facing foreclosure or loan acceleration or which are otherwise in danger of default and foreclosure, that missed the LIHTC filing deadline, would still have an opportunity to receive credits without a delay until the following year’s credit cycle. These developments are termed rural “rescue” developments.

Because the QAP did not include the details of how these requests, and awards, would be handled, this policy provides the procedures for application, staff review and recommendation specifically for rural “rescue” developments.

II. Definitions

All definitions used in this policy are definitions found in the QAP.

III. Eligibility

Applications must:

1. be funded through RHS; and
2. must be able to provide evidence that the loan is either being foreclosed or accelerated or in imminent danger of either.

IV. Procedures for Intake and Review

1. Applications for rural rescue deals may be submitted between February 28, 2003 and October 31, 2003 and must be submitted in accordance with §49.22 of the QAP. A complete Application must be submitted at least 60 days prior to the date of the Board meeting at which the Applicant would like the Board to act on the proposed Development. Applications must include the full Application Fee of \$20 per Unit as further described in §49.21(c) of the QAP. Applicants must submit documents in accordance with the procedures set out in the 2003 Application Submission Procedures Manual for Volumes I, II, III and IV. ~~Volume IV, evidencing Selection Criteria, MUST be submitted. will not be required.~~
2. Applicant’s do not need to participate in the Pre-Application process outlined in §49.8 of the QAP, nor will they need to submit pre-certification documents identified in §49.9(d) of the QAP.
3. Application will be reviewed to confirm that the Application is eligible under §§ 49.5 and 49.6 of the QAP and to ensure that the Application is eligible as a rural “rescue” Development as described in paragraph III of this policy.
4. Applications will be reviewed for Threshold Criteria as further described in §49.9(e) of the QAP, Applications that satisfy the Threshold Criteria will then be scored according to the Selection Criteria outlined in §49.9(f) of the QAP. however they will not be required to submit, or be evaluated under any Selection Criteria outlined in §49.9(f) of the QAP. As described under §49.3(1) of the QAP, applicants will be notified of Administrative Deficiencies to ensure that a complete Application has been submitted.

5. After the Application is found to meet all Threshold Requirements and a score assigned to the Application, the Application will be evaluated by the Real Estate Analysis Division and the Portfolio Management and Compliance Division in accordance with §§ 49.9(c)(4) and (5).
6. Prior to the Development being recommended to the Board, RHS must provide TDHCA with a copy of the physical site inspection report performed by RHS, as provided in §49.9(c)(6) of the QAP.
7. Consistent with §49.2 of the QAP, the Office of Rural Community Affairs (ORCA) will be actively involved in the review of the application.

V. Procedures for Recommendation to the Board

Consistent with §49.9(h) of the QAP, staff will make its recommendation to the Executive Award and Review Advisory Committee (“The Committee”). The Office of Rural Community Affairs (ORCA) will be in attendance at these meetings and give feedback on the proposed recommendation. The Committee will make commitment recommendations to the Board. Staff will provide the Board with a written , documented recommendation to the Board which will address at a minimum the financial or programmatic viability of each Application and a breakdown of which Selection Criteria were met by the Applicant. The Board will make its decision based on §49.10(a) of the QAP.

Any awards made to a rural “rescue” Development will be credited against the Rural Set-Aside, and more specifically the TX-USDA-RHS Set-Aside, for the 2004 Application Round. For purposes of allocating based on the regional allocation formula, any award made to a rural “rescue” Development will also be credited against the region in which each Development is located for the 2004 Application Round.

VI. Applicability

All Developments submitted under this policy are subject to all rules, definitions, policies and deadlines of TDHCA, as more specifically outlined in the Qualified Allocation Plan and Rules and the Underwriting Rules and Guidelines, except as specifically excepted above.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Edwina Carrington, William Dally
FROM: Brooke Boston
DATE: March 31, 2003
SUBJECT: Estimated Cost Associated with MOU with ORCA

In follow up to the Board's request, I am providing an estimate of the costs associated with the MOU with ORCA.

For purposes of calculating costs, estimates were made of the time it takes to do specific tasks for LIHTC staff in the past. These estimates are for the 2003 cycle and include work on the 2004 QAP. Due to uncertainty of the pay classification of those individuals doing the above mentioned work, I have estimated a salary of \$40,000, at an hourly rate of \$19.20. This estimate hopefully includes the spectrum of managers/directors that attend EARAC meetings and the other professional staff performing scoring and site visits. This estimation assumes activity in the 2003 cycle and in preparation for the 2004 cycle.

- Ø Give input into the QAP rule-making process, as it relates to the Rural Set-Aside. An ORCA staff member currently attends, and prepares for, at least one meeting a month of the 2004 QAP Working Group. (8 hours per month for 10 months=80 hours)

Estimated cost: 80 hours x \$19.20 = **\$1,536.**

- Ø Assist with the evaluation of the applications for the Rural Set-Aside. For 2003, ORCA staff is doing the first review on all pre-applications and applications in the Rural Set-Aside. There were 45 pre-applications in the rural set-aside that took approximately 30 minutes to review per development (45 x 30 mins. = 22.5 hours). There were 28 full applications and one application review generally takes 4 hours (28 x 4 hours = 112 hours). Additionally, there were 8 hours of training. Total estimated time spent is 142.5 hours.

Estimated cost: 142.5 hours x \$19.20 = **\$2,736.**

- Ø Attend application hearings: There are five hearings in 2003 across the state. There will also be at least 5 QAP hearings in the fall. At an estimated cost of \$100 per trip for travel this would be \$1,000; plus the staff hours of 8 hours per trip so 80 hours total.

Estimated cost: (80 hours x \$19.20) + \$1,000 = **\$2,536.**

- Ø Perform site inspections for applications: Visits are only required on the Rural Developments that are not in the USDA set-aside. TDHCA gets the site inspection report from USDA. A rough estimate of \$100 per visit for travel expenses was used. There are 16 non-USDA applications so at \$100 per visit, the estimated travel cost would be \$1,600. This figure attempts to balance out the more costly trips with those visits where an ORCA field office can do the work. This estimated also assumes a conservative figure of one work day per visit adds 128 hours.

Estimated cost: (128 hours x \$19.20) + \$1,600 = **\$4,057.**

Ø Attendance at EARAC meetings: It is estimated that attendance would be needed in at least 4 of these meetings lasting roughly 3 hours each. Estimated time: 12 hours.
Estimated cost: 12 hours x \$19.20 = **\$230.**

Ø Joint outreach and capacity building. It is uncertain at this time what this will entail or the time commitment involved, however, an estimated 16 hours a month for 10 months is suggested.
Estimated cost: 160 hours x \$19.20 = **\$3072.**

Each of these categories together derives a total estimated cost to ORCA of \$14,167. These estimates assumed that ORCA staff could perform these tasks in the same amount of time as TDHCA staff, which may therefore cause the numbers to be slightly low.

In accordance with the MOU, the most reimbursement ORCA can receive from TDHCA for their expenses associated with administering their responsibilities under the MOU is 50% of the total application fees received on applications in the Rural Set-Aside. For 2003, there were 28 applications in the Rural Set-Aside reflecting a total credit request of \$8,939,117 and 1,515 units. The application fee for 2003 is \$20 per unit. The total fees received for the Rural Set-Aside (1,515 units x \$20 per unit) are therefore, \$30,300, of which ORCA is able to receive no more than half, \$15,150.

Therefore, while the estimated fiscal impact is \$14,167, the maximum fiscal impact on TDHCA for implementing this MOU is \$15,150.

**INTERAGENCY CONTRACT BY AND BETWEEN
THE OFFICE OF RURAL COMMUNITY AFFAIRS AND
THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

SECTION 1. PARTIES TO THE CONTRACT

This contract and agreement is made and entered into by and between the **Office of Rural Community Affairs**, an agency of the State of Texas, hereinafter referred to as “ORCA,” and the **Texas Department of Housing and Community Affairs**, an agency of the State of Texas, hereinafter referred to as “TDHCA,” pursuant to the authority granted and in compliance with the provisions of the Interagency Cooperation Act, Chapter 771, Texas Government Code, and Section 2306.6723, Texas Government Code.

SECTION 2. PERIOD OF PERFORMANCE

This contract shall commence on September 1, 2002 and shall terminate on August 31, 2003, unless otherwise specifically provided by the terms of this contract.

SECTION 3. CONTRACT PERFORMANCE

A. Joint Performance. TDHCA and ORCA shall during the period of performance specified in Section 2 of this contract jointly administer any set-aside for rural areas established by TDHCA under the Low-Income Housing Tax Credit (LIHTC) program to ensure the maximum use and optimum geographic distribution of housing tax credits in rural areas and to provide for information sharing, efficient procedures, and the fulfillment of development compliance requirements in rural areas. TDHCA and ORCA shall jointly adjust the regional allocation of federal low-income housing tax credits to offset the under-utilization and over-utilization of multifamily private activity bonds and other housing resources in the different regions of the state of Texas. In addition, TDHCA and ORCA shall jointly implement an

outreach and training program to promote rural area capacity building and the maximum use and dispersal of tax credits in rural areas. If the staff of TDHCA and ORCA disagree on the tax credit allocations to be recommended, and the disagreement cannot be resolved by further staff discussion, each staff may make separate allocation recommendations.

B. TDHCA Performance. TDHCA shall train ORCA staff, as needed, on site inspection requirements and LIHTC application threshold and scoring review.

C. ORCA Performance ORCA shall perform the following activities:

1. ORCA shall assist TDHCA in developing all threshold, scoring, and underwriting criteria applied to applications eligible for the LIHTC rural set-aside. Such criteria shall be approved by ORCA. Pursuant to Section 2306.6724(a) of the Texas Government Code, the TDHCA Board must adopt the qualified allocation plan (“QAP”) which includes threshold and scoring criteria not later than September 30 each year. Prior to September 30 each year, the TDHCA Board and ORCA Executive Committee shall hold a joint workshop to discuss the proposed QAP. At the workshop, the ORCA Executive Committee shall provide its input on the threshold and scoring criteria applied to applications eligible for the LIHTC rural set-aside. Underwriting criteria no longer in the QAP will also be discussed at this joint workshop, or in a separate joint workshop.
2. ORCA shall participate in the site inspections of all projects proposed under the rural set-aside. ORCA staff assigned to perform such inspections shall have completed sufficient training to enable them to perform the inspections.
3. ORCA shall assign a representative to attend LIHTC public hearings relating to the Qualified Allocation Plan and other application requirements and to participate in TDHCA’s executive award and review advisory committee meetings in which recommendations relating to the allocation of tax credits to rural set-aside applicants is discussed.
4. ORCA shall assist TDHCA in developing and negotiating the Memorandum of Understanding between TDHCA and the U.S. Department of Agriculture relating to the administration of the Rural Development sub set-aside within the LIHTC rural set-aside.

SECTION 4. TDHCA FUNDING OBLIGATIONS

From the total amount of LIHTC application fees collected by TDHCA during the most recent allocation cycle from applicants for the rural set-aside, ORCA shall be reimbursed for any costs incurred in carrying out the requirements of this contract in an amount not to exceed 50% of the

application fees received from such applicants. TDHCA's maximum amount of liability under this contract shall not exceed such amount and will be provided on a reimbursement basis. ORCA shall submit a statement to TDHCA on a monthly basis that provides a detailed description of the work performed and hours spent on such work, including the names of the employees performing the work.

SECTION 5. AMENDMENTS AND CHANGES

Any alteration, addition or deletion to the terms of this contract shall be by amendment hereto in writing and executed by both parties hereto except as may be expressly provided for in some other manner by the terms of this contract.

SECTION 6. POLITICAL ACTIVITY

None of the activities or performances rendered hereunder by TDHCA or ORCA shall involve any political activity, including but not limited to any activity to further the election or defeat of any candidate for public office, or any activity undertaken to influence the passage, defeat, or final contents of legislation.

SECTION 7. SECTARIAN ACTIVITY

None of the activities or performances rendered hereunder by TDHCA or ORCA shall support any sectarian or religious activity.

SECTION 8. ORAL AND WRITTEN AGREEMENTS

All oral or written agreements between the parties hereto relating to the subject matter of this contract that were made prior to the execution of this contract have been reduced to writing and are contained herein.

SECTION 9. TERMINATION

- A. This contract may be terminated prior to the date specified in Section 2 of this contract only upon 14 days written notice from one party to the other.
- B. Upon notice of termination, ORCA shall no longer be reimbursed for any costs hereunder.

WITNESS OUR HANDS EFFECTIVE

Signed: _____
Robt. J. "Sam" Tessen, MS
Executive Director, Office of Rural Community Affairs

Approved and accepted on behalf of the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, an agency of the STATE OF TEXAS.

Signed: _____
Edwina P. Carrington
Executive Director, Texas Department of Housing and Community Affairs

**Low Income Housing Tax Credit Program
Board Action Request
April 10, 2003**

Action Item

Request review and possible approval of eight (8) four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

Recommendation

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

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
02470	The Shire Apartments	Port Arthur	Jefferson County HFC	310	310	\$14,796,579	\$9,430,000	\$554,837
02471	Southside Villas	San Antonio	San Antonio HFC	280	280	\$19,066,581	\$11,778,525	\$736,847
02474	Quail Creek Apartments	Denton	Denton County HFC	264	264	\$24,884,974	\$15,300,000	\$1,039,028
02476	Wurzbach Manor	San Antonio	Bexar County HFC	161	160*	\$11,482,032	\$8,280,000	\$353,285
02477	The Oaks Apartments III	Dallas	Dallas HFC	280	280	\$20,753,608	13,151,000	\$857,388
02483	Cypress View Villas	Weatherford	Northwest Central Texas HFC	192	192	\$16,452,008	\$10,305,000	\$510,477
02486	The Vistas Apartments	Marble Falls	Capital Area HFC	124	124	\$8,868,318	\$5,000,000	\$386,686
02490	Caspita Apartments	Cedar Park	Capital Area HFC	236	236	\$21,528,226	\$14,942,500	\$628,789

* This Development has one Employee Occupied Unit.



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **The Shire Apartments**

TDHCA#: 02470

DEVELOPMENT AND OWNER INFORMATION			
Development Location:	Port Arthur	QCT: Y	DDA: N TTC: N
Development Owner:	The Shire Apartments, Ltd.		
General Partner(s):	The Shire Apartments GP, LLC, 100% Contact: William P. Wenson		
Construction Category:	Aquis/Rehab		
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Jefferson County HFC		
Development Type:	Family		
Annual Tax Credit Allocation Calculation			
Applicant Request:	\$561,170	Eligible Basis Amt:	\$554,837 Equity/Gap Amt.: \$645,506
Annual Tax Credit Allocation Recommendation:		\$554,837	
Total Tax Credit Allocation Over Ten Years:		\$ 5,548,370	

PROPERTY INFORMATION			
Unit and Building Information			
Total Units:	310	LIHTC Units:	310 % of LIHTC Units: 100%
Gross Square Footage:	307,860	Net Rentable Square Footage: 301,590	
Average Square Footage/Unit:	973		
Number of Buildings:	19		
Currently Occupied:	Y		
Development Cost			
Total Cost:	\$14,796,579	Total Cost/Net Rentable Sq. Ft.: \$49.06	
Income and Expenses			
Effective Gross Income: ¹	\$2,147,516	Ttl. Expenses:	\$1,318,677 Net Operating Inc.: \$828,839
Estimated 1st Year DCR:	1.07		

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Prodige M, LLC
Attorney:	Mark Foster, Esquire	Architect:	White Rock Studio, LLC
Accountant:	Dauby, O'Connor & Zaleski	Engineer:	To Be Determined
Market Analyst:	Cushman & Wakefield of Texas, Inc.	Lender:	Newman & Associates
Contractor:	Daniels Building & Construction, Inc.	Syndicator:	Paramount Financial Group, Inc.

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. David Bernsen, District 4 - NC
# in Opposition: 0	Rep. Joseph Deshotel, District 22 - NC
	Mayor Oscar Ortiz - NC
	Stephen Fitzgibbins, City Manager, City of Port Author; Consistent with the local Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of a supportive services contract .
3. Receipt, review, and acceptance of a revised property appraisal consistent with the revised values assumed in this analysis.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable). _____

Edwina P. Carrington, Executive Director

Date

Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

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

DATE: April 1, 2003

PROGRAM: 4% LIHTC

FILE NUMBER: 02470

DEVELOPMENT NAME

The Shire Apartments

APPLICANT

Name: The Shire Apartments, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 7010 Highway 71 West, Suite 340-354 **City:** Austin **State:** TX
Zip: 78735 **Contact:** William P. Wenson **Phone:** (512) 288-7200 **Fax:** (512) 288-7282

PRINCIPALS of the APPLICANT

Name: The Shire Apartments GP, LLC **(%):** .01 **Title:** Managing General Partner
Name: Paramount Financial Group, Inc. **(%):** 99.99 **Title:** Initial Limited Partner
Name: William P. Wenson **(%):** n/a **Title:** Owner of Applicant & GP

GENERAL PARTNER

Name: The Shire Apartments GP, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 7010 Highway 71 Westm Ste, 340-354 **City:** Austin **State:** TX
Zip: 78735 **Contact:** William P. Wenson **Phone:** (512) 288-7200 **Fax:** (512) 288-7282

PROPERTY LOCATION

Location: 4020 Highway 365 QCT DDA
City: Port Arthur **County:** Jefferson **Zip:** 77642

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$561,170	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>Acquisition/ Rehab</u>			

SITE DESCRIPTION

Size: 14 acres 609,840 square feet **Zoning/ Permitted Uses:** LC- Light Commercial
Flood Zone Designation: Zone B **Status of Off-Sites:** Fully Improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 310 **# Rental Buildings:** 19 **# Common Area Bldgs:** 3 **# of Floors:** 2 **Age:** 32 yrs **Vacant:** 35 at 11/ 30/ 2002

Number	Bedrooms	Bathroom	Size in SF
56	1	1	746
14	1	1	749
24	1	1	660
112	2	2	1,003
40	2	1	1,030
24	2	1	1,320
32	3	2	1,201
8	3	2	1,230

Net Rentable SF: 301,590 **Av Un SF:** 973 **Common Area SF:** 6,270 **Gross Bldng SF** 307,860

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 70% brick veneer/20% Hardiplank siding exterior wall covering with vinyl siding, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting, vinyl & ceramic flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, cable, laminated counter tops

ON-SITE AMENITIES

3,500SF community building with activity room, management offices, laundry facilities, restrooms, central mailroom, swimming pool, equipped children's play area, sports courts, perimeter fencing, limited access gate

Uncovered Parking: 548 spaces **Carports:** 100 spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM TO PERMANENT FINANCING

Source: Newman & Associates **Contact:** Jerry Wright

Principal Amount: \$9,430,000 **Interest Rate:** Fixed rate based upon Bond pricing (6.40% "all in" interest rate for underwriting purposes)

Additional Information: _____

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

Annual Payment: \$707,822 **Lien Priority:** 1st **Commitment Date** 01/ 27/ 2003

LIHTC SYNDICATION

Source: Paramount Financial Group, Inc. **Contact:** Dale E. Cook

Address: 3825 Columbus Rd., SW, Building F **City:** Granville

State: OH **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

Net Proceeds: \$4,0745,754 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 78.5¢

Commitment None Firm Conditional **Date:** 12/ 23/ 2002

Additional Information: _____

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

APPLICANT EQUITY

Amount: \$706,288 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	\$1,200,000	Date of Valuation:	12/ 20/ 2002
Existing Building: as is	\$4,300,000	Date of Valuation:	12/ 20/ 2002
Proposed Land & Building: as completed	\$10,700,000	Date of Valuation:	12/ 20/ 2002
Appraiser: Cushman & Wakefield	City: Houston	Phone:	(713) 961-3700

ASSESSED VALUE

Land (combined):	\$616,720	Assessment for the Year of:	2002
Building (combined):	\$3,736,750	Valuation by:	Jefferson County Appraisal District
Total Assessed Value (combined):	\$4,353,470	Tax Rate:	3.0524

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 05/ 31/ 2003 **Anticipated Closing Date:** 05/ 02/ 2003

Acquisition Cost: \$ 5,500,000 **Other Terms/Conditions:** \$2,794,212.20 for 1st parcel; \$2,705,787.80 for 2nd parcel

Seller: Lamplighter Investments & Lamplighter Ventures **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Shire Apartments (currently named The Lamplighter I and II) is a proposed acquisition and rehabilitation development of 310 units of affordable housing, built in two phases from 1971 through 1973, located in Port Arthur. The development is comprised of 19 residential buildings as follows:

- (3) Building Type A with 8 one-bedroom units (660 sf) and 8 two-bedroom units (1,320 sf);
- (4) Building Type B with 8 one-bedroom units (746 sf) and 8 two-bedroom units (1,030 sf);
- (4) Building Type C with 4 one-bedroom units (749 sf) and 12 two-bedroom units (1,003 sf);
- (1) Building Type D with 20 one-bedroom units (746 sf);
- (4) Building Type E with 8 two-bedroom units (1,003 sf) and 8 three-bedroom units (1,201 sf);
- (1) Building Type F with 8 two-bedroom units (1,030 sf) and 8 three-bedroom units (1,230 sf); and
- (2) Building Type G with 16 two-bedroom units (1,003 sf)

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building located in the second phase of this development. The 3500-square foot community building plan includes the leasing office, a furnished community room, restrooms, and laundry facilities.

Development Plan: The buildings are currently 11% vacant and in a deteriorated state. The architect's scope of work includes: parking lot repairs, exterior siding repairs, repair or replacement of doors and windows, tile work, replacement and/or repair of appliances, air-conditioning and heating replacement, electrical work, and general painting and decorating. The rehabilitation will be phased to minimize displacement of current residents. The Applicant intends to notify all tenants of the change in ownership and the renovation plans. A meeting will be held to answer questions and explain the process to tenants in the next year and a half. No

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

new leases will be signed beginning in April 2003. The interiors of the vacant units will be renovated simultaneously with the exterior work to be performed. As units are being renovated existing tenants will be relocated into new units. The Applicant has budgeted \$75K for tenant relocation.

Supportive Services: No supportive services were indicated in the application to be provided to tenants. However, all 4% tax credit developments are required to have supportive services. Therefore, receipt, review and acceptance of a plan and contract for such services is a condition of this report.

Special Needs Construction: The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. All of the units (100%) will be reserved for households earning 60% or less of AMGI. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$19,680	\$22,440	\$25,260	\$28,080	\$30,300	\$32,580

MARKET HIGHLIGHTS

A market feasibility study dated December 26, 2002 was prepared by Cushman & Wakefield of Texas, Inc. and highlighted the following findings:

Definition of Market/Submarket: The primary market area of the subject has been defined as the city of Port Arthur.

Total Local/Submarket Demand for Rental Units: "The overall apartment market in the Beaumont/Port Arthur area is best described as an older set of properties, built in the 1970s and 1980s that have been maintained at average levels." (p. 10)

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	417	21%	1	0%
Resident Turnover	439	22%	1,418	100%
Other Sources:	1,096	56%	0	0%
TOTAL ANNUAL DEMAND	1,952	100%	1,419	100%

Capture Rate: The Underwriter calculated a concentration capture rate of 29% based upon a supply of unstabilized comparable affordable units of 104 divided by a revised demand of 1,419. Since this is an acquisition/rehabilitation development, which plans to maintain its current tenant base, the capture rate is irrelevant.

Market Rent Comparables: The market analyst surveyed six comparable apartment projects totaling 946

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

units in the market area. (p. 15)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$496	\$496	\$0	\$495	+\$1
2-Bedroom (60%)	\$593	\$593	\$0	\$595	-\$2
3-Bedroom (60%)	\$684	\$683	+\$1	\$685	-\$1

(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: “Occupancy rates range from 89% to 97%, with an average of 94%.” (p. 15)

Absorption Projections: Absorption for the subject is estimated to be 20 units per month.

Known Planned Development: “Currently under construction are the Greens on Turtle Creek, an elderly LIHTC project and Port Arthur Townhouses, an LIHTC project...According to Dale Watson with the City Planning Department, no new permits for multi-family housing have been issued for the Port Arthur area for 2003.” (p. 9-10)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. Although the market analyst provided demand and capture rate estimates based on their own analysis, the Underwriter also calculated the demand and capture rate based on demographic information provided in the market study.

An appraisal of the subject property was performed on December 20, 2002 by Sally Smith of Cushman & Wakefield wherein the market value of the estate is estimated to be \$5,500,000. The current land value is estimated at \$1,700,000 and the value of the existing building is estimated at \$3,800,000. However, the Applicant has indicated that the appraisal has been revised to lower the value of the land to \$1,200,000 and raise the value of the existing building to \$4,300,000. Receipt, review and acceptance of the revised appraisal is a condition of this report.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Port Arthur is located in southeast Texas, approximately 85 miles east of Houston in Jefferson County. The site is a rectangular-shaped parcel located in the northern area of Port Arthur, approximately 2 miles from the central business district. The site is situated on the right side of Highway 365.

Population: The estimated 2001 population of Port Arthur was 58,144 and is expected to decrease by -1.07% to approximately 57,524 by 2006. Within the primary market area there were estimated to be 22,727 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with residential neighborhood, and commercial and retail businesses. Adjacent land uses include:

- **North:** Highway 365, commercial and retail businesses
- **South:** large residential neighborhood
- **East:** commercial and retail businesses
- **West:** church, senior rehabilitation and nursing facility

Site Access: Access to the property is from the north or south from Highway 365. The development has 5 main entries from Highway 365. Access to Interstate Highway 10 is eleven miles west, which provides connections to all other major roads serving the Beaumont area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 2 miles of several major grocery/pharmacies, shopping centers and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 20, 2002 was prepared by Medina

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

Consulting Company, Inc. and contained the following recommendations:

“Based on the results of this assessment, MCC has determined that “No Recognized Environmental Conditions”, as defined by ASTM, were identified in connection with activities at the subject property. Additionally, surrounding properties do not appear to pose a potential environmental concern to the subject site.” (p. 13)

OPERATING PROFORMA ANALYSIS

Income: The current rents for the subject per the submitted rent roll as of November 30, 2002 are less than the maximum tax credit rents the Applicant intends to charge. Current rents for the one-bedroom units are \$390 and \$405 while the maximum LIHTC rent for a one-bedroom unit is \$526. Current rents for the two-bedroom units are \$505, \$520 and \$605 while the maximum LIHTC rent is \$631. The current rent for the three-bedroom units is \$620 while the maximum LIHTC rent is \$729. The differences in the current and maximum tax credit rents would result in additional rental income of \$261K for the Applicant. Additionally, the Applicant’s estimate of \$87.29/unit of secondary income is significantly higher than the TDHCA underwriting guidelines of \$5-\$15/unit. This is due to the Applicant’s addition of \$23,250/unit in utility reimbursement. The Underwriter moved this line item as a source of other income, thus reducing the Applicant’s estimate of secondary income to an acceptable \$12.29/unit. While the Applicant claimed \$279K for utility reimbursement, the Underwriter used the PHA utility allowance of \$136K. For purposes of underwriting this transaction the Underwriter used the PHA utility allowance estimate. Vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant’s total expense estimate of \$4,668 per unit is more than 5% higher than a TDHCA database-derived estimate of \$4,254 per unit even after adjustments were made to several line item estimates based on the subject’s historical operating expenses. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$44K lower), payroll (\$52K lower), repairs and maintenance (\$8K higher), utilities (\$134K higher), water, sewer, and trash (\$53K higher), insurance (\$8K higher) and property tax (\$12K higher).

Conclusion: The Applicant’s estimated income and total estimated operating expense is inconsistent with the Underwriter’s expectations. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25. It should be noted that the seller’s note was not included in the annual debt service because the Applicant indicated that this amount will come out of the development’s cash flow. There appears to be sufficient cashflow to cover the deferred developer’s fee and this extra \$52K in debt service.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$5,500,000 (\$392,857/acre) is substantiated by the appraisal value of \$5,500,000. The appraisal, performed by Sally Smith of Cushman & Wakefield, estimates the land value to be \$1,700,000 and the existing buildings are valued at \$3,800,000. However, the Applicant indicated that a revised appraisal is forthcoming which changes the value of the land to \$1,200,000 and the value of the existing buildings to \$4,300,000. The Underwriter assumed the revised values in this analysis and receipt, review and acceptance of the revised appraisal is a condition of this report. The total 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 \$1,546 per unit are considered reasonable compared to historical sitework costs for rehabilitation projects

Direct Construction Cost: The Applicant’s direct construction cost estimate is substantiated by a work write-up signed by the development general contractor and amounts to \$13.3K per unit.

Interim Financing Fees: The Underwriter reduced the Applicant’s eligible interim financing fees by \$31K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant’s eligible basis estimate. The Applicant also included as eligible the full amount of tax counsel for the bonds when only the portion attributable to the construction period is eligible. The Applicant stated that the ineligible costs are in the permanent financing area and that these items should be reconciled at Cost

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Certification.

Fees: The Applicant included \$150,000 in indirect construction costs for construction oversight which was moved to contractor general requirements. The Applicant's general requirements and contractor's profit exceed the 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs.

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 \$12,834,250 is used to determine a credit allocation of \$554,837 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a bond-financed interim to permanent loan, syndicated LIHTC equity, seller's note and deferred developer's fees.

Bonds: Newman and Associates has offered to provide interim to permanent financing in the amount of \$9,430,000 in tax-exempt bonds. The commitment letter indicates that the bonds shall mature in 30 years. The interest rate on the bonds will be a fixed rate based upon the Bond pricing, plus annual fees. For loan underwriting purposes the "all in" interest rate is estimated to be 6.40% as of the date of the commitment letter.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,458,425 based on a syndication factor of 78%. The funds would be disbursed in a four-phased pay-in schedule:

1. 1st installment (\$2,006,291) upon close of the construction loan;
2. 2nd installment (\$1,827,954) prorata during construction;
3. 3rd installment (\$312,090) upon conversion to permanent loan; and
4. 4th installment (\$312,090) upon receipt of 8609s.

Seller Note: The Applicant's sources and uses of funds statement reflects a \$300,000 seller's note that will have a term of 7 years with a 6% interest rate. The Applicant indicated that this note is a residual receipt note that will come out of the development's cashflow.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$706,288 amount to 42% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$554,837 annually for ten years, resulting in syndication proceeds of approximately \$4,355,038. The Applicant initially anticipated the need to defer \$706,288 in developer fee, but based on the Underwriter's analysis, it is anticipated this amount will be increased to \$711,541. This amount appears to be repayable within 10 years.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional. The existing buildings are two-story structures with mixed brick/wood siding exterior finish. The floor plans appear to offer adequate living and storage space.

IDENTITIES of INTEREST

William P. Wenson is the managing member of the General Partner and principal of the Developer. 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 principal of the General Partner, William P. Wenson, submitted an unaudited financial statement as of December 16, 2002.

Background & Experience:

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

- The principal of the General Partner has completed 3 LIHTC housing developments totaling 628 units since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable range(s).

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$554,837 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of a supportive services contract;
2. Receipt, review, and acceptance of a revised property appraisal consistent with the revised values assumed in this analysis; and
3. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.

Underwriter:

Raquel Morales

Date: April 1, 2003

Director of Credit Underwriting:

Tom Gouris

Date: April 1, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

The Shire Apartments, Port Arthur, #02470

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, Trash
TC60%	14	1	1	749	\$526	\$496	\$6,944	\$0.66	\$30.00	\$28.00
TC60%	24	1	1	660	526	\$496	11,904	0.75	30.00	28.00
TC60%	56	1	1	746	526	\$496	27,776	0.66	30.00	28.00
TC60%	112	2	2	1,003	631	\$593	66,416	0.59	38.00	30.00
TC60%	40	2	1	1,030	631	\$593	23,720	0.58	38.00	30.00
TC60%	24	2	1	1,320	631	\$593	14,232	0.45	38.00	30.00
TC60%	8	3	2	1,230	729	\$683	5,464	0.56	46.00	30.00
TC60%	32	3	2	1,201	729	\$683	21,856	0.57	46.00	30.00
TOTAL:	310		AVERAGE:	973	\$612	\$575	\$178,312	\$0.59	\$36.61	\$29.39

INCOME				Total Net Rentable Sq Ft:	301,590	TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$2,139,744	\$2,126,892			
Secondary Income		Per Unit Per Month:	\$12.29			45,719	45,720	\$12.29	Per Unit Per Month	
Other Utility Reimbursement:						136,176	279,000	\$75.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$2,321,639	\$2,451,612			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(174,123)	(183,876)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$2,147,516	\$2,267,736			

EXPENSES				PER SQ FT	PER UNIT	PER SQ FT	PER UNIT	% OF EGI		
General & Administrative	4.10%	\$284	\$0.29	\$88,004	\$44,000	\$0.15	\$142	1.94%		
Management	5.00%	346	0.36	107,376	117,562	0.39	379	5.18%		
Payroll & Payroll Tax	12.02%	833	0.86	258,230	205,000	0.68	661	9.04%		
Repairs & Maintenance	6.36%	441	0.45	136,645	145,000	0.48	468	6.39%		
Utilities	8.43%	584	0.60	181,114	315,000	1.04	1,016	13.89%		
Water, Sewer, & Trash	9.16%	635	0.65	196,714	250,000	0.83	806	11.02%		
Property Insurance	4.28%	297	0.30	91,959	100,000	0.33	323	4.41%		
Property Tax	3.0524	6.19%	429	132,885	144,873	0.48	467	6.39%		
Reserve for Replacements	4.33%	300	0.31	93,000	93,000	0.31	300	4.10%		
Other Expenses: Compliance & Security	1.53%	106	0.11	32,750	32,750	0.11	106	1.44%		
TOTAL EXPENSES	61.40%	\$4,254	\$4.37	\$1,318,677	\$1,447,185	\$4.80	\$4,668	63.82%		
NET OPERATING INC	38.60%	\$2,674	\$2.75	\$828,839	\$820,551	\$2.72	\$2,647	36.18%		
DEBT SERVICE										
First Lien Mortgage	32.96%	\$2,283	\$2.35	\$707,822	\$722,928	\$2.40	\$2,332	31.88%		
Seller note	0.00%	\$0	\$0.00			\$0.00	\$0	0.00%		
Asset Management	0.70%	\$48	\$0.05	15,000	15,000	\$0.05	\$48	0.66%		
NET CASH FLOW	4.94%	\$342	\$0.35	\$106,016	\$82,623	\$0.27	\$267	3.64%		

AGGREGATE DEBT COVERAGE RATIO	1.15	1.11
ALTERNATIVE PRIMARY LIEN DEBT COVERAGE RATIO	1.17	

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$5,500,000	\$5,500,000	\$18.24	\$17,742	37.17%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.22%	1,546	1.59	479,105	479,105	1.59	1,546	3.24%
Direct Construction		27.94%	13,396	13.77	4,152,784	4,152,784	13.77	13,396	28.07%
Contingency	8.64%	2.69%	1,290	1.33	400,000	400,000	1.33	1,290	2.70%
General Req'ts	6.00%	1.87%	896	0.92	277,913	288,817	0.96	932	1.95%
Contractor's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Profit	6.00%	1.87%	896	0.92	277,913	303,018	1.00	977	2.05%
Indirect Construction		2.94%	1,408	1.45	436,608	436,608	1.45	1,408	2.95%
Ineligible Costs		3.60%	1,727	1.78	535,353	535,353	1.78	1,727	3.62%
Developer's G & A	4.66%	3.50%	1,677	1.72	520,000	520,000	1.72	1,677	3.51%
Developer's Profit	10.26%	7.70%	3,694	3.80	1,145,000	1,145,000	3.80	3,694	7.74%
Interim Financing		5.62%	2,696	2.77	835,894	835,894	2.77	2,696	5.65%
Reserves		2.02%	968	1.00	300,190	200,000	0.66	645	1.35%
TOTAL COST		100.00%	\$47,938	\$49.27	\$14,860,761	\$14,796,579	\$49.06	\$47,731	100.00%
Recap-Hard Construction Costs		37.60%	\$18,025	\$18.53	\$5,587,716	\$5,623,724	\$18.65	\$18,141	38.01%

SOURCES OF FUNDS				RECOMMENDED		
First Lien Mortgage	63.46%	\$9,430,000	\$31.27	\$9,430,000	\$9,430,000	\$9,430,000
Seller note	2.02%	\$968	\$0.99	300,000	300,000	300,000
LIHTC Syndication Proceeds	29.34%	\$14,065	\$14.46	4,360,291	4,360,291	4,355,038
Deferred Developer Fees	4.75%	\$2,278	\$2.34	706,288	706,288	711,541
Additional (excess) Funds Req'd	0.43%	\$207	\$0.21	64,182	0	0
TOTAL SOURCES		\$14,860,761		\$14,796,579	\$14,796,579	

LIHTC Allocation Calculation - The Shire Apartments, Port Arthur, #02470

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$1,200,000	\$1,200,000				
Purchase of buildings	\$4,300,000	\$4,300,000	\$4,300,000	\$4,300,000		
(2) Rehabilitation/New Construction Cost						
On-site work	\$479,105	\$479,105			\$479,105	\$479,105
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	\$4,152,784	\$4,152,784			\$4,152,784	\$4,152,784
(4) Contractor Fees & General Requirements						
Contractor overhead						
Contractor profit	\$303,018	\$277,913			\$277,913	\$277,913
General requirements	\$288,817	\$277,913			\$277,913	\$277,913
(5) Contingencies						
	\$400,000	\$400,000			\$400,000	\$400,000
(6) Eligible Indirect Fees						
	\$436,608	\$436,608			\$436,608	\$436,608
(7) Eligible Financing Fees						
	\$835,894	\$835,894			\$835,894	\$835,894
(8) All Ineligible Costs						
	\$535,353	\$535,353				
(9) Developer Fees						
			\$645,000	\$645,000	\$1,029,033	\$1,029,033
Developer overhead	\$520,000	\$520,000				
Developer fee	\$1,145,000	\$1,145,000				
(10) Development Reserves						
	\$200,000	\$300,190				
TOTAL DEVELOPMENT COSTS	\$14,796,579	\$14,860,761	\$4,945,000	\$4,945,000	\$7,889,250	\$7,889,250

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			\$4,945,000	\$4,945,000	\$7,889,250	\$7,889,250
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$4,945,000	\$4,945,000	\$10,256,025	\$10,256,025
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$4,945,000	\$4,945,000	\$10,256,025	\$10,256,025
Applicable Percentage			3.65%	3.65%	3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$180,493	\$180,493	\$374,345	\$374,345

Syndication Proceeds 0.7849 \$1,416,724 \$1,416,724 \$2,938,314 \$2,938,314

Total Tax Credits \$554,837 \$554,837
Total Syndication Proceeds \$4,355,038 \$4,355,038

Developer Evaluation

Compliance Status Summary

Project ID #: 02470

LIHTC 9% LIHTC 4%

Project Name: The Shire Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 2

total # monitored 2 # not yet monitored or pending review 2

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/19/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 2 /6 /2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 2 /7 /2003

Executive Director: Edwina Carrington **Date Signed:** April 01, 2003



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Southside Villas**

TDHCA#: 02471

DEVELOPMENT AND OWNER INFORMATION			
Development Location:	San Antonio	QCT: Y	DDA: N
Development Owner:	Southside Villas B, Ltd.		
General Partner(s):	280 Southside Villas B, LLC, 100%, Contact: Aubra Franklin		
Construction Category:	New		
Set-Aside Category:	Tax Exempt Bond Bond Issuer: San Antonio HFC		
Development Type:	Family		
Annual Tax Credit Allocation Calculation			
Applicant Request:	\$736,847	Eligible Basis Amt:	\$758,307
		Equity/Gap Amt.:	\$888,896
Annual Tax Credit Allocation Recommendation: \$736,847			
Total Tax Credit Allocation Over Ten Years: \$ 7,368,470			

PROPERTY INFORMATION			
Unit and Building Information			
Total Units:	280	LIHTC Units:	280
		% of LIHTC Units:	100%
Gross Square Footage:	240,403	Net Rentable Square Footage:	236,088
Average Square Footage/Unit:	843		
Number of Buildings:	13		
Currently Occupied:	N		
Development Cost			
Total Cost:	\$19,066,581	Total Cost/Net Rentable Sq. Ft.:	\$80.76
Income and Expenses			
Effective Gross Income: ¹	\$1,797,934	Ttl. Expenses:	\$920,922
Estimated 1st Year DCR:	1.10	Net Operating Inc.:	\$877,012

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Capstone Real Estate Services, Inc.
Attorney:	Coats, Rose, Yale, Ryman and Lee	Architect:	KSNG Architects
Accountant:	To Be Determined	Engineer:	MBC Engineers
Market Analyst:	Apartments Market Data	Lender:	Malone Mortgage Company
Contractor:	Galaxy Builders, Ltd.	Syndicator:	Paramount Financial Group, Inc.

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Frank L. Madla, District 19 - NC
# in Opposition: 0	Rep. Carlos S. Uresti, District 118 - NC
	Mayor Ed Garza - NC
	Andrew W. Cameron, Housing & Community Development Director, City of San Antonio; Consistent with the local Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Should the terms of the proposed debt or syndication be altered, the recommendation herein should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable). _____

Edwina P. Carrington, Executive Director

Chairman of Executive Award and Review Advisory Committee

Date

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

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

DATE: March 31, 2003

PROGRAM: 4% LIHTC

FILE NUMBER: 02471

DEVELOPMENT NAME

Southside Villas

APPLICANT

Name: Southside Villas B, Ltd **Type:** For Profit Non-Profit Municipal Other
Address: 9901 IH 10 West, Suite 605 **City:** San Antonio **State:** TX
Zip: 78230 **Contact:** Aubra Franklin **Phone:** (210) 694-2223 **Fax:** (210) 694-2225

PRINCIPALS of the APPLICANT

Name: 280 Souths Villas B, LLC **(%):** 0.01 **Title:** Managing General Partner
Name: Paramount Financial Group, Inc. **(%):** 99.99 **Title:** Initial Limited Partner
Name: Aubra Franklin **Title:** 50% Owner of MGP
Name: Sam Ng **Title:** 50% Owner of MGP

GENERAL PARTNER

Name: 280 Southside Villas B, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 9901 IH 10 West, Suite 605 **City:** San Antonio **State:** TX
Zip: 78230 **Contact:** Aubra Franklin **Phone:** (210) 694-2223 **Fax:** (210) 694-2225

PROPERTY LOCATION

Location: 1327 Mission Grande QCT DDA
City: San Antonio **County:** Bexar **Zip:** 78221

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$736,847	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>			

SITE DESCRIPTION

Size: 12 acres 522,720 square feet **Zoning/ Permitted Uses:** C-2 & C-3
Flood Zone Designation: X **Status of Off-Sites:** Partially Improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 280 **# Rental Buildings:** 13 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
48	1	1	699
96	1	1	717
112	2	1	945
24	3	2	1,161

Net Rentable SF: 236,088 **Av Un SF:** 843 **Common Area SF:** 4,315 **Gross Bldg SF:** 240,403

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 20% stone veneer/80% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

4,315 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer center, central mailroom, swimming pool, perimeter fencing with limited access gate

Uncovered Parking: 305 spaces **Carports:** 100 spaces **Garages:** 42 spaces

OTHER SOURCES of FUNDS

BOND FINANCING

Source: Malone Mortgage Company **Contact:** Jeffery Rogers

Principal Amount: \$12,825,200 **Interest Rate:** 5.70% plus .50% MIP

Additional Information: Plus construction period

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** None Firm Conditional

Annual Payment: \$878,952 **Lien Priority:** 1st **Commitment Date:** 12/ 20/ 2002

LIHTC SYNDICATION

Source: Paramount Financial Group, Inc. **Contact:** Dale Cook

Address: 150 East Main Street, Suite 301 **City:** Fredericksburg

State: TX **Zip:** 78624 **Phone:** (830) 997-6960 **Fax:** (830) 997-5939

Net Proceeds: \$6,096,264 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 82¢

Commitment: None Firm Conditional **Date:** 12/ 20/ 2002

Additional Information: Commitment letter reflects proceeds of \$6,096,264 based on credits of \$7,435,210

APPLICANT EQUITY

Amount: \$235,381 **Source:** Deferred developer fee

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

VALUATION INFORMATION

ASSESSED VALUE

Land: 60.18 ac.	\$134,100	Assessment for the Year of:	2002
Building: 1 ac. prorated	\$2,228	Valuation by:	Bexar County Appraisal District
Prorated Value: 12 ac.	\$26,736		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 5/ 31/ 2003 **Anticipated Closing Date:** 5/ 22/ 2003

Acquisition Cost: \$ 653,400 **Other Terms/Conditions:** \$2,000 earnest money

Seller: Mission del Lago, Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Southside Villas is a proposed new construction development of 280 units of affordable income housing located in south San Antonio. The development is comprised of 13 residential buildings as follows:

- € (8) Building Type I with twelve one-bedroom units and twelve two-bedroom units;
- € (4) Building Type II with twelve one-bedroom units, and six three-bedroom units;
- € (1) Building Type III with sixteen two-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, and swimming pool located near the entrance to the site. The 4,315-square foot community building plan includes the management office, a community room, computer center, kitchen, restrooms, and laundry facilities. In addition to the 305 parking spaces there will be 100 carport spaces and 42 garages.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: personal growth opportunities program, family skills development program, education program, fun and freedom activities program and neighborhood advancement program. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of \$3,000, plus \$2,072 per month for these support services.

Special Needs Construction: The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

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

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Two hundred-eighty of the units (100% of the total) will be reserved for low-income tenants. All 280 of the units 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	\$19,380	\$22,200	\$24,960	\$27,720	\$29,940	\$32,160

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study dated December 23, 2002 was prepared by MarketData Research Services, LLC and highlighted the following findings:

Definition of Primary Market: “For this analysis we utilized a primary market area comprising a 7.5 mile radius around the subject site.” (p. 3)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	33	1.0%
Resident Turnover	3,330	99.0%
TOTAL ANNUAL DEMAND	3,363	100%

Ref: p. 7

Capture Rate: Based on the above table which represents the total income eligible targeted renter demand in the identified sub-market divided into the number of proposed units for the project plus any previously approved but not yet stabilized new units in the sub-market equates to a capture rate of 19.6% (p. 9)

Market Rent Comparables: The market analyst surveyed seven comparable apartment projects totaling 1,424 units in the market area. “These projects were built primarily during the 1980’s since there have not been any market rate developments in the area for more than 15 years.” (p. 10)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$526	\$525	+\$1	\$495	-\$31
2-Bedroom (60%)	\$627	\$626	+\$1	\$618	-\$9
3-Bedroom (60%)	\$722	\$721	+\$1	\$720	-\$2

(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 Occupancy Rates: “As a result of household growth and no new construction of apartments in the 1990’s, the occupancy rate reported by existing projects is 94.1%.” (p. 9)

Absorption Projections: “Absorption in south San Antonio has been stable over the last five years with the current rate of absorption at 67 units per month or 808 annually.” (p. 78)

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

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a L-shaped parcel located in the south side of San Antonio, approximately 15 minutes from the central business district. The site is situated on the north side of Mission Grande Street approximately ¼ mile west from US Highway 281.

Population: The estimated 2002 population of the primary market area was 181,804 and is expected to increase by 2% to approximately 184,727 by 2007. Within the primary market area there were estimated to be 57,270 households in 2002.

Adjacent Land Uses: The area neighborhoods consist of single-family homes, industrial uses, churches, schools, undeveloped land, and convenient stores. Adjacent land uses include:

- € **North:** Undeveloped land
- € **South:** Mission Grande and undeveloped land
- € **East:** Highway 281 South and undeveloped land
- € **West:** Undeveloped land and a trailer (leasing office)

Site Access: Access to the property is from the east or west along Mission Grande. The development is to have one main entry from the south side. Access to US Highway 281 is 1/4 mile east, which provides connections to all other major roads serving the San Antonio area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: From the site, residents can easily access the Central Business District of San Antonio within 15 minutes. Residents would have easy access to employment centers, financial centers, shopping, schools, recreational facilities, literary and cultural centers, and medial facilities offered throughout San Antonio.

Site Inspection Findings: TDHCA staff performed a site inspection on February 28, 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 December 23, 2002 was prepared by DG and contained the following findings and recommendations:

- € **Findings:** Regulatory Radius Concern: Located within the designated ASTM E 1527-00 radius is one (1) facility with a registered underground storage tank (UST). The Espey Silica Sand Company located on Highway 281 South is listed as the underground storage tank (UST) facility. The vicinity UST facility is situated greater than on-eighth of a mile topographically and hydraulically cross-gradient from the subject property. Based on the listed distance and the topographic relationship to the subject property, the vicinity UST facility is not suspected to have affected the environmental quality of the subject property.
- € **Recommendations:** Dominion Due Diligence Group makes the recommendation for no further investigations upon completion and review of the findings of the Phase 1 Environmental Site Assessment conducted of the undeveloped land designated as an approximate 12-acre portion of a 60.180-acre parcel.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents, but due to lower market rents as set out by the Market Study the Underwriter used the lower market rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The resulting difference in potential gross rent is approximately \$66.2K and reflects the additional potential income that would be achieved if the maximum rents could be attained.

Expenses: The Applicant's total expense estimate of \$2,884 per unit is within 12% of a TDHCA database-derived estimate of \$3,289 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$28.2K lower), utilities (\$21.5K lower).

Conclusion: The Applicant's estimated total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

estimated debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10; therefore, the maximum annual debt service for this project should be limited to \$797,480.

CONSTRUCTION COST ESTIMATE EVALUATION

Land 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 \$5,966 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$266K or 2.7% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's general and administrative fees exceed the 2% maximums allowed by LIHTC guidelines by \$13,363 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$16,911.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$15,981,184 is used to determine a credit allocation of \$758,307 annually. This is \$21,460 more than initially requested due to the use of a lower 3.54% applicable percentage rather than the December 2002 underwriting rate of 3.65%. The Applicant confirmed upon follow-up by the Underwriter that no correction was intended therefore, the credit amount will be limited to \$736,847 as requested.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: tax-exempt bonds, syndicated LIHTC equity, and deferred developer's fees.

Bonds: According to a proposal by Malone Mortgage Company the bond indenture will include \$12,825,200 of tax-exempt bonds. The structure of the bonds will include a construction/permanent loan with a three-year interest-only period followed by a 40-year amortization period. As of the date of the proposal, SunAmerica estimated an interest rate of 5.70% plus 0.50% MIP on the tax-exempt bonds.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$6,096,264 based on a syndication factor of 82%. The funds would be disbursed in a four-phased pay-in schedule:

1. 45% upon closing of the construction loan;
2. 35% upon completion of construction;
3. 10% upon conversion to the permanent mortgage loan;
4. 10% upon receipt of 8609's.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$235,381 amount to 11% of the total fees.

Financing Conclusions: As noted above, the Applicant's total development costs are used to determine the eligible basis and recommend an annual tax credit allocation of \$736,847 as requested. The resulting syndication proceeds amount to approximately \$6,041,541. Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development is not likely exceed \$797,480 by a mandatory reduction of the permanent loan amount and the likely loss of \$1,046,675. To compensate for the reduction in loan funds the Underwriter believes the deferred developer fee will be increased to \$1,246,515, which represents approximately 59% of the eligible fee and which should be repayable from cash flow in less than five years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

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

REVIEW of ARCHITECTURAL DESIGN

The elevation drawings for the residential buildings indicate attractive two and three-story structures with mixed stone/wood siding exteriors and varied rooflines. All units are of average size for LIHTC units, and have covered patios with small outdoor storage closets. Each unit has a semi-private entry that is shared with other unit off an interior breezeway.

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common identities of interest for LIHTC-funded developments.

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

Financial Highlights:

- € The General Partner is a single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The Applicant, Southside Villas B, Ltd submitted an unaudited financial statement as of December 15, 2002 reporting total assets of \$738.4K and consisting of \$653.4K in real property, and \$85K in pre-development cost. Liabilities totaled \$651.4K, resulting in a net worth of \$87K.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € The Developer Franklin Development Company has completed nine and conventional housing developments totaling 2,093 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- € The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- L RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$736,847 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Should the terms of the proposed debt or syndication be altered the recommendation herein should be re-evaluated.

Underwriter:

Carl Hoover

Date: March 31, 2003

Director of Credit Underwriting:

Tom Gouris

Date: March 31, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Southside Villas, San Antonio, LIHTC #02471

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tot Pd Util	Wtr, Swr, Trash
<TC (60%)	48	1	1	699	\$568	\$495	\$23,760	\$0.71	\$43.35	\$24.82
TC (60%)	96	1	1	717	568	\$495	47,520	0.69	43.35	24.82
TC (60%)	112	2	1	945	682	\$618	69,216	0.65	55.74	29.80
TC (60%)	24	3	2	1,161	787	\$720	17,280	0.62	65.90	34.36
TOTAL:	280		AVERAGE:	843	\$632	\$563	\$157,776	\$0.67	\$50.24	\$27.63

INCOME		Total Net Rentable Sq Ft:			TDHCA	APPLICANT		
POTENTIAL GROSS RENT		236,088			\$1,893,312	\$1,959,552		
Secondary Income	Per Unit Per Month:	\$15.00			50,400	50,400	\$15.00	Per Unit Per Month
Other Support Income: Carports & Garages					0	0	\$0.00	Per Unit Per Month
POTENTIAL GROSS INCOME					\$1,943,712	\$2,009,952		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%			(145,778)	(150,744)	-7.50%	of Potential Gross Income
Employee or Other Non-Rental Units or Concessions					0	0		
EFFECTIVE GROSS INCOME					\$1,797,934	\$1,859,208		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.42%	\$284	\$0.34	\$79,488	\$51,279	\$0.22	\$183	2.76%
Management	4.17%	268	0.32	74,935	69,768	0.30	249	3.75%
Payroll & Payroll Tax	12.51%	803	0.95	224,840	214,673	0.91	767	11.55%
Repairs & Maintenance	6.36%	409	0.48	114,425	105,116	0.45	375	5.65%
Utilities	2.39%	154	0.18	43,045	21,542	0.09	77	1.16%
Water, Sewer, & Trash	4.00%	257	0.30	71,874	56,000	0.24	200	3.01%
Property Insurance	2.63%	169	0.20	47,218	60,000	0.25	214	3.23%
Property Tax 2.883865	10.17%	653	0.77	182,810	167,978	0.71	600	9.03%
Reserve for Replacements	3.11%	200	0.24	56,000	56,795	0.24	203	3.05%
Other Expenses: Supp. Serv./	1.46%	94	0.11	26,289	4,425	0.02	16	0.24%
TOTAL EXPENSES	51.22%	\$3,289	\$3.90	\$920,922	\$807,576	\$3.42	\$2,884	43.44%
NET OPERATING INC	48.78%	\$3,132	\$3.71	\$877,012	\$1,051,632	\$4.45	\$3,756	56.56%

DEBT SERVICE				TDHCA	APPLICANT			
Malone Mortgage	48.30%	\$3,101	\$3.68	\$868,346	\$878,952	\$3.72	\$3,139	47.28%
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	0.48%	\$31	\$0.04	\$8,666	\$172,680	\$0.73	\$617	9.29%

AGGREGATE DEBT COVERAGE RATIO	1.01	1.20
ALTERNATIVE DEBT COVERAGE RATIO	1.10	

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$653,400	\$653,400	\$2.77	\$2,334	3.43%
Acquisition Cost (site or bldg)		3.38%	\$2,334	\$2.77	0	0	0.00	0	0.00%
Off-Sites		0.00%	0	0.00	1,670,434	1,670,434	7.08	5,966	8.76%
Sitework		8.64%	5,966	7.08	9,732,145	9,465,792	40.09	33,806	49.65%
Direct Construction		50.36%	34,758	41.22	0	0	0.00	0	0.00%
Contingency	0.00%	0.00%	0	0.00	668,174	668,174	2.83	2,386	3.50%
General Req'ts	5.86%	3.46%	2,386	2.83	228,052	236,088	1.00	843	1.24%
Contractor's G & i	2.00%	1.18%	814	0.97	354,132	354,132	1.50	1,265	1.86%
Contractor's Prof:	3.11%	1.83%	1,265	1.50	805,000	805,000	3.41	2,875	4.22%
Indirect Construction		4.17%	2,875	3.41	1,947,432	1,947,432	8.25	6,955	10.21%
Ineligible Costs		10.08%	6,955	8.25	259,526	0	0.00	0	0.00%
Developer's G & A	1.83%	1.34%	927	1.10	1,841,887	2,101,413	8.90	7,505	11.02%
Developer's Profit	13.00%	9.53%	6,578	7.80	710,426	710,426	3.01	2,537	3.73%
Interim Financing		3.68%	2,537	3.01	454,290	454,290	1.92	1,622	2.38%
Reserves		2.35%	1,622	1.92	\$19,324,898	\$19,066,581	\$80.76	\$68,095	100.00%
TOTAL COST		100.00%	\$69,017	\$81.85	\$12,652,937	\$12,394,620	\$52.50	\$44,267	65.01%
Recap-Hard Construction Costs		65.47%	\$45,189	\$53.59					

SOURCES OF FUNDS					RECOMMENDED		
Malone Mortgage	66.37%	\$45,804	\$54.32	\$12,825,200	\$12,825,200	\$11,778,525	
Additional Financing	0.00%	\$0	\$0.00	0	0	0	
LIHTC Syndication Proceeds	31.08%	\$21,450	\$25.44	6,006,000	6,006,000	6,041,541	
Deferred Developer Fees	1.22%	\$841	\$1.00	235,381	235,381	1,246,515	
Additional (excess) Funds Req'd	1.34%	\$923	\$1.09	258,317	0	0	
TOTAL SOURCES				\$19,324,898	\$19,066,581	\$19,066,581	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Southside Villas, San Antonio, LIHTC #02471

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.87	\$10,121,093
Adjustments				
Exterior Wall Fini	2.40%		\$1.03	\$242,906
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.67)	(158,966)
Floor Cover			1.92	453,289
Porches/Balconies	\$29.24	43,316	5.36	1,266,560
Plumbing	\$615	408	1.06	250,920
Built-In Appliance	\$1,625	280	1.93	455,000
Stairs	\$1,625	100	0.69	162,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	347,049
Carports	\$7.83	20,000	0.66	156,600
Comm &/or Aux Bldg	\$57.36	4,315	1.05	247,491
Other: Garages	\$27.10	8,400	0.96	227,640
SUBTOTAL			58.33	13,772,082
Current Cost Multiplier	1.03		1.75	413,162
Local Multiplier	0.84		(9.33)	(2,203,533)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.75	\$11,981,711
Plans, specs, survy, b	3.90%		(\$1.98)	(\$467,287)
Interim Construction I	3.38%		(1.71)	(404,383)
Contractor's OH & Prof	11.50%		(5.84)	(1,377,897)
NET DIRECT CONSTRUCTION COSTS			\$41.22	\$9,732,145

PAYMENT COMPUTATION

Primary	\$12,825,200	Amort	480
Int Rate	6.20%	DCR	1.01
Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.01
Additional	\$6,006,000	Amort	
Int Rate		Aggregate DCR	1.01

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$797,480
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$79,532

Primary	\$11,778,525	Amort	480
Int Rate	6.20%	DCR	1.10
Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$6,006,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,893,312	\$1,950,111	\$2,008,615	\$2,068,873	\$2,130,939	\$2,470,343	\$2,863,804	\$3,319,934	\$4,461,714
Secondary Income	50,400	51,912	53,469	55,073	56,726	65,761	76,235	88,377	118,771
Other Support Income: Ca	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,943,712	2,002,023	2,062,084	2,123,947	2,187,665	2,536,103	2,940,039	3,408,311	4,580,485
Vacancy & Collection Los	(145,778)	(150,152)	(154,656)	(159,296)	(164,075)	(190,208)	(220,503)	(255,623)	(343,536)
Employee or Other Non-Res	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,797,934	\$1,851,872	\$1,907,428	\$1,964,651	\$2,023,590	\$2,345,896	\$2,719,536	\$3,152,687	\$4,236,948
EXPENSES at 4.00%									
General & Administrative	\$79,488	\$82,667	\$85,974	\$89,413	\$92,989	\$113,136	\$137,647	\$167,469	\$247,895
Management	74,935	77,183	79,498	81,883	84,339	97,773	113,345	131,398	176,588
Payroll & Payroll Tax	224,840	233,834	243,187	252,914	263,031	320,017	389,350	473,704	701,198
Repairs & Maintenance	114,425	119,002	123,762	128,712	133,861	162,862	198,147	241,076	356,851
Utilities	43,045	44,766	46,557	48,419	50,356	61,266	74,539	90,689	134,241
Water, Sewer & Trash	71,874	74,749	77,739	80,848	84,082	102,299	124,462	151,427	224,149
Insurance	47,218	49,106	51,071	53,113	55,238	67,205	81,766	99,480	147,255
Property Tax	182,810	190,122	197,727	205,636	213,861	260,195	316,567	385,152	570,120
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	26,289	27,341	28,434	29,572	30,754	37,417	45,524	55,387	81,986
TOTAL EXPENSES	\$920,922	\$957,009	\$994,518	\$1,033,504	\$1,074,025	\$1,301,876	\$1,578,321	\$1,913,766	\$2,814,927
NET OPERATING INCOME	\$877,012	\$894,862	\$912,910	\$931,147	\$949,565	\$1,044,019	\$1,141,215	\$1,238,922	\$1,422,021
DEBT SERVICE									
First Lien Financing	\$797,480	\$797,480	\$797,480	\$797,480	\$797,480	\$797,480	\$797,480	\$797,480	\$797,480
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	\$79,532	\$97,383	\$115,430	\$133,667	\$152,085	\$246,540	\$343,735	\$441,442	\$624,541
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.17	1.19	1.31	1.43	1.55	1.78

LIHTC Allocation Calculation - Southside Villas, San Antonio, LIHTC #024

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	\$653,400	\$653,400		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,670,434	\$1,670,434	\$1,670,434	\$1,670,434
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$9,465,792	\$9,732,145	\$9,465,792	\$9,732,145
(4) Contractor Fees & General Requirements				
Contractor overhead	\$236,088	\$228,052	\$222,725	\$228,052
Contractor profit	\$354,132	\$354,132	\$354,132	\$354,132
General requirements	\$668,174	\$668,174	\$668,174	\$668,174
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$805,000	\$805,000	\$805,000	\$805,000
(7) Eligible Financing Fees				
	\$710,426	\$710,426	\$710,426	\$710,426
(8) All Ineligible Costs				
	\$1,947,432	\$1,947,432		
(9) Developer Fees				
			\$2,084,502	
Developer overhead		\$259,526		\$259,526
Developer fee	\$2,101,413	\$1,841,887		\$1,841,887
(10) Development Reserves				
	\$454,290	\$454,290		
TOTAL DEVELOPMENT COSTS	\$19,066,581	\$19,324,898	\$15,981,184	\$16,269,776

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			\$15,981,184	\$16,269,776
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$20,775,540	\$21,150,708
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$20,775,540	\$21,150,708
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$758,307	\$772,001

Syndication Proceeds 0.8199 \$6,217,497 \$6,329,774



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Quail Creek Apartments**

TDHCA#: 02474

DEVELOPMENT AND OWNER INFORMATION

Development Location: Denton QCT: Y DDA: N TTC: N
 Development Owner: Quail Creek North, Ltd.
 General Partner(s): 264 Quail Creek North, LLC, 100%, Contact: Matthew Harris
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Denton County HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$1,079,217 Eligible Basis Amt: \$1,039,028 Equity/Gap Amt.: \$1,183,476
Annual Tax Credit Allocation Recommendation: \$1,039,028
 Total Tax Credit Allocation Over Ten Years: \$10,390,280

PROPERTY INFORMATION

Unit and Building Information

Total Units: 264 LIHTC Units: 264 % of LIHTC Units: 100%
 Gross Square Footage: 291,980 Net Rentable Square Footage: 286,980
 Average Square Footage/Unit: 1087
 Number of Buildings: 11
 Currently Occupied: N

Development Cost

Total Cost: \$24,884,974 Total Cost/Net Rentable Sq. Ft.: \$86.71

Income and Expenses

Effective Gross Income:¹ \$2,256,845 Ttl. Expenses: \$1,034,154 Net Operating Inc.: \$1,222,691
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Gannon Outsourcing, Inc. Manager: Capstone Real Estate Services, Inc.
 Attorney: Coats, Rose, Yale, Ryman & Lee Architect: Galier, Tolson, French Design Assoc.
 Accountant: To Be Determined Engineer: Jones & Carter, Inc.
 Market Analyst: Apartment Market Data Lender: Charter MAC
 Contractor: Global Construction Co. Syndicator: Related Capital Company

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Tom Haywood, District 30 - NC Rep. Myra Crownover, District 64 - NC Mayor Euline Brock - NC Barbara Ross, Community Development Administrator, City of Denton; Consistent with the local Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

- 1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
- 2. Should the terms of the proposed debt be altered, the recommendation herein should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Date

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

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

Other Comments including discretionary factors (if applicable)._____

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

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

Chairperson Signature: _____ Date
Michael E. Jones, Chairman of the Board

Developer Evaluation

Compliance Status Summary

Project ID #: 02471

LIHTC 9% LIHTC 4%

Project Name: Southside Villas

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 0

total # monitored 0 # not yet monitored or pending review 0

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/19/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

Community Affairs

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____**Completed on** _____**Housing Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____**Completed on** _____**Housing Programs**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth**Completed on** 2 /6 /2003**Multifamily Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer**Completed on** 2 /7 /2003**Executive Director:** Edwina Carrington**Date Signed:** April 02, 2003

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

DATE: March 28, 2003

PROGRAM: 4% LIHTC

FILE NUMBER: 02474

DEVELOPMENT NAME

Quail Creek Apartments

APPLICANT

Name: Quail Creek North, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 17440 North Dallas Parkway, Suite 230 **City:** Dallas **State:** Texas
Zip: 75287 **Contact:** Matthew Harris **Phone:** (972) 733-3399 **Fax:** (972) 931-9369

PRINCIPALS of the APPLICANT

Name: 264 Quail Creek North, LLC **(%):** .01 **Title:** Managing General Partner
Name: Related Capital **(%):** 99.99 **Title:** Limited Partner
Name: Leon J. Backes **(%):** **Title:** 100% Manager of G.P.

GENERAL PARTNER

Name: 264 Quail Creek North, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 17440 North Dallas Parkway, Suite 230 **City:** Dallas **State:** Texas
Zip: 75287 **Contact:** Matthew Harris **Phone:** (972) 733-3399 **Fax:** (972) 931-9369

PROPERTY LOCATION

Location: East of Brinker Road, North of Colorado Blvd. **QCT** **DDA**
City: Denton **County:** Denton **Zip:** 76201

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,079,217	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>			

SITE DESCRIPTION

Size: 12.0 acres 522,720 square feet **Zoning/ Permitted Uses:** RCR-1-allows for proposed development
Flood Zone Designation: Zone X **Status of Off-Sites:** Raw Land

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

DESCRIPTION of IMPROVEMENTS

Total Units: 264 **# Rental Buildings:** 11 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
78	2	2	960
159	3	2	1,120
27	4	2	1,260

Net Rentable SF: 286,980 **Av Un SF:** 1,087 **Common Area SF:** 5,000 **Gross Bldg SF:** 291,980

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 60% stucco, 15% stone veneer, 25% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

5,000 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area, sports courts, perimeter fencing

Uncovered Parking: 511 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

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

Principal Amount: \$16,100,000 **Interest Rate:** 6.75% on tax exempt, 8.75% on taxable

Additional Information: \$14,300,000 are tax exempt bonds, \$1,800,000 are taxable. \$800,000 of the bonds will be held in an earn out account.

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** None Firm Conditional

Annual Payment: \$1,146,679 **Lien Priority:** 1st **Commitment Date** 2/ 20/ 2003

LIHTC SYNDICATION

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

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

State: NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550

Net Proceeds: \$8,732,000 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 81¢

Commitment None Firm Conditional **Date:** 2/ 20/ 2003

Additional Information: Based on 99.98 % ownership and \$1,078,123 in annual tax credits

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

APPLICANT EQUITY

Amount: \$898,931	Source: Deferred developer fee
\$183,657	GIC Income

VALUATION INFORMATION

ASSESSED VALUE

Land:	\$150,960	Assessment for the Year of:	2002
Building:	\$0	Valuation by:	Denton County Appraisal District
Total Assessed Value:	\$150,960	The total amount for the 23.637 acres is \$297,355. The Applicant is purchasing 12.0 acres. A straight line proration was used.	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 4/ 5/ 2003 **Anticipated Closing Date:** 4/ 5/ 2003

Acquisition Cost: \$ 1,045,440 **Other Terms/Conditions:**

Seller: Ed P. Jeske **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Quail Creek Apartments is a proposed new construction development of 264 units of affordable housing located in southeast Denton. The development is comprised of 11 residential buildings as follows:

- € (3) Building Type/Style A with 12 two-bedroom units, 6 three-bedroom units and 6 four-bedroom units;
- € (3) Building Type/Style B with 21 three-bedroom units and 3 four-bedroom units;
- € (2) Building Type/Style B with 3 two-bedroom units and 21 three-bedroom units; and
- € (3) Building Type/Style B with 12 two-bedroom units and 12 three-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, arranged in four groups separated by parking lots, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 5,000-square foot community building plan includes the management office, a community room, learning center, exercise room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Capstone Real Estate Services, Inc. to provide the following supportive services to tenants: Access to job training, job placement, adult education, tutoring services, and substance abuse programs. These services will be provided at no cost to tenants. There will be \$100 per year fee for these services. Additional services will cost \$40.00 per hour.

Schedule: The Applicant anticipates construction to begin in May of 2003, to be completed in October of 2004, to be placed in service in November 2004, and to be substantially leased-up in January of 2005.

Special Needs Construction: Nineteen units (7%) will be handicapped-accessible. The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study prepared by Apartment MarketData, dated December 30, 2002 was revised in February 2003 and highlighted the following findings:

Definition of Market/Submarket: “.....we utilized a Primary Market Area consisting of a 10-mile radius around the subject site that covers a 314 square mile area” (p. 3)

Total Local/Submarket Market Demand for Rental Units: “The primary market area is projected to have a household growth of 14.0% over the next five years; while the PMA occupancy of multi-family communities is 93.3%.” (p. 52)

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	156	4%	90	3%
Resident Turnover	3,619	95%	2,485	97%
Pent-up Demand	51	1%	0	0%
TOTAL ANNUAL DEMAND	3,826	100%	2,575	100%

Ref: p. 46

Capture Rate: The analyst determined a capture rate of 14.1% based on a demand of 3,826 units and the supply of 540 units provided by the Applicant. (p. 41) The Underwriter calculated a concentration capture rate of 21% based upon a supply of unstabilized comparable affordable units of 540 divided by a revised demand of 2,575.

Local Housing Authority Waiting List Information: “According to the Denton Housing Authority and local officials from the US Department of Housing and Urban Development, Denton is in dire need of affordable housing...” (p. 82)

Market Rent Comparables: The market analyst surveyed four comparable apartment projects totaling 800 units in the market area. (p. Rent Comps.)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$680	\$680	\$0	\$821	-\$141
3-Bedroom (50%)	\$770	\$770	\$0	\$961	-\$182
4-Bedroom (50%)	\$839	\$839	\$0	\$839*	\$0

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

*The analyst had no comparable four-bedroom market rate units, this is the rent restricted unit limit.

Submarket Occupancy Rates: “The current occupancy in the market area is 93.3%....” (p. 79)

Absorption Projections: “Absorption over the past seven years has been closer to 450 units per year...” (p. 83) “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per

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CREDIT UNDERWRITING ANALYSIS

month as they come on line for occupancy from construction.” (p. 81)

Known Planned Development: Rosemont at Pecan Creek and Bluffview are in the development and lease-up stages. Bluffview is an elderly development.

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Denton is located in northern region of the state, approximately 35 miles northwest of Dallas in Denton County. The site is an irregularly-shaped parcel located in the southeast area of Denton, approximately three miles from the central business district. The site is situated on the east side of Brinker Road.

Population: From 1990 to 2002 there was a 54.6% increase in population in the Primary Market Area. The number of households grew by 23,209, or 4.4% annually. The population is anticipated to grow at an average annual rate of 2.85% from 2002 to 2007.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly vacant land and single family housing. The site is surrounded by vacant land.

Site Access: Access to the property is from the north or south from Brinker Road. The development will have one main entry from Brinker Road. Access to Interstate Highway 35 is 0.5 miles west.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within three miles of 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.

Special Adverse Site Characteristics: The Applicant will be constructing a road that will connect to Brinker Road. The Applicant indicated that the general contractor will construct the road in conjunction with the development. The road is part of the plat and building permit plans being processed with the City.

Site Inspection Findings: The site was inspected by a TDHCA staff member on March 18, 2003 and was rated as acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 23, 2002 was prepared by PSI and contained the following recommendations:

Recommendations: No further assessment of recognizable environmental conditions appears warranted.

OPERATING PROFORMA ANALYSIS

Income: Both the Underwriter and the Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines and both excluded the cost of water heating from the reduction in tenant paid utilities. However the Applicant utilized \$20 per unit per month in secondary income which is higher than the Underwriting guideline of \$15 per month. The Underwriter considered secondary income data from a variety of comparable tax credit developments in Denton and in the greater DFW area and concluded that the Applicant’s higher \$20 per unit achievable in this market. The Applicant also used a lower vacancy and collection loss of 7%, which was not substantiated by any information provided by the Applicant or available to the Underwriter thus the Underwriter used the Department standard of 7.5%. As a result, there was a 1% difference in effective gross income.

Expenses: The Applicant’s estimate of total operating expense of \$3,565 is more than 5% outside the Underwriter’s TDHCA database-derived estimate of \$3,917. The Applicant’s budget shows various line item estimates that deviate significantly when compared to the database averages, particularly utilities (\$58K lower) and water, sewer and trash (\$13K lower) than the Underwriter’s estimate. The Applicant indicated that the tenant would not be responsible for gas water heating which, in addition to increasing net rent and potential income above, should have increased the expectation for utility operating expense. The Applicant’s estimate, however are considerably lower than the TDHCA database, the local PHA utility allowance derived estimate as well as the IREM utility expense figures for properties in the Dallas area

Conclusion: The Applicant’s estimated expenses are not consistent with the Underwriter’s expectations and total operating expenses are not within 5% of the database-derived estimate. Therefore, the Underwriter’s net

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

operating income will be used to evaluate debt service capacity. The Applicant stated that they anticipate a loan amount of \$16,100,000; however this would result in a debt coverage ratio (DCR) of 1.03, which is below the minimum Department standard of 1.10. The Applicant and lender have confirmed that at least \$800,000 of the bond amount will be held in an earn out account to be disbursed to the developer only if satisfactory debt coverage ratio target are met. Reducing the total debt this amount results in a slightly lower blended interest rate and allows the development to service the resulting debt at an acceptable 1.10. As a result, the Underwriter has underwritten this transaction with the lower loan amount to evaluate its feasibility.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$1,045,440 (\$2.00/SF or \$87,120/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-site Cost: The Applicant is claiming \$325,000 for off-site utilities in relation to the development of the road that will provide access to the site. The Applicant has provided the requisite documentation signed by a registered third party engineer familiar with the development to justify costs of \$300,895 or \$24,105 less than the Applicant indicated in their cost breakdown. These costs are not considered as eligible cost and therefore the minor differential will not significantly impact the total development costs or affect the recommended credit amount.

Sitework Cost: The Applicant's claimed sitework costs of \$6,496 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are within 5% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs \$69,510. Consequently, the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs.

Contingency: The Applicant's contingency estimate exceeds the Department's 5% of site work plus direct costs by \$168,257 based upon their own construction costs. Consequently, the Applicant's eligible allowance in this area has been reduced with the overage effectively moved to ineligible costs.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$118,750 from tax counsel because the Applicant included, as eligible, the full amount when only the portion attributable to the construction period is eligible. The Underwriter therefore prorated these fees by including, as eligible, only \$6,250 of the total fees.

Reserves: The Applicant did not include reserves in their project cost schedule. Therefore, the Underwriter costs reflect a \$331,878 difference.

Conclusion: Despite significant number of minor guideline excesses, 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 recommended eligible basis and determine the LIHTC allocation. As a result, a qualified basis of \$28,466,522 is used to determine a credit allocation of \$1,039,028 from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan based on tax-exempt and taxable private activity mortgage revenue bond proceeds, syndicated LIHTC equity, GIC Income and deferred developer's fees.

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by Denton County Housing Finance Corporation and placed privately with Charter/Mac Municipal Mortgage. As of the date of the underwriting analysis, the documentation provided indicates that there will be \$14,300,000 in tax-exempt Series A bonds with an anticipated interest rate of 6.75%, and \$1,800,000 in taxable subordinate Series B bonds with an anticipated all-in interest rate of 8.75%. The final interest rate will be made available at closing. The tax-exempt bonds will mature in 40 years and the taxable bonds will mature in approximately four years. According to Marnie Miller of Charter/Mac, \$800,000 of the bonds will be held in an earn out

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CREDIT UNDERWRITING ANALYSIS**

account and funded or redeemed within 24 months of completion when a DCR of 1.15 has been achieved for six months. The Underwriter initially calculated a blended interest rate of 6.87% based upon a fully funded taxable series and 6.80% based upon the taxable series without the uncertain earn out portion. If the earn out portion is funded the annual debt service would increase from approximately \$1,114,460 to \$1,182,390 according to the lender.

LIHTC Syndication: Lend Lease has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$8,732,000 based on a syndication factor of 81%. The funds would be disbursed in a five-phased pay-in schedule:

1. 25% upon admission to the partnership;
2. 20% upon 50% completion of construction;
3. 25% upon 75% completion of construction;
4. 15% upon completion of construction;
5. 15% upon receipt of 8609's.

GIC Income: The Applicant has proposed \$183,657 in GIC earnings as a source of funds. These figures have been included in the deferred developer fee in the final recommendation since they remain a developer risk and must be funded from additional deferral if they are not achieved. They were not reduced from the Applicant's interest expense since the Applicant's eligible interest expense was within the Department's tolerance level. Therefore, reflecting them as a source of funds or as an offset to ineligible interest expense has no meaningful difference for the purposes of this analysis.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$898,931 amount to 31% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed \$1,039,028 annually for ten years, which is a \$40K or 3.7% reduction from the requested amount. The resulting syndication proceeds of \$8,415,286 is only \$87K less than anticipated by the Applicant's sources and uses statement. As discussed above the Underwriter's analysis assumes the worst case scenario that the bonds reserved in the earn out account will not be released to the developer but rather redeemed. Based on the Underwriter's analysis the deferred developer would be approximately \$1,169,688, which represents 40% of the total eligible fee and is repayable through cash flow in less than ten years.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies small outdoor storage closets. Each unit has a semi-private exterior entry off an open breezeway that is shared with three other units. The units are in three-story walk-up structures with mixed stucco, stone and hardiboard exterior finish and pitched/hipped roofs. The site has very little green belt area and has 103 parallel spaces to accommodate the zoning requirement. At 19.60 units per acre, the site is relatively dense for its currently rather remote location.

IDENTITIES of INTEREST

The Developer, Provident Realty Advisors, Inc. is related to the General Partner. This is a common relationship 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 Developer, Provident Realty Advisors, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$420,149 and total liabilities of \$111,264, resulting in a net worth of \$308,885.
- € Leon Backes, submitted an unaudited financial statement as of December 17, 2002 and is anticipated to be guarantor of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Leon Backes has not completed any housing developments.

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

€ Global Construction Company, the general contractor, has completed numerous multi-family developments throughout the United States.

SUMMARY OF SALIENT RISKS AND ISSUES

€ The Applicant's estimated operating expenses and net operating income are each more than 5% outside of the Underwriter's verifiable ranges.

RECOMMENDATION

L RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,039,028 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Should the terms of the proposed debt be altered, the recommendation herein should be re-evaluated.

Underwriter:

Mark Fugina

Date: March 28, 2003

Director of Credit Underwriting:

Tom Gouris

Date: March 28, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Quail Creek, Denton, LIHTC #02474

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 Fd Util	Wtr, Swr, Trash
TC50%	78	2	2	960	\$748	\$680	\$53,011	\$0.71	\$68.37	\$65.28
TC50%	159	3	2	1,120	864	\$770	122,371	0.69	94.37	73.64
TC50%	27	4	2	1,260	963	\$839	22,657	0.67	123.85	91.36
TOTAL:	264		AVERAGE:	1,087	\$840	\$750	\$198,039	\$0.69	\$89.70	\$72.98

INCOME Total Net Rentable Sq Ft: **286,980**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$20.00

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		
	\$2,376,472	\$2,377,476		
	63,360	63,360	\$20.00	Per Unit Per Month
	0		\$0.00	Per Unit Per Month
	\$2,439,832	\$2,440,836		
	(182,987)	(170,856)	-7.00%	of Potential Gross Income
	0			
	\$2,256,845	\$2,269,980		

EXPENSES

	% OF RGI	PER UNIT	PER SQ FT
General & Administrative	3.25%	\$278	\$0.26
Management	5.00%	427	0.39
Payroll & Payroll Tax	9.76%	834	0.77
Repairs & Maintenance	5.06%	432	0.40
Utilities	4.14%	354	0.33
Water, Sewer, & Trash	3.31%	283	0.26
Property Insurance	2.03%	174	0.16
Property Tax	2.11297%	740	0.68
Reserve for Replacements	2.34%	200	0.18
Other Expenses: Compliance, etc	2.29%	196	0.18
TOTAL EXPENSES	45.82%	\$3,917	\$3.60
NET OPERATING INC	54.18%	\$4,631	\$4.26

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF RGI
	\$73,282	\$72,000	\$0.25	\$273	3.17%
	112,842	113,499	0.40	430	5.00%
	220,176	212,750	0.74	806	9.37%
	114,144	105,604	0.37	400	4.65%
	93,393	35,112	0.12	133	1.55%
	74,712	62,040	0.22	235	2.73%
	45,917	43,047	0.15	163	1.90%
	195,238	198,000	0.69	750	8.72%
	52,800	52,800	0.18	200	2.33%
	51,650	55,610	0.19	211	2.45%
	\$1,034,154	\$950,462	\$3.31	\$3,600	41.87%
	\$1,222,691	\$1,319,518	\$4.60	\$4,998	58.13%

DEBT SERVICE

	%	PER UNIT	PER SQ FT
Charter Mortgage	52.39%	\$4,479	\$4.12
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	1.79%	\$153	\$0.14

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,182,406	\$1,125,621	\$3.92	\$4,264	49.59%
	0		\$0.00	\$0	0.00%
	0		\$0.00	\$0	0.00%
	\$40,285	\$193,897	\$0.68	\$734	8.54%
	1.03	1.17			
	1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bid)		4.64%	\$4,339	\$3.99
Off-Sites		1.22%	1,140	1.05
Sitework		6.25%	5,847	5.38
Direct Construction		49.22%	46,063	42.37
Contingency	5.00%	2.77%	2,595	2.39
General Req'ts	6.00%	3.33%	3,115	2.87
Contractor's G & I	2.00%	1.11%	1,038	0.96
Contractor's Prof:	6.00%	3.33%	3,115	2.87
Indirect Construction		4.57%	4,277	3.93
Ineligible Costs		4.96%	4,644	4.27
Developer's G & A	2.67%	2.04%	1,905	1.75
Developer's Profit	12.33%	9.42%	8,817	8.11
Interim Financing		5.81%	5,434	5.00
Reserves		1.34%	1,257	1.16
TOTAL COST		100.00%	\$93,585	\$86.09
Recap-Hard Construction Costs		66.01%	\$61,772	\$56.83

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,145,440	\$1,145,440	\$3.99	\$4,339	4.60%
	300,895	325,000	1.13	1,231	1.31%
	1,543,501	1,543,501	5.38	5,847	6.20%
	12,160,536	12,303,161	42.87	46,603	49.44%
	685,202	860,590	3.00	3,260	3.46%
	822,242	860,590	3.00	3,260	3.46%
	274,081	286,863	1.00	1,087	1.15%
	822,242	860,590	3.00	3,260	3.46%
	1,129,050	1,129,050	3.93	4,277	4.54%
	1,225,965	1,225,965	4.27	4,644	4.93%
	502,994	581,930	2.03	2,204	2.34%
	2,327,720	2,327,720	8.11	8,817	9.35%
	1,434,574	1,434,574	5.00	5,434	5.76%
	331,878	0	0.00	0	0.00%
	\$24,706,321	\$24,884,974	\$86.71	\$94,261	100.00%
	\$16,307,805	\$16,715,295	\$58.25	\$63,316	67.17%

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT
Tax Exempt Bonds	57.88%	\$54,167	\$49.83
Taxable Bonds	7.29%	\$6,818	\$6.27
GIC Income	0.74%	\$696	\$0.64
LIHTC Syndication Proceeds	34.41%	\$32,206	\$29.63
Deferred Developer Fees	3.64%	\$3,405	\$3.13
Additional (excess) Funds Req'd	-3.96%	(\$3,707)	(\$3.41)
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED
	\$14,300,000	\$14,300,000	\$14,300,000
	1,800,000	1,800,000	1,000,000
	183,657	183,657	
	8,502,386	8,502,386	8,415,286
	898,931	898,931	1,169,688
	(978,653)	(800,000)	0
	\$24,706,321	\$24,884,974	\$24,884,974

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Quail Creek, Denton, LIHTC #02474

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.04	\$11,778,998
Adjustments				
Exterior Wall Fini	1.20%		\$0.49	\$141,348
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.67)	(193,233)
Floor Cover			1.92	551,002
Porches/Balconies	\$25.03	58,500	5.10	1,464,021
Plumbing	\$615	264	0.57	162,360
Built-In Appliance	\$1,625	264	1.49	429,000
Stairs/Fireplaces	\$975	44	0.15	42,900
Floor Insulation			0.00	0
Heating/Cooling			1.47	421,861
Cooridors	\$41.04	16,566	2.37	679,869
Comm &/or Aux Bldg	\$56.25	5,000	0.98	281,265
			0.00	0
SUBTOTAL			54.91	15,759,390
Current Cost Multiple	1.03		1.65	472,782
Local Multiplier	0.92		(4.39)	(1,260,751)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.17	\$14,971,421
Plans, specs, survy, b	3.90%		(\$2.03)	(\$583,885)
Interim Construction I	3.38%		(1.76)	(505,285)
Contractor's OH & Prof	11.50%		(6.00)	(1,721,713)
NET DIRECT CONSTRUCTION COSTS			\$42.37	\$12,160,536

PAYMENT COMPUTATION

Primary	\$16,100,000	Amort	480
Int Rate	6.87%	DCR	1.03
Secondary		Amort	
Int Rate	0.00%	Subtotal DCR	1.03
Additional		Amort	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,114,513
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$108,178

Primary	\$15,300,000	Amort	480
Int Rate	6.80%	DCR	1.10
Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,376,472	\$2,447,766	\$2,521,199	\$2,596,835	\$2,674,741	\$3,100,757	\$3,594,628	\$4,167,159	\$5,600,313
Secondary Income	63,360	65,261	67,219	69,235	71,312	82,670	95,838	111,102	149,312
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,439,832	2,513,027	2,588,418	2,666,071	2,746,053	3,183,428	3,690,465	4,278,261	5,749,625
Vacancy & Collection Los:	(182,987)	(188,477)	(194,131)	(199,955)	(205,954)	(238,757)	(276,785)	(320,870)	(431,222)
Employee or Other Non-Res:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,256,845	\$2,324,550	\$2,394,287	\$2,466,115	\$2,540,099	\$2,944,671	\$3,413,680	\$3,957,391	\$5,318,403
EXPENSES at 4.00%									
General & Administrative	\$73,282	\$76,213	\$79,261	\$82,432	\$85,729	\$104,303	\$126,900	\$154,393	\$228,540
Management	112,842	116,228	119,714	123,306	127,005	147,234	170,684	197,870	265,920
Payroll & Payroll Tax	220,176	228,983	238,142	247,668	257,575	313,379	381,274	463,878	686,652
Repairs & Maintenance	114,144	118,710	123,458	128,396	133,532	162,462	197,660	240,484	355,975
Utilities	93,393	97,129	101,014	105,054	109,257	132,927	161,726	196,765	291,260
Water, Sewer & Trash	74,712	77,700	80,808	84,041	87,402	106,338	129,377	157,407	233,001
Insurance	45,917	47,753	49,664	51,650	53,716	65,354	79,513	96,740	143,198
Property Tax	195,238	203,048	211,170	219,617	228,401	277,885	338,090	411,338	608,881
Reserve for Replacements	52,800	54,912	57,108	59,393	61,769	75,151	91,433	111,242	164,665
Other	51,650	53,716	55,865	58,099	60,423	73,514	89,441	108,819	161,078
TOTAL EXPENSES	\$1,034,154	\$1,074,392	\$1,116,205	\$1,159,656	\$1,204,809	\$1,458,547	\$1,766,098	\$2,138,934	\$3,139,170
NET OPERATING INCOME	\$1,222,691	\$1,250,159	\$1,278,082	\$1,306,459	\$1,335,290	\$1,486,123	\$1,647,583	\$1,818,457	\$2,179,233
DEBT SERVICE									
First Lien Financing	\$1,114,513	\$1,114,513	\$1,114,513	\$1,114,513	\$1,114,513	\$1,114,513	\$1,114,513	\$1,114,513	\$1,114,513
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	\$108,178	\$135,645	\$163,568	\$191,946	\$220,776	\$371,610	\$533,069	\$703,944	\$1,064,719
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.17	1.20	1.33	1.48	1.63	1.96

LIHTC Allocation Calculation - Quail Creek, Denton, LIHTC #02474

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,145,440	\$1,145,440		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,543,501	\$1,543,501	\$1,543,501	\$1,543,501
Off-site improvements	\$325,000	\$300,895		
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$12,303,161	\$12,160,536	\$12,303,161	\$12,160,536
(4) Contractor Fees & General Requirements				
Contractor overhead	\$286,863	\$274,081	\$276,933	\$274,081
Contractor profit	\$860,590	\$822,242	\$830,800	\$822,242
General requirements	\$860,590	\$822,242	\$830,800	\$822,242
(5) Contingencies	\$860,590	\$685,202	\$692,333	\$685,202
(6) Eligible Indirect Fees	\$1,129,050	\$1,129,050	\$1,129,050	\$1,129,050
(7) Eligible Financing Fees	\$1,434,574	\$1,434,574	\$1,434,574	\$1,434,574
(8) All Ineligible Costs	\$1,225,965	\$1,225,965		
(9) Developer Fees			\$2,856,173	
Developer overhead	\$581,930	\$502,994		\$502,994
Developer fee	\$2,327,720	\$2,327,720		\$2,327,720
(10) Development Reserves		\$331,878		
TOTAL DEVELOPMENT COSTS	\$24,884,974	\$24,706,321	\$21,897,325	\$21,702,143

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$21,897,325	\$21,702,143
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$28,466,522	\$28,212,786
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$28,466,522	\$28,212,786
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$1,039,028	\$1,029,767
Syndication Proceeds		0.8099	\$8,415,286	\$8,340,276

Developer Evaluation

Compliance Status Summary

Project ID #: 02474

LIHTC 9% LIHTC 4%

Project Name: Quail Creek Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 0

total # monitored 0 # not yet monitored or pending review 0

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/19/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

Community Affairs

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____**Completed on** _____**Housing Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____**Completed on** _____**Housing Programs**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth**Completed on** 2 /6 /2003**Multifamily Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer**Completed on** 2 /7 /2003**Executive Director:** Edwina Carrington**Date Signed:** April 02, 2003



**LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Wurzbach Manor Apartments**

TDHCA#: 02476

DEVELOPMENT AND OWNER INFORMATION			
Development Location:	San Antonio	QCT: N	DDA: N
Development Owner:	WB Affordable Housing, LP		
General Partner(s):	Delphi Housing of San Antonio, 100%, Contact: Dan O'Dea		
Construction Category:	Aqu/Rehab		
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Bexar County HFC	
Development Type:	Family		
Annual Tax Credit Allocation Calculation			
Applicant Request:	\$366,95095	Eligible Basis Amt:	\$353,28528
	0		5
Equity/Gap Amt.:		\$415,902	
Annual Tax Credit Allocation Recommendation: \$353,285			
Total Tax Credit Allocation Over Ten Years:		3,532,850	

PROPERTY INFORMATION			
Unit and Building Information			
Total Units:	161	LIHTC Units:	160*
		% of LIHTC Units:	99%
Gross Square Footage:	143,538	Net Rentable Square Footage: 140,205	
Average Square Footage/Unit:	871		
Number of Buildings:	15		
Currently Occupied:	Y		
Development Cost			
Total Cost:	\$11,482,032	Total Cost/Net Rentable Sq. Ft.:	\$81.89
Income and Expenses			
Effective Gross Income: ¹	\$1,258,165	Ttl. Expenses:	\$661,766
Estimated 1st Year DCR:	1.10	Net Operating Inc.:	\$596,399

DEVELOPMENT TEAM			
Consultant:	Delphi Affordable Housing Group	Manager:	Marcrum Management Co.
Attorney:	Nixon Peabody	Architect:	Lloyd W. Jary & Associates, Inc.
Accountant:	Reznick, Fedder & Silverman	Engineer:	To Be Determined
Market Analyst:	Apartment Market Data	Lender:	Davis-Penn Mortgage Co.
Contractor:	Concept Builders	Syndicator:	Paramount Financial Group

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Leticia Van de Putte, District 26 - NC
# in Opposition: 0	Rep. Trey Martinez Fischer, District 116 - NC
	Mayor Ed Garza - NC
	Andrew Cameron, Housing & Community Development Director, City of San Antonio; Consistent with the local Consolidated Plan.

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

* This Development has one Employee Occupied Unit.

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of an executed HAP contract renewal reflecting rents at the 50% of AMGI maximum limits prior to issuance of forms 8609.
3. Receipt, review, and acceptance of documentation to include testing upon removal of each "older" transformer, as identified in the submitted Phase I ESA, for PCBs and indication of proper disposal prior to issuance of forms 8609.
4. Receipt, review, and acceptance prior to issuance of forms 8609 of documentation indicating the continuation of the IRP through the decoupling process or otherwise, the payment schedule of the IRP, and the repayment structure of the proposed debt.
5. Receipt, review and acceptance of a final and complete commitment for interim to permanent financing indicating all terms for the purchase of mortgage revenue bonds to be issued by Bexar County HFC and the proposed IRP loan prior to bond closing.
6. Should the terms of the permanent financing or syndication change, the development shall be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable)._____

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

Date

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

Chairperson Signature: _____
Michael E. Jones, Chairman of the Board

Date

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

DATE: March 22, 2003 PROGRAM: 4% LIHTC FILE NUMBER: 02476

DEVELOPMENT NAME

Wurzbach Manor

APPLICANT

Name: WB Affordable Housing LP Type: For Profit Non-Profit Municipal Other
 Address: 204 E 8th Street City: Georgetown State: TX
 Zip: 78626 Contact: Daniel F O'Dea Phone: (512) 863-7666 Fax: (512) 863-8656

PRINCIPALS of the APPLICANT

Name: Delphi Housing of San Antonio (%): 0.01 Title: General Partner
 Name: Paramount Financial Group (%): 99.99 Title: Limited Partner
 Name: Dan F O'Dea (%): n/a Title: 75% owner GP
 Name: Michelle Grandt (%): n/a Title: 25% owner GP

GENERAL PARTNER

Name: Delphi Housing of San Antonio Type: For Profit Non-Profit Municipal Other
 Address: 204 E 8th Street City: Georgetown State: TX
 Zip: 78626 Contact: Daniel F O'Dea Phone: (512) 863-7666 Fax: (512) 863-8656

PROPERTY LOCATION

Location: 4363 Dean Pannill QCT DDA
 City: San Antonio County: Bexar Zip: 78229

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$366,950	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>Acquisition/ Rehabilitation</u>			

SITE DESCRIPTION

Size: 8.264 acres 359,980 square feet Zoning/ Permitted Uses: R-6/Single Family*
 Flood Zone Designation: Zone X Status of Off-Sites: Fully Improved

* Current use is non-conforming; cannot be rebuilt if cost of repairing any future destruction exceeds 50% of the total replacement cost

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

DESCRIPTION of IMPROVEMENTS

Total Units: 161 **# Rental Buildings:** 15 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** 27 yrs **Vacant:** 2 at 12/ 13/ 2002

Number	Bedrooms	Bathroom	Size in SF
21	1	1	585
40	2	1	689
80	3	2	965
20	4	2	1,158

Net Rentable SF: 140,205 **Av Un SF:** 871 **Common Area SF:** 3,333 **Gross Bldg SF** 143,538

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% wood siding exterior wall covering, drywall interior wall surfaces, built-up rock roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, cable

ON-SITE AMENITIES

Management office, laundry facility, equipped children's play area, perimeter fencing

Uncovered Parking: 273 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: Davis-Penn Mortgage Company **Contact:** Ray J Landry

Principal Amount: \$7,250,000 **Interest Rate:** 5.75%

Additional Information: Financed with tax-exempt mortgage revenue bonds, 2-yr construction period

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** None Firm Conditional

Annual Payment: \$457,079 (per applicant) **Lien Priority:** 1st **Commitment Date** 03/ 04/ 2003

INTERIM to PERMANENT FINANCING

Source: Davis-Penn Mortgage Company **Contact:** Ray J Landry

Principal Amount: \$1,030,000 **Interest Rate:** 6.75%

Additional Information: IRP loan, 2-yr construction period

Amortization: 12 yrs **Term:** 12 yrs **Commitment:** None Firm Conditional

Annual Payment: Unspecified **Lien Priority:** 1st **Commitment Date** 03/ 04/ 2003

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LIHTC SYNDICATION

Source: <u>Paramount Financial Group</u>	Contact: <u>Leslie L Houston</u>
Address: <u>110 W 7th Street, Suite 1025</u>	City: <u>Fort Worth</u>
State: <u>TX</u> Zip: <u>76102</u> Phone: (817) <u>339-8884</u> Fax: (817) <u>339-8897</u>	
Net Proceeds: <u>\$2,825,515</u>	Net Syndication Rate (per \$1.00 of 10-yr LIHTC) <u>77¢</u>
Commitment <input checked="" type="checkbox"/> Proposal <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	Date: <u>12/ 24/ 2002</u>
Additional Information: _____	

APPLICANT EQUITY

Amount: <u>\$423,425</u>	Source: <u>Deferred developer fee</u>
Amount: <u>\$100</u>	Source: <u>Cash Equity</u>

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	<u>\$992,000</u>	Date of Valuation:	<u>11/ 26/ 2002</u>
Existing Building: as is	<u>\$4,398,000</u>	Date of Valuation:	<u>11/ 26/ 2002</u>
Total: as is	<u>\$5,390,000</u>	Date of Valuation:	<u>11/ 26/ 2002</u>
Appraiser: <u>Multi-Housing Appraisal Assoc</u>	City: <u>San Antonio</u>	Phone: (210) <u>492-2125</u>	

ASSESSED VALUE

Land:	<u>\$1,029,100</u>	Assessment for the Year of:	<u>2002</u>
Building:	<u>\$670,900</u>	Valuation by:	<u>Bexar County Appraisal District</u>
Total Assessed Value:	<u>\$1,700,000</u>	Tax Rate:	<u>3.042105</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: <u>Real Estate Purchase Contract</u>
Contract Expiration Date: <u>09/ 30/ 2003</u> Anticipated Closing Date: <u>05/ 09/ 2003</u>
Acquisition Cost: \$ <u>4,300,000</u> Other Terms/Conditions: _____
Seller: <u>Medical Manor Associates, Ltd.</u> Related to Development Team Member: <u>No</u>

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Wurzbach Manor is a proposed acquisition and rehabilitation development of 161 units of affordable housing located in northwest San Antonio. The development was built in 1976 and is comprised of 15 residential buildings housing one-, two-, three-, and four-bedroom units. Based on the site plan the apartment buildings are arranged around Dean Pannill Drive, which appears to be a private road, with the office/laundry facility located near the center of the site.

Existing Subsidies: The development has 145 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The Applicant intends to continue the HAP contract and to request an

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increase in the contract rents to the 50% of AMGI maximum limits. Receipt, review and acceptance of an executed HAP contract renewal reflecting rents at the 50% of AMGI maximum limits is a condition of this report.

In addition, the development was originally funded under the HUD Section 236 program. According to the Applicant, new program rules allow subsequent owners of the property to apply for a transfer of the IRP contract to new owners under the decoupling process. The current IRP payment is roughly \$11,500 per month and is expected to continue through April 2012. Receipt, review and acceptance of documentation indicating the successful decoupling and continued IRP payment is a condition of this report. While some additional information regarding the payment schedule of the IRP should have been provided with the application, the full detail of the decoupling process will not be available until after the bonds close and thus will be a condition that needs to be met by cost certification.

Development Plan: The buildings are currently 99% occupied and in an average state for the market area. The general contractor's scope of work includes: misc. grading for drainage, sidewalk repair, sealcoat, stripe, asphalt repair, repair and replace transformers, striping, brick repair at plumbing and HVAC, replace metal railings, interior and exterior carpentry, caulking and waterproofing, roofing repair including new fiber glass shingles to replace the shake mansards, interior fixtures, dishwashers, disposals, smoke detectors, exterior lighting, replace/refurbish existing tubs, new kitchen and lavatory sinks, replace two boilers and rebuild manifolds, replace existing air handlers and condensing units, replace all entry doors and some interior doors, glass and screen replacement, new lavatory mirrors, drywall repairs, replace tile surrounds, install new VCT at hall, bath, living and kitchen, install new carpet at bedrooms, completely repaint interior and exterior, install new cabinets, install new refrigerators, ranges and vent hoods, install new window blinds in all units and abate selected ceiling drywall for electrical access.

The Applicant has estimated there will be 15 to 20 vacant units at commencement of rehabilitation work. This level of vacancy will be maintained throughout the rehabilitation period to avoid relocating residents offsite. A letter will be distributed to residents offering either a moving company to transfer them to completed units or \$250 upon the timely completion of the move themselves. The Applicant will also pay the \$50 utility transfer charge as applicable. The letter will reflect an allowance for seniority on the property regarding those desiring to voluntarily change to like units early.

Supportive Services: The Applicant plans to contract with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: personal growth opportunities, family skills development, education, fun and freedom activities, and neighborhood advancement. These services will be provided at no cost to tenants. The contract requires the Applicant to pay a one-time startup fee of \$3,000, plus \$7.86 per unit per month for these support services.

Schedule: The Applicant anticipates construction to begin in June of 2003, to be completed in May of 2004, to be placed in service in January of 2004, and to be substantially leased-up in August of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI. In addition, 145 of the unit rents are restricted under a HAP Contract that the Applicant plans to renew. The renewed contract should reflect rents increased to the 50% of AMGI level.

MAXIMUM ELIGIBLE INCOMES								
	1	2	3	4	5	6	7	8
	Person	Persons	Persons	Persons	Persons	Persons	Persons	Persons
60% of AMI	\$19,380	\$22,200	\$24,960	\$27,720	\$29,940	\$32,160	\$34,380	\$36,600

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

Compliance Period Extension: The intended length of the compliance period was not specified in the application.

MARKET HIGHLIGHTS

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A market feasibility study dated December 11, 2002 was prepared by Apartment MarketData and highlighted the following findings:

Definition of Primary Market: “For this analysis we utilized a ‘primary market area’ comprising a Trade Area known as the ‘N1’ Sub-Market Area in northwest San Antonio.” (p. 25)

Total Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE PRIMARY MARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	373	4.9%
Resident Turnover	7,222	95.1%
TOTAL ANNUAL DEMAND	7,595	100%

Ref: p. 36

Capture Rate: The analyst calculated a capture rate of 3.1% based on total low-income units of 233 and total units of demand of 7,595. (p. 36) Since the development is currently stabilized, the capture rate calculation for this development is relatively immaterial.

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 1,136 units in the market area. “These projects were built primarily during the 1970s as was the subject property.” (p. 86)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$433	\$433	\$0	\$471.96	-\$38.96
2-Bedroom (50%)	\$520	\$520	\$0	\$605.10	-\$85.10
3-Bedroom (50%)	\$600	\$600	\$0	\$730.44	-\$130.44
4-Bedroom (50%)	\$670	\$670	\$0	n/a	n/a

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

Primary Market Occupancy Rates: “The current occupancy of the market area is 95.0%.” (p. 81) The overall average occupancy is 93.8% for the five comparable properties. (p. 86)

Absorption Projections: “If completely vacant, we estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as the come on line for occupancy from construction.” (p. 77)

Known Planned Development: “According to the TDHCA’s database of LIHTC and bond projects, there are six projects within the subject’s trade area. Only one of these projects, Babcock North Extension, is a new development under construction.” (p. 78)

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

An appraisal prepared by Multi-Housing Appraisal Associates and dated November 26, 2002 was also provided. The appraisal concludes current market rents of \$370 for one bedroom, \$450 for two-bedrooms, \$590 for three-bedrooms, and \$670 for four bedrooms, which are significantly less than the market rents indicated in the market analysis. The original appraised value of \$5,330,000 assumed the property would be in its ‘as-is’ condition, but with 100% of the units’ rents restricted to the LIHTC 50% level. It is unknown why the LIHTC rent restriction was indicated since those restrictions do not apply to the as is value and the current rents are significantly below the LIHTC rents. As required by the QAP and Underwriting Rules and Guidelines, the appraiser was subsequently asked to provide an ‘as-is’ appraised value based on market rents. The supplement to the original appraisal report indicates an inexplicable slightly higher ‘as-is’ value based on market oriented rental rates of \$5,390,000. This is \$1,090,000 more than the contracted purchase price.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located at 4363 Dean Pannill Road, approximately ¼ mile northeast of the

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Wurzbach Road and Fredericksburg Road intersection, in northwest San Antonio. The subject is ten miles from the central business district.

Population: The estimated 2002 population of primary market area was 139,489 and is expected to increase by 11.5% to approximately 155,549 by 2007. Within the primary market area there were estimated to be 66508 households in 2007.

Adjacent Land Uses: Land uses in the overall area in which the site is located are light office, commercial, retail and multifamily. It should be noted that one of the surrounding land uses is listed as a gentlemen's club and cabaret. Adjacent land uses include:

- **North:** commercial buildings
- **South:** multifamily
- **East:** office buildings
- **West:** unimproved land

Site Access: The site is accessed directly from Wurzbach Road. Linkages in the area include Fredericksburg Road, Interstate 10, Loop 410, and Loop 1604.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within five miles of an elementary, middle and high schools and within 6miles of the University of Texas at San Antonio. A large grocer is located 1.1 miles from the subject and a shopping mal and two discount department stores are located within 5 miles. Recreational facilities in the area include Fiesta Texas Theme Park and the Riverwalk. The South Texas Medical Center is within one mile of the site.

Special Adverse Site Characteristics: The site is currently zoned R-6/single family. Therefore, the existing development is a non-conforming use. However, according to City code, until and unless the development is damaged, requiring repair work exceeding 50% of the cost to replace the entire development, the current multifamily use is allowed. There is a significant risk that should a catastrophic event occur, all of the units would not be able to be rebuilt on the present site.

Site Inspection Findings: The site was inspected by a TDHCA staff member on February 28, 2003, and found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 23, 2002 was prepared by Astex Environmental Services, Inc. and contained the following findings:

Asbestos-Containing Materials (ACM): "A limited investigation and laboratory analyses of suspect building materials for the presence of asbestos containing materials identified the exterior soffit panels and the original 12" floor tile with associated black mastic as ACM. These materials can be managed in place through implementation of an Operations and Maintenance Plan (O&M)." An O & M plan dated December 2, 2002 was also provided.

Lead-Based Paint (LBP): "Limited physical testing for lead based paint was conducted during this assessment. Exterior wood doors located throughout the apartment complex were reported positive for lead based paint. All other paint on interior and exterior components were found to be non lead based paint. All exterior LBP surfaces were observed to be in good condition and do not represent a lead hazard."

Polychlorinated Biphenyls (PCBs): "In addition to the six pad-mounted transformers, there are five transformers located within underground vaults around the property...It is assumed that these underground transformers contain or are contaminated with PCBs; however, Astex is having fluids in these transformers tested and analytical results will be forwarded within a separate report." "The laboratory analysis reported a PCB level of 2.4 ppm and based on the Federal Standards, this transformer would be classified as a Non PCB unit. No special handling and/or disposal would be required for this unit. It is important to note however, that each of the older transformers must be tested at the time of removal/disposal and since all of the original transformers were put into service at the same time, it is reasonable to believe that the others could be Non PCB units as well. Based on the results form this test, no further action is warranted at this time." The Applicant has included \$40,000 of site work cost for the replacement of these transformers.

This report is conditioned upon receipt, review and acceptance of documentation to include testing upon removal of each "older" transformer, as identified in the submitted Phase I ESA, for PCBs and indication of

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proper disposal. This condition will not be met until after the acquisition is complete and therefore should be documented with the cost certification submission.

OPERATING PROFORMA ANALYSIS

Income: The Applicant has indicated that the development will apply for and anticipates receiving an increase in HAP contract rent to the maximum 50% of AMGI LIHTC rent limits. As noted above, receipt review and acceptance of an executed HAP contract renewal reflecting rents at the 50% of AMGI maximum limits is a condition of this report. The request for rent increase will not occur until after bond closing and therefore this condition should be met at cost certification. The Applicant's secondary income and vacancy loss assumptions are in line with Department guidelines. The Applicant did not include the IRP as a form of secondary income in their proforma but rather included it as a negative payment in debt service. The Underwriter reflected the IRP as a secondary source of income for the purposes of this analysis.

Expenses: The Applicant's total operating expense estimate is 8%, or \$50K, less than the Underwriter's estimate but \$345K less than the properties historical operating expenses provided. Several of the Applicant's line item expense assumptions also differ significantly as compared to the Underwriter's estimates. Particularly: general and administrative (\$16K lower); repairs and maintenance (\$25K lower); and property insurance (\$8K higher). The proposed permanent lender and syndicator have indicated that a reserve for replacement of only \$250 per unit per month is required. The underwriting analysis includes \$300 per unit per month, which is the Department's minimum guideline for rehabilitation developments.

Conclusion: Overall, the Applicant's net operating income estimate is 15%, or \$87K, less than the Underwriter's estimate. When the IRP is excluded this difference is reversed and the Applicants NOI would be \$51K higher than the Underwriter's estimate. Because this difference in either case is greater than 5%, the Underwriter's proforma will be used to determine the development's debt service capacity.

As noted above, the Applicant intends to continue to receive an IRP of roughly \$11,500 per month after a decoupling process which will be reflected in the proforma for just under the first ten years. The effect of including the IRP should be breakeven in that the portion of the bonds that are repaid with the IRP proceeds should exactly match the IRP amount. However, it appears that the debt service at the proposed terms of the IRP loan is only \$125,467, which is slightly less than the anticipated IRP inflow, suggesting a small portion of the primary debt may have repayment from the IRP.

It is typical for bond transactions with taxable debt to have minimal reduction of tax exempt debt until the full amount of the taxable debt is redeemed. The underwriter has assumed that is the plan in this instance and taxable bonds will finance the IRP loan. Therefore, the IRP loan will have priority repayment and a blended rate of 5.91% will apply to the entire \$8,280,000 debt. If the tax-exempt bond-financed and IRP loans will be repaid concurrently, the Underwriter's proforma results in a debt coverage ratio (DCR) of 1.29 for the primary debt and 1.01 for the aggregate debt. Assuming the IRP loan will have priority repayment over the tax-exempt bond-financed loan in a blended structure results in a DCR of 1.10, which is within the Department's current DCR guideline of 1.10 to 1.30. However, the actual structure of the permanent financing through Davis-Penn Mortgage is not clearly defined in the submitted commitment. The underwriting proforma reflects that without the continued IRP payments, the development's DCR ratio will fall below the breakeven level in years 9 and 10 and a reserve account will need to be established in years 1 through nine to support this deficiency.

It should be noted the majority of the development units have rents that are restricted by a project based HAP Contract. HUD bases HAP Contract rents on the approved budget of the development, which includes debt service. Therefore, the development's ability to service debt will directly affect its rent levels. Moreover HAP Contract rents can exceed the maximum tax credit rents from a federal level perspective and it is likely, but yet untested that the state's legislative restriction on the rents will also allow the maximums to be exceeded for project based subsidies because the state's restrictions refer to the federal restrictions.

This report is conditioned upon receipt, review and acceptance of documentation indicating the continuation of the IRP through the decoupling process or otherwise, the payment schedule of the IRP, and the repayment structure of the proposed debt.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The subject cost of \$4,300,000 is substantiated by the appraisal value of \$5,390,000 (as is with market rents) and the total cost is assumed to be reasonable since the acquisition is an arm's-length

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transaction. The Applicant originally assumed an underlying land value of \$430,000 without justification other than indicating an estimated 10% portion of the purchase price for the land. They revised this upward to \$645,000 without comment. The Appraisal provides a land value of \$992,000 or 18.4% of the total appraised value while the tax assessor provides a value of \$1,029,100 or 60.5% of the entire assessed value for the land. The Underwriter has calculated a land value of \$791,391 based on the 18.4% ratio of the appraisal value for the land to the entire property times the purchase price from an IRS accounting perspective. This value is the least value that could be justifiably attributed to the land (and therefore provide the highest potential eligible portion of the purchase price); however, this may still be an overestimation of the eligible portion of the purchase price. The Underwriter's maximum estimate results in a reduction in eligible basis of \$146,391.

Sitework Cost: The Applicant's claimed sitework costs of \$608 per unit are considered reasonable compared to historical sitework costs for rehabilitation projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is substantiated by a work write-up signed by the development general contractor. The Applicant included an unspecified line item cost of \$30,748. The line item amounts to approximately 1% of hard costs and since it was not substantiated, this cost was reflected as additional contingency by the Underwriter.

Contingency: In addition to the 1% unsubstantiated direct cost the Applicant included 10% hard cost contingency and a 2% soft cost contingency, which were combined in later cost schedules submitted by the Applicant. The Applicant's total contingency, therefore, exceeds the 10% guideline for rehabilitation developments and the eligible portion of the Applicant's contingency must be reduced by \$133,834.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$109K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate. The Applicant had indicated that the eligible interest expense calculation was based upon 15 months of fully drawn interest. While it is true that as an acquisition/ rehabilitation development, the bond funds will be drawn immediately and nearly fully utilized from the day the bonds close, it is unclear that the full amount of interim interest expense can be considered as eligible basis. In fact much of the interest expense may need to be expensed as operating expense though many tax accountants would also count it as eligible. However the Applicant also indicated that the placed in service date would be less than one year from the time the bonds close and therefore anticipating more than the Department's one year maximum guideline for eligible interest expense does not appear to be justified.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$4,305 with the overage effectively moved to ineligible costs. As a result of the understated land value (and subsequently overstated building acquisition value) the Applicant's Developer fees also exceed the maximum 15% guideline by \$5,435 and therefore the eligible portion of the Applicant's contingency must be reduced by an equal amount.

Conclusion: Overall, the Applicant's total development cost estimate is within 5% of the Underwriter's estimate. Due to the fact that the Underwriter's direct costs are based entirely upon the Applicant's direct cost estimate performed by the third party general contractor, the TDHCA eligible basis estimates are merely the corrected Applicant's estimates. The adjustments made by the Underwriter to the acquisition eligible basis are due to the Applicant's understated cost attributed to land. Adjustments to the Applicant's rehab eligible basis are due to the Applicant's overstated contingency and contractor and developer fees. Therefore, although the Applicant's total development cost estimate will be used to determine the development's need for permanent funds, the Underwriter's eligible basis estimates will be used to determine the eligible basis method of calculating the recommended tax credits. The Underwriter's eligible basis reflects a total reduction of \$398,690 compared to the Applicant's eligible basis calculation as of March 4, 2003. The March 4 submission reflected a credit request of \$362,798 based upon a 3.60% applicable percentage.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing: a bond-financed interim to permanent loan, an IRP loan, and deferred developer's fees.

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Bond-Financed Interim to Permanent Loan: Davis-Penn Mortgage Company has offered to provide interim to permanent financing in the amount of \$7,250,000 with a fixed interest rate of 5.75%. The loan would amortize over a term of 40 years. In addition, the commitment letter indicates an IRP loan of \$1,030,000 amortized over a term of 12 years at an interest rate of 6.75%. Purchase of mortgage revenue bonds to be issued by Bexar County Housing Finance Corporation is not specifically mentioned. Receipt, review and acceptance of a commitment for interim to permanent financing indicating all terms for the purchase of mortgage revenue bonds to be issued by Bexar County HFC and the IRP loan is a condition of this report. As indicated above, it is uncertain as to what the repayment structure will be for IRP/taxable portion or the main taxexempt portion; further clarification of this structure is needed.

LIHTC Syndication: Paramount has offered terms for syndication of the tax credits. Though the Applicant indicated a lesser amount, the commitment letter shows net proceeds are anticipated to be \$2,825,515 based on a syndication factor of 77%. The funds would be disbursed in a four-phased pay-in schedule:

1. 50% upon close of construction loan;
2. 25% upon construction completion;
3. 12% upon conversion to permanent loan; and
4. 13% upon receipt of 8609s.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$423,425 amount to 33% of the total fees.

Financing Conclusions: As noted above, the Applicant's total development cost estimate was used to determine the development's need for permanent funds, while the Underwriter's eligible basis estimates were used to determine the recommended tax credits of \$353,285 annually for ten years. The anticipated syndication proceeds of \$2,720,024 and total permanent loan of \$8,280,000 indicate a need for an additional \$482,008 in permanent funds. Deferred developer fees in this amount represent 38% of the total proposed developer fees, and appear to be repayable within ten years of stabilized operation assuming the development continues to receive the IRP as scheduled and the IRP loan has priority repayment over the taxexempt bond-financed loan.

REVIEW of ARCHITECTURAL DESIGN

The existing buildings are two-story structures with mansard-style roofs typical of 1970s multifamily construction. The unit floorplans appear to offer adequate living and storage space. It should be noted that the two smaller bedrooms in the four-bedroom unit are less than 100 square feet and, based on the documents provided, the two-bedroom unit appears to be the only handicapped adaptable unit.

IDENTITIES of INTEREST

None noted.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principal(s) of the General Partner, Daniel F O'Dea and Michelle Grandt, submitted unaudited financial statements as of December 13, 2002.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Daniel F O'Dea indicates participation in five LIHTC/MRB housing developments in Texas totaling 574 units since 2000.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant environmental/location risks exist as identified in the Phase I ESA.
- Due to the current non-conforming use there is a significant risk that should a catastrophic event occur

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the units would not be able to be rebuilt on the present site

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

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$353,285 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS TO BE MET BY COST CERTIFICATION UNLESS OTHERWISE NOTED.

CONDITIONS

1. Receipt, review and acceptance of an executed HAP contract renewal reflecting rents at the 50% of AMGI maximum limits prior to issuance of forms 8609;
2. Receipt, review and acceptance of documentation to include testing upon removal of each "older" transformer, as identified in the submitted Phase I ESA, for PCBs and indication of proper disposal prior to issuance of forms 8609;
3. Receipt, review and acceptance prior to issuance of forms 8609 of documentation indicating the continuation of the IRP through the decoupling process or otherwise, the payment schedule of the IRP, and the repayment structure of the proposed debt;
4. Receipt, review and acceptance of a final and complete commitment for interim to permanent financing indicating all terms for the purchase of mortgage revenue bonds to be issued by Bexar County HFC and the proposed IRP loan prior to bond closing; and
5. Should the terms of the permanent financing or syndication change, the development shall be re-evaluated.

Credit Underwriting Supervisor: _____

Lisa Vecchiatti

Date: March 27, 2003

Director of Credit Underwriting: _____

Tom Gouris

Date: March 27, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Wurzbach Manor, San Antonio, 4% LIHTC 02476

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
TC 50%	20	1	1	585	\$473	\$473	\$9,460	\$0.81	\$31.00	\$25.00
EO	1	1	1	585		0	0	0.00	31.00	25.00
TC 50%	40	2	1	689	568	568	22,720	0.82	45.00	31.00
TC 50%	80	3	2	965	656	656	52,480	0.68	52.00	35.00
TC 50%	20	4	2	1,158	732	732	14,640	0.63	67.00	41.00
TOTAL:	161		AVERAGE:	871	\$617	\$617	\$99,300	\$0.71	\$49.39	\$33.45

INCOME

Total Net Rentable Sq Ft: 140,205

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 Other Support Income: IRP

POTENTIAL GROSS INCOME

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

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.79%	\$296	\$0.34
Management	4.45%	348	0.40
Payroll & Payroll Tax	10.28%	803	0.92
Repairs & Maintenance	4.98%	389	0.45
Utilities	10.88%	850	0.98
Water, Sewer, & Trash	5.99%	468	0.54
Property Insurance	2.79%	218	0.25
Property Tax 3.042105	4.28%	335	0.38
Reserve for Replacements	3.84%	300	0.34
Other:	1.33%	104	0.12

TOTAL EXPENSES

52.60% \$4,110 \$4.72

NET OPERATING INC

47.40% \$3,704 \$4.25

DEBT SERVICE

First Lien	36.85%	\$2,880	\$3.31
IRP Loan	9.97%	\$779	\$0.89
IRP Payment	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00

NET CASH FLOW

0.58% \$45 \$0.05

AGGREGATE DEBT COVERAGE RATIO (DCR)

1.01 1.14

ALTERNATIVE DCR w/ Priority Payment of IRP Loan

ALTERNATIVE DCR w/o IRP

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldng)		37.92%	\$26,708	\$30.67
Off-Sites		0.00%	0	0.00
Sitework		0.86%	608	0.70
Direct Construction		22.83%	16,081	18.47
Contingency	10.00%	2.37%	1,669	1.92
General Req'ts	6.00%	1.42%	1,001	1.15
Contractor's G & J	2.00%	0.47%	334	0.38
Contractor's Prof.	6.00%	1.42%	1,001	1.15
Indirect Construction		3.09%	2,179	2.50
Ineligible Costs		5.49%	3,870	4.44
Developer's G & A	2.00%	1.48%	1,046	1.20
Developer's Profi'	13.00%	9.65%	6,796	7.80
Interim Financing		10.81%	7,611	8.74
Reserves		2.16%	1,522	1.75

TOTAL COST

100.00% \$70,425 \$80.87

Recap-Hard Construction Costs

29.38% \$20,694 \$23.76

SOURCES OF FUNDS

First Lien	63.94%	\$45,031	\$51.71
IRP Loan	9.08%	\$6,398	\$7.35
LIHTC Syndication Proceeds	24.64%	\$17,351	\$19.92
Deferred Developer's Fee	3.73%	\$2,630	\$3.02
Additional (excess) Funds Required	-1.40%	(\$985)	(\$1.13)

TOTAL SOURCES

	TDHCA	APPLICANT		
	\$1,191,600	\$1,191,600		
	19,320	19,200	\$9.94	Per Unit Per Month
	138,064	0		
	\$1,348,984	\$1,210,800		
	(90,819)	(90,816)	-7.50%	of Potential Gross Income
	0	0		

	PER SQ FT	PER UNIT	% OF EGI
	\$47,680	\$32,100	\$0.23 \$199 2.87%
	56,005	56,000	0.40 348 5.00%
	129,283	127,800	0.91 794 11.41%
	62,640	37,250	0.27 231 3.33%
	136,849	134,023	0.96 832 11.97%
	75,387	73,116	0.52 454 6.53%
	35,051	40,745	0.29 253 3.64%
	53,876	53,079	0.38 330 4.74%
	48,300	40,250	0.29 250 3.59%
	16,696	16,696	0.12 104 1.49%

\$661,766 \$611,058 \$4.36 \$3,795 54.56%

\$596,399 \$508,926 \$3.63 \$3,161 45.44%

\$463,612 \$451,912 \$3.22 \$2,807 40.35%

\$125,467 125,467 \$0.89 \$779 11.20%

0 (\$132,000) (\$0.94) (\$820) -11.79%

0 0 \$0.00 \$0 0.00%

\$7,320 \$63,547 \$0.45 \$395 5.67%

1.01 1.14

1.10

0.99

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$4,300,000	\$4,300,000	\$30.67	\$26,708	37.45%
	0	0	0.00	0	0.00%
	97,880	97,880	0.70	608	0.85%
	2,589,055	2,589,055	18.47	16,081	22.55%
	268,694	402,527	2.87	2,500	3.51%
	161,216	163,061	1.16	1,013	1.42%
	53,739	54,354	0.39	338	0.47%
	161,216	163,061	1.16	1,013	1.42%
	350,825	350,825	2.50	2,179	3.06%
	623,021	623,021	4.44	3,870	5.43%
	168,331	169,056	1.21	1,050	1.47%
	1,094,153	1,098,863	7.84	6,825	9.57%
	1,225,329	1,225,329	8.74	7,611	10.67%
	245,000	245,000	1.75	1,522	2.13%

\$11,338,459 \$11,482,032 \$81.89 \$71,317 100.00%

\$3,331,799 \$3,469,938 \$24.75 \$21,552 30.22%

RECOMMENDED

\$7,250,000 \$7,250,000 \$8,280,000

1,030,000 1,030,000 0

2,793,548 2,793,548 2,720,024

423,425 423,425 482,008

(158,514) (14,941) 0

\$11,338,459 \$11,482,032 \$11,482,032

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

PAYMENT COMPUTATION

Primary	\$7,250,000	Amort	480
Int Rate	5.75%	DCR	1.29
Secondary	\$1,030,000	Amort	144
Int Rate	6.75%	Subtotal DCR	1.01
Additional		Amort	
Int Rate		Aggregate DCR	1.01

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	\$540,695
Additional Financing	0
TDHCA Fees	0
NET CASH FLOW	\$55,704

Primary	\$8,280,000	Amort	480
Int Rate	5.91%	DCR	1.10
Secondary		Amort	
Int Rate		Subtotal DCR	1.10
Additional		Amort	
Int Rate		Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,191,600	\$1,227,348	\$1,264,168	\$1,302,093	\$1,341,156	\$1,554,768	\$1,802,402	\$2,089,478	\$2,808,083
Secondary Income	19,320	19,900	20,497	21,111	21,745	25,208	29,223	33,878	45,529
Other Support Income: IR	138,064	137,534	136,895	136,233	135,512	0	0	0	0
POTENTIAL GROSS INCOME	1,348,984	1,384,782	1,421,560	1,459,438	1,498,413	1,579,976	1,831,625	2,123,356	2,853,612
Vacancy & Collection Los	(90,819)	(103,859)	(106,617)	(109,458)	(112,381)	(118,498)	(137,372)	(159,252)	(214,021)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,258,165	\$1,280,923	\$1,314,943	\$1,349,980	\$1,386,032	\$1,461,478	\$1,694,253	\$1,964,104	\$2,639,591
EXPENSES at 4.00%									
General & Administrative	\$47,680	\$49,587	\$51,570	\$53,633	\$55,778	\$67,863	\$82,566	\$100,454	\$148,696
Management	56,005	57,018	58,532	60,092	61,697	65,055	75,417	87,429	117,497
Payroll & Payroll Tax	129,283	134,454	139,832	145,426	151,243	184,010	223,876	272,380	403,189
Repairs & Maintenance	62,640	65,146	67,751	70,461	73,280	89,156	108,472	131,973	195,352
Utilities	136,849	142,323	148,015	153,936	160,093	194,778	236,977	288,319	426,783
Water, Sewer & Trash	75,387	78,402	81,539	84,800	88,192	107,299	130,546	158,829	235,106
Insurance	35,051	36,453	37,911	39,428	41,005	49,889	60,697	73,848	109,313
Property Tax	53,876	56,031	58,272	60,603	63,027	76,682	93,295	113,508	168,019
Reserve for Replacements	48,300	50,232	52,241	54,331	56,504	68,746	83,640	101,761	150,631
Other	16,696	17,364	18,058	18,781	19,532	23,764	28,912	35,176	52,069
TOTAL EXPENSES	\$661,766	\$687,010	\$713,724	\$741,491	\$770,352	\$927,242	\$1,124,399	\$1,363,676	\$2,006,655
NET OPERATING INCOME	\$596,399	\$593,913	\$601,219	\$608,489	\$615,680	\$534,236	\$569,854	\$600,428	\$632,937
DEBT SERVICE									
First Lien Financing	\$540,695	\$540,695	\$540,695	\$540,695	\$540,695	\$540,695	\$540,695	\$540,695	\$540,695
IRP Loan	0	0	0	0	0	0	0	0	0
IRP Payment	0	0	0	0	0	0	0	0	0
Additional Financing	0	0	0	0	0	0	0	0	0
Cash Flow	55,704	53,218	60,524	67,794	74,985	(6,459)	29,159	59,733	92,242
AGGREGATE DCR	1.10	1.10	1.11	1.13	1.14	0.99	1.05	1.11	1.17

LIHTC Allocation Calculation - Wurzbach Manor, San Antonio, 4% LIHTC 02476

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$645,000	\$791,391				
Purchase of buildings	\$3,655,000	\$3,508,609	\$3,655,000	\$3,508,609		
(2) Rehabilitation/New Construction Cost						
On-site work	\$97,880	\$97,880			\$97,880	\$97,880
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	\$2,589,055	\$2,589,055			\$2,589,055	\$2,589,055
(4) Contractor Fees & General Requirements						
Contractor overhead	\$54,354	\$53,739			\$53,739	\$53,739
Contractor profit	\$163,061	\$161,216			\$161,216	\$161,216
General requirements	\$163,061	\$161,216			\$161,216	\$161,216
(5) Contingencies	\$402,527	\$268,694			\$268,694	\$268,694
(6) Eligible Indirect Fees	\$350,825	\$350,825			\$350,825	\$350,825
(7) Eligible Financing Fees	\$1,225,329	\$1,225,329			\$1,225,329	\$1,225,329
(8) All Ineligible Costs	\$623,021	\$623,021				
(9) Developer Fees			\$548,250	\$526,291		
Developer overhead	\$169,056	\$168,331			\$95,956	\$98,159
Developer fee	\$1,098,863	\$1,094,153			\$623,713	\$638,034
(10) Development Reserves	\$245,000	\$245,000				
TOTAL DEVELOPMENT COSTS	\$11,482,032	\$11,338,459	\$4,203,250	\$4,034,900	\$5,627,622	\$5,644,146

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			\$4,203,250	\$4,034,900	\$5,627,622	\$5,644,146
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$4,203,250	\$4,034,900	\$5,627,622	\$5,644,146
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$4,203,250	\$4,034,900	\$5,627,622	\$5,644,146
Applicable Percentage			3.60%	3.65%	3.60%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$151,317	\$147,274	\$202,594	\$206,011

Syndication Proceeds 0.7699 \$1,165,024 \$1,133,895 \$1,559,821 \$1,586,129

Total Annual Allocation \$353,911 \$353,285
 Total Anticipated Syndication Proceeds \$2,724,845 \$2,720,024

Developer Evaluation

Compliance Status Summary

Project ID #: 02476

LIHTC 9% LIHTC 4%

Project Name: Wurzbach Manor Apts.

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 0

total # monitored 0 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/20/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 2 /6 /2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 2 /7 /2003

Executive Director: Edwina Carrington **Date Signed:** April 02, 2003



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **The Oaks Apartments III**

TDHCA#: 02477

DEVELOPMENT AND OWNER INFORMATION			
Development Location:	Dallas	QCT: Y	DDA: N TTC: N
Development Owner:	Escondido Housing, L.P.		
General Partner(s):	Escondido Housing Development, LLC, 100%, Contact: Brian Potashnik		
Construction Category:	New		
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Dallas HFC		
Development Type:	Family		
Annual Tax Credit Allocation Calculation			
Applicant Request:	\$887,091	Eligible Basis Amt:	\$857,388 Equity/Gap Amt.: \$916,861
Annual Tax Credit Allocation Recommendation:		\$857,388	
Total Tax Credit Allocation Over Ten Years:		\$ 8,573,880	

PROPERTY INFORMATION			
Unit and Building Information			
Total Units:	280	LIHTC Units:	280 % of LIHTC Units: 100%
Gross Square Footage:	256,094	Net Rentable Square Footage: 250,650	
Average Square Footage/Unit:	895		
Number of Buildings:	7		
Currently Occupied:	N		
Development Cost			
Total Cost:	\$20,753,608	Total Cost/Net Rentable Sq. Ft.: \$82.80	
Income and Expenses			
Effective Gross Income: ¹	\$2,093,860	Ttl. Expenses:	\$1,052,944 Net Operating Inc.: \$1,040,916
Estimated 1st Year DCR:	1.10		

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Southwest Housing Management
Attorney:	Shackelford, Melton & McKinley	Architect:	BGO Architects
Accountant:	Reznick, Fedder & Silverman	Engineer:	Bury & Partners
Market Analyst:	Butler Burgher	Lender:	Sun America, Inc.
Contractor:	Affordable Housing Construction	Syndicator:	Sun America Affordable Housing Partners, Inc.

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Royce West, District 23 - S
# in Opposition: 0	Rep. Domingo Garcia, District 104 - NC
	Mayor Laura Miller - NC
	Jerry Killingsworth, Director, Housing Department, City of Dallas; Consistent with the Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of evidence of the zoning change to MF-2(A).
3. Receipt, review, and acceptance of architectural drawings with a unit count consistent with the rent schedule.
4. Receipt, review, and acceptance of a supportive services agreement tailored for an elderly tenant population.
5. Receipt, review, and acceptance of documentation of the original land acquisition cost, subsequent settlement statement for all sold portions and documentation of holding costs, if any.
6. Receipt, review, and acceptance of a final financing commitment reflecting the corrected loan amount and final interest rate of 6%.
7. Should the terms of the proposed debt or syndication be altered, or the underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendations herein should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director

Chairman of Executive Award and Review Advisory Committee

Date

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

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

DATE: March 31, 2003

PROGRAM: 4% LIHTC

FILE NUMBER: 02477

DEVELOPMENT NAME

The Oaks Apartments III

APPLICANT

Name: Escondido Housing, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Brian Potashnik **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

PRINCIPALS of the APPLICANT

Name: Escondido Housing Development, LLC **(%):** 0.1 **Title:** Managing General Partner
Name: Sun America Affordable Housing Partners, Inc. **(%):** 99.9 **Title:** Initial Limited Partner
Name: Brian Potashnik **Title:** 100% Owner of MGP

GENERAL PARTNER

Name: Escondido Housing Development, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Brian Potashnik **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

PROPERTY LOCATION

Location: Northeast corner of Pierce Street and Perryton Drive **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75224

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$887,091	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>			

SITE DESCRIPTION

Size: 18.5430 acres 807,733 square feet **Zoning/ Permitted Uses:** R-7.5 (A), application for rezoning to MF-2(A) submitted
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 280 **# Rental Buildings:** 7 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs

Number	Bedrooms	Bathroom	Size in SF
84	1	1	750
138	2	1	950
58	2	2	975

Net Rentable SF: 250,650 **Av Un SF:** 895 **Common Area SF:** 5,444 **Gross Bldng SF:** 256,094

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 25% stone veneer/65% stucco exterior wall covering with 10% wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops

ON-SITE AMENITIES

5,444 SF community building with activity room, laundry facilities, kitchen, restrooms, computer center, central mailroom, swimming pool, equipped children's play area, perimeter fencing with limited access gate and community garden/walking trail

Uncovered Parking: 420 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

BOND FINANCING

Source: Sun America, Inc. **Contact:** Michael Fowler

Tax-Exempt: \$15,400,000 **Interest Rate:** To be determined

Additional Information: The commitment does not explicitly state an interest rate, but the Applicant has indicated the rate will be fixed at 6% and the actual debt amount will be reduced to \$13,400,000

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** None Firm Conditional

Annual Payment: \$964,077 est. **Lien Priority:** 1st **Commitment Date:** 12/ 27/ 2002

LIHTC SYNDICATION

Source: Sun America Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Address: 1 Sun America Center **City:** Century City

State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

Net Proceeds: \$7,385,094 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 83¢

Commitment: None Firm Conditional **Date:** 12/ 27/ 2002

Additional Information: Commitment letter reflects proceeds of \$7,385,094 based on credits of \$887,646

APPLICANT EQUITY

Amount: \$882,546 **Source:** Deferred developer fee

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

VALUATION INFORMATION				
APPRAISED VALUE				
Land Only: 18.5430 ac.	\$1,725,000*	Date of Valuation:	12/ 27/ 2002	
Appraiser: Bryan Humphries	City: Dallas	Phone: (214)	528-7584	
* Assuming the zoning change to MF-2 has occurred				
ASSESSED VALUE				
Land: 18.5430 ac.	\$96,930	Assessment for the Year of:	2002	
		Valuation by:	Dallas Central Appraisal District	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 6/ 1/ 2003 **Anticipated Closing Date:** 6/ 1/ 2003

Acquisition Cost: \$ 2,000,000 **Other Terms/Conditions:** \$1,000 earnest money

Seller: Southwest Hampton Oaks I, LLC **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Oaks III is a proposed new construction development of 280 units of affordable elderly housing located in southwest Dallas. The site is within the same original 159 acres acquired by a related party, (an entity controlled by Brian Potashnik, the principal of the Applicant) a portion of which was previously developed in 2000 to 2001 with a 250 elderly LIHTC development by Mr. Potashnik (Primrose Oaks a.k.a. The Oaks at Hampton). Therefore the proposed development is a second phase. It should further be noted that the Oaks II, another proposed development for an apparently adjacent site, made application but was not successful in achieving a low number in the bond lottery. According to the most recently received architectural drawings, the development is comprised of six residential buildings as follows:

- € Three Building Type A with 12 one-bedroom units and 42 two-bedroom units;
- € Two Building Type B with 12 one-bedroom units and 24 two-bedroom units; and
- € One Building Type C with 24 one-bedroom units and 24 two-bedroom units.

These plans, therefore, reflect 60 two-bedroom/two-bath units rather than the 58 units shown on the rent schedule. Receipt, review, and acceptance of architectural drawings with a unit count consistent with the rent schedule is a condition of this report.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the entrance to the site. The 5,444-square foot community building plan includes a community room, computer center, restrooms, laundry facilities and a community garden and walking trail.

Supportive Services: The Applicant has contracted with Housing Services of Texas, Inc. to provide the following supportive services to tenants: adult education programs, health screenings and immunizations, family counseling, computer education, emergency assistance and relief, community outreach programs, vocational guidance and welfare program assistance, and social and recreational activities. As the agreement states, however that, "The focus of the HST social program will [have]...a special emphasis on the needs of children" and as the services include an after school program, it is apparent that the proposed program is not tailored for an elderly development. Therefore, receipt, review, and acceptance of a supportive services agreement tailored for an elderly tenant population is a condition of this report. These services will be provided at no cost to tenants. The contract requires the Applicant to pay \$2,000 per month for these support services.

Special Needs Construction: The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit,

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

whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

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

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study dated January 9, 2003 was prepared by Butler Burgher, LLC and highlighted the following findings:

Definition of Primary Market/Submarket : “The subject’s primary market area was determined to be the southern portion of the City of Dallas (south of IH-30) over to east Fort Worth, with boundaries generally defined as follows: beginning near the intersection of U.S. Hwy. 80 and IH-635 in Mesquite, west to IH-30/IH-820 intersection in east Fort Worth, south along IH-820 to U.S. Hwy. 287, southeast along 287 to Highway 67, east along Hwy. 67 to just east of IH-45 and then north to point of origin.” (p. 2)

“The specific area of the subject is identified as being within Submarket 24, “Oak Cliff” by M/PF Research, Inc. in the Apartment Report, 4th Quarter 2001. The Oak Cliff Submarket represents the City of Dallas, south of Elm Fork Trinity river, west of I-35E, and north/west of Loop 12.” (p. 52)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	402	5%
Resident Turnover	8,520	95%
TOTAL ANNUAL DEMAND	8,922	100%

Ref: p. 74

Capture Rate: “After comparing data from existing and future households with the total number of existing and proposed affordable units within the subject’s primary market area, the resulting population criteria was applicable with a capture rate of 9.9%” (p. 77)

Local Housing Authority Waiting List Information: “...the waiting period for Section 8 units is one to three years while the waiting list for public housing is eight to 24 months due to the lack of available units.” (p. 3)

Market Rent Comparables: The market analyst surveyed nine comparable apartment projects totaling 2,061 units in the market area. (p. 84)

RENT ANALYSIS (net tenant-paid rents)

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Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$576	\$576	\$0	\$630	-\$54
2-Bedroom (50%)	\$688	\$687	+\$1	\$750	-\$62

(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 Occupancy Rates: “M/PF Research reflects 92.6% overall occupancy for 9,207 units in September 2002 in the Oak Cliff submarket” (p. 77)

Absorption Projections: “An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in just over a 12-month absorption period to obtain stabilization at 92.5%” (p. 76)

The Underwriter found the market study to be acceptable.

A summary appraisal report by Brian Humphries & Associates, for the “as is” land only value with the hypothetical assumption that the property is successfully rezoned to allow a 280 unit apartment complex resulted in a value of \$1,725,000. Several pages of the appraisal were missing in the copy provided and it was not addressed to TDHCA as the client. TDHCA appraisal requirements necessitate that an appraisal be addressed to TDHCA as the client, be performed on an “as is” basis (without the hypothetical rezoning), and be fully self contained in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and therefore is of questionable value. The appraisal does discuss the December 14, 1999 original acquisition of the site as part of a larger 159 acres for \$1.5M and subsequent transfer of 110 acres for use as a nature preserve. Neither the original sale nor the subsequent sale of a portion of this property for use in the first phase of development, Primrose at the Oaks, was included in the comparable sales considered. Three of the eight original comparable sales were from transactions affiliated with the Applicant and two of the five identified as most comparable were sales with parties related to the Applicant. Moreover, the appraiser utilized a per foot land value in making his valuation and made no adjustments for zoning or the number of units per acre that would be developed on each property. In fact only one adjustment (upward) was made for the five final land comparables (due to location) despite the range of 8.4 to 18.2 allowed units per acre of the group. The underwriter calculated the sales price per unit of the comparables ranged from \$2,828 to \$6,629 per unit with the unadjusted average of \$4,940 (though sufficient information on one comparable was not available to include in the average). The concluded value of \$6,160 would be at the extreme high end of the range of reasonableness for value property, which in the Underwriter’s opinion should be valued at closer to the \$5,000 per unit average or \$1.4M based upon the information provided in the appraisal.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a rectangularly-shaped parcel located in the southwest part of Dallas, south of Illinois Avenue and west of S. Hampton road, in the Oak Cliff neighborhood. The Dallas Central Business District is adjacent to the neighborhood’s northeast boundary. The site is located at the northeast corner of Pierce Street and the Perryton Drive R.O.W., west of South Hampton Road and south of Illinois Avenue.

Population: The estimated 2002 population of the primary market area was 174,809 and is expected to increase by 16% to approximately 203,605 by 2007. Within the primary market area there were estimated to be 105,493 households in 2002.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly residential, incorporating both single-family and multifamily properties, while a variety of commercial properties are found along the major thoroughfares. Adjacent land uses include:

- € **North:** Vacant land and single-family residential
- € **South:** Perryton Drive, with vacant land beyond
- € **East:** Vacant land and Columbia Medical Center Dallas SW
- € **West:** Pierce Street, with industrial warehouses beyond

Site Access: Access to the property is from the east or west along Perryton Row Drive. The development is to have two main entries, both from the south side of the property. Hampton Road, Cockrell Hill Road, Westmoreland Road, and Sylvan Avenue provide primary north/south access to points throughout the Dallas/Fort Worth Metroplex, while IH-30, Fort Worth Avenue, Davis Street, Illinois Avenue, and Kiest Boulevard provide east-west access.

Public Transportation: Public transportation to the area is provided by DART, the Dallas Rapid Transit

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Authority.

Shopping & Services: The site is within two miles of a major grocery store and two pharmacies, along with a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The site is located within the City of Dallas and is currently undergoing a zoning change to "MR-2(A)" Multi-Family District. This district primarily allows multi-family developments, college dormitories, duplexes, retirement housing, and single-family housing. Receipt, review and acceptance of this zoning change is a condition of this report.

Site Inspection Findings: The site was inspected by a TDHCA staff member on March 18, 2003, and was found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 20, 2002 was prepared by Butler Burgher, Inc. and contained the following findings and recommendations:

Findings: No potentially significant on- or off-site environmental concerns or recognized environmental conditions were observed.

Recommendations: "...Butler Burgher recommends no further action at this time." (p. 17)

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. Tenant-paid utility allowances were calculated based on the Applicant's indication that hot water will be provided by a central boiler system. The Applicant's secondary income estimate exceeds the maximum TDHCA underwriting guideline by \$5/unit/month and includes \$9/unit in cable TV and telephone income. The Underwriter subsequently reviewed the actual secondary income amounts reflected in the TDHCA database for similar properties in the DFW area and finds that the average in this market was slightly higher than the \$20 per unit proposed by the Applicant and therefore accepted the Applicant's estimate. The Applicant's vacancy and collection loss estimate is in line with TDHCA underwriting guidelines. The resulting difference is that the Applicant's effective gross income estimate is less than \$1K higher than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$3,462 per unit is 8% lower than the TDHCA database-derived estimate of \$3,761 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly and primarily account for this difference, particularly general and administrative (\$51K lower), repairs and maintenance (\$18K higher), water, sewer, and trash (\$16K lower), and property tax (\$21K lower).

Conclusion: The Applicant's estimated total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.08 is less than the program minimum standard of 1.10; therefore, the maximum annual debt service for this project should be limited to \$946,163.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: Brian Potashnik is managing member of both the seller, Southwest Hampton Oaks I, LLC, and the General Partner. The application contained a contract dated September 13, 2002 for a purchase price of \$2,000,000 and an assignment of the contract that called for up to an additional \$150,000 assignment fee (by and through a related party). The Applicant subsequently indicated that the purchase price would be reduced to \$1,250,000 plus closing costs of \$125,000 but did not provide a revised contract or assignment to document this change. According to the appraisal submitted by the Applicant, the site was acquired as part of a larger 159-acre parcel in December 1999 at a cost of \$1,500,000. Approximately 110 acres were subsequently donated as a natural preserve as a condition of the sale, leaving 49.071 acres available for development at a prorated value of \$30,568/acre (\$0.70/square foot). Twenty-eight acres were developed as The Oaks at Hampton (TDHCA multifamily bond/4% LIHTC #00014T, subsequently renamed Primrose Oaks), and a land value of \$713,252 was attributed by TDHCA Underwriting based on information available at that time (though the Applicant anticipated using an appraised value for the smaller tract of \$1,250,000 and the final attributed amount is not known to the Underwriter.) Reducing the original purchase price for the

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lesser amount attributed in the prior underwriting report results in a value of \$786,758 (\$37,465/acre) for the remaining 21 acres. The Applicant provided land-only appraisal valuing the current 18.5 acre site at \$1,750,000, however as discussed above, the Underwriter has several concerns regarding this appraisal. The assessed value for the subject 18.543 acres is a much lower \$96,930 (\$5,227 per acre). The Applicant provided no other documentation of holding costs or improvements made to the site that would provide justification for the proposed value as required and re-requested by the Underwriter for this non-arm's-length sale. Therefore, the Underwriter used a proration of the remaining original purchase price as an approximation of the appropriate transfer price to attempt to ensure that a windfall profit or excess developer fee is not provided to the developer as a result of the potential TDHCA funding for the project. The Underwriter concluded a transfer price for the subject site of \$694,895, based on the assumed original \$1.5M cost and the previous underwriting attribution. If the Applicant's original \$1.25M attribution for the first phase of development is what was actually attributed and no additional holding costs are justified, a reduction in the acquisition cost to be attributed to the subject development would be warranted and a subsequent reduction in the credit allocation is possible based upon the gap method. On the other hand an increase in credits recommended could be possible if a lower previous allocation was made to the first phase and/or holding costs and be sufficiently documented. Receipt, review, and acceptance of documentation of the original land acquisition cost, subsequent settlement statement for all sold portions and documentation of holding costs, if any, is a condition of this report; should the Applicant provide documentation of a lower acquisition cost a reduction in credits may be warranted.

Sitework Cost: The Applicant's claimed sitework costs of \$5,850 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$494K or 4.7% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees exceed the maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$29,304 with the overage effectively moved to ineligible costs.

Conclusion: Due to the Applicant's higher land valuation and the overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$18,069,290 is used to determine a credit allocation of \$857,388 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

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

Bonds and Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing based on tax-exempt bond proceeds through SunAmerica, Inc. in the amount of \$15,400,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of three years for the construction portion and 30 years for the permanent. The Applicant has indicated that the bond amount will be \$13,400,000 at an interest rate of 6% but a revised commitment reflecting these significant changes was not provided. The bonds are tax-exempt private activity mortgage revenue bonds to be issued by the Dallas Housing Finance Corporation and placed privately with SunAmerica. Receipt, review, and acceptance of a final financing commitment reflecting the corrected loan amount and final interest rate of 6% is a condition of this report.

LIHTC Syndication: SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$7,385,094 based on a syndication factor of 83%. The funds would be disbursed in a four phased pay-in schedule:

1. 1.5% upon admission to the partnership;
2. 78.5% upon the latest of: substantial completion of the apartment complex, repayment of the bridge loan,

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- or issuance of final certificates of occupancy;
3. 10% upon the latest of: commencement of amortization of the permanent loan, receipt of an audited cost certification of eligible basis, or receipt of IRS Forms 8609;
 4. 10% upon attainment of breakeven operations.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$882,546 amount to 41% of the total fees.

Financing Conclusions: As noted above, the Underwriter's total development costs are used to determine an eligible basis of \$18,069,290 and a recommended annual tax credit allocation of \$857,388, resulting in syndication proceeds of approximately \$7,109,202. Based on the Underwriter's costs, the deferred developer fee will be \$493,405, which represents approximately 20% of the eligible fee and which should be repayable from cash flow within four years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

The elevation drawings for the residential buildings indicate attractive three-story, elevator-served structures with stone/stucco exteriors and pitched roofs. Each unit has an entry from an interior corridor. All units have nine foot ceilings and ample storage space.

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are related entities. These are common identities of interest for LIHTC-funded developments. The subject site for the proposed The Oaks III is owned by southwest Hampton Oaks I, LLC. Brian Potashnik is the managing member of the General Partner of the Applicant in addition to being the managing member of Southwest Hampton Oaks, I, LLC. The Applicant has not provided sufficient information to mitigate excess profit concerns with regard to the proposed sales price with regard to this transfer. As discussed in the construction cost estimate evaluation section above, the Underwriter has reduced the land acquisition price in the TDHCA cost estimate to account for this concern.

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

Financial Highlights:

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

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Brian Potashnik listed participation as president of the general partner on 17 previous LIHTC housing developments totaling 3,277 units since 1993.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- € The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- € The seller of the property has an identity of interest with the Applicant.
- € The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- L RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$857,388 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

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CONDITIONS

1. Receipt, review, and acceptance of evidence of the zoning change to MF-2(A);
2. Receipt, review, and acceptance of architectural drawings with a unit count consistent with the rent schedule
3. Receipt, review, and acceptance of a supportive services agreement tailored for an elderly tenant population
4. Receipt, review, and acceptance of documentation of the original land acquisition cost, subsequent settlement statement for all sold portions and documentation of holding costs, if any;
5. Receipt, review, and acceptance of a final financing commitment reflecting the corrected loan amount and final interest rate of 6%; and
6. Should the terms of the proposed debt or syndication be altered, or the underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

Underwriter:

Carl Hoover

Date: March 31, 2003

Supervisor of Credit Underwriting:

Jim Anderson

Date: March 31, 2003

Director of Credit Underwriting:

Tom Gouris

Date: March 21, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

The Oaks III, Dallas, 4% LIHTC #02477

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	84	1	1	750	\$623	\$576	\$48,384	\$0.77	\$47.00	\$46.00
TC (50%)	138	2	1	950	748	\$687	94,806	0.72	61.00	52.00
TC (50%)	58	2	2	975	748	\$687	39,846	0.70	61.00	52.00
								2.14		
TOTAL:	280		AVERAGE:	895	\$711	\$654	\$183,036	\$0.73	\$56.80	\$50.20

INCOME				Total Net Rentable Sq Ft:	250,650	TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$2,196,432	\$2,197,440			
Secondary Income		Per Unit Per Month:	\$20.00			67,200	67,200	\$20.00	Per Unit Per Month	
Other Support Income: cable TV & telephone						0			Per Unit Per Month	
POTENTIAL GROSS INCOME						\$2,263,632	\$2,264,640			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(169,772)	(169,848)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$2,093,860	\$2,094,792			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	4.03%	\$301	\$0.34	\$84,383	\$33,400	\$0.13	\$119	1.59%	
Management	5.00%	374	0.42	104,693	104,740	0.42	374	5.00%	
Payroll & Payroll Tax	11.15%	834	0.93	233,520	224,250	0.89	801	10.71%	
Repairs & Maintenance	5.64%	422	0.47	118,032	135,880	0.54	485	6.49%	
Utilities	3.24%	242	0.27	67,818	58,800	0.23	210	2.81%	
Water, Sewer, & Trash	5.16%	386	0.43	108,070	91,840	0.37	328	4.38%	
Property Insurance	2.27%	170	0.19	47,624	52,332	0.21	187	2.50%	
Property Tax	2.80283	9.01%	674	0.75	188,604	168,000	0.67	600	8.02%
Reserve for Replacements	2.67%	200	0.22	56,000	56,000	0.22	200	2.67%	
Other: spt svcs, compl fees, sec	2.11%	158	0.18	44,200	44,200	0.18	158	2.11%	
TOTAL EXPENSES	50.29%	\$3,761	\$4.20	\$1,052,944	\$969,442	\$3.87	\$3,462	46.28%	
NET OPERATING INC	49.71%	\$3,718	\$4.15	\$1,040,915	\$1,125,350	\$4.49	\$4,019	53.72%	

DEBT SERVICE				TDHCA	APPLICANT			
Sun America	46.04%	\$3,443	\$3.85	\$964,077	\$978,598	\$3.90	\$3,495	46.72%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	3.67%	\$274	\$0.31	\$76,838	\$146,752	\$0.59	\$524	7.01%
AGGREGATE DEBT COVERAGE RATIO				1.08	1.15			
ALTERNATIVE DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$694,895	\$1,375,000	\$5.49	\$4,911	6.30%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.89%	5,850	6.54	1,638,000	1,638,000	6.54	5,850	7.51%
Direct Construction		50.56%	37,477	41.87	10,493,491	10,987,799	43.84	39,242	50.38%
Contingency	2.11%	1.23%	915	1.02	256,156	256,156	1.02	915	1.17%
General Req'ts	6.00%	3.51%	2,600	2.90	727,889	768,468	3.07	2,745	3.52%
Contractor's G & A	2.00%	1.17%	867	0.97	242,630	256,156	1.02	915	1.17%
Contractor's Profit	6.00%	3.51%	2,600	2.90	727,889	768,468	3.07	2,745	3.52%
Indirect Construction		3.23%	2,396	2.68	671,000	671,000	2.68	2,396	3.08%
Ineligible Costs		8.14%	6,031	6.74	1,688,610	1,688,610	6.74	6,031	7.74%
Developer's G & A	2.55%	1.93%	1,431	1.60	400,694	489,043	1.95	1,747	2.24%
Developer's Profit	12.45%	9.43%	6,986	7.80	1,956,170	1,956,170	7.80	6,986	8.97%
Interim Financing		4.60%	3,412	3.81	955,370	955,370	3.81	3,412	4.38%
Reserves		1.45%	1,074	1.20	300,813	0	0.00	0	0.00%
TOTAL COST		100.00%	\$74,120	\$82.80	\$20,753,608	\$21,810,240	\$87.01	\$77,894	100.00%
Recap-Hard Construction Costs		67.87%	\$50,307	\$56.20	\$14,086,056	\$14,675,047	\$58.55	\$52,411	67.29%

SOURCES OF FUNDS					RECOMMENDED		
Sun America	64.57%	\$47,857	\$53.46		\$13,400,000	\$13,400,000	\$13,151,000
GIC Income	0.61%	\$452	\$0.51		126,579	126,579	
LIHTC Syndication Proceeds	35.47%	\$26,293	\$29.37		7,362,116	7,362,116	7,109,202
Deferred Developer Fees	4.25%	\$3,152	\$3.52		882,546	882,546	493,405
Additional (excess) Funds Req'd	-4.90%	(\$3,634)	(\$4.06)		(1,017,633)	38,999	0
TOTAL SOURCES					\$20,753,608	\$21,810,240	\$20,753,608

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

The Oaks III, Dallas, 4% LIHTC #02477

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.81	\$10,479,708
Adjustments				
Exterior Wall Finish	2.00%		\$0.84	\$209,594
Elderly & 9" Ceilings	8.00%		3.34	838,377
Roofing			0.00	0
Subfloor			(0.67)	(168,771)
Floor Cover			1.92	481,248
Porches/Balconies	\$29.24	12,460	1.45	364,330
Plumbing	\$615	(106)	(0.26)	(65,190)
Built-In Appliances	\$1,625	280	1.82	455,000
Stairs	\$1,625	24	0.16	39,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	368,456
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$55.70	5,444	1.21	303,239
Other: Elevators	\$42,000	7	1.17	294,000
SUBTOTAL			54.25	13,598,991
Current Cost Multiplier	1.03		1.63	407,970
Local Multiplier	0.92		(4.34)	(1,087,919)
TOTAL DIRECT CONSTRUCTION COSTS			\$51.54	\$12,919,041
Plans, specs, survy, bld prm	3.90%		(\$2.01)	(\$503,843)
Interim Construction Interes	3.38%		(1.74)	(436,018)
Contractor's OH & Profit	11.50%		(5.93)	(1,485,690)
NET DIRECT CONSTRUCTION COSTS			\$41.87	\$10,493,491

PAYMENT COMPUTATION

Primary	\$13,400,000	Amort	360
Int Rate	6.00%	DCR	1.08

Secondary	\$126,579	Amort	
Int Rate	0.00%	Subtotal DCR	1.08

Additional	\$7,362,116	Amort	
Int Rate		Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$946,163
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$94,753

Primary	\$13,151,000	Amort	360
Int Rate	6.00%	DCR	1.10

Secondary	\$126,579	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$7,362,116	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,196,432	\$2,262,325	\$2,330,195	\$2,400,101	\$2,472,104	\$2,865,846	\$3,322,300	\$3,851,457	\$5,176,036
Secondary Income	67,200	69,216	71,292	73,431	75,634	87,681	101,646	117,836	158,361
Other Support Income: cable Tv	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,263,632	2,331,541	2,401,487	2,473,532	2,547,738	2,953,526	3,423,947	3,969,292	5,334,397
Vacancy & Collection Loss	(169,772)	(174,866)	(180,112)	(185,515)	(191,080)	(221,514)	(256,796)	(297,697)	(400,080)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,093,860	\$2,156,675	\$2,221,376	\$2,288,017	\$2,356,657	\$2,732,012	\$3,167,151	\$3,671,595	\$4,934,317
EXPENSES at 4.00%									
General & Administrative	\$84,383	\$87,759	\$91,269	\$94,920	\$98,717	\$120,104	\$146,125	\$177,783	\$263,162
Management	104,693	107,834	111,069	114,401	117,833	136,601	158,358	183,580	246,716
Payroll & Payroll Tax	233,520	242,861	252,575	262,678	273,185	332,372	404,381	491,991	728,267
Repairs & Maintenance	118,032	122,753	127,664	132,770	138,081	167,996	204,393	248,676	368,101
Utilities	67,818	70,531	73,352	76,286	79,338	96,527	117,439	142,883	211,501
Water, Sewer & Trash	108,070	112,393	116,888	121,564	126,426	153,817	187,142	227,687	337,032
Insurance	47,624	49,528	51,510	53,570	55,713	67,783	82,468	100,336	148,521
Property Tax	188,604	196,148	203,994	212,154	220,640	268,443	326,601	397,361	588,191
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	44,200	45,968	47,807	49,719	51,708	62,910	76,540	93,123	137,844
TOTAL EXPENSES	\$1,052,944	\$1,094,015	\$1,136,697	\$1,181,054	\$1,227,153	\$1,486,258	\$1,800,422	\$2,181,402	\$3,203,981
NET OPERATING INCOME	\$1,040,915	\$1,062,660	\$1,084,678	\$1,106,963	\$1,129,505	\$1,245,754	\$1,366,729	\$1,490,194	\$1,730,337
DEBT SERVICE									
First Lien Financing	\$946,163	\$946,163	\$946,163	\$946,163	\$946,163	\$946,163	\$946,163	\$946,163	\$946,163
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	\$94,753	\$116,498	\$138,516	\$160,800	\$183,342	\$299,592	\$420,566	\$544,031	\$784,174
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.17	1.19	1.32	1.44	1.57	1.83
						241,467	360,079	482,299	664,102
Cumulative Cash Flow	94,753	211,251	349,766	510,566	693,908	1,901,243	3,701,637	6,113,130	12,754,154

LIHTC Allocation Calculation - The Oaks III, Dallas, 4% LIHTC #02477

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,375,000	\$694,895		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,638,000	\$1,638,000	\$1,638,000	\$1,638,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,987,799	\$10,493,491	\$10,987,799	\$10,493,491
(4) Contractor Fees & General Requirements				
Contractor overhead	\$256,156	\$242,630	\$252,516	\$242,630
Contractor profit	\$768,468	\$727,889	\$757,548	\$727,889
General requirements	\$768,468	\$727,889	\$757,548	\$727,889
(5) Contingencies				
	\$256,156	\$256,156	\$256,156	\$256,156
(6) Eligible Indirect Fees				
	\$671,000	\$671,000	\$671,000	\$671,000
(7) Eligible Financing Fees				
	\$955,370	\$955,370	\$955,370	\$955,370
(8) All Ineligible Costs				
	\$1,688,610	\$1,688,610		
(9) Developer Fees				
			\$2,441,391	
Developer overhead	\$489,043	\$400,694		\$400,694
Developer fee	\$1,956,170	\$1,956,170		\$1,956,170
(10) Development Reserves				
		\$300,813		
TOTAL DEVELOPMENT COSTS	\$21,810,240	\$20,753,608	\$18,717,327	\$18,069,290

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$18,717,327	\$18,069,290
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$24,332,526	\$23,490,077
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$24,332,526	\$23,490,077
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$888,137	\$857,388

Syndication Proceeds 0.8292 \$7,364,167 \$7,109,202

Developer Evaluation

Compliance Status Summary

Project ID #: 02477

LIHTC 9% LIHTC 4%

Project Name: The Oaks III

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 8

total # monitored 8 # not yet monitored or pending review 5

of projects grouped by score 0-9: 8 10-19: 0 20-29 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 1/20/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 2 /6 /2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 2 /7 /2003

Executive Director: Edwina Carrington **Date Signed:** April 02, 2003



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Cypress View Villas**

TDHCA#: 02483

DEVELOPMENT AND OWNER INFORMATION				
Development Location:	Weatherford	QCT: N	DDA: N	TTC: N
Development Owner:	Cypress View Villas, L.P.			
General Partner(s):	Cypress View General, Inc., 100%, Contact: Glenn Lynch			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Northwest Central Texas HFC			
Development Type:	Family			
Annual Tax Credit Allocation Calculation				
Applicant Request:	\$516,082	Eligible Basis Amt:	\$510,477	Equity/Gap Amt.: \$749,727
Annual Tax Credit Allocation Recommendation:		\$510,477		
Total Tax Credit Allocation Over Ten Years:		5,104,770		

PROPERTY INFORMATION					
Unit and Building Information					
Total Units:	192	LIHTC Units:	192	% of LIHTC Units:	100%
Gross Square Footage:	219,324	Net Rentable Square Footage:			215,008
Average Square Footage/Unit:	1120				
Number of Buildings:	8				
Currently Occupied:	N				
Development Cost					
Total Cost:	\$16,452,008	Total Cost/Net Rentable Sq. Ft.:		\$76.52	
Income and Expenses					
Effective Gross Income: ¹	\$1,470,173	Ttl. Expenses:	\$704,773	Net Operating Inc.:	\$765,400
Estimated 1st Year DCR:	1.09				

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Innovation Management Services, Inc.
Attorney:	Shackelford, Melton, and McKinley	Architect:	Humphries and Partners Architects, L.P.
Accountant:	Novogradac & Company, LLP	Engineer:	The Lissiak Company
Market Analyst:	Apartment Market Data Research Services, LLC	Lender:	Red Capital Mortgage
Contractor:	Glenn Lynch Companies, Inc.	Syndicator:	Paramount Financial Group, Inc.

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
# in Support:	Sen. Chris Harris, District 10 - NC
# in Opposition: 0	Rep. Phil King, District 61 - NC
	Mayor Joe Tison - NC
	John Hamilton, Director of Planning and Development, City of Weatherford;
	Consistent with the local Comprehensive Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing prior to Bond closing.
3. Receipt, review, and acceptance of documentation from the City of Weatherford that construction on the roadway will commence and be completed as the first units are available for lease up prior to Bond Closing.
4. Should the terms of the proposed debt be altered, the recommendations and conditions herein should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily

Date

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

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

Other Comments including discretionary factors (if applicable). _____

Edwina P. Carrington, Executive Director

Chairman of Executive Award and Review Advisory Committee

Date

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

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

DATE: March 26, 2003 PROGRAM: 4% LIHTC FILE NUMBER: 02483

DEVELOPMENT NAME

Cypress View Villas

APPLICANT

Name: Cypress View Villas, L.P. Type: For Profit Non-Profit Municipal Other
 Address: 1675 Fort Worth Highway City: Weatherford State: Texas
 Zip: 76086 Contact: Glenn Lynch Phone: (817) 341-1378 Fax: (817) 341-1391

PRINCIPALS of the APPLICANT

Name: Cypress View General, Inc. (%): .01 Title: Managing General Partner
 Name: Glenn Lynch (%): 99.99 Title: Initial Limited Partner
 Name: Glenn Lynch Companies, Inc. (%): _____ Title: Developer

GENERAL PARTNER

Name: Cypress View General, Inc. Type: For Profit Non-Profit Municipal Other
 Address: 1675 Fort Worth Highway City: Weatherford State: Texas
 Zip: 76086 Contact: Glenn Lynch Phone: (817) 341-1378 Fax: (817) 341-1391

PROPERTY LOCATION

Location: 200 Atwood Ct. QCT DDA
 City: Weatherford County: Parker Zip: 76086

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$516,082	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> Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 16.485 acres 718,087 square feet Zoning/ Permitted Uses: Multifamily is permitted at site
 Flood Zone Designation: Partially in flood plain Status of Off-Sites: Raw Land

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

DESCRIPTION of IMPROVEMENTS

Total Units: 192 **# Rental Buildings:** 8 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
32	2	2	959
32	2	2	986
96	3	2	1,158
32	4	2	1,300

Net Rentable SF: 215,008 **Av Un SF:** 1,120 **Common Area SF:** 4,316 **Gross Bldng SF** 219,324

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 70% brick veneer, 20% Hardiplank, 10% stucco siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,735 SF community building with activity room, management offices, kitchen, restrooms, children's activity room, central mail area, swimming pool, equipped children's play area, sports courts, and a 581 SF laundry and maintenance building

Uncovered Parking: 170 spaces **Carports:** 174 spaces **Garages:** 24 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Red Capital Mortgage **Contact:** Tracy W. Peters

Principal Amount: \$10,460,000 **Interest Rate:** 5.75%

Additional Information: Although there was no indication in the letter provided by Red Capital, the Applicant claims that \$10,000,000 will be tax exempt and \$460,000 a taxable tail.

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** None Firm Letter of Interest

LIHTC SYNDICATION

Source: Paramount Financial Group, Inc. **Contact:** Dale Cook

Address: 3825 Columbus Road, SW Building F **City:** Granville

State: OH **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

Net Proceeds: \$4,021,633 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 82¢

Commitment None Firm Letter of Interest **Date:** 12/ 20/ 2002

Additional Information: Based upon credit of \$490,492

APPLICANT EQUITY

Amount: \$1,652,314 **Source:** Deferred developer fee

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

VALUATION INFORMATION

ASSESSED VALUE

Land:	\$ 164,850	Assessment for the Year of:	2001
Building:	\$ 0	Valuation by:	Parker County Appraisal District
Total Assessed Value:	\$ 164,850	Total value for 68.666 acres was \$686,660. Assessed figure is based on a straight line estimation.	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 5/ 15/ 2003 **Anticipated Closing Date:** 5/ 15/ 2003

Acquisition Cost: \$ 600,000 **Other Terms/Conditions:** _____

Seller: Cypress Abbey Company **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cypress View Villas is a proposed new construction development of 192 units of affordable housing located in southeast Weatherford. The development is comprised of eight identical residential buildings consisting of eight two-bedroom units, eight three-bedroom units, and four four-bedroom units. This development applied under the 2002 QAP which allows four-bedroom units

Based on the site plan the apartment buildings are designed as to not have any development inside the 100-year flood plain, which covers approximately 25% of the total site area. The buildings will be distributed evenly throughout the remainder of the site arranged in groups separated by parking lots, with the community building, mailboxes, and swimming pool located near the entrance to the site. A 581-square foot laundry and maintenance building will be located on the west side of the site. The 3,735-square foot community building plan includes the management office, community room, activity room, kitchen and restrooms. One hundred twenty eight (65%) of the units are either three or four bedroom units.

Supportive Services: The Applicant has contracted with Beacon Endeavors, Inc. to provide the following supportive services to tenants: recreational and activity programming, information center, mentoring programming, youth programs, promoting a healthy lifestyle, programs for physically or mentally challenged, seniors' programs and promoting resident participation. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services and to pay a \$1,200 per month for these support services.

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

Special Needs Construction: Fourteen units (7%) will be handicapped-accessible. The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning

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

up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,740	\$29,400	\$33,120	\$36,780	\$39,720	\$42,660

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study was prepared by Apartment MarketData dated December 26, 2002 and highlighted the following findings:

Definition of Market/Submarket: "...we utilized a Primary Market Area consisting of a 10-mile radius around the center of the City of Weatherford." (p. 3)

Total Regional Market Demand for Rental Units: "The primary market area is projected to have a household growth of 11.1% over the next five years; while the city-wide occupancy of multi-family communities is 97.4%." (p. 45) The analyst did not refine unit demand based on household size. Since there are no one-bedroom units and 32 four-bedroom units, the demand estimate may be slightly overstated as it could have been limited to income eligible households between 3.5 persons and 6 persons. Conversely, the analyst estimate may be understated due to including only demand from households that would pay up to 35% of their gross salary to live at the site whereas section 8 voucher holders could afford to live at the site even though the total rent charged for the unit could exceed 35% of their gross salary for rent with the amount over 30% paid by the voucher.

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	122	15%	24	3%
Resident Turnover	699	85%	791	97%
TOTAL ANNUAL DEMAND	821	100%	815	100%

Ref: p. 39

Capture Rate: The analyst determined a capture rate of 23.4% based on a demand of 821 units and the supply of 192 units provided by the Applicant. (p. 40) The Underwriter calculated a concentration capture rate of 23.5% based upon a supply of unstabilized comparable affordable units of 192 divided by a revised demand of 815.

Local Housing Authority Waiting List Information: There is a waiting list of 125 households on the Weatherford Housing Authority waiting list. (p. 40)

Market Rent Comparables: The market analyst surveyed four comparable apartment projects totaling 467 units in the market area. (p. Market Comps.)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$596	\$596	\$0	\$723	-\$127
3-Bedroom (50%)	\$683	\$683	\$0	\$955	-\$272
4-Bedroom (50%)	\$748	\$748	\$0	\$814*	\$66

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

*The analyst had no comparable four-bedroom market rate units, but included this as the average restricted

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

rent for a four-bedroom unit

Submarket Occupancy Rates: “The current occupancy in the market area is 97.4%.” (p. 77)

Absorption Projections: “Absorption over the past four years is estimated to be 130 units per year...” (p. 77) “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction.” (p. 75)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Weatherford is located in northern region of state, approximately 30 miles west of Fort Worth in Parker County. The site is an irregularly-shaped parcel located in the southeast area, approximately three miles from the central business district. The site is situated on the north side of Interstate 20.

Population: From 1990 to 2002 there was a 36.7% increase in population in the Primary Market Area. The number of households grew by 4,702, or 3.1% annually. The population is anticipated to grow at an average annual rate of 2.2% from 2002 to 2007.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly ranch land and older single family housing. Adjacent land uses include: vacant land to the north, east and west and the Weatherford Fire Station to the south.

Site Access: Access to the property is accomplished by going south on Sherry Trail. The development will have two main entries, both from a proposed road. The Applicant has indicated that the City of Weatherford will create a finished access road from I-20 to the Fire Station (Atwood Drive), and that the City will have to construct the road as soon as the developer begins development on the site. This road will provide access to the property. Receipt, review and acceptance of documentation from the City of Weatherford that construction on the roadway will commence and be completed as the first units are available for lease-up is a condition of the report.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 2.5 miles of 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.

Special Adverse Site Characteristics: Approximately 25% of the site lies within the 100-year flood plain. To mitigate this, the Applicant has indicated and provided a site plan that confirms that no structures or parking will be located in that area and that a retaining wall will be built around the flood plain area.

Site Inspection Findings: The site was inspected by a TDHCA staff member on March 14, 2003 and was rated as acceptable.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was prepared by Dominion Environmental, Inc. on December 31, 2002 and contained the following recommendations:

Findings: The findings indicate that there are no environmental issues involved with the site. However, the engineer indicated that the presence and extent of soil movement on slopes facing Willow Creek need to be determined. Prior to the 1960's, the site was covered with more trees; many of them were removed to create pasture land. The result was some soil movement. In a conversation between the Underwriter and the engineer, the engineer stated he believes that either soil movement is no longer occurring or that it is occurring minimally. He indicated that the geotechnical engineer involved in the development needs to be aware of this occurrence and to make sure that any soil movement that may still be occurring is not going to effect the foundation or the buildings in any way. The Applicant, who is related to the general contractor, provided a letter indicating their knowledge of the possible soil movement and will perform necessary testing and ensure proper mitigation as required. According to the Applicant, the retaining walls should be sufficient mitigation to protect the buildings and the parking area.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines,

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

reflecting the state of the Applicant's desire to maintain affordable units in the area. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant is anticipating \$34.53 per unit monthly in secondary income because they anticipate charging a monthly fee for 24 garages and 174 carports. The Underwriter is estimating \$25 per unit monthly based on historical data provided by the Applicant for an LIHTC property built by the same Principal located in Weatherford. Additional garage and carport revenue is speculative at best and may not ultimately be allowed if either the cost of construction of the garages and carports is included in eligible basis or if an adequate free parking alternative is not provided. Given that all of the units are restricted family units and that there are fewer free parking spaces than apartment units it would seem likely that the later requirement will be difficult to substantiate. Therefore, the Underwriter discounted the additional anticipated secondary income from garages and carports despite the Applicant's reduction of this construction cost from eligible basis. Both the Underwriter and the Applicant included a vacancy and collection loss of 7.5%. As a result, the Applicant is 1% higher in estimated income than the Underwriter.

Expenses: The Applicant's estimate of total operating expense is 1% a month more than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. However, the Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (14K lower), payroll (25K lower), repairs and maintenance (22K lower), utilities (10K higher) and taxes (43K higher) than the Underwriter's estimate. The Underwriter's estimate is lower than the current typical current DFW transaction because it was heavily influenced by actual expenses data for an LIHTC property located in Weatherford and operated by a related party.

Conclusion: The Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$600,000 (\$0.84/SF or \$36,396/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$7,493 per unit are considered reasonable compared to historical sitework costs for multifamily projects and is within the updated 2003 underwriting tolerance guideline. The 2002 guideline would have restricted the Underwriter's cost estimate to \$6,500 per unit or reflected a \$191K difference.

Direct Construction Cost: As mentioned above, the Applicant did not include the cost for garages or carports in their direct construction analysis. As a result, the Underwriter reduced direct costs for garages and carports and moved that amount to ineligible costs. Despite this, the Applicant's direct costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

Interim Financing Fees: The Applicant is claiming \$592,250 in interim interest and \$281,026 in negative arbitrage. The negative arbitrage is based on the additional interim interest expense borne by the Applicant from the outstanding bonds during the construction phase. The Underwriter reduced the Applicant's eligible interim financing fees by \$226,401 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, the current TDHCA underwriting maximum. This results in an equivalent reduction to the Applicant's eligible basis estimate. The Applicant also included as eligible the full amount of tax counsel (\$66,500) and underwriting fees for the bonds (\$93,008), when only the portion attributable to the construction period can be justified as eligible. The Underwriter therefore prorated these fees over the life of the bonds by including as eligible only \$8,395 of the total fees.

Ineligible Costs: The Applicant's ineligible costs were increased due to the difference in tax counsel fees, underwriting fees and interest expense discussed above.

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

Conclusion: While the Applicant's direct cost estimate is more than 5% lower than the Underwriter's estimate, the Applicant's total development cost estimate is just under 5% lower than the Underwriter's verifiable estimate and is, therefore, generally acceptable. Since the Underwriter has been able to verify the

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

Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to recalculate eligible basis and determine the LIHTC allocation. As a result, a revised eligible basis of \$13,985,669 is used to determine a credit allocation of \$510,477 from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan based on tax-exempt and taxable private activity mortgage revenue bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

Bonds: The bonds are private activity mortgage revenue bonds to be issued by Northwest Central Texas Housing Finance Corporation and placed privately with Red Capital Group. As of the date of the underwriting analysis, the documentation provided indicates that there will be \$10,460,000 in tax-exempt Bonds with an anticipated interest rate of 5.75%, however, the final interest rate will be made available at closing. The Bonds will be backed by an FHA Section 221(d)(4) insured mortgage loan/GNMA mortgage backed security and will mature in 40 years.

LIHTC Syndication: Paramount Financial Group has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,021,633 based on a syndication factor of 82% and a significantly lower anticipated tax credit amount. The funds would be disbursed in a four-phased pay-in schedule:

1. 45% upon admission to the partnership;
2. 35% upon completion of construction;
3. 10% upon conversion to permanent loan;
4. 10% upon receipt of 8609's.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,652,325 amount to 94% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed \$510,477 annually for ten years, resulting in syndication proceeds of approximately \$4,185,492. The original commitment letter from Red Capital indicates a loan amount of \$10,460,000 with an interest rate of 5.75% for 40 years resulting in a 1.18 DCR. However, the Applicant indicated the actual interest rate will be 6.25% and is assuming its debt service based on the higher rate. They are also assuming in their sources and uses that the loan amount will consist of a tax exempt amount of \$10,000,000 and a taxable tail of \$305,000, both with interest rates of 6.25%. The Underwriter is doubtful that both interest rates will be at 6.25% but rather that this is a blended rate for both instruments. Based on that overall rate, however, a DCR of 1.11 can be achieved, which is above the TDHCA minimum of 1.10. In order to maintain the same loan amount and the minimum allowable DCR, the blended interest rate of the tax exempt and taxable bonds cannot be more than 6.37%. At the current loan amount, the Applicant would need to defer \$1,961,516 which would include all of their developer fee and \$608,656 of their contractor fee. The total deferred developer fee does not appear to be repayable through cash flow in 10 years, but appears to be repayable in less than 15 years based upon the underwriter's proforma and therefore can be characterized as feasible.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry off a breezeway that is shared with three other units. The units are in three-story walk-up structures with mixed brick/masonry, Hardiboard and stucco exterior finish and pitched roofs.

IDENTITIES of INTEREST

The Developer, Contractor, Property Manager and Supportive Services firm are all related entities. These are common unusual 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.

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

- € Glenn Lynch Companies, the Developer, submitted an unaudited financial statement as of December 31, 2002 indicating assets totaling \$37,775,404, with 354,262 in cash, 546,544 in receivables, 35,727,320 in construction in progress, and \$1,147,277 in investments, land, equipment and miscellaneous. Liabilities totaled \$37,670,314 resulting in a net worth of \$105,090.
- € Glenn W. Lynch, submitted an unaudited financial statement as of October 31, 2002 and is anticipated to be the guarantor of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Glenn W. Lynch has completed seven LIHTC housing developments totaling 1,206 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- € Environmental risk may exist regarding soil movement at the site. The Applicant has proposed a mitigation plan.
- € The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

RECOMMENDATION

- L RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$510,477 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing prior to Bond closing;
2. Receipt, review and acceptance of documentation from the City of Weatherford that construction on the roadway will commence and be completed as the first units are available for lease-up prior to Bond closing;
3. Should the terms of the proposed debt be altered, the recommendations and conditions herein should be re-evaluated.

Underwriter:

Mark Fugina

Date: March 26, 2003

Director of Credit Underwriting:

Tom Gouris

Date: March 26, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Cypress View Villas, Weatherford, LIHTC # 02483

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash
TC50%	32	2	2	959	\$690	\$596	\$19,072	\$0.62	\$94.00	\$14.00
TC50%	32	2	2	986	690	\$596	19,072	0.60	94.00	14.00
TC50%	96	3	2	1,158	796	\$683	65,568	0.59	113.00	14.00
TC50%	32	4	2	1,300	888	\$748	23,936	0.58	140.00	14.00
TOTAL:										
192		AVERAGE:		1,120	\$776	\$665	\$127,648	\$0.59	\$111.17	\$14.00

INCOME Total Net Rentable Sq Ft: 215,008

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$25.00

Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.67%	\$281	\$0.25
Management	4.12%	315	0.28
Payroll & Payroll Tax	12.88%	987	0.88
Repairs & Maintenance	5.82%	446	0.40
Utilities	1.32%	101	0.09
Water, Sewer, & Trash	1.63%	125	0.11
Property Insurance	2.92%	224	0.20
Property Tax 2.6476	11.85%	907	0.81
Reserve for Replacements	2.61%	200	0.18
Other Expenses: Compliance,	1.11%	85	0.08

TOTAL EXPENSES 47.94% \$3,671 \$3.28

NET OPERATING INC 52.06% \$3,986 \$3.56

DEBT SERVICE

Tax Exempt Bond	44.82%	\$3,432	\$3.06
Taxable Bond	0.00%	\$0	\$0.00
Taxable Bond	0.00%	\$0	\$0.00
NET CASH FLOW	7.24%	\$554	\$0.50

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.47%	\$3,125	\$2.79
Off-Sites		0.00%	0	0.00
Sitework		8.32%	7,493	6.69
Direct Construction		51.22%	46,123	41.19
Contingency 4.58%		2.73%	2,454	2.19
General Req'ts 5.49%		3.27%	2,945	2.63
Contractor's G & i 1.83%		1.09%	982	0.88
Contractor's Prof: 5.49%		3.27%	2,945	2.63
Indirect Construction		3.22%	2,903	2.59
Ineligible Costs		8.54%	7,691	6.87
Developer's G & A 2.21%		1.72%	1,553	1.39
Developer's Profit 7.81%		6.10%	5,494	4.91
Interim Financing		4.98%	4,480	4.00
Reserves		2.07%	1,860	1.66
TOTAL COST		100.00%	\$90,048	\$80.41
Recap-Hard Construction Costs		69.90%	\$62,943	\$56.21

SOURCES OF FUNDS

Tax Exempt Bond	57.84%	\$52,083	\$46.51
Taxable Bond	1.76%	\$1,589	\$1.42
LIHTC Syndication Proceeds	23.26%	\$20,946	\$18.70
Deferred Developer Fees	9.56%	\$8,606	\$7.68
Additional (excess) Funds Req'	7.58%	\$6,824	\$6.09
TOTAL SOURCES			

	TDHCA	APPLICANT		
	\$1,531,776	\$1,531,776		
	57,600	79,560	\$34.53	Per Unit Per Month
	0		\$0.00	Per Unit Per Month
	\$1,589,376	\$1,611,336		
	(119,203)	(121,080)	-7.51%	of Potential Gross Income
	0			
	\$1,470,173	\$1,490,256		
	\$53,975	\$39,638	PER SQ FT	PER UNIT
	60,572	59,730	\$0.18	\$206
	189,411	164,160	0.28	311
	85,601	63,036	0.76	855
	19,351	29,987	0.29	328
	24,000	29,847	0.14	156
	43,002	45,151	0.14	155
	174,156	217,668	0.21	235
	38,400	38,400	1.01	1,134
	16,304	22,200	0.18	200
			0.10	116
	\$704,773	\$709,817	\$3.30	\$3,697
	\$765,400	\$780,439	\$3.63	\$4,065
	\$658,969	\$702,066	\$3.27	\$3,657
	0		\$0.00	\$0
	0		\$0.00	\$0
	\$106,431	\$78,373	\$0.36	\$408
	1.16	1.11		
		1.16		

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$600,000	\$600,000	\$2.79	\$3,125	3.65%
	0		0.00	0	0.00%
	1,438,696	1,438,696	6.69	7,493	8.74%
	8,855,659	7,985,854	37.14	41,593	48.54%
	471,227	471,227	2.19	2,454	2.86%
	565,473	565,473	2.63	2,945	3.44%
	188,491	188,491	0.88	982	1.15%
	565,473	565,473	2.63	2,945	3.44%
	557,360	557,360	2.59	2,903	3.39%
	1,476,643	1,509,239	7.02	7,861	9.17%
	298,096	298,096	1.39	1,553	1.81%
	1,054,764	1,054,764	4.91	5,494	6.41%
	860,235	860,235	4.00	4,480	5.23%
	357,100	357,100	1.66	1,860	2.17%
	\$17,289,217	\$16,452,008	\$76.52	\$85,688	100.00%
	\$12,085,019	\$11,215,214	\$52.16	\$58,413	68.17%

	TDHCA	APPLICANT	RECOMMENDED
	\$10,000,000	\$10,000,000	\$10,000,000
	305,000	305,000	305,000
	4,021,633	4,021,633	4,185,492
	1,652,325	1,652,325	1,961,516
	1,310,259	473,050	0
	\$17,289,217	\$16,452,008	\$16,452,008

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Cypress View Villas, Weatherford, LIHTC # 02483

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.77	\$8,765,648
Adjustments				
Exterior Wall Finish	5.90%		\$2.41	\$517,173
Carports	\$7.83	26,100	0.95	204,363
Roofing			0.00	0
Subfloor			(0.67)	(144,772)
Floor Cover			1.92	412,815
Porches/Balconies	\$21.98	18,720	1.91	411,510
Plumbing	\$615	576	1.65	354,240
Built-In Appliances	\$1,625	192	1.45	312,000
Stairs	\$1,400	32	0.21	44,800
Fireplaces	\$1,242	192	1.11	238,400
Heating/Cooling			1.47	316,062
Garages	\$13.76	4,800	0.31	66,048
Comm &/or Aux Bldgs	\$58.46	3,735	1.02	218,344
Other: Laundry Bui	\$50.85	581	0.14	29,546
SUBTOTAL			54.63	11,746,178
Current Cost Multiplier	1.03		1.64	352,385
Local Multiplier	0.92		(4.37)	(939,694)
TOTAL DIRECT CONSTRUCTION COSTS			\$51.90	\$11,158,869
Plans, specs, survy, b	3.90%		(\$2.02)	(\$435,196)
Interim Construction In	3.38%		(1.75)	(376,612)
Contractor's OH & Prof	11.50%		(5.97)	(1,283,270)
NET DIRECT CONSTRUCTION COSTS			\$42.16	\$9,063,791

PAYMENT COMPUTATION

Primary	\$10,305,000	Amort	480
Int Rate	5.75%	DCR	1.16
Secondary	\$0	Amort	480
Int Rate		Subtotal DCR	1.16
Additional	\$4,021,633	Amort	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANTS NOI:

Primary Debt Service	\$702,067
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$63,334

Primary	\$10,305,000	Amort	480
Int Rate	6.25%	DCR	1.11
Secondary	\$0	Amort	480
Int Rate	0.00%	Subtotal DCR	1.11
Additional	\$4,021,633	Amort	0
Int Rate	0.00%	Aggregate DCR	1.11

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$1,531,776	\$1,577,729	\$1,625,061	\$1,673,813	\$1,724,027	\$1,998,620	\$2,316,949	\$2,685,978	\$3,609,730
Secondary Income		57,600	59,328	61,108	62,941	64,829	75,155	87,125	101,002	135,738
Other Support Income: (d)		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		1,589,376	1,637,057	1,686,169	1,736,754	1,788,857	2,073,775	2,404,074	2,786,980	3,745,469
Vacancy & Collection Los		(119,203)	(122,779)	(126,463)	(130,257)	(134,164)	(155,533)	(180,306)	(209,024)	(280,910)
Employee or Other Non-Re		0	0	0	0	0	0	0	0	0
EFFEPTIVE GROSS INCOME		\$1,470,173	\$1,514,278	\$1,559,706	\$1,606,498	\$1,654,692	\$1,918,242	\$2,223,768	\$2,577,957	\$3,464,559
EXPENSES at 4.00%										
General & Administrative		\$53,975	\$56,134	\$58,380	\$60,715	\$63,144	\$76,824	\$93,468	\$113,718	\$168,330
Management		60,572	62,390	64,261	66,189	68,175	79,033	91,621	106,214	142,743
Payroll & Payroll Tax		189,411	196,987	204,867	213,062	221,584	269,591	327,999	399,060	590,707
Repairs & Maintenance		85,601	89,025	92,586	96,289	100,141	121,837	148,233	180,348	266,959
Utilities		19,351	20,125	20,930	21,767	22,638	27,542	33,509	40,769	60,348
Water, Sewer & Trash		24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Insurance		43,002	44,722	46,511	48,371	50,306	61,205	74,465	90,598	134,107
Property Tax		174,156	181,123	188,368	195,902	203,738	247,879	301,583	366,921	543,133
Reserve for Replacements		38,400	39,936	41,533	43,195	44,923	54,655	66,496	80,903	119,756
Other		16,304	16,956	17,634	18,340	19,073	23,206	28,233	34,350	50,846
TOTAL EXPENSES		\$704,773	\$732,358	\$761,028	\$790,827	\$821,798	\$995,931	\$1,207,167	\$1,463,447	\$2,151,778
NET OPERATING INCOME		\$765,400	\$781,920	\$798,678	\$815,671	\$832,895	\$922,311	\$1,016,601	\$1,114,510	\$1,312,780
DEBT SERVICE										
First Lien Financing		\$702,067	\$702,067	\$702,067	\$702,067	\$702,067	\$702,067	\$702,067	\$702,067	\$702,067
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		\$63,334	\$79,854	\$96,611	\$113,604	\$130,828	\$220,244	\$314,534	\$412,444	\$610,713
DEBT COVERAGE RATIO		1.09	1.11	1.14	1.16	1.19	1.31	1.45	1.59	1.87

LIHTC Allocation Calculation - Cypress View Villas, Weatherford, LIHTC #

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$600,000	\$600,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,438,696	\$1,438,696	\$1,438,696	\$1,438,696
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$7,985,854	\$8,855,659	\$7,985,854	\$8,855,659
(4) Contractor Fees & General Requirements				
Contractor overhead	\$188,491	\$188,491	\$188,491	\$188,491
Contractor profit	\$565,473	\$565,473	\$565,473	\$565,473
General requirements	\$565,473	\$565,473	\$565,473	\$565,473
(5) Contingencies	\$471,227	\$471,227	\$471,227	\$471,227
(6) Eligible Indirect Fees	\$557,360	\$557,360	\$557,360	\$557,360
(7) Eligible Financing Fees	\$860,235	\$860,235	\$860,235	\$860,235
(8) All Ineligible Costs	\$1,509,239	\$1,476,643		
(9) Developer Fees				
Developer overhead	\$298,096	\$298,096	\$298,096	\$298,096
Developer fee	\$1,054,764	\$1,054,764	\$1,054,764	\$1,054,764
(10) Development Reserves	\$357,100	\$357,100		
TOTAL DEVELOPMENT COSTS	\$16,452,008	\$17,289,217	\$13,985,669	\$14,855,474

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$13,985,669	\$14,855,474
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$13,985,669	\$14,855,474
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$13,985,669	\$14,855,474
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$510,477	\$542,225

Syndication Proceeds	0.8199	\$4,185,492	\$4,445,799
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Developer Evaluation

Compliance Status Summary

Project ID #: 02483

LIHTC 9% LIHTC 4%

Project Name: Cypress View Villas

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 5

total # monitored 5 # not yet monitored or pending review 2

of projects grouped by score 0-9: 5 10-19: 0 20-29 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/20/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 2 /6 /2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 2 /7 /2003

Executive Director: Edwina Carrington **Date Signed:** April 02, 2003



**LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD
SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **The Vistas Apartments**

TDHCA#: 02486

**DEVELOPMENT AND OWNER
INFORMATION**

Development Location: Marble Falls QCT: N DDA: Y TTC: N
 Development Owner: Marble Falls Vistas Apartments, LP
 General Partner(s): Marble Falls Vistas Developers, LLC, 100%, Contact: Granger MacDonald
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Capital Area HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$422,483 Eligible Basis Amt: \$386,686 Equity/Gap Amt.: \$478,042

Annual Tax Credit Allocation Recommendation: \$386,686

Total Tax Credit Allocation Over Ten Years: \$ 3,866,860

PROPERTY INFORMATION

Unit and Building Information

Total Units: 124 LIHTC Units: 124 % of LIHTC Units: 100%
 Gross Square Footage: 120,104 Net Rentable Square Footage: 115,424
 Average Square Footage/Unit: 931
 Number of Buildings: 16
 Currently Occupied: N

Development Cost

Total Cost: 8,868,318 Total Cost/Net Rentable Sq. Ft.: \$76.83

Income and Expenses

Effective Gross Income:¹ \$ 802,042 Ttl. Expenses: \$343,639 Net Operating Inc.: \$458,403
 Estimated 1st Year DCR: 1.24

DEVELOPMENT TEAM

Consultant: Not Utilized	Manager: Alpha Barnes Real Estate Services
Attorney: J. Michael Pruitt	Architect: A. Ray Payne, AIA
Accountant: Reznick, Fedder & Silverman	Engineer: Tetra Tech
Market Analyst: Mark Temple	Lender: Sun America Affordable Housing Partners, Inc.
Contractor: G. G. MacDonald, Inc.	Syndicator: Sun America Affordable Housing, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 2	Sen. Troy Fraser, District 24 - NC
# in Opposition: 0	Rep. Harvey Hiderbran, District 53 - S
	Mayor Scott A. Giddings - S
	George Russell, City Manager, City of Marble Falls; Consistent with the local Comprehensive Plan.

1. Gross Income less Vacancy

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of documentation of the revised partnership to include the Housing Authority of Marble Falls.
3. Receipt, review, and acceptance of correspondence from the taxing authority regarding their acceptance of the property tax exempt status of the partnership.
4. Receipt, review, and acceptance of original acquisition and holding cost information.
5. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendations herein should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable). _____

Edwina P. Carrington, Executive Director

Chairman of Executive Award and Review Advisory Committee

Date

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

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

DATE: March 31, 2002 PROGRAM: 4% LIHTC FILE NUMBER: 02486

DEVELOPMENT NAME

The Vistas Apartments

APPLICANT

Name: Marble Falls Vistas Apartments, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 2951 Fall Creek Road **City:** Kerrville **State:** TX
Zip: 78028 **Contact:** Leslie Clark **Phone:** (830) 257-5323 **Fax:** (830) 257-3168

PRINCIPALS of the APPLICANT

Name: Marble Falls Vistas Developers, LLC **(%):** 0.1 **Title:** Managing General Partner
Name: SunAmerica Affordable Housing Partners, Inc. **(%):** 99.9 **Title:** Limited Partner
Name: G. G. MacDonald, Inc. **Title:** 50% Owner of MGP
Name: G. Granger MacDonald **Title:** 100% Owner of G.G. MacDonald Inc.
Name: Resolution Real Estate Services, LLC **Title:** 50% Owner of MGP
Name: J. Steve Ford **Title:** 100% Owner of Resolution Real Estate

GENERAL PARTNER

Name: Marble Falls Vistas Developers, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 2951 Fall Creek Road **City:** Kerrville **State:** TX
Zip: 78028 **Contact:** G. Granger MacDonald **Phone:** (830) 257-5323 **Fax:** (830) 257-3168

PROPERTY LOCATION

Location: Mustang Drive; 2nd lot on the right from the intersection of Mustang and FM 1431 QCT DDA

City: Marble Falls **County:** Burnet **Zip:** 78654

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$422,483	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		

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

SITE DESCRIPTION			
Size: <u>8.34</u> acres	<u>363,290</u> square feet	Zoning/ Permitted Uses:	<u>R-3</u>
Flood Zone Designation:	<u>X</u>	Status of Off-Sites:	<u>Partially Improved</u>

DESCRIPTION of IMPROVEMENTS

Total Units: 124 **# Rental Buildings:** 16 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
44	1	1	736
48	2	2	970
32	3	2	1,140

Net Rentable SF: 115,424 **Av Un SF:** 931 **Common Area SF:** 4,680 **Gross Bldng SF** 120,104

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 65% stone veneer/35% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

1,736 SF community building with club room, meeting room, restrooms, swimming pool, perimeter fencing, and in addition to the community building as described above four of the one-bedroom units in one residential structure totaling 2,944 SF will provide additional common area

Uncovered Parking: 239 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

BOND/LONG TERM/PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael L. Fowler

Principal Amount: \$5,000,000 **Interest Rate:** 6.25%

Additional Information: The structure of the bonds will include a construction period with two years interest only

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

Annual Payment: \$319,281 **Lien Priority:** 1st **Commitment Date** 3/ 17/ 2003

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

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing, Inc. **Contact:** Michael L. Fowler
Address: 1999 Avenue of the Stars **City:** Los Angeles
State: CA **Zip:** 90067 **Phone:** (310) 772-6831 **Fax:** (310) 772-6197
Net Proceeds: \$3,297,119 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) .81¢
Commitment None Firm Conditional **Date:** 3/ 17/ 2003
Additional Information: Commitment letter reflects proceeds of \$3,297,119 based on credits of \$4,074,592

APPLICANT EQUITY

Amount: \$954,599 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: 8.34 ac. \$315,000 **Date of Valuation:** 1/ 29/ 2003
Appraiser: David E. Jones **City:** Austin **Phone:** (800) 551-2532

ASSESSED VALUE

Land: 16.6 ac. \$315,000 **Assessment for the Year of:** 2002
Building: 1 ac. \$10,000 **Valuation by:** Burnet County Appraisal District
Total Value: 8.34 ac. \$83,400

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract
Contract Expiration Date: 9/ 30/ 2003 **Anticipated Closing Date:** 9/ 30/ 2003
Acquisition Cost: \$ 300,000 **Other Terms/Conditions:** \$500 earnest money
Seller: G. Granger MacDonald, Trustee **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

Highland Oaks Apartments is an adjacent to the subject site and was submitted and underwritten in the 2002 LIHTC cycle. The underwriting analysis recommended the project be approved with no conditions on December 13, 2002. The previously approved development is an elderly project on 5.75 acres with 76 units whereas the new proposed The Vistas Apartments contains 8.34 acres with 124 units for general use. Both properties will share a common property line and reside on 16.6 acres already owned by G. Granger MacDonald.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Vistas Apartments is a proposed new construction development of 124 units of affordable housing located in east Marble Falls. The development is comprised of 16 residential buildings as follows:
 € (1) Building Type 736 with four one-bedroom units, and four one-bedroom units that will be dedicated to common area ;
 € (5) Building Type 736 with eight one-bedroom units;
 € (6) Building Type 970 with eight two-bedroom units; and
 € (4) Building Type 1140 with eight three- bedroom units;

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

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 1,736-square foot community building plan includes the management office, a club room, exercise room, and restrooms. There is also to be 2,944-square foot of common area utilizing four of the 736-square foot one-bedroom units in one residential structure.

Supportive Services: The Applicant has contracted with Williamson-Burnet County Opportunities, Inc. to provide the following supportive services to tenants: general information and referral including GED, Head Start, WIC, Legal Aid and employment training, utility assistance, budget and money management counseling, energy conservation training, home-delivered noon meals five days per week to qualified residents 60 and older, noon meals Monday through Friday at the Marble Falls Neighborhood Center to any resident 60 and older, a social services resource and toll free numbers directory at no charge. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services and pay \$100 per month for these support services.

Special Needs Construction: The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

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

POPULATIONS TARGETED

Income Set-Aside: This transaction is a 2003 priority II private activity tax exempt bond program development and therefore is limited to the 60% of AMI income and rent restrictions. The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred twenty-four of the units (100% of the total) will be reserved for low-income tenants. All of the units 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	\$20,640	\$23,640	\$26,580	\$29,520	\$31,860	\$34,260

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study dated December 23, 2002 was prepared by Mark C. Temple Real Estate Economist, Market Analyst and highlighted the following findings:

Definition of Market Area: "The primary or defined market area for The Vistas Apartments is considered Burnet County." (p. I-1)

Total Local/Submarket Demand for Rental Units: "There are currently three apartment projects in the Marble Falls Market Area that provide federal subsidies. Currently, all of the projects maintain a 100 percent occupancy level with a waiting list." (p. VI-5)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	215	9%
Resident Turnover	2,184	91%
TOTAL ANNUAL DEMAND	2,399	100%

Ref: p. VI-4

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CREDIT UNDERWRITING ANALYSIS**

Capture Rate: “Based upon the income qualification banding methodology, the 124 Low Income Housing Tax Credit (LIHTC) units of the apartment project represents a 21.5 percent capture rate of all income appropriate rental households within the market area.” (p. VI-3)

Market Rent Comparables: The market analyst surveyed six comparable apartment projects totaling 155 units in the market area. “Selection of the surveyed projects was based upon location in relation to the proposed project and project characteristics found within the market area.” (p. III-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$486	\$486	\$0	\$600	-\$114
2-Bedroom (60%)	\$584	\$584	\$0	\$749	-\$165
3-Bedroom (60%)	\$675	\$675	\$0	\$742	-\$67

(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 vacancy rate for the proposed project is approximately 7.5%. With a vacancy rate in the Marble Falls Market Area reported to be approximately 0.0 percent” (p. VI-8)

Absorption Projections: “According to the Marble Falls Chamber of Commerce and Claritas, Inc. present absorption trends of apartment projects located in the Marble Falls Market Area range from 10 to 15 units per month” (p. NI-6)

Known Planned Development: The Highland Oaks Apartments is an elderly project on 5.75 acres with 76 units to be built by the same developer on an adjacent property.

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

A copy of an appraisal report by David E. Jones was provided for the “as is” land value. The original appraisal was dated February 22, 2002 and was updated by letter to reflect the revised site area on January 29, 2003 but neither was addressed to TDHCA as the client. TDHCA appraisal requirements necessitate that an appraisal be addressed to TDHCA as the client, be performed on an “as is” basis, and be fully self contained in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and therefore is of questionable value. The appraisal indicates that no ownership changes have occurred on the site in the last three years. The appraiser concluded a value of \$38,490 per acre based upon four comparables only one of which was a sale. The other three for sale prices considered ranged from \$86,676 per acre to \$37,714 per acre. The only comparable sale was from a transaction that occurred in October of 2000 and consisted of a sale of 17 acres for \$11,248 per acre. After making adjustments to this sale to bring it up to \$16,534 per acre, the appraiser only gave it a 25% weight and used significantly higher asking prices to provide a rather dubious conclusion.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Marble Falls is located in the Texas Hill County Region on the Colorado River, approximately 47 miles northwest of Austin and 85 miles north of San Antonio in Burnet County. The site is an irregularly-shaped parcel located in the east area of Marble Falls. The site is situated on the southeast side of Mustang Drive.

Population: The estimated 2002 population of Burnet County was 36,816 and is expected to increase by 17% to approximately 43,233 by 2007. Within the primary market area there were estimated to be 17,146 households in 2002.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with commercial, single-family residential, multi-family residential and vacant land. Adjacent land uses include:

- ∅ **North:** vacant land
- ∅ **South:** commercial use
- ∅ **East:** vacant land

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

∅ **West:** vacant land

Site Access: Access to the property is from the northeast or southwest along Mustang Drive. The development is to have three entries, all off of Mustang Drive. Access to US Highway 281 is one mile west, which provides connections to all other major roads serving the Marble Falls area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Accessibility to supportive retail/service facilities within the immediate Marble Falls Market Area is considered excellent along the corridors of U.S. Highway 281 and FM Highway 1431 or 10th Street. Retail/service facilities along these major traffic corridors include grocery stores, drug stores, restaurants, financial institutions, and multi-purpose stores.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 7, 2002 was prepared by TriCo Inspecting Service, Inc. and contained the following findings and recommendations:

Findings:

- ∅ Based on the finds of this report, no obvious misuse of subject or surrounding properties was noted and no further environmental investigation needed, in my opinion.
- ∅ Subject property appeared environmentally clean and no potential risk or contamination was observed.
- ∅ Owner of subject property was interviewed, subject property was inspected, surrounding properties were observed, various agency records were reviewed, past environmental assessment was reviewed, and a conclusion was determined that the subject property contains no environmental hazards or conditions.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$2,400 per unit is 13% lower than the TDHCA database-derived estimate of \$2,771 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: payroll (\$10K lower), utilities (\$18K lower), and insurance (\$12K higher). It should also be noted that the Applicant has indicated that a property tax exemption would be achieved based upon the inclusion of a non-profit entity, the Marble Falls Housing Authority. Receipt, review, and acceptance of documentation of this revised partnership and correspondence from the taxing authority regarding their acceptance of the property tax exempt status of the partnership is a condition of this report.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are more than 5% different than the Underwriter's estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Applicant's estimated debt coverage ratio (DCR) of 1.58 exceeds the department maximum standard. However the Underwriter's estimate results in an acceptable 1.24 DCR.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$300,000 (\$2.60/SF or \$35,971/acre) is not substantiated through an appraisal with a concluding value of \$315,000 that was provided by the Applicant. The Appraisal had several flaws discussed in the market highlights section of this report but is also undermined by the current \$10,000 per acre assessed value for the property. This would result in a prorate value of \$83,400 for the subject site. No additional information regarding the original acquisition or holding costs were provided with this application and therefore the Underwriter utilized the assessed value as a proxy for the transfer value to ensure that an excess profit was not achieved. The pervious report on the adjacent site reflected holding costs of \$476,830 for the entire 16.6 acres which would result in a prorate value of \$239,564. Receipt, review, and acceptance of original acquisition and holding cost information is a condition of this report. It should also be noted that that the Applicant erroneously included the entire \$300,000 acquisition costs as an eligible cost where it is

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

not. Therefore the Applicant's eligible costs were reduced by this amount.

Sitework Cost: The Applicant's claimed sitework costs of \$6,027 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$287.5K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines by \$33,511 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant also individually included an additional \$171,368 in costs typically considered part of the contractor's fees. These were reallocated to contingency which then exceeded the 5% limit by \$91,988. Thus this amount was further removed from eligible basis. 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 \$41,410.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. However, the Applicant's total cost breakdown has been greatly adjusted and a recalculation of eligible basis result in an eligible basis of \$8,149,339. This amount is used to determine a credit allocation of \$386,686 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

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

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by Capital Area HFC and placed privately with SunAmerica Affordable Housing Partners, Inc. The structure of the bonds will include a construction/permanent loan with a construction period followed by a 30-year amortization period. As of the date of the proposal, SunAmerica estimated an interest rate of 6.25%.

LIHTC Syndication: SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,297,119 based on a syndication factor of 81%. The funds would be disbursed in a four-phased pay-in schedule:

1. Upon execution of the Partnership Agreement SunAmerica will invest \$100,705 (the "Initial Capital Contribution");
2. At closing of the Partnership and Bonds, SunAmerica will make a \$2,831,414 Bridge Loan available to the Partnership to be drawn at the direction of GP with supporting invoices;
3. Upon (i) receipt of the last Certificate of Occupancy for the Project (ii) engineers, and architects certificate, (iii) evidence of lien free completion, (iv) updated title policy and (v) as built survey, SunAmerica will invest an additional \$2,831,414 of its equity;
4. Upon payment of the First Additional Capital Contribution and (i) receipt of an audited cost certification of final Eligible Basis, (ii) submission to the TDHCA of all information necessary to for TDHCA to process forms 8609, (iii) achievement of 90% physical occupancy and a DSCR of 1.15x or greater based on amortizing debt service for a period of three (3) consecutive calendar months, (iv) achievement of the Stabilization Requirement under the bond Indenture and (v) satisfaction of the requirements of the Second Additional Capital Contribution for Portside Villas Apartments, SunAmerica will invest an additional \$265,000 of its equity in the Partnership.
5. Upon payment of the Second Additional Capital Contribution and receipt of Forms 8609, SunAmerica will invest the final \$100,000 of its equity in the Partnership.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$954,599 amount to

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

86% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$386,686 annually for ten years, resulting in syndication proceeds of approximately \$3,129,026. Based on the underwriting analysis and the adjustment to the land acquisition price for this identity of interest transfer, the Applicant's deferred developer fee will be decreased to an anticipated \$739,292, which represents approximately 67% of the eligible fee and which should be repayable from cash flow within ten years. Given the amount of deferred developer fee, any excess price paid for the land will only serve to increase the amount of deferral required. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

The elevation drawings for the residential buildings indicate attractive two-story structures with stone/siding exteriors and varied rooflines. All of the units offer adequate outside storage space with washer/dryer connections.

IDENTITIES of INTEREST

The Applicant, developer, and general contractor are related entities. These are common identities of interest for LIHTC/MRB-funded developments. The Applicant is also the seller of the property. The Applicant has not provided sufficient information to mitigate excess profit concerns with regard to the proposed sales price with regard to this transfer. As discussed in the construction cost estimate evaluation section above, the Underwriter has reduced the land acquisition price in the TDHCA cost estimate to account for this concern.

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

Financial Highlights:

- € The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The 50% owner of the Managing General Partner, G. G. MacDonald, Inc. submitted an unaudited financial statement as of September 2002 reporting total assets of \$8.3M and consisting of \$241K in cash, \$1.6M in receivables, \$6.3M in other assets, and \$162K in long term assets. Liabilities totaled \$8.2M, resulting in a net worth of \$100K.
- € The 50% owner of the Managing General Partner, Resolution Real Estate Services, LLC, submitted an unaudited financial statement as of December 2002 reporting total assets of \$898K and consisting of \$140K in cash, \$700K in receivables, \$30K in stocks and bonds, and \$28K in machinery and equipment. Liabilities totaled \$95K, resulting in a net worth of \$803K.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € G. Granger MacDonald, Inc. has completed 10 affordable housing developments totaling 874 units since 1997.
- € Resolution Real Estate Services, Inc. has completed eight affordable housing developments totaling 1,464 units since 1999.

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

SUMMARY OF SALIENT RISKS AND ISSUES

- ⊘ The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- ⊘ The seller of the property has an identity of interest with the Applicant.
- ⊘ The significant financing structure changes being proposed have not been accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

L RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$386,686 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of documentation of the revised partnership to include the Housing Authority of Marble Falls;
3. Receipt, review, and acceptance of correspondence from the taxing authority regarding their acceptance of the property tax exempt status of the partnership;
4. Receipt, review, and acceptance of original acquisition and holding cost information; and
5. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

Underwriter:

Carl Hoover

Date: March 31, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: March 31, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

The Vista Apartments, Marble Falls, LIHTC #02486

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
LIHTC (60%)	44	1	1	736	\$553	\$486	\$21,384	\$0.66	\$67.00	\$50.00
LIHTC (60%)	48	2	2	970	664	\$584	28,032	0.60	80.00	53.00
LIHTC (60%)	32	3	2	1,140	767	\$675	21,600	0.59	92.00	55.00
TOTAL:	124		AVERAGE:	931	\$651	\$573	\$71,016	\$0.62	\$78.48	\$52.45

INCOME				Total Net Rentable Sq Ft:	115,424	TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$852,192	\$852,192			
Secondary Income		Per Unit Per Month:	\$10.00			14,880	14,880	\$10.00	Per Unit Per Month	
Other Support Income: (describe)						0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$867,072	\$867,072			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(65,030)	(65,028)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$802,042	\$802,044			
EXPENSES								PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.32%	PER UNIT	\$279	PER SQ FT	\$0.30	\$34,612	\$28,075	\$0.24	\$226	3.50%
Management	5.00%		323		0.35	40,102	32,532	0.28	262	4.06%
Payroll & Payroll Tax	7.73%		500		0.54	62,000	52,500	0.45	423	6.55%
Repairs & Maintenance	8.33%		539		0.58	66,820	64,600	0.56	521	8.05%
Utilities	3.71%		240		0.26	29,780	12,000	0.10	97	1.50%
Water, Sewer, & Trash	7.25%		469		0.50	58,140	44,200	0.38	356	5.51%
Property Insurance	2.88%		186		0.20	23,085	34,600	0.30	279	4.31%
Property Tax	2.5021	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	3.09%		200		0.21	24,800	24,800	0.21	200	3.09%
Other Expenses: Supp.Serv./Comp	0.54%		35		0.04	4,300	4,300	0.04	35	0.54%
TOTAL EXPENSES	42.85%		\$2,771		\$2.98	\$343,639	\$297,607	\$2.58	\$2,400	37.11%
NET OPERATING INC	57.15%		\$3,697		\$3.97	\$458,402	\$504,437	\$4.37	\$4,068	62.89%
DEBT SERVICE										
SunAmerica	46.06%		\$2,979		\$3.20	\$369,430	\$319,281	\$2.77	\$2,575	39.81%
Additional Financing	0.00%		\$0		\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%		\$0		\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	11.09%		\$718		\$0.77	\$88,972	\$185,156	\$1.60	\$1,493	23.09%
AGGREGATE DEBT COVERAGE RATIO						1.24	1.58			
ALTERNATIVE DEBT COVERAGE RATIO						1.24				

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)		0.89%	\$673	\$0.72		\$83,400	\$300,000	\$2.60	\$2,419	3.24%
Off-Sites		0.00%	0	0.00		0	0	0.00	0	0.00%
Sitework		7.97%	6,027	6.47		747,300	747,300	6.47	6,027	8.08%
Direct Construction		50.69%	38,330	41.18		4,752,868	4,340,300	37.60	35,002	46.91%
Contingency	5.00%	2.93%	2,218	2.38		275,008	346,368	3.00	2,793	3.74%
General Req'ts	5.81%	3.41%	2,578	2.77		319,618	319,618	2.77	2,578	3.45%
Contractor's G & A	1.94%	1.14%	859	0.92		106,539	106,539	0.92	859	1.15%
Contractor's Profit	5.81%	3.41%	2,578	2.77		319,618	319,618	2.77	2,578	3.45%
Indirect Construction		2.80%	2,121	2.28		263,000	263,000	2.28	2,121	2.84%
Ineligible Costs		5.50%	4,157	4.47		515,470	515,470	4.47	4,157	5.57%
Developer's G & A	1.95%	1.57%	1,187	1.28		147,249	147,249	1.28	1,187	1.59%
Developer's Profit	12.67%	10.21%	7,719	8.29		957,118	957,118	8.29	7,719	10.35%
Interim Financing		8.20%	6,203	6.66		769,138	769,138	6.66	6,203	8.31%
Reserves		1.28%	968	1.04		120,000	120,000	1.04	968	1.30%
TOTAL COST		100.00%	\$75,616	\$81.23		\$9,376,327	\$9,251,718	\$80.15	\$74,611	100.00%
Recap-Hard Construction Costs		69.55%	\$52,588	\$56.50		\$6,520,952	\$6,179,743	\$53.54	\$49,837	66.80%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED
SunAmerica	53.33%	\$40,323	\$43.32	\$5,000,000	\$5,000,000	\$5,000,000
Additional Financing	0.00%	\$0	\$0.00	0	0	0
LIHTC Syndication Proceeds	35.16%	\$26,590	\$28.57	3,297,119	3,297,119	3,129,026
Deferred Developer Fees	10.18%	\$7,698	\$8.27	954,599	954,599	739,292
Additional (excess) Funds Req'd	1.33%	\$1,005	\$1.08	124,609	0	0
TOTAL SOURCES				\$9,376,327	\$9,251,718	\$8,868,318

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
The Vista Apartments, Marble Falls, LIHTC #02486

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.68	\$4,926,296
Adjustments				
Exterior Wall Finish	5.55%		\$2.37	\$273,409
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(116,578)
Floor Cover			1.92	221,614
Porches/Balconies	\$29.24	17595	4.46	514,478
Plumbing	\$615	240	1.28	147,600
Built-In Appliances	\$1,625	124	1.75	201,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	169,673
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$63.97	1,736	0.96	111,059
Other: (4) Units	\$42.68	2,944	1.09	125,650
SUBTOTAL			56.96	6,574,701
Current Cost Multiplier	1.03		1.71	197,241
Local Multiplier	0.86		(7.97)	(920,458)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.70	\$5,851,484
Plans, specs, survy, bid prm	3.90%		(\$1.98)	(\$228,208)
Interim Construction Interest	3.38%		(1.71)	(197,488)
Contractor's OH & Profit	11.50%		(5.83)	(672,921)
NET DIRECT CONSTRUCTION COSTS			\$41.18	\$4,752,868

PAYMENT COMPUTATION

Primary	\$5,000,000	Amort	360
Int Rate	6.25%	DCR	1.24

Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.24

Additional	\$3,297,119	Amort	
Int Rate		Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$369,430
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$88,972

Primary	\$5,000,000	Amort	360
Int Rate	6.25%	DCR	1.24

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.24

Additional	\$3,297,119	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

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	\$852,192	\$877,758	\$904,090	\$931,213	\$959,150	\$1,111,917	\$1,289,017	\$1,494,324	\$2,008,246
Secondary Income	14,880	15,326	15,786	16,260	16,748	19,415	22,507	26,092	35,066
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	867,072	893,084	919,877	947,473	975,897	1,131,332	1,311,524	1,520,416	2,043,312
Vacancy & Collection Loss	(65,030)	(66,981)	(68,991)	(71,060)	(73,192)	(84,850)	(98,364)	(114,031)	(153,248)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$802,042	\$826,103	\$850,886	\$876,413	\$902,705	\$1,046,482	\$1,213,160	\$1,406,385	\$1,890,064
EXPENSES at 4.00%									
General & Administrative	\$34,612	\$35,997	\$37,437	\$38,934	\$40,491	\$49,264	\$59,937	\$72,923	\$107,944
Management	40,102	41,305	42,544	43,821	45,135	52,324	60,658	70,319	94,503
Payroll & Payroll Tax	62,000	64,480	67,059	69,742	72,531	88,245	107,364	130,625	193,356
Repairs & Maintenance	66,820	69,493	72,272	75,163	78,170	95,105	115,710	140,779	208,388
Utilities	29,780	30,971	32,210	33,498	34,838	42,386	51,569	62,742	92,873
Water, Sewer & Trash	58,140	60,466	62,885	65,400	68,016	82,752	100,680	122,493	181,320
Insurance	23,085	24,008	24,969	25,967	27,006	32,857	39,975	48,636	71,993
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	24,800	25,792	26,824	27,897	29,012	35,298	42,946	52,250	77,343
Other	4,300	4,472	4,651	4,837	5,030	6,120	7,446	9,059	13,410
TOTAL EXPENSES	\$343,639	\$356,984	\$370,850	\$385,259	\$400,231	\$484,352	\$586,286	\$709,826	\$1,041,130
NET OPERATING INCOME	\$458,402	\$469,119	\$480,036	\$491,154	\$502,474	\$562,130	\$626,874	\$696,558	\$848,934
DEBT SERVICE									
First Lien Financing	\$369,430	\$369,430	\$369,430	\$369,430	\$369,430	\$369,430	\$369,430	\$369,430	\$369,430
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	\$88,972	\$99,689	\$110,605	\$121,723	\$133,044	\$192,700	\$257,443	\$327,128	\$479,503
DEBT COVERAGE RATIO	1.24	1.27	1.30	1.33	1.36	1.52	1.70	1.89	2.30

LIHTC Allocation Calculation - The Vista Apartments, Marble Falls, LIHTC #02486

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	\$300,000	\$83,400		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$747,300	\$747,300	\$747,300	\$747,300
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$4,340,300	\$4,752,868	\$4,340,300	\$4,752,868
(4) Contractor Fees & General Requirements				
Contractor overhead	\$106,539	\$106,539	\$101,752	\$106,539
Contractor profit	\$319,618	\$319,618	\$305,256	\$319,618
General requirements	\$319,618	\$319,618	\$305,256	\$319,618
(5) Contingencies	\$346,368	\$275,008	\$254,380	\$275,008
(6) Eligible Indirect Fees	\$263,000	\$263,000	\$263,000	\$263,000
(7) Eligible Financing Fees	\$769,138	\$769,138	\$769,138	\$769,138
(8) All Ineligible Costs	\$515,470	\$515,470		
(9) Developer Fees			\$1,062,957	
Developer overhead	\$147,249	\$147,249		\$147,249
Developer fee	\$957,118	\$957,118		\$957,118
(10) Development Reserves	\$120,000	\$120,000		
TOTAL DEVELOPMENT COSTS	\$9,251,718	\$9,376,327	\$8,149,339	\$8,657,457

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$8,149,339	\$8,657,457
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$10,594,141	\$11,254,693
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$10,594,141	\$11,254,693
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$386,686	\$410,796

Syndication Proceeds 0.8092 \$3,129,026 \$3,324,123

Developer Evaluation

Compliance Status Summary

Project ID #: 02486

LIHTC 9% LIHTC 4%

Project Name: The Vistas Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 6

total # monitored 6 # not yet monitored or pending review 7

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/20/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 2 /6 /2003

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 2 /7 /2003

Executive Director: Edwina Carrington **Date Signed:** April 02, 2003



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Caspita Apartments**

TDHCA#: 02490

DEVELOPMENT AND OWNER INFORMATION

Development Location: Cedar Park QCT: N DDA: N TTC: N
 Development Owner: Caspita Apartments I, L.P.
 General Partner(s): Maple Avenue Economic Development Corp., 100% Contact: Monique Allen
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Capital Area HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$630,114 Eligible Basis Amt: \$628,789 Equity/Gap Amt.: \$813,253
Annual Tax Credit Allocation Recommendation: \$628,789
 Total Tax Credit Allocation Over Ten Years: \$ 6,287,890

PROPERTY INFORMATION

Unit and Building Information

Total Units: 236 LIHTC Units: 236 % of LIHTC Units: 100%
 Gross Square Footage: 254,147 Net Rentable Square Footage: 247,456
 Average Square Footage/Unit: 1049
 Number of Buildings: 11
 Currently Occupied: N

Development Cost

Total Cost: \$21,528,226 Total Cost/Net Rentable Sq. Ft.: 87.

Income and Expenses

Effective Gross Income:¹ \$2,040,312 Ttl. Expenses: \$879,200 Net Operating Inc.: \$1,161,112
 Estimated 1st Year DCR: 1.12

DEVELOPMENT TEAM

Consultant: D.J. Hammond & Associates Manager: Myan Management Group
 Attorney: Coats, Rose, Yale, Ryman and Lee Architect: Chiles Architects
 Accountant: To Be Determined Engineer: Hanrahan & Pritchard
 Market Analyst: Apartment Market Data Lender: Malone Mortgage Company
 Contractor: CF Jordan Construction Services Syndicator: Paramount Financial Group

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Jeff Wentworth, District 25 - NC Rep. Mike Kruse, District 52 - NC Mayor Bob Young - NC Duane Smith, Manager of Comprehensive & Transportation Planning, City of Cedar Park; Consistent with the local Comprehensive Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of HBC Engineering's condition that the owners of the site should characterize, remove and dispose of the on-site debris in accordance with applicable regulations.
3. Should the terms of the proposed debt or syndication be altered the conditions and recommendations herein should be re-evaluated.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance

Date

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

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

Other Comments including discretionary factors (if applicable)._____

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

Date

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

Chairperson Signature: _____
Michael E. Jones, Chairman of the Board

Date

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

DATE: March 31, 2003

PROGRAM: 4% LIHTC

FILE NUMBER: 02490

DEVELOPMENT NAME

Caspita Apartments

APPLICANT

Name: Caspita Apartments I, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 515 S. Capital of Texas Highway **City:** Austin **State:** TX
Zip: 78746 **Contact:** Thomas (Mac) Jones **Phone:** (512) 469-5980 **Fax:** (512) 469-6012

PRINCIPALS of the APPLICANT

Name: Maple Avenue Economic Development Corp. **(%):** 0.01 **Title:** Managing General Partner
Name: Paramount Financial Group, Inc. **(%):** 99.98 **Title:** Initial Limited Partner
Name: Caspita Interests, LLC **(%):** 0.01 **Title:** Special Limited Partner
Name: Stuart Shaw **(%):** N/A **Title:** 100% Owner of LLC

GENERAL PARTNER

Name: Maple Avenue Economic Development Corp. **Type:** For Profit Non-Profit Municipal Other
Address: 7017 Chipperton Drive **City:** Dallas **State:** TX
Zip: 75225 **Contact:** Monique Allen **Phone:** (214) 361-9602 **Fax:** () N/A

PROPERTY LOCATION

Location: Approximately the 2300-2400 Block of South Lakeline Blvd. QCT DDA
City: Cedar Park **County:** Williamson **Zip:** 78613

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$630,114	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>			

SITE DESCRIPTION

Size: 16.231 acres 707,022 square feet **Zoning/ Permitted Uses:** PUD/Multi-Family
Flood Zone Designation: C **Status of Off-Sites:** Partially Improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 236 **# Rental Buildings:** 11 **# Common Area Bldgs:** 4 **# of Floors:** 3 **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
36	1	1	708
96	2	2	997
88	3	2	1,190
16	4	2	1,346

Net Rentable SF: 247,456 **Av Un SF:** 1,049 **Common Area SF:** 6,691 **Gross Bldng SF:** 254,147

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,721 SF community building with community room, managers office, fitness room, restrooms, swimming pool, equipped children's play area, sports courts, perimeter fencing with limited access gate and a hike and bike trail. In addition a 2,470 SF learning center, 250 SF mail/maintenance building and a 250 SF laundry room

Uncovered Parking: 363 spaces **Carports:** 160 spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

BOND/LONG TERM/PERMANENT FINANCING

Source: Malone Mortgage Company **Contact:** Jeff Rogers

Principal Amount: \$14,942,500 **Interest Rate:** 5.9% plus 0.5% MIP

Additional Information: Loan is inclusive of the construction stage and the permanent financing.

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** None Firm Conditional

Annual Payment: \$1,043,560 **Lien Priority:** 1st **Commitment Date:** 12/ 23/ 2002

LIHTC SYNDICATION

Source: Paramount Financial Group, Inc. **Contact:** Dale Cook

Address: 105 East Main Street, Suite 301 **City:** Fredericksburg

State: TX **Zip:** 78624 **Phone:** (830) 997-6960 **Fax:** (830) 997-5939

Net Proceeds: \$4,937,136 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 81¢

Commitment: None Firm Conditional **Date:** 12/ 20/ 2002

Additional Information: Commitment letter reflects proceeds of \$4,937,136 on credits of \$6,095,840

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

APPLICANT EQUITY

Amount: \$1,479,290 **Source:** Deferred developer fee
Amount: \$169,300 **Source:** Interim NOI

**VALUATION INFORMATION
APPRAISED VALUE**

Land Only: \$2,190,000 **Date of Valuation:** 12/ 23/ 2002
Appraiser: Paul Hornsby & Company **City:** Austin **Phone:** (512) 477-6311

ASSESSED VALUE

Land: \$1,575,500 **Assessment for the Year of:** 2002
Total Assessed Value: \$1,575,500 **Valuation by:** Williamson County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract
Contract Expiration Date: 8/ 30/ 2003 **Anticipated Closing Date:** 5/ 15/ 2003
Acquisition Cost: \$ 1,780,000 **Other Terms/Conditions:** \$100 earnest money
Seller: CFG Austin Partners I, LP **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

This development was also submitted and underwritten in the 2002 HOME CHDO cycle. Staff determined that the development was not eligible as prescribed based upon its organization and the HOME applicant's CHDO status.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Caspita Apartments is a proposed new construction development of 236 units of affordable income housing located within the city limits of Austin, Williamson County. The development is comprised of eleven residential buildings as follows:

- € (4) Building Type I with twelve two-bedroom units, and twelve three- bedroom units;
- € (2) Building Type II with twelve two-bedroom units, and eight four-bedroom units;
- € (3) Building Type III with twelve one-bedroom units, and eight three-bedroom units;
- € (2) Building Type IV with twelve two-bedroom units, and eight three-bedroom units; and

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, and swimming pool located near the entrance to the site. A 2,470-square foot learning center building is be located near the center of the site along with a separate 250-square foot mail/maintenance building and a 250-square foot laundry building. The 3,721-square foot community building plan includes a community room, manager's office, exercise room, and restrooms. There will also be a hike and bike trail.

The 3,721-square foot community building is a stand alone structure and would need to be connected to one of the residential buildings to qualify for HOME funds.

Supportive Services: The Applicant has contracted with Consumer Credit Counseling Service of Greater Dallas, Austin Branch to provide the following supportive services to tenants: financial management and one credit seminar for residents every six months and provide individual or family financial counseling for residents at the local CCCS office or by telephone as required. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to provide an annual grant to CCCS-Dallas in the amount of one

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

thousand dollars at the beginning of each designated twelve-month period for these support services.

Special Needs Construction: The required certification that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 was provided. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Two hundred thirty-six of the units (100% of the total) will be reserved for low-income tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

Compliance Period Extension: The intended length of the compliance period was not specified in the application, however all LIHTC funded developments are now required to maintain affordability for a minimum of 30 years.

MARKET HIGHLIGHTS

A market feasibility study dated December 13, 2002 was prepared by Apartment Market Data Research Services, LLC and highlighted the following findings:

Definition of Primary Market Area: “For this analysis we utilized a primary market area comprising a 97 square mile Trade Area in and around the northwest Austin/Cedar Park area bounded as follows:

- € Starting at the intersection of FM 2243 and the Williamson/Travis County Line, we go east traveling roughly along FM 2243 to the intersection of FM 2243 and Patricia Lane.
- € At the intersection of FM 2243 and Patricia Lane, we go south to the intersection of Wells Branch Pkwy and Burnet Rd/State Hwy 1.
- € At the corner of Hwy. 1 and Wells Branch Pkwy, go southwest to the intersection of Hwy. 1 and the Spicewood Springs Rd.
- € At this point, going north-northwest traveling roughly along Spicewood Springs Rd. and then the Williamson/Travis County line back to the starting point.”

Total Primary Market Demand for Rental Units: “In the Primary Market Area, we have determined that there is a demand of 481-838 rental units per year, based on the household and employment growth analysis.” (p. 18)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	265	4.9%
Resident Turnover	5,180	95.1%
TOTAL ANNUAL DEMAND	5,445	100%

Ref: p. 8

Capture Rate: Based on the sum of the proposed number of units plus any previously approved but not yet stabilized new units in the market area which totals 566 the capture rate is 10.4% (p. 9)

Market Rent Comparables: The market analyst surveyed 31 comparable apartment projects totaling 9,564 units in the market area.

RENT ANALYSIS (net tenant-paid rents)

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Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$602	\$602	\$0	\$695	-\$93
2-Bedroom (50%)	\$718	\$718	\$0	\$825	-\$107
3-Bedroom (50%)	\$827	\$827	\$0	\$782	+\$45
4-Bedroom (50%)	\$906	\$906	\$0	N/A	N/A

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

The Market Analyst's conclusions of rent for the three-bedroom units is inconsistent with that of the two-bedroom unit on an absolute basis. Moreover the proposed rent for the three-bedroom and four-bedroom unit on a per square foot basis is well below the market rent for a two-bedroom unit on a per foot basis. Therefore, the Underwriter believes the three- and four-bedroom rents proposed are achievable.

Primary Market Occupancy Rates: "The occupancy of the Primary Market Area is reasonably healthy at 92.2%." (p. 9)

Absorption Projections: "We estimate historical absorption to be 820+ units per year." (p. 12)

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

A copy of an appraisal report by Paul Hornsby & Company was provided to estimate the "as is" land value due to the identity of interest transfer. The appraisal was dated December 23, 2002 but was not addressed to TDHCA as the client. TDHCA appraisal requirements necessitate that an appraisal be addressed to TDHCA as the client, be performed on an "as is" basis, and be fully self contained in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal indicates that, other than the acquisition by the related party at a price of \$5,371.90 per unit, no other ownership changes have occurred on the site in the last three years. The appraiser concluded a value of \$2,190,000 or \$7,400 per unit based upon seven sale comparables. The sale comparables took place between June of 2000 and June of 2002 and all were zoned for multifamily use. The appraiser provided a logical adjustment grid and evaluated an adjustment range of between \$7,000 and \$7,875 per unit. Other than the misidentification of TDHCA as a client/user of the report, the Underwriter found the report to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is an undeveloped tract of land located in Cedar Park in far northwest Austin, Texas. Located at the 2200 Block of Lakeline Blvd, the site is boarded by the Lakeline Villas Apartments to the south

Population: The estimated 2002 population of the primary market area was 167,057 and is expected to increase by 18% to approximately 197,214 by 2007. Within the primary market area there were estimated to be 66,050 households in 2002.

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

- ∅ **North:** Vacant land
- ∅ **South:** Old Mill Road. Father south is vacant land
- ∅ **East:** Apartment complex
- ∅ **West:** Lakeline Oaks residential subdivision

Site Access: The development is to have one main entry from the north off of Lakeline Boulevard and a second entry from the south off of Old Mill Road. Access. The site is less than a mile west from the intersection of Lakeline Boulevard. and U.S. Highway 183 which provides connections to all other major roads serving the Austin area.

Public Transportation: Public transportation to the area is provided by Capital Metro.

Shopping & Services: Residents would also have access to employment centers, financial centers, shopping, schools, recreational facilities, literary and cultural centers, and medical facilities offered throughout Austin..

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

Recommendations: Based upon the results of this ESA Update, no further investigation is recommended. The owners of the site should characterize, remove and dispose the on-site debris in accordance with applicable regulations and receipt, review and acceptance of this requirement is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The 2002 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$3,725 per unit is within 5% of a TDHCA database-derived estimate of \$3,909 per unit for comparably-sized developments however significant line item differences exist. In particular, management fee (\$32K lower), payroll (\$27K higher), repairs and maintenance (\$16K lower) and water, sewer and trash (\$24K lower).

Conclusion: The Applicant's estimated operating expense is consistent with the Underwriter's expectations and the Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.08 is less than the program minimum standard of 1.10; however, the Applicant's debt service estimate provides for a 1.11 DCR despite being based upon a higher debt service amount. The Applicant's DCR based upon the Underwriter's lower debt service amount is an even more acceptable 1.12.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$1,950,000 (\$7.88/SF) is substantiated by the appraised value of \$2,190,000. The current assessed value is a somewhat lower \$1,575,000. However the Applicant has provided a settlement statement for the original acquisition reflecting a purchase price of \$1,575,000 and closing costs of \$125,673. The Applicant has further documented and substantiated \$188,914 in interest carry charges, \$70,136 in property taxes and \$14,474 in miscellaneous holding costs. This provides justification for a transfer price of \$1,974,197 or \$24,197 more than requested. Thus any concerns regarding an excess acquisition price and thus excess developer fees have been acceptably mitigated.

Off-Site Costs: The Applicant claimed off-site costs of \$45,000 for an access road did provide a third party engineering cost certification to justify these costs.

Sitework Cost: The Applicant claimed sitework costs of \$10,040K per unit and on follow-up provided specific justification regarding these costs. A third party detailed cost estimate certified by Ron Pritchard, an engineer familiar with the sitework costs of this proposed project confirms the proposed costs. In addition, a letter from Novogradac & Company, LLP, a certified public accountant, indicated that all of the proposed eligible site work costs are potentially includable in eligible basis. Thus the Underwriter used this sitework cost estimate as well.

Direct Construction Cost: The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines by \$31,584 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. It should be noted, however, that the Applicant included none of the anticipated contingency costs as eligible basis and up to 5% would have been allowed. 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 \$4,737.

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 \$17,227,089 is used to determine a credit allocation of \$628,789 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. This

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

is \$19,391 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.53% rather than the 3.65% underwriting rate used for developments that made application in December 2002. The Applicant subsequently amended the application to include the higher applicable percentage and request \$630,114 in credits.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing: a bond-financed interim to permanent loan, syndicated LIHTC equity, NOI income, and deferred developer's fees.

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by Capital Area HFC and placed privately with Malone Mortgage Company. The structure of the bonds will include a construction/permanent loan with a construction period followed by a 40-year amortization period. As of the date of the proposal, Malone Mortgage estimated an interest rate of 5.90% plus 0.50% MIP.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,937,136 based on a syndication factor of 81%. The funds would be disbursed in a four-phased pay-in schedule:

1. 45% upon close of the construction loan;
2. 35% upon completion of construction;
3. 10% upon conversion to permanent loan;
4. 10% upon receipt of 8609s.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,479,290 amount to 74% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$628,789 annually for ten years, resulting in syndication proceeds of approximately \$5,092,170. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,493,556, which represents approximately 66% of the eligible fee and which should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

The elevation drawings for the residential buildings indicate attractive two and three-story structures with stone/siding exteriors and varied rooflines. All of the units offer adequate storage space and washer/dryer connections.

IDENTITIES of INTEREST

The Applicant, developer, and general contractor are related entities. These are common identities of interest for LIHTC/MRB-funded developments.

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

Financial Highlights:

- € The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- € The General Partner, Maple Avenue Economic Development Corporation, submitted an unaudited financial statement as of December 31, 2001 reporting total assets of \$41.8M and consisting of \$182.3K in cash, \$204K in other current assets, \$35.4M in fixed assets, and \$6M in other assets. Liabilities totaled \$42.3M, resulting in a negative net worth of (\$508K.)
- € The Special Limited Partner, Stuart Shaw, will be looked to for loan guarantees and submitted an unaudited personal financial statement

Background & Experience:

- € The Applicant is a new entity formed for the purpose of developing the project.
- € The General Partner has completed two LIHTC/affordable housing developments totaling 504 units.

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

SUMMARY OF SALIENT RISKS AND ISSUES

∞ The seller of the property has an identity of interest with the Applicant.

RECOMMENDATION

L RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$628,789 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of HBC Engineering's condition that the owners of the site should characterize, remove and dispose the on-site debris in accordance with applicable regulations
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
3. Should the terms of the proposed debt or syndication be altered the conditions and recommendation herein should be re-evaluated.

Underwriter:

Carl Hoover

Date: March 31, 2003

Director of Credit Underwriting:

Tom Gouris

Date: March 31, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Caspita Apartments, Cedar Park, Home 2002-0023/LIHTC 4% 02490

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	36	1	1	708	\$666	\$602	\$21,672	\$0.85	\$64.00	\$40.00
TC 50%	96	2	2	997	800	\$718	68,928	0.72	82.00	46.00
TC 50%	88	3	2	1,190	924	\$827	72,776	0.69	97.00	70.00
TC 50%	16	4	2	1,346	1031	\$906	14,496	0.67	125.00	83.00
TOTAL:	236		AVERAGE:	1,049	\$841	\$754	\$177,872	\$0.72	\$87.76	\$56.54

INCOME				TDHCA	APPLICANT						
Total Net Rentable Sq Ft: 247,456				\$2,134,464	\$2,134,464						
POTENTIAL GROSS RENT											
Secondary Income		Per Unit Per Month:	\$15.00	42,480	42,480	\$15.00		Per Unit Per Month			
Other Support Income: Carports				28,800	28,800	\$10.17		Per Unit Per Month			
POTENTIAL GROSS INCOME				\$2,205,744	\$2,205,744						
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(165,431)	(165,432)	-7.50%		of Potential Gross Income			
Employee or Other Non-Rental Units or Concessions				0							
EFFECTIVE GROSS INCOME				\$2,040,313	\$2,040,312						
EXPENSES						PER SQ FT	PER UNIT	% OF EGI			
General & Administrative	3.45%	PER UNIT	\$299	\$0.28	\$70,447	\$66,100	\$0.27	\$280	3.24%		
Management	5.00%		432	0.41	102,016	70,000	0.28	297	3.43%		
Payroll & Payroll Tax	9.97%		862	0.82	203,432	230,000	0.93	975	11.27%		
Repairs & Maintenance	4.97%		430	0.41	101,382	85,000	0.34	360	4.17%		
Utilities	3.11%		269	0.26	63,379	55,000	0.22	233	2.70%		
Water, Sewer, & Trash	6.10%		528	0.50	124,490	100,000	0.40	424	4.90%		
Property Insurance	2.43%		210	0.20	49,491	57,900	0.23	245	2.84%		
Property Tax	2.930661		660	0.63	155,721	163,000	0.66	691	7.99%		
Reserve for Replacements	2.31%		200	0.19	47,200	47,200	0.19	200	2.31%		
Other Expenses: Comp.Fees/Supp	0.25%		21	0.02	5,000	5,000	0.02	21	0.25%		
TOTAL EXPENSES				45.22%	\$3,909	\$3.73	\$922,558	\$879,200	\$3.55	\$3,725	43.09%
NET OPERATING INC				54.78%	\$4,736	\$4.52	\$1,117,755	\$1,161,112	\$4.69	\$4,920	56.91%
DEBT SERVICE											
Malone Mortgage Company	50.83%		\$4,394	\$4.19	\$1,037,035	\$1,043,560	\$4.22	\$4,422	51.15%		
	0.00%		\$0	\$0.00			\$0.00	\$0	0.00%		
	0.00%		\$0	\$0.00	0		\$0.00	\$0	0.00%		
NET CASH FLOW				3.96%	\$342	\$0.33	\$80,720	\$117,552	\$0.48	\$498	5.76%
AGGREGATE DEBT COVERAGE RATIO						1.08		1.11			
ALTERNATIVE 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		\$1,950,000	\$1,950,000	\$7.88	\$8,263	9.06%	
Acquisition Cost (site or bldg)		8.61%	\$8,263	\$7.88							
Off-Sites		0.20%	191	0.18	45,000	45,000	0.18	191	0.21%		
Sitework		10.47%	10,040	9.58	2,369,485	2,369,485	9.58	10,040	11.01%		
Direct Construction		43.09%	41,335	39.42	9,755,001	8,684,915	35.10	36,800	40.34%		
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%		
General Req'ts	5.58%	2.99%	2,868	2.74	676,800	676,800	2.74	2,868	3.14%		
Contractor's G & A	1.86%	1.00%	956	0.91	225,600	225,600	0.91	956	1.05%		
Contractor's Profit	5.58%	2.99%	2,868	2.74	676,800	676,800	2.74	2,868	3.14%		
Indirect Construction		4.71%	4,519	4.31	1,066,475	1,066,475	4.31	4,519	4.95%		
Ineligible Costs		8.87%	8,512	8.12	2,008,919	2,008,919	8.12	8,512	9.33%		
Developer's G & A	1.00%	0.71%	683	0.65	161,122	0	0.00	0	0.00%		
Developer's Profit	13.00%	9.24%	8,859	8.45	2,090,627	2,251,749	9.10	9,541	10.46%		
Interim Financing		5.79%	5,558	5.30	1,311,586	1,311,586	5.30	5,558	6.09%		
Reserves		1.32%	1,270	1.21	299,693	260,897	1.05	1,105	1.21%		
TOTAL COST				100.00%	\$95,920	\$91.48	\$22,637,108	\$21,528,226	\$87.00	\$91,221	100.00%
Recap-Hard Construction Costs				60.54%	\$58,066	\$55.38	\$13,703,686	\$12,633,600	\$51.05	\$53,532	58.68%

SOURCES OF FUNDS				RECOMMENDED		
Malone Mortgage Company	66.01%	\$63,316	\$60.38	\$14,942,500	\$14,942,500	\$14,942,500
LIHTC Syndication Proceeds	21.81%	\$20,920	\$19.95	4,937,136	4,937,136	5,092,170
Deferred Developer Fees	6.53%	\$6,268	\$5.98	1,479,290	1,479,290	1,493,556
NOI	0.75%	\$717	\$0.68	169,300	169,300	
Additional (excess) Funds Req'd	4.90%	\$4,699	\$4.48	1,108,882	0	0
TOTAL SOURCES				\$22,637,108	\$21,528,226	\$21,528,226

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Caspita Apartments, Cedar Park, Home 2002-0023/LIHTC 4% 02490

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.30	\$10,219,933
Adjustments				
Exterior Wall Finish	2.75%		\$1.14	\$281,048
Elderly	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(0.81)	(199,944)
Floor Cover			1.92	475,116
Porches/Balconies	\$29.24	23700	2.80	692,988
Plumbing	\$615	600	1.49	369,000
Built-In Appliances	\$1,625	236	1.55	383,500
Stairs/Fireplaces	\$1,625	88	0.58	143,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	363,760
Garages/Carports	\$7.83	32,000	1.01	250,560
Comm &/or Aux Bldgs	\$54.60	6,691	1.48	365,319
Other:			0.00	0
SUBTOTAL			53.93	13,344,279
Current Cost Multiplier	1.03		1.62	400,328
Local Multiplier	0.87		(7.01)	(1,734,756)
TOTAL DIRECT CONSTRUCTION COSTS			\$48.53	\$12,009,851
Plans, specs, survy, bld prm	3.90%		(\$1.89)	(\$468,384)
Interim Construction Interest	3.38%		(1.64)	(405,332)
Contractor's OH & Profit	11.50%		(5.58)	(1,381,133)
NET DIRECT CONSTRUCTION COSTS			\$39.42	\$9,755,001

PAYMENT COMPUTATION

Primary	\$14,942,500	Amort	480
Int Rate	6.40%	DCR	1.08

Secondary		Amort	
Int Rate		Subtotal DCR	1.08

Additional		Amort	
Int Rate		Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

Primary Debt Service	\$1,037,035
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$80,720

Primary	\$14,942,500	Amort	480
Int Rate	6.40%	DCR	1.12

Secondary		Amort	0
Int Rate	0.00%	Subtotal DCR	1.12

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.12

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,134,464	\$2,198,498	\$2,264,453	\$2,332,386	\$2,402,358	\$2,784,991	\$3,228,568	\$3,742,796	\$5,030,004
Secondary Income	42,480	43,754	45,067	46,419	47,812	55,427	64,255	74,489	100,107
Contractor's Profit	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
POTENTIAL GROSS INCOME	2,205,744	2,271,916	2,340,074	2,410,276	2,482,584	2,877,996	3,336,386	3,867,785	5,197,980
Vacancy & Collection Loss	(165,432)	(170,394)	(175,506)	(180,771)	(186,194)	(215,850)	(250,229)	(290,084)	(389,849)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,040,312	\$2,101,523	\$2,164,568	\$2,229,505	\$2,296,390	\$2,662,146	\$3,086,157	\$3,577,702	\$4,808,132
EXPENSES at 4.00%									
General & Administrative	\$66,100	\$68,744	\$71,494	\$74,354	\$77,328	\$94,081	\$114,464	\$139,263	\$206,143
Management	70,000	72100.0424	74263.04368	76490.93499	78785.66304	91334.17659	105881.343	122745.4959	164959.6824
Payroll & Payroll Tax	230,000	239,200	248,768	258,719	269,067	327,362	398,286	484,575	717,290
Repairs & Maintenance	85,000	88,400	91,936	95,613	99,438	120,982	147,192	179,082	265,085
Utilities	55,000	57,200	59,488	61,868	64,342	78,282	95,242	115,877	171,526
Water, Sewer & Trash	100,000	104,000	108,160	112,486	116,986	142,331	173,168	210,685	311,865
Insurance	57,900	60,216	62,625	65,130	67,735	82,410	100,264	121,987	180,570
Property Tax	163,000	169,520	176,301	183,353	190,687	232,000	282,263	343,416	508,340
Reserve for Replacements	47,200	49,088	51,052	53,094	55,217	67,180	81,735	99,443	147,200
Other	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
TOTAL EXPENSES	\$879,200	\$913,668	\$949,494	\$986,731	\$1,025,435	\$1,243,078	\$1,507,154	\$1,827,608	\$2,688,572
NET OPERATING INCOME	\$1,161,112	\$1,187,855	\$1,215,075	\$1,242,774	\$1,270,955	\$1,419,068	\$1,579,003	\$1,750,094	\$2,119,559
DEBT SERVICE									
First Lien Financing	\$1,037,035	\$1,037,035	\$1,037,035	\$1,037,035	\$1,037,035	\$1,037,035	\$1,037,035	\$1,037,035	\$1,037,035
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	\$124,077	\$150,820	\$178,040	\$205,740	\$233,920	\$382,033	\$541,968	\$713,059	\$1,082,524
DEBT COVERAGE RATIO	1.12	1.15	1.17	1.20	1.23	1.37	1.52	1.69	2.04
Cumulative Cash Flow	124,077	274,897	452,936	658,676	892,596	2,432,479	4,742,482	7,880,048	16,857,964

LIHTC Allocation Calculation - Caspita Apartments, Cedar Park, Home 2002-0023/LIHTC 4% 024

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,950,000	\$1,950,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$2,369,485	\$2,369,485	\$2,369,485	\$2,369,485
Off-site improvements	\$45,000	\$45,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$8,684,915	\$9,755,001	\$8,684,915	\$9,755,001
(4) Contractor Fees & General Requirements				
Contractor overhead	\$225,600	\$225,600	\$221,088	\$225,600
Contractor profit	\$676,800	\$676,800	\$663,264	\$676,800
General requirements	\$676,800	\$676,800	\$663,264	\$676,800
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$1,066,475	\$1,066,475	\$1,066,475	\$1,066,475
(7) Eligible Financing Fees				
	\$1,311,586	\$1,311,586	\$1,311,586	\$1,311,586
(8) All Ineligible Costs				
	\$2,008,919	\$2,008,919		
(9) Developer Fees				
			\$2,247,012	
Developer overhead		\$161,122		\$161,122
Developer fee	\$2,251,749	\$2,090,627		\$2,090,627
(10) Development Reserves				
	\$260,897	\$299,693		
TOTAL DEVELOPMENT COSTS	\$21,528,226	\$22,637,108	\$17,227,089	\$18,333,496

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			\$17,227,089	\$18,333,496
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$17,227,089	\$18,333,496
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$17,227,089	\$18,333,496
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$628,789	\$669,173

Syndication Proceeds 0.8098 \$5,092,170 \$5,419,214

Developer Evaluation

Compliance Status Summary

Project ID #: 02490

LIHTC 9% LIHTC 4%

Project Name: Caspita Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

No previous participation

Project(s) in material non-compliance 0

Number of projects monitored by the Department with scores under 30: 0

total # monitored 0 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 2/5/2003

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 2/11/2003

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 2/11/2003

Community Affairs

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____**Completed on** _____**Housing Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____**Completed on** _____**Housing Programs**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth**Completed on** 2 /6 /2003**Multifamily Finance**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer**Completed on** 2 /7 /2003**Executive Director:** Edwina Carrington**Date Signed:** April 01, 2003

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING
APRIL 10, 2003**

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF AUTHORIZATION
FOR THE TDHCA EXECUTIVE DIRECTOR TO REQUEST REDUCTION OF THE
STATE OF TEXAS 2003 HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) ALLOCATION TO
PROVIDE \$199,583 TO ASSIST MONTGOMERY COUNTY AND TO PROVIDE \$225,746 TO ASSIST THE
CITY OF PLANO IN MEETING THE HUD REQUIREMENTS TO BE DESIGNATED PARTICIPATING
JURISDICTIONS UNDER THE HOME PROGRAM

Montgomery County and the City of Plano have submitted requests for \$199,583 and \$225,746 respectively for 2003 HOME Program funds to assist in meeting the U.S. Department of Housing and Urban Development (HUD) requirement to be designated participating jurisdictions (PJs) under the HOME Program. HUD requires that a PJ have at least \$750,000 in funding. HUD will provide \$550,417 to Montgomery County and \$524,254 to the City of Plano. Upon meeting the \$750,000 requirement, HUD would designate Montgomery County and the City of Plano as PJs.

Recommendation

That the Board authorize the TDHCA Executive Director to request from HUD a reduction in the 2003 State of Texas HOME Program allocation by \$425,329 (\$199,583 + \$225,746) to assist Montgomery County and the City of Plano in meeting the HUD requirements to be designated Participating Jurisdictions under the HOME Program.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

April 3, 2003

TO: Chairman Jones and Board Members

FROM: Chris G. Wittmayer, General Counsel

SUBJECT: Proposed Amendments to the Appeals Process Rules, 10 TAC Sections 1.7 and 1.8

-
1. Proposed Amendments to Appeals Process Rules, 10 TAC Section 1.8. Based on the recent experience of the Department's first appeal to the Board Appeals Committee, the attached amendments are proposed to the rules for Board Appeals, for the Board's consideration. The proposed amendments include the following:
 - a. Change to one hearing, not two. Eliminate the requirement for two hearings by having one hearing at the full Board and eliminating the Board Appeals Committee.
 - b. Clarify "4%" v. "9%" credits. Clarify that tax credit applications which are not subject to the State housing credit ceiling (commonly called "4% credits" and coupled with bonds) may use this appeals process, but tax credit applications, which are subject to the State credit ceiling (commonly called "9% credits") may not use this appeals process when the separate appeals process in 2003 QAP §49.18(b) applies.
 - c. Consistent seven day appeal period. Change the time period permitted to file an appeal from 14 days to 7 days to be consistent with the 7-day limit in 2003 QAP §49.18(b)(3) and §2306.6715(c), Texas Government Code.
 - d. De novo review. Clarify that the appeal is considered "de novo" or anew, that is, the review is not a limited review, but is a fresh look at the application and issues.
 - e. Public comment and notice. Clarify that public comment will be heard under the usual procedures, but the persons making public comment are not parties to the appeal and no rights accrue to them under the appeals process. Add telephone notice to a neighborhood representative.
 - f. "Good cause" discretion. Provide for discretion for "good cause" to consider an appeal which is not submitted in accordance with the rules.
 2. Staff Appeals amendments. Similar changes are proposed for the Staff Appeals Process Rules, 10 TAC Section 1.7, plus similarly reducing the time for a further appeal to the Board to 7 days from 60 days.
 3. 30-day public comment. With the Board's approval, the proposed rules will be published in the Texas Register for a 30-day public comment period and then brought back to the Board for final approval.

1.8 Board Appeals Process

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

(1) Appeal file--The written record of an appeal that contains the applicant's appeal; the responses, if any, of Department staff, and the executive director; and the final decision.

(2) Applicant--A person who has submitted to the Department an application for Department funds or other assistance.

(3) Application--The written request for Department funds or other assistance in the format required by the Department including any exhibits or other supporting material.

(4) Board--The Governing Board of the Texas Department of Housing and Community Affairs.

(5) Department--The Texas Department of Housing and Community Affairs.

(6) Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.

(b) Grounds. An Applicant for funding or other assistance from the Department may only appeal the disposition of its Application by the Board based on an action taken by the Board which was allegedly not made in accordance with the applicable rules. This Appeal process is available to any Applicant, including for tax exempt bonds and low income housing tax credits under 42 U.S.C. §42, except for low income housing tax credits which are subject to the State housing credit ceiling and which have a separate appeals process.

(c) Appeal to the Board. An Applicant must file a written Appeal with the Department not later than the seventh day after the date of the Board meeting at which the award decision appealed was made. The Applicant must specify the alleged error and provide a detailed explanation of the alleged error, including any supporting documentation. The specific rule allegedly violated must be cited, as well as an explanation of the manner in which the alleged error adversely affects the Applicant's ability to receive funds or other assistance. Upon receipt of the appeal, the executive director shall prepare a file for the Board to consider at the next regularly scheduled meeting of the Board. The Board may not consider any information submitted by the Applicant after the written appeal. The Board will review the Appeal de novo and may consider any information properly considered by the Board in making its prior decision on the Application.

(d) Public Comment and Notice. The Board will hear public comment on the Appeal under its usual procedures. While public comment will be heard, persons making public comment are not parties to the Appeal and no rights accrue to them under this section or Appeal process. If a representative of a neighborhood group completed a witness affirmation form including their telephone number and spoke in support of or opposition to an Application at the Board meeting at which the Board made the decision appealed from, Department staff will telephone the representative not later than the seventh day before the date of the Board meeting at which the Board will consider the Appeal and advise the representative of the date, time, and place of the Board meeting and that an Appeal will be considered by the Board. This notice requirement is satisfied if the Department makes three attempts to reach one group representative by telephone and is unsuccessful.

(e) Possible Actions. In instances in which the Appeal, if sustained by the Board, would have resulted in an award to the Applicant, the Application shall be approved by the Board contingent on the availability of funds. If no funds are available in the current year's funding cycle, then the Applicant shall be awarded funds from the next year's available funding or from the pool of deobligated funds. In the case of private activity mortgage revenue bond programs, the Applicant shall be encouraged to reapply in the next year's funding cycle. If the Appeal is denied, the Department shall notify the applicant of the decision, including the basis for denial.

(f) Final Decision. Appeals not submitted in accordance with this section will not be considered by the Board, unless the Board, in the exercise of its discretion, determines there is good cause to consider the appeal. The decisions of the Board are final.

1.7 Staff Appeals Process

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

(1) Appeal file--The written record of an appeal that contains the applicant's appeal; the responses, if any, of Department staff, and the executive director, and the final decision.

(2) Applicant--A person who has submitted to the Department an application for Department funds or other assistance.

(3) Application--The written request for Department funds or other assistance in the format required by the Department including any exhibits or other supporting material.

(4) Board--The Governing Board of the Texas Department of Housing and Community Affairs.

(5) Department--The Texas Department of Housing and Community Affairs.

(6) Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.

(b) Grounds. This appeal process is available to any Applicant, including for tax exempt bonds and low income housing tax credits under 42 U.S.C. §42, except for low income housing tax credits which are subject to the State housing credit ceiling and which have a separate appeals process. An Applicant for funding or other assistance from the Department may only appeal the disposition of its Application by Department staff based on one or more of the following grounds. (1) Misplacement of an application. All or a portion of the application is lost, misfiled, or otherwise misplaced by Department staff resulting in unequal consideration of the Applicant's proposal.

(2) Mathematical error. In rating an application, the score on any selection criteria is incorrectly computed by the Department due to human or computer error.

(3) Procedural error. The application is not processed by Department staff in accordance with the application and selection rules in effect for the current application cycle.

(c) Appeal to the executive director. An Applicant must file a written Appeal with the Department not later than the seventh day after the date the Department publishes notice on its website of the results of the Application evaluation process or after written notice has been sent to the Applicant, whichever is earlier. The notice must include specific information relating to the disposition of each application, including the reasons for disqualification or summaries detailing the points awarded. The Applicant must specifically identify the Applicant's grounds for the Appeal based on the disposition of its Application. Upon receipt of an Appeal, staff shall prepare an Appeal file for the executive director's review. The executive director shall respond in writing to the Appeal not later than the fourteenth day after the date of receipt of the appeal. The executive director may take one of the following actions.

(1) Concur with the Appeal and make the appropriate adjustments to the staff's decision; or

(2) Disagree with the Appeal and provide the basis for rejecting the Appeal to the Applicant.

(d) Appeal to the Board. If the Applicant is not satisfied with the executive director's response to the Appeal, the Applicant may appeal in writing directly to the board within seven days after the date of the executive director's response. The executive director shall prepare an Appeal file for the Board's review. The Board may not consider any information submitted by the Applicant after the written appeal. The Board will review the Appeal de novo and may consider any information properly considered by the Department in making its prior decision(s).

(e) Public Comment. The Board will hear public comment on the Appeal under its usual procedures. While public comment will be heard, persons making public comment are not parties to the Appeal and no rights accrue to them under this section or Appeal process.

(f) Possible actions. In instances in which the Appeal, if sustained by the Board, would have resulted in an award to the Applicant, the Application shall be approved by the Board contingent

on the availability of funds. If no funds are available in the current year's funding cycle, then the Applicant shall be awarded funds from the next year's available funding or from the pool of deobligated funds. In the case of private activity mortgage revenue bond programs, the Applicant shall be encouraged to reapply in the next year's program funding cycle. If the Appeal is denied, the Department shall notify the applicant of the decision, including the basis for denial.

(g) Final Decision. Appeals not submitted in accordance with this section will not be considered, unless the Department or Board, in the exercise of its discretion, determines there is good cause to consider the appeal. The decision of the board is final.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INTERNAL AUDITING DIVISION

CHARTER *(Proposed Amendments - see redline)*

PURPOSE

Internal auditing is an independent appraisal activity within the Texas Department of Housing and Community Affairs (Department) for the review of various operations and systems of control to determine whether management information is reliable, acceptable policies and procedures are followed, established standards are met, resources are safeguarded and used efficiently and economically, planned missions are accomplished effectively, and the Department's objectives are being achieved. The Internal Auditing Division shall assist management in its responsibilities by furnishing analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. However, the auditing review and appraisal of an area shall in no way relieve management of its assigned responsibilities.

AUTHORITY

The Internal Auditing Act (Chapter 2102, Government Code) and the Department's enabling legislation (Chapter 2306, Government Code) authorizes the establishment of an internal auditing program. Internal auditors shall have full access to all of the Department's records, facilities, properties and personnel relevant to a subject under review, and are free to review and appraise policies, plans, procedures and records. However, internal auditors shall have no direct responsibility for, or authority over, any of the activities reviewed.

Department management shall respond to all information requests by the internal auditor or internal audit staff pursuant to this authority within two business days of such requests, including requests of information considered confidential by its nature or due to pending or actual litigation. The internal audit staff shall use discretion in its review of records and assure confidentiality of all matters that come to its attention.

The Director of Internal Auditing or designated representative will be included in exit conferences conducted by external or State auditors and shall receive copies of the audit reports along with management's written response. The Internal Auditing Division shall be available to assist management in clearing exceptions, preparing responses to reports and examinations, and subsequently reviewing the progress made to correct the deficiencies reported.

Internal auditors shall not develop or install procedures, prepare records, perform internal control functions, or engage in any other activity which they would normally review and appraise and which could reasonably be construed to compromise the independence of the Internal Auditing Division. However, the independence of the Internal Auditing Division shall not be deemed adversely affected by determining and recommending standards of control to be applied to the development of the systems and procedures being reviewed. The Internal Auditing Division shall be responsive to requests for assistance from management, provided that the

Texas Department Of Housing And Community Affairs
Internal Auditing Division
Charter

subject of the request is related to auditing or internal controls. The Internal Auditing Division shall not assume operating responsibilities.

The Director of Internal Auditing shall report directly to the Audit Committee of the governing Board of the Department and administratively to the Executive Director of the Department. The Director of Internal Auditing shall furnish copies of all audit reports to the Audit Committee in accordance with the criteria established by the Committee. The Director of Internal Auditing shall appear before the Committee at its meetings to report on audit findings and the operations of the Internal Auditing Division.

The Audit Committee and Board shall periodically assess whether resources allocated to the Internal Auditing Division are adequate to implement an effective program of internal auditing. To facilitate the Board's consideration of the adequacy of internal auditing resources, the Audit Director will emphasize significant risks to the agency that are not being addressed in annual audit plans that are proposed to the Board for approval.

RESPONSIBILITIES

The Internal Auditing Division shall

- € comply with the Texas Internal Auditing Act.
- € execute a comprehensive audit program to insure all activities of the Department are reviewed at appropriate intervals as determined by the Director of Internal Auditing and as approved by the Audit Committee.
- € review and evaluate systems of control and the quality of ongoing operations, recommend actions to correct any deficiencies and follow-up on management's response to assure that corrective action is taken on a timely basis.
- € appraise the quality of management performance in terms of compliance with policies, plans, procedures, laws and regulations.
- € review the control aspects of significant new systems and subsequent revisions before they are implemented. In addition, the environmental, operational and security controls of the Department's data processing center shall be reviewed.
- € verify the existence of Department assets and assure that proper safeguards are maintained to protect them from losses of all kinds.
- € audit the reliability and operation of the accounting and reporting system.

Texas Department Of Housing And Community Affairs
Internal Auditing Division
Charter

- € conduct or participate in internal investigations of suspected defalcations or mysterious disappearances, and provide advice relating to internal fraud and security.
- € identify operational opportunities for performance improvement by appraising functional effectiveness against Department and industry standards. From time to time other divisions and individuals may also be engaged in this or similar functions.
- € coordinate its audit efforts with those of the Department's external, State, and Federal auditors. In this regard, the Internal Auditing Division shall participate in the planning and coordination of all audits and examinations undertaken by these auditors.
- € evaluate the adequacy of management's corrective action and perform necessary follow-up procedures to ensure that the corrective action has been implemented.

The Director of Internal Auditing shall

- € ensure that written reports are prepared for every internal audit and that such reports are furnished to the director responsible for the audited activity. Copies of each audit report and response thereto shall be provided to the Audit Committee in accordance with the criteria established by the Committee. Management is responsible for providing the Internal Auditing Division with a detailed written response to reported deficient conditions. Such response, stating corrective action taken or planned, including a target date for completion, should be received by the Director of Internal Auditing within five (5) business days after management has received the report draft disclosing deficient conditions.
- € prepare and distribute a summary report of audit activities to members of the Audit Committee at least three times annually. Each summary report will include comments about major audit findings and an opinion of the adequacy of management's response to each audit report. In addition, the Director of Internal Auditing will meet, as needed, with the Executive Director and/or the Audit Committee to discuss the status of the audit plan, the status of management's resolution of audit recommendations, and other significant issues involving the internal auditing function.
- € prepare an annual summary report of audit activities, including an opinion of the overall condition of the Department's controls and operations.
- € coordinate with the Directors of the Compliance and Underwriting Divisions to enable those Directors to provide periodic reports on the results of their division activities to the Audit Committee of the Board of Directors, in an effort to support, encourage and facilitate the oversight and control functions of these areas.
- € promote and encourage advancement of audit and control knowledge through the dissemination

of related information and the active participation in professional groups and organizations.

STANDARDS

As a means of assuring the quality and performance of the Internal Auditing Division, it is the desire of the Audit Committee that the Division *conform to the Standards for the Professional Practice of Internal Auditing and the Code of Ethics prescribed by the Institute of Internal Auditors and generally accepted governmental auditing standards, as may be periodically amended*. It is also the desire of the Audit Committee that the Internal Auditing Division obtain an external review of the Division to appraise the quality of its operations at least once every three years.

Deleted: adhere to the standards regarding internal auditing as set by the Institute of Internal Auditors and The American Institute of Certified Public Accountants

APPROVED CHARTER.DOC

Texas Department of Housing and Community Affairs -

Summary Report of Prior Audit Issues

(except those prior audit issues previously reported as implemented or otherwise resolved)

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
252	07/24/00 IA	Housing Trst Fnd-Subrecipient Monitoring, Rpt.#0.04 The HTF program's subrecipient monitoring function.	Px	08/24/00	12/31/00
			Px	04/18/01	05/31/01
	Px	07/25/01	08/31/01		
	Px	09/28/01	NR		
	Pxx	01/7/02	NR		
	Px	04/25/02	05/31/02		
	Px	07/09/02	01/31/03		
	Px	09/25/02	01/31/03		
	Px	10/25/02	01/31/03		
	Px	01/27/03	04/30/03		
Px	03/31/03	04/30/03			
Division: Portfolio Management & Compliance					
Issue: We recommend that Department management explore alternatives regarding the inspection of its construction projects, including (1.) establishing an agency-wide construction inspection section, (2.) formally evaluating the costs and benefits associated with contracting with third parties, (3.) formally evaluating the degree of overlap between HTF's construction inspection objectives and procedures and those of third parties and (4.) considering obtaining additional inspection resources.					
Status: 03/31/03: 1. An agency wide Construction Inspection Section was established in March, 2003 under the Compliance Monitoring and Asset Management Division to coordinate inspection activities for all of the Department's construction programs. The section follows guidelines set forth in the reorganization procedures, the 2003 QAP, and other appropriate documents. 2. Third-party inspections and plan review services are being formally evaluated with respect to development type and other risk-based criteria. Preliminary investigation of potential costs for services is ongoing as specific services needed are identified. 3. It is anticipated that it will be necessary to utilize contract inspectors when the Department is the primary or only lender. It is anticipated that the Department will accept inspection reports prepared for/by lenders, syndication firms, funding entities (in lieu of TDHCA hiring inspectors) as described in the 2003 QAP when it is not the primary lender. The Department anticipates that contracted plan reviewers will continue to ensure and certify that building plans properly address accessibility requirements. The Department also anticipates requesting lender architects to inspect for selection criteria requirements.					
187	09/19/00 HUD	Section 8 Management Review Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Dx	01/03/01	
			Dx	03/04/01	
	Dx	04/18/01	NR		
	Dx	11/28/01	NR		
	Pxx	04/25/02	08/31/02		
Division: Community Affairs - Section 8					
Issue: Finding No. 17: Contract of Participation and Establishment of Escrow Account, Documentation could not Be Provided to Support Implementation of a Family Self-Sufficiency (FSS) Program (Repeat Finding).					
Status: 12/12/02 - Letters requesting an exception of the FSS Program have been submitted to the San Antonio and Forth Worth offices of HUD. Additionally, a draft of the FSS Action Plan was submitted to the Fort Worth office requesting implementation of the program in Brazoria County to serve as our model in fulfilling the FSS Program of the mandatory size for all three (3) HUD service regions. Further action is pending responses by HUD.					

<i>Ref. #</i>	<i>Report Date</i> <i>Auditors</i>	<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target Date</i>
			<i>Codes*</i>	<i>Date</i>	
253	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Dx	07/26/02	
<i>Division:</i> Portfolio Management & Compliance			Dx	09/23/02	
<i>Issue:</i> (Finding 1A.) The state is not providing adequate monitoring and oversight of the processing and construction activities in accordance with the applicable requirements. (Finding 1B.) - Additionally, the properties assisted by several of the HOME activities have insufficient or no documentation that they are in compliance with applicable standards and code requirements.			Px	10/28/02	06/30/03
			Px	01/31/02	NR
			Px	03/31/03	5/31/03

Corrective actions - HUD letter dated 2/27/03 requires that the Department:

(Finding 1A.) develop and submit for HUD's approval a process and procedures that it will use to monitor and oversee its subrecipients, which also apply to its subrecipients that may contract with lower-tier agencies to carry out these activities. The process and procedures should include a commitment to provide sufficient monitoring at the housing sites by qualified persons.

(Finding 1B.) establish that each house (1,112 homeowners and homebuyers) met the state's and HUD's standards at the time the activity was completed by sending homeowners and homebuyers a simplified housing standards checklist or survey approved by HUD asking the homeowners and homebuyers if their house met the required standards at the time the activity was completed and the HOME funds were spent. For any claims by homeowners or homebuyers, the Department must conduct an on-site inspection by a qualified person to review for compliance with standards using any available documentation that appears reliable. If documentation is not available, the Department must complete a full write-up of the condition of the house and determine if the claimed deficiency existed at the time of the activity completion. If standards were not met, the Department must take required corrective actions to bring the house into standards. The Department shall provide an appeals process for any claim by homebuyers or homeowners that is denied.

Status: 3/31/03:

(Finding 1A.) The Department's new monitoring team created pursuant to a Departmental reorganization effective March 3, 2003 is currently in the process of attending training courses and assessing existing monitoring and oversight procedures to determine adequacy and to replace or complement procedures in instances where they are lacking. Formal policies and procedures are anticipated by May 31, 2003.

(Finding 1B.) A draft survey has been prepared and is being mailed to HUD for approval the week of April 7. Plans are being made for the distribution of the survey, once approved by HUD.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
254	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	12/31/02
Division: Portfolio Management & Compliance			Px	10/02/02	NR
Issue: (Finding 2.) One of the Department's subrecipient's third-party lenders, (1) disbursed both HOME and FHA Title 1 Home Improvement Loan funds to pay a contractor, in full, to reconstruct a house that was never completed and, (2) issued checks against the FHA Title 1 Home Improvement Loan which subsequently were returned due to insufficient funds, as well as disbursing HOME funds to pay the same contractor for rehabilitation work on a second project, which was never completed.			Px	10/28/02	NR
Corrective Actions include, in addition to resolving the preceding, identifying all applicants funded through the third-party lender and justifying related disbursements. Additionally, HUD letter dated 2/27/03 requires that the Department conduct on-site inspections of each of the 27 applicable properties and to take corrective actions in instances where standards were not met at the time the activity was completed. HUD also requires that the Dept. review financial transactions involving both the HOME funding and the Title I funding to determine if the loans were set up and the funds disbursed properly, and assist the homeowners with any Title I problems including obtaining reimbursement of overpayments. The Dept. should determine if any contract was paid for work not done and if it is feasible legally to take action to recover the funds.			Px	01/31/03	NR
Status: 03/31/03 - A meeting was held with senior Portfolio Management and Compliance staff, Deputy Executive Director and senior HUD staff on March 20, 2003. The State has agreed to inspect the 27 units assisted through HOME, Inc. The Department's Office of Colonia Initiatives will be conducting the inspections and letters will be sent to homeowners to schedule inspection visits the week of April 7, 2003. Inspections are planned to be finalized by 6/30/03. An assessment of any additional work will be performed at that time.			Px	03/31/03	06/30/03
<hr/>					
255	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	08/31/03
Division: Portfolio Management & Compliance			Px	10/02/02	RN
Issue: (Finding 3.) Data previously entered into IDIS that was incomplete and/or inaccurate have still not been corrected.			Px	10/28/02	RN
Corrective Actions include (1) reviewing all Project Set-up and Project Completion reports for all activities assisted from 1998 through present and making all required corrections on the forms, (2) entering all revised data into the IDIS for each activity, (3) providing a proposed timeframe for the preceding, and (4) advising HUD the steps the State plans to implement to assure in the future that all required data will be obtained and accurately entered into IDIS.			Px	01/31/03	05/30/03
Status: 03/31/03 - To date staff has completed over 2000 IDIS corrections. HUD identified a set of 1885 records that contained errors or incomplete data fields. In a conference call with HUD on 1/31/03, HUD commended the Department for the "excellent progress" made in resolving this issue. HUD letter dated 02/27/2003 reported that the State is taking appropriate actions to correct the entries and the finding will be cleared when the State notifies HUD the corrections have been completed and provides a description of the process to ensure quality of the data entry process going forward to preclude errors in the future. The Department has established procedures to ensure data quality and completeness going forward and continues to post close-out information on expired activities. Once postings are current, HUD will be notified that the finding is ready to be cleared.			Px	03/31/03	07/31/03

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
256	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Ix	07/26/02	
Division: Portfolio Management & Compliance			Px	10/28/02	
Issue: (Finding 4.) Under the contract-for-deed conversion program (CFD), vacant lots were purchased for which the construction of housing units was not started within 12 months of the purchase of the land, contrary to HOME rules. Additionally, based on the state's monitoring checklist for one of the recipients of the CFD assistance, it could not be determined if the applicant was income eligible.			Ix	01/31/03	
Corrective Action: Identify all CFD projects that included only land, determine if the land is still vacant, reimburse HUD for all lots remaining vacant after 12 months and cancel the projects on IDIS.			Px	03/31/03	05/31/03
Status: 03/31/03: HUD letter dated 2/27/03 acknowledged that the Department has repaid the costs incurred on three of the 14 properties. HUD, pursuant to its letter, is requiring that the Department conduct on-site inspections of the remaining 11 houses and take appropriate corrective actions in those instances where the houses did not meet the state's and HUD's standards at the time the activity was completed. The Department's Office of Colonia Initiatives will be conducting the inspections and letters will be sent to homeowners to schedule inspection visits the week of April 7, 2003. Inspections are planned to be finalized by 5/31/03.					

258	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Pxx	04/26/02	06/30/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	
Division: Portfolio Management & Compliance			Px	10/02/02	NR
Issue: (Finding 6.) There is a prohibited clause in the Land Use Restriction Agreement (LURA) executed between one of the Department's subrecipients and a Texas limited partnership ("Owner") whereby occupancy requirements could be waived contrary to program regulations unless an exception is granted by HUD for specified reasons.			Px	10/28/02	NR
Corrective Actions include (1) amending the LURA to remove the prohibited clause, (2) reviewing all other LURAs or similar documents from 1998 through present to assure that no prohibited clauses are in the agreements and, if so, make appropriate corrections and (3) reviewing all LURAs or similar documents in the future to ensure that no prohibited clauses are included.			Px	01/31/03	07/31/03
Status: 04/01/2003 – TSAHC has provided the three administrators of the four applicable projects copies of the amended LURA to execute. As of 04/01/2003 one of the LURA's has been signed and returned. The remaining two administrators are seeking advice from internal general counsels for approval. TSAHC has been contacted and requested to submit the amendments to the Department by May 31, 2003.			Px	04/01/03	05/31/03

<i>Ref. #</i>	<i>Report Date</i>		<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target Date</i>
	<i>Auditors</i>			<i>Codes*</i>	<i>Date</i>	
260	11/16/01		Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD		On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	06/27/02	01/31/03
<i>Division:</i> Portfolio Management & Compliance				Px	10/02/02	NR
<i>Issue:</i> (Finding 8A.) Instances were noted where there was no documentation that newly-constructed units (single-family and multi-family) are in compliance with the current edition of the Model Energy Code (MEC) published by the Council of American Building Officials. (Finding 8B.) Additionally, it was noted that a HOME funded apartment complex is not in compliance with Section 504 (handicapped accessibility) relative to units that are accessible for persons with visual and/or hearing impairments.				Px	10/28/02	NR
Corrective Actions include (1) reviewing all applicable files from 1998 through present to verify compliance with MEC and 504 requirements, (2) increasing the number of accessible units to comply with 504, and (3) providing a proposal on how the state intends to comply with the 504 sensory impairment requirement.				Px	12/13/02	07/31/03
<i>Status:</i> 03/31/03: (Finding 8A.) A preliminary report regarding Model Energy Code compliance and available inspection information has been received from TSAHC. Some inspections were completed but there is currently a large number of undocumented files. TSAHC continues to work with the Department to provide that information.				Px	03/31/03	08/31/03
Portfolio Management and Compliance staff, the Deputy Executive Director and senior HUD staff met on 03/20/2003. The State has agreed to include this population in a survey of homeowners to ensure the household met the required standards at the time the activity was completed. Inspections will be made for those properties surveyed that did not meet the standard.						
(Finding 8B.) Inspections for accessibility modifications have been completed by TSAHC and a report is forthcoming. The Department continues to work with TSAHC to resolve the issue and intends to deliver a letter the week of April 7, 2003 to TSAHC instructing commencement of any necessary construction by June 1, 2003.						
266	01/07/02		Controls Over Single Family Loans; Report No. 1.05	Px	04/22/02	07/01/02
	IA		Controls over single family loans serviced by the Department.	Px	07/22/02	11/01/02
<i>Division:</i> Financial Administration - Financial Services				Px	11/05/02	02/01/03
<i>Issue:</i> The Department should develop and implement formal policies and procedures for the periodic review of delinquent program loans, related collection efforts and specific criterion to be met for writing-off loan balances.				Px	01/28/03	06/01/03
<i>Status:</i> 03/28/03 - The Asset Management staff is being trained on the loan servicing system to generate delinquency reports and loan level detail of delinquent loans. The process of developing procedures outlining methods of delinquency management and foreclosure proceedings is being coordinated with Legal and OCI staff.				Px	03/28/03	06/01/03

<i>Ref. #</i>	<i>Report Date</i>		<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target Date</i>
	<i>Auditors</i>			<i>Codes*</i>	<i>Date</i>	
268	02/12/02		Compliance with Requirements & IC Over Compliance - A-133.	Px	04/22/02	08/01/02
	KPMG		Statewide Federal Single Audit for FYE August 31, 2001 (SAO contract with KPMG).	Px	07/31/02	10/31/02
<i>Division:</i> Portfolio Management & Compliance				Px	10/02/02	NR
<i>Issue:</i> There is a lack of documentation to support soft costs incurred by subrecipients. Known questioned costs - \$29,400. Estimated questioned costs - \$2,314,574.				Px	10/25/02	NR
<i>Status:</i> 3/31/03 - KPMG reported in its FY 2002 Statewide Single Audit Report, dated February 24, 2003, that corrective action on this issue has been taken by the Department. The Department will forward a copy of the Single Audit results to HUD for acknowledgement (HUD agreed to accept the written KPMG response/report, subject to review, in a meeting with HUD officials on March 20, 2003) no later than April 21, 2003.				Px	01/31/03	NR
				lxx	02/24/03	
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292	11/15/02		An Audit Report on Fiscal Year 2001 Performance Measures	lx	03/28/03	
	SAO		To determine accuracy of key performance measures reported to the ABEST database.			
<i>Division:</i> Community Affairs - Community Services						
<i>Issue:</i> Recalculate performance results and amend ABEST if the Department receives information that affects previously reported results for Percent of Persons in Poverty that Received Homeless or Poverty Related Assistance.						
<i>Status:</i> 11/15/02 - The Department will recalculate performance measurement results and amend ABEST in instances when additional information is received after submission of the final end of year report.						
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293	11/15/02		An Audit Report on Fiscal Year 2001 Performance Measures	lx	03/28/03	
	SAO		To determine accuracy of key performance measures reported to the ABEST database.			
<i>Division:</i> Community Affairs - Community Services						
<i>Issue:</i> Recalculate performance results and amend ABEST if the Department receives information that affects previously reported results for Number of Persons Assisted that Achieve Incomes Above Poverty Level.						
<i>Status:</i> 11/15/02 - The Department will recalculate performance measurement results and amend ABEST in instances when additional information is received after submission of the final end of year report.						

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>

295	11/15/02	An Audit Report on Fiscal Year 2001 Performance Measures	Px	03/28/03	
	SAO	To determine accuracy of key performance measures reported to the ABEST database.			

Division: Single and Multifamily Finance Production

Issue: Enhance data collection and calculation processes to include documented, detailed steps taken to arrive at the reported performance figure and review performance data after it is entered in ABEST and prior to final submission to ABEST (Percent of Households/Individuals of Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-Related Assistance).

Status: 03/28/03 - The Department has established procedures that require a hard copy of all output measures reported to ABEST to be circulated to the Program Manager and then to the Division Director for review and signature. A signed copy of the reviewed measures will be maintained by the responsible divisions, including the Single/Multi-Family Divisions. The SF/MF Divisions will document their processes for data collection and calculation, including detailed steps taken to arrive at the reported performance figures. Documentation supporting performance measurements will be maintained by a newly created position with the Center of Housing Research, Planning and Communication responsible for compiling and reporting performance measurement information to ABEST.

296	11/15/02	An Audit Report on Fiscal Year 2001 Performance Measures	Ix	03/28/03	
	SAO	To determine accuracy of key performance measures reported to the ABEST database.			

Division: Single and Multifamily Finance Production

Issue: Review performance data after entering it in ABEST and prior to final submission (Projected Number of Very Low and Low Income Households Benefiting from HOME Investment Program Loans and Grants).

Status: 03/28/03 - The Department has established procedures that require a hard copy of all output measures reported to ABEST to be circulated to the Program Manager and then to the Division Director for review and signature. A signed copy of the reviewed measures will be maintained by the responsible divisions, including the Single/Multi-Family Divisions. Documentation supporting performance measurements will be maintained by a newly created position with the Center of Housing Research, Planning and Communication responsible for compiling and reporting performance measurement information to ABEST.

285	12/20/02	Report To Management - Year ended August 31, 2002	Px	03/28/03	04/30/03
	Deloitte & Touche	Annual independent audit of the Department's general purpose financial statements			

Division: Financial Administration - Accounting Operations

Issue: Reconsider the status of Director's and Officer's (D&O) insurance and assess necessity of coverage.

Status: 3/28/03 - Staff received from State Office of Risk Management (SORM) bids for D&O coverage on 3/12/03. Additional bids were requested from SORM on 3/24/02 due to insufficient data provided to SORM for appropriate coverage. Awaiting bids from SORM.

<u>Ref. #</u>	<u>Report Date</u> <u>Auditors</u>	<u>Report Name</u> <u>Audit Scope</u>	<u>Status</u>		<u>Target Date</u>
			<u>Codes*</u>	<u>Date</u>	
286	12/20/02 Deloitte & Touche	Report To Management - Year ended August 31, 2002 Annual independent audit of the Department's general purpose financial statements	IX	12/20/03	

Division: Financial Administration - Financial Services

Issue: Analyze historical loan losses (for TDHCA or for similar agencies throughout the US) for regular loans and design a reserve methodology that is based on actual loss experience.

Status: 12/20/02 - The Department has analyzed historical loan losses for the last 5 fiscal years and has determined the average loan loss, which will be used for fiscal year 2003 and will be adjusted annually based the preceding 5 year historical loan loss average.

282	01/30/03 TDPRS - IA Dir.	Quality Assurance Review of TDHCA Internal Audit Function Performed by TDPRS to evaluate IA's compliance with established standards, covering period of Sept. 99 through Aug. 02.	Ix	03/28/03	
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Division: Internal Auditing

Issue: Update charter to incorporate newly prescribed consulting standards.

Status: 3/28/03 - The Internal Audit Charter has been updated to ensure consistency with new internal auditing standards and the amended charter will be proposed to the Department's Governing Board for approval at the April 2003 Board meeting.

283	01/30/03 TDPRS - IA Dir.	Quality Assurance Review of TDHCA Internal Audit Function Performed by TDPRS to evaluate IA's compliance with established standards, covering period of Sept. 99 through Aug. 02.	Ix	03/28/03	
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Division: Internal Auditing

Issue: Revise charter and job description wording to specifically mention adherence to the IIA Code of Ethics.

Status: 3/28/03 - The Internal Audit Charter and job descriptions for the internal audit division have been updated to require adherence to the IIA Code of Ethics. Personnel files have been updated and the amended charter will be proposed to the Department's Governing Board for approval at the April 2003 Board meeting.

<u>Ref. #</u>	<u>Report Date</u> <u>Auditors</u>	<u>Report Name</u> <u>Audit Scope</u>	<u>Status</u>		<u>Target Date</u>
			<u>Codes*</u>	<u>Date</u>	
284	01/30/03 TDPRS - IA Dir.	Quality Assurance Review of TDHCA Internal Audit Function Performed by TDPRS to evaluate IA's compliance with established standards, covering period of Sept. 99 through Aug. 02.	Ix	03/28/03	
Division: Internal Auditing					
Issue: Amend charter to require the Board to periodically review whether resources allocated to the Internal Auditing Division are adequate to implement an effective program of internal auditing to effectively cover the risk in the agency.					
Status: 3/28/03 - The Internal Audit Charter has been updated to require the Board to periodically review whether resources allocated to the Internal Auditing Division are adequate to implement an effective program of internal auditing to effectively cover the risk in the agency. The amended charter will be proposed to the Department's Governing Board for approval at the April 2003 Board meeting.					
298	02/24/03 KPMG	Compliance with Requirements & IC Over Compliance - A-133. Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG).	Px	04/02/03	05/01/03
Division: Portfolio Management & Compliance					
Issue: Establish management sample review of project files for compliance with maximum per unit subsidy rules and regulations and designate on the project set up form the mortgage limit amounts or a reference to the appropriate rules and regulations along with a requirement for the individual responsible for its preparation to initial his or her acknowledgment of compliance. Questioned Cost: \$3,000 due to a project award in excess of maximum allowable award (1 of 40 projects).					
Status: 4/02/03 - Portfolio Management will sample setups on a regular basis to ensure compliance with maximum per unit subsidy rules and regulations and modify the Setup Forms to include a reference to compliance with program rules and regulations that each employee approving a project set-up form will sign or initial his or her acknowledgement of compliance.					
299	02/24/03 KPMG	Compliance with Requirements & IC Over Compliance - A-133. Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG).	Px	03/31/03	08/31/03
Division: Financial Administration - Accounting Operations					
Issue: Establish procedures to monitor the clearance patterns of all programs subject to CMIA Subpart A on a yearly basis and inform the Comptroller's Office in those instances where there are significant changes in patterns. Questioned Cost: \$4,400 due to interest earned on program income and refund receipts accumulated and not disbursed prior to requesting additional federal funds (\$4,000) and a discrepancy in the methodology used to calculate new clearance patterns (\$440).					
Status: 3/31/03 - Since issuance of the finding, the threshold amount for federal revenues to be considered a Type A agency (under CMIA) has been increased. Accordingly, the Department has been reclassified as a Type B agency which is a lower standard of consideration and reporting. The Department will assess the requirements associated with being a Type B agency and incorporate necessary procedures to comply with the applicable requirements.					

Ref. #	Report Date	Report Name	Status		Target
	Auditors	Audit Scope	Codes*	Date	Date
300	02/24/03	Compliance with Requirements & IC Over Compliance - A-133.	Ix	02/24/03	
	KPMG	Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG).			

Division: Community Affairs - Section 8

Issue: Implement additional review control procedures over income and housing assistance payment calculations, data entry and proper citizenship documentation.
 Questioned Cost: \$3,027 due to improper calculations of income (1 of 40 contracts), utility allowances (1 of 40), incorrect accounting of a housing assistance payment (1 of 40), an incorrect effective date (1 of 40), and lack of documentation supporting US citizenship (1 of 40).

Status: 2/24/03 - A quality control checklist form and process has been developed relating to the review and verification of income, allowances for expenses, utility allowances and tenant rent calculations. Quality Control processes have also been established to ensure proper citizenship documentation and to ensure that accurate housing assistance payment data and effective contract dates are properly entered. While the Department considers this issue resolved, it may need to identify a source of funds in the future to satisfy claims if HUD determines that the costs questioned are unallowable and must be repaid.

301	02/24/03	Compliance with Requirements & IC Over Compliance - A-133.	Ix	02/24/03	
	KPMG	Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG).			

Division: Community Affairs - Section 8

Issue: Implement controls to ensure that formal notification of failure to meet housing quality standards by owners is performed and documented; that follow up of the correction of these deficiencies is conducted within prescribed time frames; and that quality controls are put in place by program managers for assurance of supporting documentation and timely correction of deficiencies.
 Questioned Cost: \$3,795 due to housing assistance payments subsequent to the due date for correction of deficiencies (2 of 40 contracts for life threatening deficiencies and 2 of 40 for non-life threatening).

Status: 2/24/03 - Control procedures and documentation standards have been developed to document HQS inspections, deficiencies and follow-ups within the prescribed time frames. A Section 8 Coordinator/Manager will conduct periodic quality control reviews to ensure procedures and standards are complied with. While the Department considers this issue resolved, it may need to identify a source of funds in the future to satisfy claims if HUD determines that the costs questioned are unallowable and must be repaid.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>
302	02/24/03	Compliance with Requirements & IC Over Compliance - A-133.	Ix	02/24/03	
	KPMG	Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG).			

Division: Community Affairs - Section 8

Issue: Ensure the completion of quality inspections within required time periods and develop and implement a quality control review process of inspection forms to ensure their completion by staff.
 Questioned Cost: \$16,239 due to housing assistance payments subsequent to inspection deadlines (7 of 30 inspections) and incomplete inspection documentation (1 of 30).

Status: 2/24/03 - Individuals performing quality control inspections will be instructed to complete each applicable section of the HQS Inspection Form HUD-52580-A and quality control reviews will be conducted of a representative sample of HQS inspections during each HUD fiscal year to ensure that all required sections of the Form are properly completed. While the Department considers this issue resolved, it may need to identify a source of funds in the future to satisfy claims if HUD determines that the costs questioned are unallowable and must be repaid.

REPORT ITEMS

Executive Directors Report

Edwina Carrington

a) Items Related to 78th Legislative Session – Legislative Memo**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS****M E M O R A N D U M**

TO: Edwina P. Carrington
Ruth Cedillo
Directors and Managers

FROM: Anne O. Paddock
Deputy General Counsel

DATE: April 2, 2003

SUBJECT: Legislative Activity Memorandum No. 15

The following is a summary of legislative activity in the 78th Legislature for the period of March 25, 2003 through April 1, 2003. Only bills which amend TDHCA's enabling statute, otherwise directly affect the agency, or are of major interest will be covered in this and future memoranda. Bills which would affect all state agencies in general will only be summarized if they become law or as time allows. Copies of bills will be available through the Governmental Affairs Division or you may refer to the following Internet site: <http://www.capitol.state.tx.us>

SENATE BILLS

SB 264 by Lucio (Same as HB 676 by Dunnam), which is TDHCA's sunset bill, was favorably reported out of the Senate Government Organization Committee on March 25, 2003 as a committee substitute and was passed by the Senate on April 1, 2003 with the committee substitute adopted.

The committee substitute amends Section 2306.6710(b)(1)(H) to delete the requirement that LIHTC applications be evaluated on the basis of written statements from state and local elected officials.

SB 284 by Lucio (Same as HB 2204 by Dunnam), which is TSAHC's sunset bill and makes related amendments affecting TDHCA, was favorably reported out of the Senate Government Organization Committee on March 31, 2003.

SB 388 by Ellis, which relates to the use and management of certain state-owned real property and state agency field offices, was favorably reported out of the Senate Government Organization Committee on March 31, 2003 as a committee substitute.

The committee substitute, among other things, adds Chapter 2206 to the Government Code to establish the Texas Real Property Interim Committee which is composed of the Governor; Lieutenant Governor; Land Commissioner; Comptroller; (or their designees); executive director of TBPC; and a member appointed by the Governor from a list submitted by the Speaker. The committee substitute charges the Committee with investigating the number and functions of state agency field offices and selling, closing, or collocating the offices, if appropriate.

SB 535 by Lucio, which authorizes border counties to regulate land development, was referred to the House Border and International Affairs Committee on March 27, 2003

SB 735 by Lindsay, which relates to local government officials serving on state boards, was passed by the Senate on March 27, 2001 and was referred to the House County Affairs Committee on March 31, 2003.

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HOUSE BILLS

HB 398 by Mowery, which establishes an approval process for certain housing project sites proposed by public housing authorities, was passed to third reading in the House on April 1, 2003 with two floor amendments adopted.

One floor amendment exempts a PHA from holding a public hearing before approving a site for existing housing for persons of extremely low to moderate income. The other floor amendment prohibits a PHA from demolishing a public housing project until it receives the written approval required by the bill for a site on which replacement housing units will be provided “under terms of comparable tenant eligibility.”

HB 629 by Pitts, which, among other things, repeals the biennial software license audit requirement for state agencies, was passed by the House on Local Calendar on March 28, 2003 with the committee substitute adopted.

HB 651 by Pitts, which establishes a savings incentive program at state agencies, was favorably reported out of the House Government Reform Committee as a committee substitute.

The committee substitute adds Subchapter C to Chapter 2108 of the Government Code, “Savings Incentive Program for State Agency,” to require a state agency that spends less general revenue than is appropriated to the agency to notify the Comptroller of the amount of the savings before October 30. The bill provides that the state agency is authorized to retain one-half of the verified savings (not to exceed two percent of the general revenue appropriated to the agency for the fiscal year.) The committee substitute further provides that a state agency may only spend such

savings on an expense or activity that does not create new or expanded services or require on-going funding at a later date.

HB 906 by Gallego, which relates to the human resources staff and functions of state agencies, was favorably reported out of the House Government Reform Committee on April 1, 2003 as a committee substitute.

The committee substitute maintains the requirements for large agencies but leaves the determination of human resources staffing to the State Council on Competitive Government for medium-sized, such as TDHCA, and small state agencies. The committee substitute requires the Council to determine the cost-effectiveness of consolidating the human resources functions of or contracting with private entities to perform the human resources functions of state agencies that employ fewer than 500 full-time employees. Each agency is required to pay for any human resources contracts out of its human resources budget. The committee substitute allows state agencies to request a waiver of these requirements from the LBB.

The committee substitute requires the Council to conduct the initial feasibility study not later than January 1, 2004.

HB 2720 by Coleman, which relates to the requirement that a portion of the tax increment of certain tax increment reinvestment zones to be used to provide affordable housing, was referred to the House Urban Affairs Committee on March 25, 2003.

HB 3078 by West, which creates an interagency working group of which TDHCA is a member, was referred to the House Natural Resources Committee on March 28, 2003.

HB 3443 by Pickett (Same as SB 1871 by Bivins), which relates to statutory authority for TDHCA and other state agencies to take certain actions to permit the Legislature to reduce appropriations to those agencies, was referred to the House Appropriations Committee on April 1, 2003.

C: Paul Hudson
Office of the Governor

TDHCA Board Members

STATUS OF TDHCA SUNSET LEGISLATION

The Texas Senate today unanimously passed TDHCA's Sunset Bill (CSSB 264), which extends the life of the Department for an additional 12 years.

Senator Eddie Lucio, Jr., the bill's author, said that the Department has "come a long ways" and now has a good "Executive Director and Board." He added that the Department is dedicated to serving the state's poor and less fortunate citizens but that it needs more money to do its work.

The bill that was passed to engrossment is a committee substitute that includes one change to the original one-paragraph bill: the requirement for state elected officials to submit letters of support for Low Income Housing Tax Credit Program proposed developments is removed.

Senator Gonzalo Barrientos and Senator Steve Ogden, after asking the author a few questions, complemented Senator Lucio on having a "good bill."

TDHCA's Sunset Bill in the House, HB 676, has been referred to the House Urban Affairs Committee and is awaiting a hearing.

EXECUTIVE SESSION

Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – 1) Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; 2) Hiram Clark Civic Club, Inc. v TDHCA, District Court, Travis County, Texas

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A;

(2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, Settlement Agreement, (3) Bond and Tax Credit Decision Criteria and Public Input

Personnel Matters under Section 551.074, Texas Government Code
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Michael Jones

Action in Open Session on Items Discussed in Executive Session

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

March 31, 2003

TO: Chairman Jones and Board Members
FROM: Chris G. Wittmayer, General Counsel
SUBJECT: Proposed Settlement in the Century Pacific Case

Century Pacific has proposed a settlement in the litigation against the Department concerning the Department's disqualification of Century Pacific's 2002 tax credit applications because of Material Noncompliance on properties in Kansas. (See enclosed settlement proposal). Century Pacific proposes to transfer their partnership interests in the ownership of the four properties at issue to the Michaels Development Company, Inc. Century Pacific states that after the transfer, they and their affiliates will not participate in any capacity in the developments.

Department staff is now evaluating the proposal and is waiting for compliance information on Michaels Development Company from other states.

The Department's appeal in the litigation was argued before the Third Court of Appeals on March 12. A decision could be forthcoming at any time.

The Board may choose to take no action on the proposed settlement or may direct staff to move forward and work to finalize the full details of a possible settlement.

Staff will brief you further on the proposed settlement at the April 10 Board meeting.

COATS | ROSE

BARRY J. PALMER

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DIRECT DIAL
(713) 653-7395

February 24, 2003

Via Federal Express

Chris Wittmayer
General Counsel
Texas Department of Housing and
Community Affairs
507 Sabine
Austin, TX 78701



Re: *Century Pacific vs. TDHCA* – Settlement Approval Items

Dear Chris:

In connection with the proposed transfer of Century Pacific's partnership interests in the limited partner owners of the Yale Village Apartments; Kings Row Apartments; Continental Terrace Apartments; and Castle Garden Apartments to the Michaels Development Co. and/or its affiliates, please find enclosed items for TDHCA's review and approval. As specified in the previously discussed settlement of the litigation between Century Pacific and the TDHCA, please find enclosed:

1. Draft Purchase Agreement between Century Pacific Equity Corporation, Irwin J. Deutsch and Michaels Development Company, Inc.;
2. Listing of proposed transferee affiliates of the Michaels Development Company;
3. Financials and resume material for the Michaels Development Company;
4. Previous Participation and Background Certification form as completed by the Michaels Development Company;
5. Sources and uses for each development;
6. Scope of work for each development; and
7. Draft Certifications of Century Pacific.

Please advise if you require anything else, or have questions regarding the foregoing items.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Barry J. Palmer', written over a horizontal line.

Barry J. Palmer

Chris Wittmayer
November 8, 2002
Page 2

BJP:pga

Enclosures

Cc (w/o enclosures): Charles Schwennesen
Byron Lee
John O'Donnell

PURCHASE AGREEMENT

by and between

CENTURY PACIFIC EQUITY CORPORATION

And

IRWIN J. DEUTSCH, as Sellers

and

MICHAELS DEVELOPMENT COMPANY, INC., as Buyer

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Exhibits:

Exhibit A Land

Exhibit B Consents and Approvals

Exhibit C Exceptions to Compliance; Litigation and Proceedings

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the ____ day of _____, 2003 by and between Century Pacific Equity Corporation, a California corporation and Irwin J. Deutsch, an individual, (collectively, "Sellers"), and Michaels Development Company, Inc., a _____ corporation, and/or its Affiliate ("Buyer"). Sellers and Buyer are each referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

A. CP Kings, L.P., a California limited partnership (the "Limited Partnership Owner") owns the apartment project known as the Kings Row Apartments in Houston, Texas (the "Apartment Complex");

B. Sellers collectively own the general and limited partner interests of the Limited Partnership Owner, which interests they desire to sell to Buyer or Buyer's affiliate;

C. Buyer desires to purchase the partnership interests of the Limited Partnership Owner of the Apartment Complex pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and premises contained in this Agreement, the sufficiency of which each Party acknowledges, the Parties agree as follows:

ARTICLE 1. DEFINITIONS

1.01 Definitions. As used in this Agreement, the following terms shall have the meanings assigned below:

"Affiliate" shall mean, with respect to any Party, any person or entity controlling, controlled by or under common control with such Party, and the term "control" shall mean the power, directly or indirectly, to direct the management or policies of such person or entity.

"Agreement" shall mean this Purchase Agreement, as the same may be modified or amended from time to time by the Parties.

"Apartment Complex" shall have the meaning set forth in Recital A of this Agreement.

"Assets" shall mean, collectively, Sellers' interests in the general partner and limited partner of the Limited Partnership Owner.

"Business" shall mean operation of the Apartment Complex.

"Business and Equipment Leases" shall mean all lease agreements between Sellers and/or Limited Partnership Owner and lessors of Equipment, fixtures or other items located upon the Land used by Sellers in connection with the Business.

"Buyer" shall have the meaning set forth in the preamble to this Agreement, and its successors and permitted assigns.

"Buyer Indemnitees" shall have the meaning set forth in Section 9.02.

"Closing" shall have the meaning set forth in Section 7.01.

"Closing Date" shall have the meaning set forth in Section 7.01.

"Contract Rights" shall mean the Business and Equipment Leases and the Unit Leases.

"Defects" shall have the meaning set forth in Section 5.03.

"Effective Date" shall have the meaning set forth in Section 11.01.

"Equipment" shall mean all furniture, fixtures, equipment, machinery and other personalty now or hereafter attached to or appurtenant to the Land and used in connection with the operation of the Business.

"Financial Statements" shall have the meaning set forth in Section 4.01(d).

"Government Authorizations" shall mean all licenses, permits, consents and other authorizations from all federal, state, municipal and other governmental agencies or authorities as are necessary to lawfully operate the Business and the Improvements.

"Improvements" shall mean the buildings and all other improvements comprising the Apartment Complex, including site improvements, landscaping and fixtures, owned by the Limited Partnership Owner and placed on the Land.

"Inspection Period" shall have the meaning set forth in Section 10.01.

"IRC" shall mean the Internal Revenue Code of 1986, as amended through the Effective Date.

"Land" shall mean that certain tract of land described by metes and bounds on Exhibit A attached hereto.

"Non-Cure Notice" shall have the meaning set forth in Section 5.03(a).

"Notice of Defects" shall have the meaning set forth in Section 5.03(a).

"Party" and "Parties" shall have the meanings set forth in the preamble to this Agreement.

"Purchase Price" shall have the meaning set forth in Article 2.

"Records" shall mean all books and records maintained by the Limited Partnership Owner or on its behalf by its general partner in connection with the Business and in the possession of Sellers or its management company.

"Regulations" means the income tax regulations promulgated under the IRC, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Sellers" shall have the meaning set forth in the preamble to this Agreement, and successors and permitted assigns.

"Sellers' Indemnitee" shall have the meaning set forth in Section 9.03.

"Sellers' Uncollected Rents" shall have the meaning set forth in Section 7.04(b).

"Supplies" shall mean all supplies and inventory on hand on the Improvements at the Closing Date, including cleaning materials and equipment, supplies for the maintenance of the Improvements, and all other supplies at the Improvements used in the normal operation of the Business.

"Tax Credits" shall have the meaning set forth in Section 3.01(p).

"Unit Leases" shall mean all lease agreements between Limited Partnership Owner as landlord and tenants of units in the Apartment Complex.

1.02 General Construction. Whenever required by the context herein, the singular includes the plural and masculine includes the feminine or the neuter. The word "including" means "including without limitation." Words such as "herein," "hereof," "hereby" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular Section or Subsection of this Agreement.

ARTICLE 2. PURCHASE AND PURCHASE PRICE

Upon the terms and conditions set forth herein, Sellers hereby agrees to sell, assign, transfer and convey unto Buyer all of their right, title and interest in and to the Assets, and Buyer hereby agrees to purchase all of Sellers' right, title and interest in and to the Assets. In consideration for the sale of the Assets, Buyer agrees to pay to Sellers the sum of Ten Dollars and XX/100 (\$10.00) (the "Purchase Price"). The Purchase Price shall be paid in immediately available funds to Sellers at Closing.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES

3.01 Sellers' Representations and Warranties. Sellers makes the following representations and warranties to Buyer, all of which shall be true and correct as of the Effective Date and on the Closing Date (except as otherwise noted):

(a) Organization of Sellers. Century Pacific Equity Corporation is a California corporation, duly organized, validly existing and in good standing and qualified to do business under the laws of the State of Texas;

(b) Authority. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated have been duly and validly authorized by all necessary action on the part of Sellers, and this Agreement constitutes a valid and legally binding obligation of Sellers, enforceable in accordance with its terms, subject to bankruptcy, insolvency and other statutes affecting creditors' rights generally;

(c) Conflict or Default. Neither the execution or delivery of this Agreement nor the consummation of the transactions herein contemplated will (as subject to pending TDHCA approval) (i) conflict with, result in a breach by, constitute a default under or accelerate the performance provided by the terms of (1) any law or any rule or regulation of any governmental agency or authority, (2) any judgment, order or decree of any court or other governmental agency to which Sellers may be subject, or (3) any contract or agreement to which a Seller is a party or by which a Seller is bound or committed; or (ii) constitute an event, which, with the lapse of time, action by a third party and/or giving of notice, could result in default under any of the foregoing or result in the creation of any lien, charge or encumbrance upon any of the assets or properties of Sellers;

(d) Consent. No consent or approval by any governmental agency or authority or any non-governmental person or entity is required in connection with the execution, performance and delivery by Sellers of this Agreement or the consummation by Sellers of the transactions contemplated herein, except for such consents or approvals as are described in Exhibit B;

(e) Financial Statements. The Financial Statements (i) are true, complete and correct and (ii) fairly and accurately present the financial position of the Limited Partnership Owner, the results of its operations and all costs and expenses for the periods specified as of the dates thereof;

(f) Environmental Matters. All operations or activities upon, or any use of occupancy of the Land or any portion thereof by Sellers, its agents, contractors and employees is in all respects in compliance with any and all laws, regulations or orders with respect to all laws relating to hazardous substances; and

(g) Tax Credits. The Apartment Complex and Land supports an allocation of low income housing tax credits under Section 42 of the IRC and Regulations promulgated pursuant thereto by The Texas Department of Housing & Community Affairs ("Tax Credits"). Sellers shall, as soon as possible, provide Buyer copies of the Department of Internal Revenue Service Form 8609 evidencing final allocation of such tax credits to Sellers and the last Internal Revenue Service Form 8586 filed by Sellers and/or its partners claiming such Tax Credits. Sellers does not know of any existing deficiencies that would cause cancellation or disallowance of any prior or future Tax Credits.

3.02 Buyer's Representations and Warranties. Buyer makes the following representations and warranties to Sellers, all of which shall be true and correct as of the Effective Date and on the Closing Date:

(a) Organization of Buyer. Buyer is a _____ corporation, duly organized, validly existing and in good standing and qualified to do business under the laws of the state of Texas. (Buyer intends to assign the general partner interest acquired under this Agreement to a single asset Texas entity to be formed by Buyer. Buyer's assignee shall be, as of the Closing Date, duly organized, validly existing and in good standing under the laws of the state of Texas);

(b) Authority. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated have been duly and validly authorized by all necessary action on the part of Buyer, and this Agreement constitutes a valid and legally binding obligation of Buyer enforceable in accordance with its terms, subject to bankruptcy, insolvency and other statutes affecting creditors' rights generally;

(c) Conflict or Default. Neither the execution nor the delivery of this Agreement nor the consummation of the transactions herein contemplated will (i) conflict with, result in a breach by, constitute a default under or accelerate the performance provided by the terms of (1) any law or any rule or regulation of any governmental agency or authority, (2) any judgment, order or decree of any court or other governmental agency to which Buyer may be subject, or (3) any contract or agreement to which Buyer is party or by which Buyer is bound or committed; or (ii) constitute an event, which, with a lapse of time, action by a third party and/or giving of notice, could result in default under any of the foregoing or result in the creation of any lien, charge or encumbrance upon any of the assets or properties of Buyer; and

(d) Consent. No consent or approval by any governmental agency or authority or any non-governmental person or entity is required in connection with the execution, performance and delivery by Buyer of this Agreement or the consummation by Buyer of the transactions contemplated herein, except for such consents or approvals as are described on Exhibit B.

3.03 Full Disclosure. No representation or warranty by Sellers or Buyer herein, and no statement, document, certificate or other instrument or exhibit furnished or to be furnished hereunder or in connection with the transactions contemplated hereby (including all exhibits hereto), contains or will contain any untrue statement of a material fact.

ARTICLE 4.
COVENANTS

4.01 Covenants of Sellers. Sellers hereby covenants to Buyer as follows:

(a) Interim Operation. In the period between the Effective Date and the Closing Date, (i) to operate the Business on behalf of the Limited Partnership Owner as now operated and only in the ordinary course, and to preserve intact Sellers' present business organization and employees and Sellers' relationships with all persons having material business dealings with it; (ii) to maintain the Apartment Complex in accordance with current practices; (iii) not to (1) grant any increase in compensation (other than standard salary increases on employee anniversary dates) or (2) enter into or amend or alter any bonus, incentive compensation, deferred compensation, profit sharing, retirement, pension, group insurance, death benefit or other fringe benefit plan, trust agreement or arrangement, or any employment or consulting agreement, except to the extent required by law; (iv) to maintain the Records in accordance with current practices; (v) not to (1) amend, terminate or waive any Contract Rights, (2) do any act or omit to do any act that would cause a default or breach or, after notice or lapse of time or both, constitute a default or breach by Sellers or Limited Partnership Owner under any of the Contract Rights, and (3) grant or suffer to attach any security interest, lien or encumbrance or allow claim of others to exist on any interest created under any of the Contract Rights; (vi) to pay all taxes on the Apartment Complex as they become due; (vii) not to dispose of or encumber the Apartment Complex other than in the ordinary course of business; (viii) to maintain insurance on the Apartment Complex accordance with current practices; and (ix) not to enter into or assume any contract, agreement, obligation, lease, license or commitment related to the Business if such would have a material adverse effect on the Business or the Assets;

(b) Records. Sellers will reasonably cooperate with Buyer to permit a smooth transition of operations of the Business after the Closing Date, including transfer of copies of all Records in the possession of Sellers to Buyer which are necessary to Buyer's operation of the Business;

(c) Satisfaction of Conditions. Sellers shall not undertake any course of action inconsistent with the satisfaction of the requirements or obligations set out herein applicable to them and shall use commercially reasonable efforts to promptly perform the obligations provided to be performed by them, and to enable the conditions precedent to the Closing to be satisfied; and

(d) Financial Statements. Within three (3) days after the Effective Date, Sellers shall furnish Buyer with true, correct and complete copies of the balance sheet and income statement of the Limited Partnership Owner for the twelve (12) month periods ended March 31, 2001 and 2002 and the interim financial statements of Sellers for the three (3) month period ended September 30, 2002 (collectively, the "Financial Statements").

4.02 Covenants of Buyer. Buyer hereby covenants to Sellers as follows, at Buyer's expense:

(a) Satisfaction of Conditions. Buyer shall not undertake any course of action inconsistent with the satisfaction of the requirements or obligations set out herein applicable to them and shall use commercially reasonable efforts to promptly perform the obligations provided to be performed by it, and to enable the conditions precedent to the Closing to be satisfied.

(b) Payment of Existing Note. Prior to or concurrently with the Closing, Buyer shall cause the Limited Partnership Owner to pay in full any indebtedness outstanding under that certain Promissory Note payable to Sierra Note Holdings, LLC and dated December 13, 2002, in the original principal amount of Seven Hundred Ninety Seven Thousand Two Hundred Ninety and XX/100 Dollars (\$797,290.00).

ARTICLE 5.
[INTENTIONALLY DELETED]

ARTICLE 6.
CONDITIONS

6.01 Conditions to Buyer's Obligations. The duties and obligations of Buyer under the terms and provisions of this Agreement are and shall be expressly conditioned upon the following (which may be waived, in whole or in part, by Buyer):

(a) Performance of Covenants. Sellers shall have timely performed all covenants and obligations and timely complied with all conditions required of Sellers by this Agreement;

(b) Representations and Warranties. All of Sellers' representations and warranties contained herein shall be true, complete and correct as of the Closing Date as if made at that time;

(c) Closing Documents. At the Closing, Sellers shall deliver or cause to be delivered each of the items required of it as specified in Section 7.02 of this Agreement;

(d) Litigation. Except as set forth in Exhibit C hereto, no notice shall have been received as to litigation commenced against Sellers or Buyer by any person, firm, corporation or other entity or enterprise, or any governmental agency or authority, with regard to this Agreement or the transactions provided for in this Agreement which, if successfully prosecuted, would have a material adverse effect on Buyer;

(e) Consent. All consents and approvals described on Exhibit B shall have been obtained or waived as a condition to Closing; and

(f) Subsequent Events. No action, investigation or proceedings shall have been instituted that poses a reasonable likelihood of a material adverse effect on the Business, and no action, investigation or proceeding shall have been instituted before any court or governmental agency or authority to restrain or prohibit, or to obtain substantial damages in respect of, this Agreement, or the consummation of the transactions herein contemplated.

6.02 Conditions to Sellers' Obligations. The duties and obligations of Sellers under the terms and provisions of this Agreement are and shall be expressly conditioned upon the following (which may be waived, in whole or in part, by Sellers):

(a) Performance of Covenants. Buyer shall have timely performed all covenants and obligations and timely complied with all conditions required of Buyer by this Agreement, including payment to Sellers of the Purchase Price; and

(b) Representations and Warranties. All of Buyer's representations and warranties contained herein shall be true, complete and correct as of the Closing Date as if made at that time.

ARTICLE 7. CLOSING

7.01 Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") shall occur on or before June 1, 2003 (the "Closing Date"). The Parties contemplate that the Closing will occur by facsimile and overnight delivery of documents and that no closing meeting shall be required on the Closing Date.

7.02 Sellers' Closing Documents. At the Closing, Sellers shall deliver to Buyer the following documents:

(a) Assignments sufficient to convey Sellers' right, title and interest in and to the Assets to the Buyer free and clear of all liens and encumbrances; and

(b) Revised partnership documentation reflecting the change in general partner of the Limited Partnership Owner.

7.03 Closing Costs. Sellers shall pay the cost of preparing assignments for the Assets and the fees of its counsel. Buyer shall be responsible for the payment of the fees of Buyer's counsel.

ARTICLE 8.
RISK OF LOSS; CONDEMNATION

8.01 Damage, Risk of Loss.

(a) In the event of damage by fire, act of God or other casualty to all or a portion of the Apartment Complex prior to the Closing which, in the reasonable estimation of Sellers (based on a written estimation by the insurance adjuster for Sellers' insurance carrier) would cost One Hundred Fifty Thousand Dollars (\$150,000.00) or less to repair, this Agreement shall remain in full force and effect. In such event (i) Sellers shall, at Closing, pay to Buyer any sums collected under any policies of insurance because of such casualty and assign to Buyer all rights to collect such sums relating to such casualty as may then be uncollected, and (ii) the Purchase Price shall be reduced by the amount of the deductible applicable to the subject loss under Sellers' insurance policy.

(b) In the event of damage by fire, act of God or other casualty to all or a portion of the Apartment Complex prior to the Closing which, in the reasonable estimation of Sellers (based on a written estimation by the insurance adjuster for Sellers' insurance carrier) would cost in excess of One Hundred Fifty Thousand Dollars (\$150,000.00) to repair, (i) this Agreement may, at the option of Buyer, be terminated within fifteen (15) days after Buyer provides written notice of termination to Sellers, in which case the Parties will have no further rights or obligations under this Agreement except for any that expressly survive termination hereof, or (ii) if Buyer does not elect to terminate, this Agreement shall remain in full force and effect, and at Closing the Sellers shall pay to the Buyer any sums collected under policies of insurance because of such casualty and assign to the Buyer all rights to collect such sums relating to such casualty as may then be uncollected, and the Purchase Price shall be reduced by the amount of the deductible applicable to the subject loss under Sellers' insurance policy.

8.02 Condemnation. From the date hereof until the Closing, in the event that any portion of the Land becomes subject to or is threatened with any condemnation or eminent domain proceedings, then Buyer, at its sole option, may elect either (a) to terminate this Agreement in its entirety or (b) to terminate this Agreement with respect only to that part which is condemned or threatened to be condemned with a reduction in the Purchase Price determined as provided in Section 8.01 hereof.

ARTICLE 9.
SURVIVAL OF PROVISIONS AND INDEMNIFICATION

9.01 Survival. The Parties' rights and obligations under this Article 9 shall be deemed to be material and to have been relied upon by the Parties notwithstanding any investigation prior to the Closing and shall survive the Closing Date.

9.02 Indemnification by Sellers. SELLERS SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS BUYER, ITS AFFILIATES AND ITS AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, SHAREHOLDERS AND AGENTS (COLLECTIVELY, "BUYER INDEMNITEES") AGAINST ANY AND ALL LOSS, COST, AND EXPENSES (INCLUDING REASONABLE COSTS OF INVESTIGATION, COURT

COSTS AND LEGAL FEES) AND OTHER DAMAGES RESULTING FROM ANY CLAIM WHICH IS BROUGHT OR ASSERTED BY ANY THIRD PARTY(IES) AGAINST ANY BUYER INDEMNITEE ARISING OUT OF THE OPERATION, ACTION, INACTION OR CONDUCT OF SELLERS, THE BUSINESS OR THE ASSETS RELATING TO ALL PERIODS OF TIME PRIOR TO THE CLOSING DATE.

9.03 Indemnification by Buyer. BUYER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS SELLERS, ITS AFFILIATES AND ITS AND THEIR PARTNERS, DIRECTORS, OFFICERS, EMPLOYEES, SHAREHOLDERS AND AGENTS (COLLECTIVELY, "SELLERS INDEMNITEES") AGAINST ANY AND ALL LOSS, COSTS, AND EXPENSES (INCLUDING REASONABLE COSTS OF INVESTIGATION, COURT COSTS AND LEGAL FEES) AND OTHER DAMAGES RESULTING FROM ANY CLAIM WHICH IS BROUGHT OR ASSERTED BY ANY THIRD PARTY(IES) AGAINST ANY SELLERS INDEMNITEE FOR FAILURE TO PAY OR PERFORM ANY OF THE CONTRACT RIGHTS OR WHICH ARISE OUT OF (a) THE OPERATION, ACTION, INACTION OR CONDUCT OF BUYER, THE BUSINESS OR THE ASSETS RELATING TO ALL PERIODS OF TIME AFTER THE CLOSING DATE OR (b) RECAPTURE OF TAX CREDITS, PROVIDED SUCH RECAPTURE IS NOT CAUSED BY ANY ACT OR OMISSION OF SELLERS OR SELLERS' PARTNERS.

9.04 Assignment by Parties. No consent by any Indemnitor shall be required for any assignment or reassignment of the rights of any Indemnitee under this Article 9.

ARTICLE 10. INSPECTION

10.01 Inspection. Buyer will have a period commencing on the day after the Effective Date and ending at 12:00 noon, Central Time on the forty-fifth (45th) day after the Effective Date (the "Inspection Period") in which to inspect the Apartment Complex and conduct studies regarding the Apartment Complex, subject to the provisions of Section 14.03. Buyer's studies may include (a) analysis of the permitted use and zoning of the Apartment Complex; (b) core borings; (c) environmental and architectural tests and investigations of the Land and the Improvements; (d) physical inspections of Improvements, Equipment, subsurface soils, structural members, and personal property of Sellers; and (e) examination (and, at Buyer's option, copying) of the Records, including financial records, operating statements, service agreements, tax statements, utility bills, maintenance records, Unit Leases and tenant records (including tenant complaints) and manuals, plans, specifications and other documents relating to the construction and condition of the Apartment Complex. Buyer and Buyer's agents, employees, consultants and contractors will have the right of reasonable entry onto the Land and the Improvements during normal business hours, and upon reasonable advance notice to Sellers and any tenants of the Apartment Complex, for purposes of inspections, studies, tests and examinations deemed necessary by Buyer. The inspections, studies, tests and examination will be at Buyer's expense and risk. BUYER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS THE SELLERS INDEMNITEES AGAINST ANY CLAIMS THAT ARISE DUE TO ANY ACTIONS BY BUYER OR BUYER'S AGENTS, EMPLOYEES, CONSULTANTS AND CONTRACTORS. SUCH OBLIGATION OF BUYER SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT AND SHALL SURVIVE THE CLOSING DATE.

10.02 Termination During Inspection Period. If, during the Inspection Period, Buyer determines, in Buyer's sole discretion, no matter how arbitrary, that the Assets are not satisfactory or are not suitable for Buyer, then Buyer may terminate this Agreement by

delivering a written notice to Sellers on or before the last day of the Inspection Period. Upon receipt of such termination notice, this Agreement shall then terminate. Upon termination, the Parties will have no further rights or obligations under this Agreement except for any that expressly survive termination hereof.

ARTICLE 11.
[INTENTIONALLY DELETED]

ARTICLE 12.
DEFAULT

12.01 Remedies. If, after Closing, (a) any representation or warranty made by a Party hereunder is determined to have been untrue when made and the same has a material adverse effect on the Party to whom such representation or warranty was made or (b) Sellers or Buyer breach or fail to perform any material obligation hereunder, including their obligations under Article 9 hereof, the other Party may pursue a legal action for damages as the sole and exclusive remedy therefor. In no event may Buyer compel Sellers to accept reconveyance of the Assets or otherwise unwind or cancel the transactions contemplated hereunder.

12.02 Limitation on Liability. **SELLERS' AGGREGATE LIABILITY FOR ANY AND ALL DAMAGES HEREUNDER SHALL BE LIMITED TO THE PURCHASE PRICE.**

ARTICLE 13.
TAXES

13.01 Responsibility for Taxes. Buyer acknowledges that it shall be solely responsible, on and after the Closing Date, for the payment of any and all taxes, including sales, excise or transfer taxes, that are due or may become due in connection with Buyer's purchase pursuant to this Agreement and subsequent ownership and operation of the Apartment Complex. Sellers agrees, promptly upon receipt, to forward to Buyer all tax statements received by Sellers and relating to taxes accruing on and after the Closing Date.

ARTICLE 14.
MISCELLANEOUS

14.01 Assignability. This Agreement and the rights, duties and obligations hereunder may be assigned by Buyer to any Affiliate upon the written consent of Sellers, said consent not to be unreasonably withheld. Any assignment of this Agreement shall be binding upon and inure to the benefit of the successor or assignee of Buyer.

14.02 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, permitted assigns and legal representatives.

14.03 Confidentiality. Buyer agrees to maintain the confidentiality of all information made available to it and its representatives under or in connection with this Agreement and to cause its officers, directors, agents, employees, representatives, consultants, and advisors to maintain the confidentiality of all information made available to them under or pursuant to this Agreement.

14.04 Entire Agreement; Modification. This Agreement shall constitute the entire contract between the Parties and supersedes all prior understandings and agreements by or among the Parties and their Representatives relating to the subject matter hereof. The provisions of this Agreement may not be modified except by an instrument in writing and signed by all Parties.

14.05 Further Assurances. Each of the Parties hereto shall, at any time and from time to time after the Closing Date, execute and deliver, or cause to be executed and delivered, to the Parties, such further consents, approvals, conveyances, assignments and other documents and instruments as any Party shall reasonably request in order to carry out any and all of the terms and provisions of this Agreement.

14.06 Governing Law. This Agreement shall be governed by the laws of the State of Texas and for all purposes shall be governed by and construed in accordance with the internal laws of said state, without regard to conflicts of law principles thereof.

14.07 Notice; Notice of Termination by Facsimile. Any notice, demand, waiver or consent required or permitted hereunder shall be in writing and shall be given by prepaid telegram or prepaid registered or certified mail, with return receipt requested, or by a national overnight courier service, or by facsimile transmission, receipt confirmed, addressed to the applicable Parties at the addresses set forth below; provided, however, that any notice of termination of this Agreement by Buyer or Sellers shall be given by facsimile:

If to Sellers:

Irwin J. Deutsch
Century Pacific Equity Corporation
1925 Century Park East, Ste. 1900
Los Angeles, CA 90067

With a copy to:

Barry J. Palmer
Coats | Rose
1001 Fannin, Ste. 800
Houston, TX 77002

If to Buyer:

With a copy to:

The date of any such notice and of service thereof shall be (a) if given by telegram or mail, on the third (3rd) business day after the date of dispatch; (b) if given by overnight courier service, on the next business day after the date of dispatch; and (c) if given by facsimile, as of the date and time received. Any Party may change its address for the purpose of notice by giving written notice in accordance with the provisions of this Section 14.07.

14.08 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall give to anyone other than the Parties and their respective successors, permitted assigns and legal representatives any benefit, or any legal or equitable right, remedy or claim under or with respect to this Agreement and the transactions contemplated hereunder.

14.09 Section Headings. The article and section headings of this Agreement are for convenience of reference only and do not form a part thereof and do not in any way modify, interpret or construe the intentions of the Parties.

14.10 Time of the Essence. With respect to all duties, obligations and rights of the Parties under this Agreement, time shall be of the essence.

14.11 Waivers. Any waiver by any Party of any violation of, breach of or default under any provision of this Agreement by any other Party shall not be construed as or constitute a waiver of any subsequent violation, breach of, or default under that provision or any other provision of this Agreement.

14.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank for signatures]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and year stated but effective as of the Effective Date.

SELLERS:

CENTURY PACIFIC EQUITY CORPORATION
a California corporation

Date: _____

By: _____
Irwin J. Deutsch, President

By: _____
IRWIN J. DEUTSCH

BUYER:

MICHAELS DEVELOPMENT COMPANY, INC.

Date: _____

By: _____
Name: _____
Title: _____

EXHIBIT A

LAND

[to come]

EXHIBIT B

CONSENTS AND APPROVALS

1. Consent and approval from the Texas Department of Housing and Community Affairs for the transaction contemplated herein.
2. Consent and approval from the United States Department of Housing and Urban Development for the transaction contemplated herein.

EXHIBIT C

EXCEPTIONS TO COMPLIANCE; LITIGATION AND PROCEEDINGS
[to come]

FOUR TEXAS PROPERTIES

New Entity Names, GP and LP	Current Entity Names, GP and LP
A. Yale Village Apartments	
Yale Village Associates, L.P.	CP Yale, L.P.
By: Yale Village - Michaels LLC, GP	By: Century Pacific Equity Corporation, GP
By: Michael S. Levitt, Sole Member & Manager	By: Irwin Jay Deutch, President
Limited Partner	Limited Partner
Michael J. Levitt, Individual	Irwin Jay Deutch, Individual
B. Continental Terrace Apartments	
Continental Terrace Associates, L.P.	CP Continental, L.P.
By: Continental Terrace - Michaels LLC, GP	By: Century Pacific Equity Corporation, GP
By: Michael S. Levitt, Sole Member & Manager	By: Irwin Jay Deutch, President
Limited Partner	Limited Partner
Michael J. Levitt, Individual	Irwin Jay Deutch, Individual
C. Castle Gardens Apartments	
Castle Gardens Associates, L.P.	CP Castle, L.P.
By: Castle Gardens - Michaels LLC, GP	By: Century Pacific Equity Corporation, GP
By: Michael S. Levitt, Sole Member & Manager	By: Irwin Jay Deutch, President
Limited Partner	Limited Partner
Michael J. Levitt, Individual	Irwin Jay Deutch, Individual
D. Kings Row Apartments	
Kings Row Associates, L.P.	CP Kings, L.P.
By: Kings Row - Michaels LLC, GP	By: Century Pacific Equity Corporation, GP
By: Michael S. Levitt, Sole Member & Manager	By: Irwin Jay Deutch, President
Limited Partner	Limited Partner
Michael J. Levitt, Individual	Irwin Jay Deutch, Individual

*FINANCIAL STATEMENTS AND
ACCOUNTANTS' COMPILATION
REPORT*

**THE MICHAELS DEVELOPMENT
COMPANY I, L.P.
(A LIMITED PARTNERSHIP)**

DECEMBER 31, 2001



PLAN. PERFORM. PROSPER.

Business Consultants
Certified Public Accountants

1845 Walnut Street
Philadelphia, PA 19103
215 564-1900 phone
215 564-3940 fax
www.asherco.com

Known Internationally as
Moore Stephens Asher & Company, P.C.

The Partners
The Michaels Development Company I, L.P.
Marlton, New Jersey

We have compiled the accompanying balance sheet of **The Michaels Development Company I, L.P. (a limited partnership)** as of December 31, 2001 and the related statements of income and Partners' capital for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Partners. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, we did become aware of a departure from generally accepted accounting principles that is described in the following paragraph.

A statement of cash flows for the year ended December 31, 2001 has not been presented. Generally accepted accounting principles require that such a statement be presented when financial statements purport to present financial position and results of operations.

Asher & Company, Ltd.

ASHER & COMPANY, Ltd.

April 1, 2002

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
BALANCE SHEET
DECEMBER 31, 2001
(See Accountants' Compilation Report)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 517,381
Marketable securities	3,471,001
Development fees receivable	4,964,336
Advances to Housing Projects Partnerships	3,804,848
Advances, notes and loans receivable	363,442
Total current assets	<u>13,121,008</u>

FIXED ASSETS

Office equipment and furniture	97,885
Less accumulated depreciation	69,041
Total fixed assets	<u>28,844</u>

OTHER ASSETS

Development fees receivable	1,054,029
Advances to Housing Project Partnerships	9,473,594
Advances to Housing Project Partnerships, land acquisitions	1,953,400
Advances, notes and loans receivable	57,528
Total other assets	<u>12,538,551</u>

Total Assets	<u>\$ 25,688,403</u>
--------------	----------------------

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES

Accounts payable	\$ 143,943
Loan payable, line of credit	1,020,018
Advances, notes and loans payable	1,183,348
Total current liabilities	<u>2,347,309</u>

PARTNERS' CAPITAL

Capital	23,289,420
Accumulated other comprehensive income	51,674
Total Partners' capital	<u>23,341,094</u>

Total Liabilities and Partners' Capital	<u>\$ 25,688,403</u>
---	----------------------

The accompanying notes are an integral part of these
financial statements.

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2001
(See Accountants' Compilation Report)

Revenue	
Construction management income	\$ 36,208
Consulting fee income	605,000
Development fee income	4,193,572
Incentive management fee	43,551
Management fee income	73,821
Miscellaneous income	100
Overhead income	135,849
Program fees	77,057
Supervisory management fee	6,885
	<u>5,172,043</u>
Expenses	
Advertising	2,591
Automobile	987
Charitable contributions	8,555
Consulting expense	529,939
Depreciation expense	33,015
Development costs and expense	1,338,206
Dues, subscriptions, etc.	26,168
Education expense	5,767
Entertainment and meals	47,318
Fees and licenses	14,372
Health insurance	120,258
Insurance	6,003
Leasing	11,947
Legal and accounting	331,662
Letter of credit expense	1,075
Miscellaneous	90
Office expense, etc.	115,308
Payroll	1,930,016
Rent expense	50,000
Travel	271,438
Telephone	32,278
	<u>4,876,993</u>
Operating income	295,050
Other income (expenses)	
Interest income	314,863
Interest expense	(161,443)
Loss on sale	(4,260)
	<u>149,160</u>
NET INCOME	\$ <u>444,210</u>

The accompanying notes are an integral part of these
financial statements.

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
STATEMENT OF PARTNERS' CAPITAL
YEAR ENDED DECEMBER 31, 2001
(See Accountants' Compilation Report)

	<u>Comprehensive Income</u>	<u>Other Comprehensive Income (Loss)</u>	<u>Capital</u>	<u>Total</u>
Balance, December 31, 2000		\$ (109,406)	\$ 23,037,223	\$ 22,927,817
Distribution to Partner			(192,013)	(192,013)
Comprehensive income				
Net income	\$ 444,210	-	444,210	444,210
Other comprehensive income				
Unrealized gain on available for sale securities	<u>161,080</u>	<u>161,080</u>	<u>-</u>	<u>161,080</u>
Total comprehensive income	<u>\$ 605,290</u>			
Balance, December 31, 2001		<u>\$ 51,674</u>	<u>\$ 23,289,420</u>	<u>\$ 23,341,094</u>

The accompanying notes are an integral part of these
financial statements.

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(See Accountants' Compilation Report)

NOTE A - DESCRIPTION OF BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business activity

The Michaels Development Company I, L.P. (the "Company") was formed as a limited partnership and has developed through new construction or rehabilitation more than \$1 billion in affordable housing since 1963 and is an innovator in low income, senior and market rate rental housing, as well as home ownership. The Michaels Development Company has developed properties in 17 states, Washington, D.C., and the Virgin Islands, in urban, suburban and small town communities. The Company is involved from concept to completion including market evaluations, design, site acquisition, municipal approval, management and coordination with local, state and Federal government. The general partner is The Michaels Development Holding Company, L.L.C., a single member L.L.C. owned by Michael J. Levitt. The Company conducts the majority of its business with other entities that are controlled by Michael J. Levitt.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Partnership maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts. The Partnership believes it is not exposed to any significant credit risk on cash and cash equivalents.

Marketable securities

Marketable securities are classified as available-for-sale and are reported at fair value with the change in fair value for the year recorded as a component of other comprehensive income (loss) in Partners' capital. The fair value is based on the quoted market value of those securities.

Fixed assets

Fixed assets are carried at cost. The Company depreciates office equipment and furniture over the estimated useful lives of the assets, using the straight-line method over three to five years.

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(See Accountants' Compilation Report)

NOTE A - DESCRIPTION OF BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income or loss of the Partnership is allocated to the partners based on their ownership interests. No income tax provision has been included in the financial statements since income or loss of the Partnership is required to be reported by the respective partners on their income tax returns. The reconciliation of the net income in these financial statements to tax basis net loss for the year ended December 31, 2001 is as follows:

Net income	\$ 444,210
Accrued income net of expenses not reported on tax return until paid	(3,348,854)
Accrued income net of expenses reported on tax return since paid	320,999
Non-deductible expenses	<u>23,659</u>
Net loss, tax basis	<u>\$(2,559,986)</u>

NOTE B - MARKETABLE SECURITIES

Marketable securities consist of corporate bonds and are classified as available-for-sale securities. At December 31, 2001, the cost and estimated fair value of the marketable securities are as follows:

<u>Description</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Estimated Fair Value</u>
Corporate Bonds	<u>\$3,419,327</u>	<u>\$51,674</u>	<u>\$3,471,001</u>

At December 31, 2001, the amortized cost and estimated fair value of the marketable securities by contractual maturity were as follows:

	<u>Cost</u>	<u>Estimated Fair Value</u>
Due after 1 year through 5 years	\$2,309,066	\$2,346,152
Due after 5 years through 10 years	<u>1,110,261</u>	<u>1,124,849</u>
Totals	<u>\$3,419,327</u>	<u>\$3,471,001</u>

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(See Accountants' Compilation Report)

NOTE C - DEVELOPMENT FEES RECEIVABLE

Development fees receivable are unsecured non-interest bearing obligations from related party partnerships for services performed by the Company. The receivables consist of the following:

	<u>Current</u>	<u>Long-term</u>
Abundance Square Associates, L.P.	\$ 113,684	
Belmont Heights Associates, Ltd.	489,783	
Canebrake Associates	-	\$ 93,052
Clifton Terrace Associates, L.P.	422,202	-
Corning Homes Associates, L.P.	1,071,000	-
Estate Plessen Associates, L.P.	143,096	-
Gloucester Elderly Housing Associates, an Urban Renewal LLC	180,000	-
Hagerstown Elderly Associates, L.P.	18,156	15,526
Harbison Elderly Associates	-	22,170
Haskell Associates, L.P.	125,000	-
Heritage Noland Associates, L.P.	1,357,794	-
Lark Livingston Housing Associates, L.P.	-	362,761
Latimer-King Associates, L.P.	296,191	-
Lafayette Senior Living Center, P.L.	164,550	-
Model Cities 6 Associates, L.P.	-	3,958
Mt. Sinai Associates, L.P.	-	417,658
Newton Country Club Associates, L.P.	133,629	-
Raymond Rosen Associates, L.P.	440,000	-
Roosevelt Associates Ltd.	-	18,155
Sharswood Associates, L.P.	9,251	120,749
	<u>\$4,964,336</u>	<u>\$1,054,029</u>

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(See Accountants' Compilation Report)

NOTE D - ADVANCES TO HOUSING PROJECT PARTNERSHIPS

Advances to Housing Project Partnerships have been made to Partnerships in which the Company currently had been or formerly had a related party interest. These unsecured advances include initial filing fees to government agencies, construction and development costs advances, and working capital advances to operating projects and related entities. The majority of these advances bear interest on the unpaid balance at prime plus 1%. The advances consist of the following:

	<u>Current</u>	<u>Long-term</u>
Abundance Square Associates, L.P.	\$ 31,638	
Belmont Heights Associates, Ltd.	616,451	
Belmont Heights Associates Phase II, Ltd.	133,125	
Bridgeton Villas	-	\$ 236,218
Clifton Terrace Associates, L.P.	81,860	-
Corning Homes Associates, L.P.	111,302	-
Estate Plessen Associates, L.P.	127,902	-
Gloucester Elderly Housing Associates, an Urban Renewal LLC	49,846	-
Greenleaf Associates	-	37,000
Haskell Associates, L.P.	218,268	-
Henry Horner	50,000	-
Heritage Noland Associates, L.P.	51,869	-
Lafayette Senior Living Center, L.P.	251,352	-
Lark Livingston Housing Associates, L.P.	-	85,709
Latimer-King Associates, L.P.	251,272	-
M & PL Associates	-	1,913,556
McGuire Gardens	49,466	-
Mt. Sinai Associates, L.P.	1,147,212	-
New Desire Community Development Collaborative, L.P.	120,110	-
Newton Country Club Associates, L.P.	46,259	-
Robert Taylor Homes	-	58,368
Randolph Associates, L.P.	-	57,331
Raymond Rosen Associates, L.P.	212,731	-
Ridgewood Park	-	195,309
Roosevelt Associates, Ltd.	-	43,700
Wall Street Tower, L.P.	-	6,655,614
Wardman Court, L.P.	210,327	-
Other	43,858	190,789
	<u>\$3,804,848</u>	<u>\$9,473,594</u>

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(See Accountants' Compilation Report)

NOTE E - ADVANCES TO HOUSING PROJECT PARTNERSHIP, LAND ACQUISITIONS

Advances to Housing Projects Partnership, land acquisitions represent unsecured non-interest bearing advances to a Partnership controlled by Michael J. Levitt for the purchase of land. The Partnership plans to sell the land. The advances consist of the following:

Lakewood, New Jersey 18 acres	<u>\$1,953,400</u>
-------------------------------	--------------------

NOTE F - ADVANCES, NOTES AND LOAN RECEIVABLE

Advances, notes and loan receivable are unsecured and due from various individuals, related party partnerships and corporate entities. The advances do not bear interest. The advances consist of the following:

	<u>Current</u>	<u>Long-term</u>
Accrued interest receivable	\$248,044	\$24,970
Other	<u>115,398</u>	<u>32,558</u>
	<u>\$363,442</u>	<u>\$57,528</u>

NOTE G - LOAN PAYABLE, LINE OF CREDIT

The Company has a maximum line of credit amounting to \$5,000,000 with a bank. The line of credit is secured by a lien on the PNC Cash Advisory Account, consisting of cash and marketable securities of approximately \$3,700,000 as of December 31, 2001. As of December 31, 2001, the unused line of credit was \$3,979,982. The line of credit expires in October, 2002. Under the line of credit, the Company must maintain certain financial covenants. As of December 31, 2001, the Company was in compliance with such covenants. Interest is due on the unpaid balance at the LIBOR rate plus 1%.

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(See Accountants' Compilation Report)

NOTE H - ADVANCES, NOTES AND LOANS PAYABLE

Advances, notes and loans payable are unsecured non-interest bearing amounts due to various individuals, related party partnerships and corporate entities. The advances consisted of the following:

Interstate Realty Management Company	\$1,146,223
Other	<u>37,125</u>
	<u>\$1,183,348</u>

NOTE I - LEASES

The Company leases office space from P & ML Associates Limited Partnership for \$50,000 per year. P & ML Associates Limited Partnership is controlled by Michael J. Levitt.

NOTE J - RELATED PARTIES

Payroll related accounts reflect amounts paid to Interstate Realty Management Company as reimbursement for actual wages paid to personnel and actual health insurance premiums paid to personnel plus a percentage for payroll taxes and workers' compensation insurance.

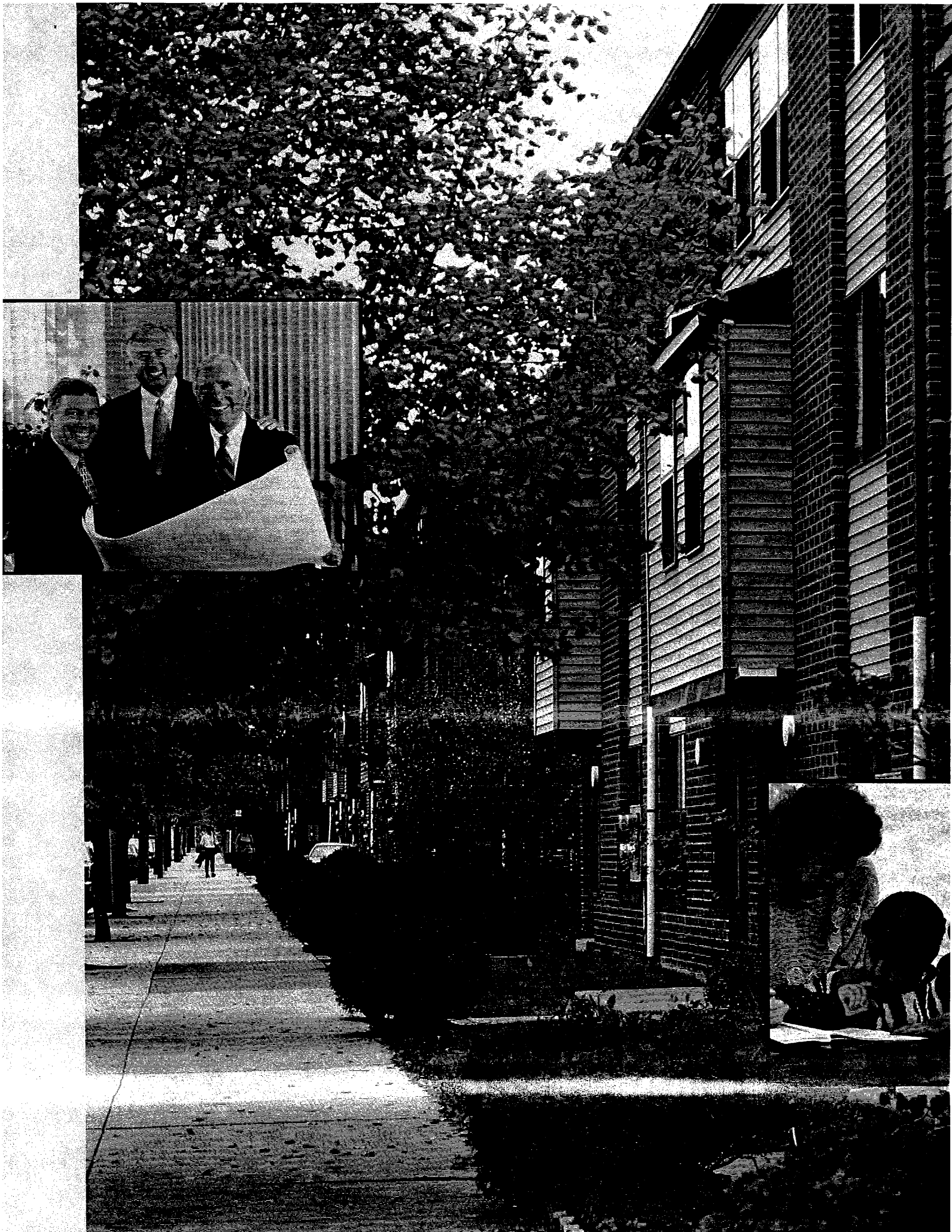


WORKING TOGETHER FOR BETTER COMMUNITIES



IM INTERSTATE
REALTY
MANAGEMENT CO.

MDC THE MICHAELS
DEVELOPMENT CO.



NEIGHBORHOODS THAT SUCCEED

What makes some communities viable and others vulnerable? Why are some inner city neighborhoods riddled with crime, and others models of cleanliness, cohesiveness, and upward mobility?

In every neighborhood, there's a fund of talent and energy available to be harnessed. With the right leadership, the hard work and skills of people come together, and make it happen.

Everyone wants a good place to raise a family, the programs to keep communities together, and help in dealing with today's social problems. When you respond to those needs, success is a natural outcome.

Michaels Development Company and Interstate Realty Management are proud to be active participants in many of these success stories. We become members of a community team, and the result is in headlines that don't make the front page: headlines about neighborhoods on the rise, islands of beauty and stability despite their surroundings.

That's why residents, community leaders, lenders and investors find our properties attractive...and why they all get long-term benefits. It comes from determination and cooperation in a public/private partnership.

The resources and desire already reside in the community. Here's how we add to the equation.



Everyone wants a good place to raise a family, the programs to keep communities together, and help in dealing with today's social problems.

A MERGING OF TALENTS

The Michaels Development Company and its predecessor companies have built or rehabilitated more than \$1 billion in affordable housing since 1963.

An innovator in mixed-income, senior, and market rate rental housing, Michaels has developed properties in 17 states and the Virgin Islands, in urban, suburban and small town communities. Our expert staff is involved from concept to completion, including market evaluation, design, site acquisition, municipal approvals, management, and coordination with local, state and federal governments on grants, loans and mortgages. Michaels is committed to the revitalization of former public housing communities and participates in innovative programs such as HOPE VI Grants.

The Michaels Equity Corporation discovers opportunities for investors through syndication (including LIHTC), with exceptional approaches to tax savings, cash flow, and appreciation in value. Continental Mortgage Corporation is Michaels' in-house FHA approved mortgage lender/servicer, using sophisticated financing vehicles to make our developments a reality.

Interstate Realty Management Company is an Accredited Management Organization (AMO), affiliated with Michaels Development Company, providing marketing, maintenance, administrative, asset management, and accounting services for over 150 properties. With more than 1,000 employees, managing over 18,000 apartments, IRM maintains a highly sophisticated computerized headquarters operation. Interstate has been recognized nationally as an innovator in applying creative management solutions, as exemplified by being the recipient of the first "Community of



*When the goals
and strategies
work properly,
achievements
follow.*

Quality" award, and subsequent awards, given by The National Assisted Housing Management Association. The full-time on-site staff at every property is coordinated through IRM district offices around the country.

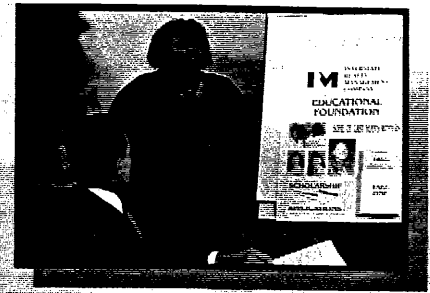
In all operations, professionals oversee every aspect of fiscal, physical and social efforts in our communities.

We also invest in the ongoing education of our staff, as evidenced by the advanced degrees and professional designations (including CPM, ARM, and CPA) they have achieved. Our senior staff teaches on a national level, and is often called upon to participate on panels and committees that are at the forefront of contemporary property management issues.

Hand in hand with residents, neighborhood organizations, and community leaders, we help create properties that look good and stay that way. More importantly, the residents feel empowered and begin to do better personally and financially, accomplishing their own objectives.



*Each property has
an individual plan
based on its physical,
fiscal and social needs.*



OUR GOALS

- Reduce vandalism and crime not only at the property, but also in the surrounding community
- Increase resident involvement in developing a safe, drug-free environment
- Increase self-esteem by instilling in residents cultural, ethnic and neighborhood pride and the confidence to achieve upward mobility

OUR STRATEGIES

- Provide well-maintained housing supervised by IRM corporate staff and on-site management
- Offer residents the ways and means to assemble, organize, and support their communities
- Put in place programs that will create better social interaction, crime-fighting efforts, and educational and recreational opportunities to foster a positive self-image.

When the goals and strategies work properly, achievements follow.



PROGRAMS THAT OPEN DOORS



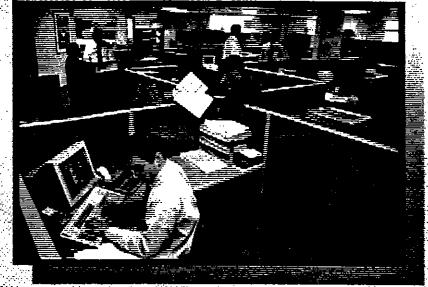
Each property has an individual plan based on its physical, fiscal and social needs. Our property standards are designed for high amenity levels and cost-effective maintenance. Regular inspections and a computerized preventive/corrective maintenance program are key parts of a commitment to providing the best possible housing for our residents.

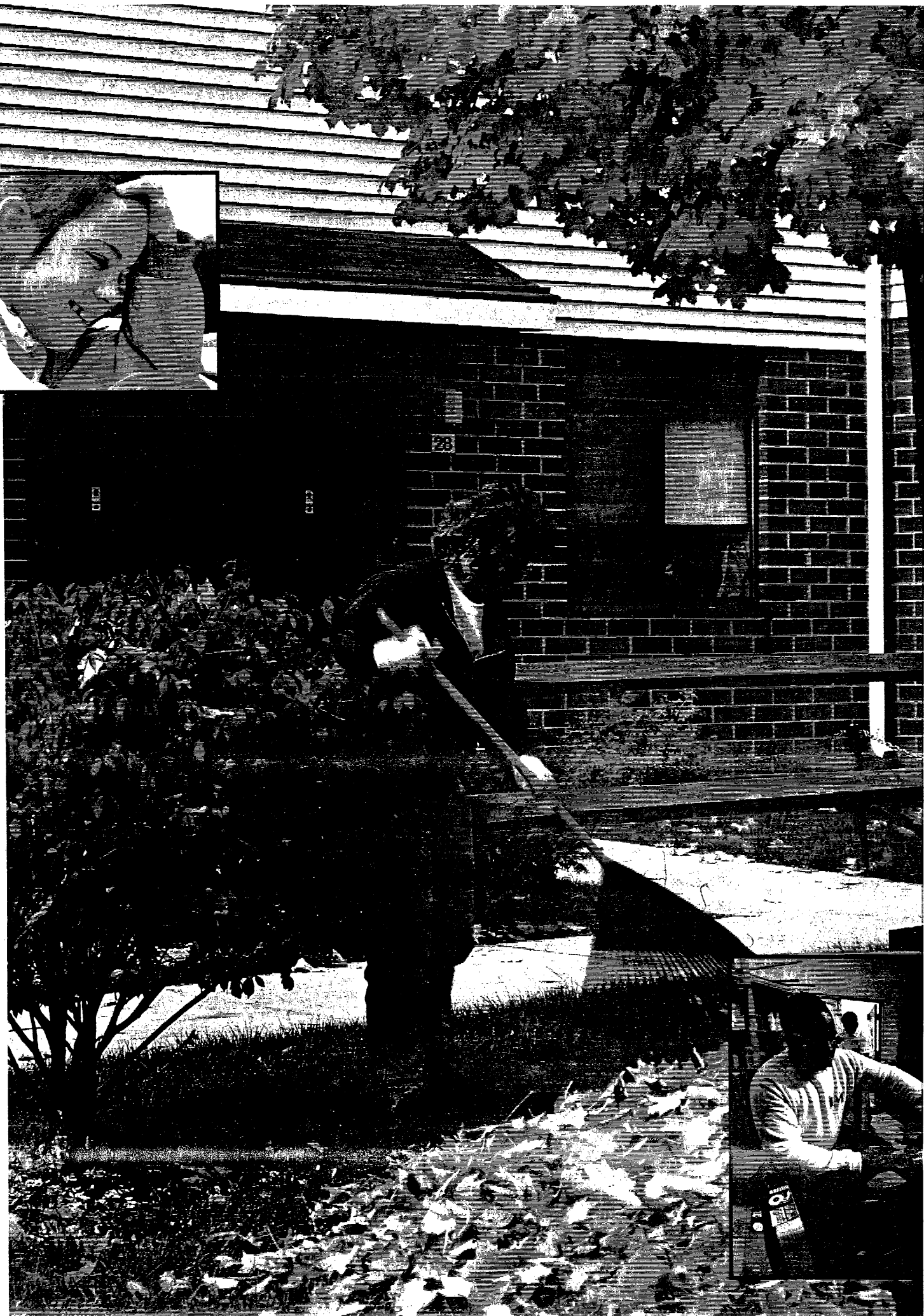
But the primary components of our success are the additional features: the specialized programs that make all the difference.

Our programs are created and supervised by IRM's Director of Social Services, and implemented by Site Social Services Coordinators who network and develop partnerships with community organizations. We also have a professional supervisory staff of trained social service workers which includes an Assistant Director of Social Services, a Field-Supervisor and a Neighborhood Computer Training Coordinator. Our dedicated team works together to provide quality supervision, leadership and technical support for this innovative program.

➤ **Resident Mobilization** IRM works with established resident associations and often helps in organizing new associations. We offer assistance in writing by-laws, incorporating them as non-profit corporations by securing tax-exempt status and applying for grants. Our staff trains volunteers and resident leaders to operate their own programs such as food banks, recreational activities for children, and neighborhood watches. We empower our residents by hiring them to work at IRM sites and conduct their own programs, such as fundraising activities.

➤ **Academic Enrichment and Job Training** Neighborhood Networks Computer Training Centers provide job preparation and training for adults along with computer literacy, basic office software, GED, Pre-GED, and Adult Basic Education classes. Our training centers, partnered with local businesses, facilitates job placement training for specialized positions. Over 100 students have been placed in new careers. After-school programs provide children with computer facilities, reading and math labs, and on-site libraries to encourage enhanced academic performance.







The IRM Educational Foundation was established in 1991 to award scholarships for IRM residents who choose to pursue higher education. Many scholarship recipients are single-parents who return to school, as well as youth who are matriculating from high school. An experienced Ph.D. educator provides consultant services for our educational programs.

➤ **Recreation Programs** Positive outlets for youthful energy often decreases the chance for negative activities. Tennis, baseball, drill teams, story hours, poetry, and performing arts activities are in place at our sites. The Sonny Hill/Interstate Realty Youth Basketball League encourages high levels of academic excellence by requiring a minimum grade level achievement and mandatory participation in educational workshops.

➤ **Life Skills Training** Everything from housekeeping to family planning, career awareness to household budgeting is covered in a comprehensive program that helps residents cope and advance. We also hire and train residents for on-site positions.

➤ **Alcohol and Drug Intervention** Information, prevention, and rehabilitation, including the establishment of 12-step programs, like Alcoholics and Drug Anonymous are provided, if needed, at our properties. These programs are conducted at our sites for the benefit of the entire neighborhood.

➤ **Referral and Networking Services** Where to go for child care. How to get through bureaucratic red tape. What to do when you need emergency utility services. Which community groups are available to coordinate programs with residents. These and other questions are answered for residents, so they have every opportunity available to help themselves.



OUR PROGRAMS

- Resident Mobilization
- Academic Enrichment
- Job Training
- Recreation Programs
- Life Skills Training
- Alcohol and Drug Intervention
- Referral and Networking Services



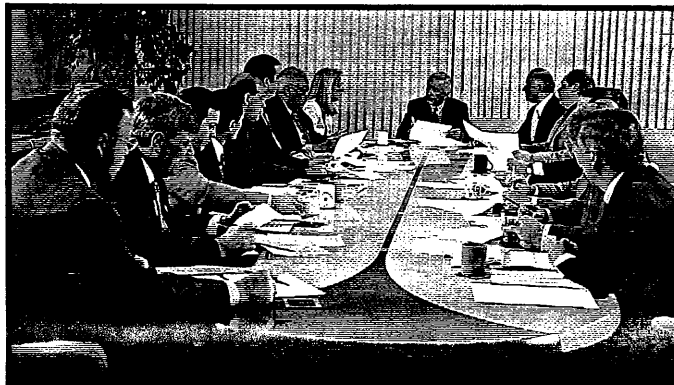
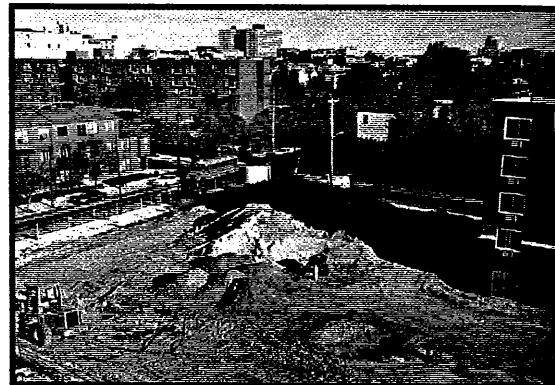
THE BENEFITS OF CREATING STRONG COMMUNITIES

Building apartments is something many developers can do. Building coalitions takes much more dedication and planning. Michaels and IRM have a portfolio of successes that proves our concepts make a difference — when added to the wisdom, resolve and energy of residents and community groups.

In communities throughout the country, hard work and innovation are paying off. We back it up with expert fiscal control and financial management, the latest computer systems, and a dedicated staff that balances budget considerations and the needs of the residents.

It's partnership. It's experience. It's attention to the details of both individual and property needs. And in the end, it's increased opportunity — for both residents and investors.

*Increased opportunity
for both residents
and investors.*





WE ARE A DEDICATED AND DIVERSE TEAM OF
PROFESSIONALS PROVIDING INNOVATIVE DEVELOPMENT,
FINANCING AND PROPERTY MANAGEMENT SERVICES
TO CREATE THE FINEST QUALITY
RESIDENTIAL COMMUNITIES.

Corporate Offices

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IM INTERSTATE
REALTY
MANAGEMENT CO.

(856) 596-0500

MDC THE MICHAELS
DEVELOPMENT CO.

(856) 596-3008

E. James Henderson, Jr., President

Mr. Henderson has been involved in development and management since 1971. Prior to joining IRM in 1982, he was associated with a number of land development and property management companies, and served as a consultant to the Arkansas Housing Development Agency and the Florida Housing Finance Agency.

He oversees a portfolio of approximately 18,000 apartments in 17 states and the Virgin Islands, consisting of urban, suburban and rural developments.

Mr. Henderson has served on numerous panels at seminars and conferences sponsored by major trade organizations. He serves on a task force of the New Jersey Housing and Mortgage Finance Agency (NJHMFA), and was a past board member of the National Affordable Housing Management Association (NAHMA). Mr. Henderson holds a Bachelor of Science degree from LaSalle University. He is a Certified Property Manager and a National Assisted Housing Professional-Executive.

James V. Bleiler, Executive Vice President-Finance

Mr. Bleiler is responsible for operations, accounting and fiscal management of properties managed by Interstate. He previously was a Senior Auditor for Arthur Anderson & Company, Controller for Atlantic Aviation Corporation, and Assistant Controller for Provident National Bank. He has over 32 years of diversified experience in real estate accounting and commercial banking. Mr. Bleiler holds a Bachelor of Science degree in Accounting from Widner University, and is a Certified Public Accountant.

Sandra E. Cipollone, Vice President-Eastern Region

Prior to joining IRM, Ms. Cipollone was Senior Accountant with Shore, Avrach & Company, Certified Public Accountants, specializing in real estate accounting. She has conducted Fair Housing Training on a national level for a major trade organization. Ms. Cipollone has over 16 years experience in real estate accounting and property management. She holds a Masters in Business Administration degree from Rutgers University and a Bachelor of Science degree from Stockton State College. She is also a Certified Property Manager and a Certified Public Accountant.

Lawrence Q. Corrin, Vice President-Mid-Eastern Region

Prior to joining IRM, Mr. Corrin was President of the Urban Professional Company, specializing in urban property management. He is a faculty member of the Institute of Real Estate Management and past president of the New Jersey Chapter. He has over 35 years experience in property management. Mr. Corrin currently serves as a Board Member of the East Orange Housing Authority and is a Certified Property Manager. Mr. Corrin, as past chairman of the East Orange Housing Authority, received HUD's - Most Improved Housing Authority Award.

William L. Gorodetzer, Vice President

Mr. Gorodetzer was formerly Vice President for Provident Mutual Life Insurance Company's real estate subsidiary. He has been a real estate finance speaker at seminars sponsored by the Wharton School and the Mortgage Bankers Association of America. Mr. Gorodetzer has over 29 years diversified experience in real estate acquisitions, development, finance, asset and property management. He holds a Bachelor of Arts degree from Temple University.

Mark L. Morgan, Vice President - Southeastern Region

Mr. Morgan has over 15 years experience in real estate and property management. He is currently serving as Executive Director of the Haddon Township Housing Authority and was a past President of the Southern New Jersey Chapter of IREM. Under his leadership the chapter was awarded in 1996 the national IREM "Chapter of the Year" award. He holds a Bachelor of Arts degree from Gettysburg College and is a Certified Property Manager.

PROPERTIES MANAGED BY
INTERSTATE REALTY MANAGEMENT COMPANY

State & City	Property	Units	State & City	Property	Units
Pennsylvania			South Carolina		
Allentown	Little Lehigh Manor	111	Columbia	Woods Edge Apts.	131
Allentown	Lancaster Park Apts.	110	Moncks Corner	Northbridge Court	101
Bangor	Bangor Elderly Apts.	101	West Columbia	Gentle Pines	150
Belle Vernon	Rostraver Apts.	96	Texas		
Bentleyville	Bentleyville Apts.	102	Midland	Chaparral Apts.	124
Bethlehem	Bethlehem Townhouses I	111	Virginia		
Brownsville	Hunter's Ridge	126	Lynchburg	Jefferson House Apts.	101
Camp Hill	Mallard Run	101	Stafford	Garrison Woods	131
Camp Hill	Orchard Apts.	81	Woodstock	John S. Perry House	62
Chester	Chester Apts.	105	Washington D.C.		
Coal Twp.	Coal Twp. Elderly	101		Clifton Terrace	228
Coatesville	Regency Park Apts.	126	West Virginia		
Coplay	Coplay Apts.	10	Beckley	Wildwood House	163
E. Stroudsburg	Shirley Futch Plaza	101	Buckhannon	Valley Green Apts.	121
Easton	Easton Senior Citizen Housing	98	Huntington	Adams Landing	85
Hazleton	Hazlewood Apts.	100	Jane Lew	Jane Lew Apts.	60
Lansford	Lansford Townhouses	51	Virgin Islands		
Lehighton	Lehighton Elderly	113	St. Croix	Canebrake Apts.	52
Library	Parkford Apts.	101	St. Croix	Harborview Apts.	300
Mahanoy City	Mahanoy Elderly	125	TOTAL UNITS		
Milton	Milton Village	80			18,329
Monaca	Spring Run Apts.	101			
Oakmont	Munroe Towers	101			
Philadelphia	Art Apts.	30			
Philadelphia	Ascension Manor I	140			
Philadelphia	Ascension Manor II	140			
Philadelphia	Center Post Apts.	84			
Philadelphia	Corinthian Square				
Philadelphia	Senior Citizens Housing	61			
Philadelphia	Dauphin Arms	71			
Philadelphia	Haddington Elderly	136			
Philadelphia	Haddington Townhouses	126			
Philadelphia	Jameson Court	71			
Philadelphia	Kensington Townhouses	71			
Philadelphia	Kings Ferry Square	71			
Philadelphia	Montgomery Townhouses	135			
Philadelphia	Mt. Sinai Elderly	37			
Philadelphia	Sedgley Park Apts.	28			
Philadelphia	Sharswood Townhouses	71			
Philadelphia	Spring Garden Towers	209			
Philadelphia	Stenton Arms	113			
Philadelphia	West Poplar Apts.	140			
Philadelphia	Wister Townhouse Apts.	200			
Philadelphia	Woodstock Cooperative				
Philadelphia	Mutual Homes	108			
Philadelphia	Yorktown Arms	56			
Reading	Reading Elderly	201			
Scranton	Village Park Apts.	160			
Spring City	Park Spring Apts.	151			
Tamaqua	Tamaqua High Rise	117			
West Newton	Filbern Manor	127			
Whitehall Twp.	Hokendauqua School Apts.	33			
Whitehall Twp.	Strawberry Patch Apts.	51			
Williamsport	Timberland Apts.	100			
Williamsport	Williamsport Elderly Housing	101			



DEVELOPMENTS OF MICHAEL J. LEVITT
MICHAELS DEVELOPMENT COMPANY AND AFFILIATES

State & City	Property	Units	State & City	Property	Units
Oklahoma			Pennsylvania (cont.)		
Bartlesville	Willow Creek Apts.	64	Philadelphia	Mt. Sinai Elderly	37
Bartlesville	Willow Gardens Apts.	47	Philadelphia	Sedgley Park Apts.	28
Bartlesville	Willow Park Apts.	76	Philadelphia	Sharswood Townhouses	71
Bartlesville	Willow Rock Apts.	76	Philadelphia	Spring Garden Towers	209
Catoosa	Indian Hills Apts.	60	Philadelphia	Stenton Arms	113
Chickasha	Country Park Apts.	60	Philadelphia	Raymond Rosen	152
Claremore	Lakeshore Apts.	65	Philadelphia	West Poplar Apts.	140
Moore	Nottingham Square Apts.	62	Philadelphia	Wister Townhouse Apts.	200
Oklahoma City	Capitol Park Apts.	184	Reading	Reading Elderly	201
Tulsa	Patrick Henry Apts.	56	Scranton	Village Park Apts.	160
Tulsa	River Bank Plaza Apts.	80	Spring City	Park Spring Apts.	151
Tulsa	St. Thomas Square	128	Warminster	Charter Arms	119
Tulsa	West Edison Plaza Apts.	66	West Newton	Filbern Manor	127
Tulsa	Windsor Village Apts.	47	Whitehall Twp.	Hokendauqua School	
Tulsa	Worthington Apts.	78		Apts.	33
Pennsylvania			Whitehall Twp.	Strawberry Patch Apts.	51
Allentown	Little Lehigh Manor	111	Whitpain Twp.	Meadowick Village	273
Allentown	Lancaster Park Apts.	110	Williamsport	Timberland Apts.	100
Bangor	Bangor Elderly Apts.	101	Williamsport	Williamsport Elderly	
Belle Vernon	Rostraver Apts.	96		Housing	101
Bentleyville	Bentleyville Apts.	102	Williamsport	Williamsport Village	200
Bethlehem	Bethlehem Townhouses I	111	South Carolina		
Bethlehem	Bethlehem Townhouses II	211	Columbia	Woods Edge Apts.	131
Bristol	Mill Run	168	Moncks Corner	Northbridge Court	101
Brownsville	Hunter's Ridge	126	West Columbia	Gentle Pines	150
Camp Hill	Mallard Run	101	Texas		
Camp Hill	The Woods at Cedar Run	129	Midland	Chaparral Apts.	124
Chester	Chester Apts.	105	Virginia		
Coal Twp.	Coal Twp. Elderly	101	Lynchburg	Jefferson House Apts.	101
Coatesville	Regency Park Apts.	126	Newport News	Walker Village	200
Coplay	Coplay Apts.	10	Stafford	Garrison Woods	131
E. Stroudsburg	Shirley Futch Plaza	101	Woodstock	John S. Perry House	62
Easton	Easton Senior Citizen		Washington D.C.		
	Housing	98		Clifton Terrace	228
Edwardsville	Edwardsville Village	252	West Virginia		
Edwardsville	Hillside Apts.	200	Beckley	Wildwood House	163
Hanover Twp.	Hanover Village	152	Buckhannon	Valley Green Apts.	121
Hazleton	Hazleton Apts.	236	Huntington	Adams Landing	85
Hazleton	Hazlewood Apts.	100	Jane Lew	Jane Lew Apts.	60
Lansford	Lansford Townhouses	51	Virgin Islands		
Lebanon	Lebanon Village	200	St. Croix	Canebrake Apts.	52
Lehighton	Lehighton Elderly	113	St. Croix	Harborview Apts.	300
Library	Parkford Apts.	101	St. Croix	Lorraine Village	250
Mahanoy City	Mahanoy Elderly	125			
Milton	Milton Village	80		TOTAL UNITS	22,929
Monaca	Spring Run Apts.	101			
Oakmont	Munroe Towers	101			
Philadelphia	Edgewood Manor	49			
Philadelphia	Gladys B. Jacobs Manor	80			
Philadelphia	Haddington Elderly	136			
Philadelphia	Haddington Townhouses	126			
Philadelphia	Jameson Court	71			
Philadelphia	Kensington Townhouses	71			
Philadelphia	Kings Ferry Square	71			
Philadelphia	Model Cities 6	71			
Philadelphia	Montgomery Townhouses	135			

Ava J. Goldman, Senior Vice President-Development

Ms. Goldman was formerly Department Head, Atlantic County (New Jersey) Department of Planning and Regional Development and Director of Housing for the Atlantic County Improvement Authority. She has over 25 years experience in planning and development. Ms. Goldman's degrees include a BA from Temple University and an MS in Urban Planning from the University of Arizona.

Sinclair S. Cooper, Senior Vice President-Development

Prior to joining Michaels, Mr. Cooper served as Director of Affordable Housing Development for the Ingerman Group, a major developer, builder and property manager in Cherry Hill, NJ. In 1995, he founded Falcon Properties to pursue development and construction management opportunities on his own. Falcon is currently involved in several limited partnerships, assisting in financing and project management. Mr. Cooper holds a BA degree from the University of MD and participated in a Real Estate post-graduate program at Temple from 1985-1987.

Joel B. Silver, Esquire, Vice President-Development

Mr. Silver is licensed to practice law in the State of NJ and Commonwealth of PA. While with the firm of Freeman, Zeller and Bryant, he represented numerous for-profit and non-profit housing developers in the development of affordable housing projects. A housing specialist with over 18 years experience, Mr. Silver conducted trainings and provided technical assistance to community corporations in the Affordable Housing Network's Development Training Program. He was a Housing Program Manager at the NJ Department of Community Affairs and the NJ Housing and Mortgage Finance Agency. He holds a BA degree from Michigan State University and a Juris Doctorate from Rutgers University School of Law.

Anne H. Lindgren, Vice President-Development

Ms. Lindgren was formerly Special Assistant to the FHA Commissioner and has over 35 years experience in multi-family housing finance and development. She has a Bachelor of Arts degree from Vassar College and a Master of Arts degree from Brown University.

Raymond F. Minnick, Jr., Vice President-Construction

Mr. Minnick has managed the construction, renovation, and development of numerous projects throughout Pennsylvania, New Jersey, Florida, and Texas for both the private and public sectors for over 25 years. He has conducted seminars on historic renovation for the University of Pennsylvania's Wharton School. A graduate of Trinity University, Mr. Minnick holds a BS in Civil Engineering and a BA in Business Administration.

Gin Cohen, Vice President, Development

Gin Cohen joined Michaels Development Company in 1999, bringing more than ten years of experience in the development, financing, and construction supervision of affordable housing. Previously, Ms. Cohen served as Director of Housing Development for United Community Corporation, a non-profit organization in Newark, NJ. She was formerly Housing Chair to Newark's Westside Park Community, one of several Urban Coordinating Council districts designated by the Governor, as well as the Program Coordinator for the City of East Orange Multifamily Housing Division, administering the City's HOME and CDBG programs. Ms. Cohen is a member of the National Association of Housing & Redevelopment Officials, a graduate of Cornell University and holds a BS degree in Landscape Architecture.

Joshua D. Collen, Vice President, Development

Prior to joining Michaels Development Company, Mr. Collen was Project Finance Manager for the Community Preservation and Development Corporation where he structured and managed the financing and other aspects of the developments of large-scale affordable housing revitalization projects. Additionally, he served as Investment Analyst/Program Coordinator for the AFL-CIO Housing Investment Trust where he performed underwriting, structuring, and planning for a diverse set of affordable and market rate housing and commercial properties. Mr. Collen has a MA in City and Regional Planning from Cornell University and a BA in Urban and Regional Planning from University of Illinois, Champaign-Urbana.

**THE MICHAELS
DEVELOPMENT CO.**

February 20, 2003

Mr. Barry Palmer
Coats Rose
1001 Fannin
Suite 800
Houston, TX 77002-6707

Dear Mr. Palmer:

Enclosed is Exhibit 1 Part E Previous Participation and Background Certification Form as requested.

If you have any questions, please contact me at (856) 596-3008.

Sincerely,



Joseph F. Purcell
Vice President - Finance

Enclosure

cc: Charles Schwennesen, Century Pacific

Corporate Office

1 E. Stow Road

P.O. Box 994

Marlton, NJ

(856) 596-3008

fax (856) 988-5817

Hearing Impaired:

TDD (800) 244-7967

EXHIBIT 1 PARTICIPANTS IN THE APPLICATION INFORMATION

Part E. Previous Participation and Background Certification Form (also referred to as the "Previous Participation Certification in the LIHTC QAP")

Part E, Sections 1, 2, and 3 must be completed by persons who are "Principals" as defined in the introduction of this exhibit through their ownership or control of TDHCA assisted affordable housing or related supportive services activities. Persons who are otherwise included in the applicant ownership chart required under Part A. of this exhibit must also complete these sections. Review the information for accuracy and full disclosure as incomplete forms or disclosure may result in disqualification of the application or an administrative deficiency.

X If the Principal has no previous experience with TDHCA funding, then they should check the "No" box in response to the "Previous participation funding from: a) TDHCA?" question in "Exhibit 1, Part C. List of Principals of Organizations with an Ownership Interest in the Application" instead of completing Exhibit 1, Part E, Sections 1 and 2. If the Principal has no previous experience with other state affordable housing funding, then they should check the "No" box in response to the "Previous participation funding from: b) other States?" question box in "Exhibit 1, Part C" instead of completing Exhibit 1, Part E, Section 3.

Principal Printed Name: See Attached List the "Applicant Legal Name" for each current or pending TDHCA application of the Principal):

Castle Gardens Associates, L.P., Kings Row Associates, L.P., Yale Village Associates, L.P. and Continental Terrace Associates, L.P.

Section 1. Experience with TDHCA Housing Construction/Rehab. Programs

TDHCA Activity ID # ¹²	Property Name	Property City	Total # of Units	HOME	HTF	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹³
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	mm/yy	mm/yy	<input type="checkbox"/>
HUD 133-94005	Chaparral Housing Associates, Ltd.	Midland	124	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> *	06/93	Present	<input checked="" type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

* HUD 221(d)(3)

¹² TDHCA Activity ID #: Final Development, Contract or Loan Number used by TDHCA to identify the development or activity.

¹³ Disclosure: Check the box if the development or activity has known past non-compliance or defaults, technical or otherwise. If disclosures exist, then provide on separate document a description of the issue and note whether it has been cured. Examples of disclosures include: defaults, mortgage relief, assignments, foreclosures, material/mechanic's liens, legal action, issuance of IRS Form 8823, instances of non-compliance with local building codes or planning regulations, and other program findings of non-compliance.

EXHIBIT 1. PARTICIPANTS IN THE APPLICATION INFORMATION

Part E. Previous Participation and Background Certification Form

Section 3. National Previous Participation and Background Certification Form

Applicants should review the information for accuracy and full disclosure as incomplete forms or disclosure may result in disqualification of the application or an administrative deficiency.

Principal Printed Name: _____

Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
062-44056-LD	Chanticleer Apartments	Selma, AL	96	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
051-55034 DC HUD	Wardman Court Apartments	Washington, DC	152	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	9/99	on going	<input type="checkbox"/>
032-35020	Terry Apartments	Wilmington, DE	161	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	9/82	on going	<input type="checkbox"/>
067-5505	Bethany Court Apartments	Fort Pierce, FL	61	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/96	on going	<input type="checkbox"/>
066-36678	Driftwood Terrace Apartments	F. Lauderdale, FL	176	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/89	on going	<input type="checkbox"/>
063-35255	Roosevelt Gardens	Jacksonville, FL	206	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	7/84	on going	<input type="checkbox"/>
FL29-K0001-006	Palm Terrace Apartments	Jacksonville, FL	232	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2/87	on going	<input type="checkbox"/>
063-94015	Brandywine Court Apartments	Jacksonville, FL	52	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/89	on going	<input type="checkbox"/>
063-35229	Senior Citizens Village	Jacksonville, FL	101	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/91	on going	<input type="checkbox"/>

¹⁶ Activity ID #: Final Development, Contract or Loan Number used by the agency to identify the development or activity.

¹⁷ Disclosure: Check the box if the development or activity has known past non-compliance or defaults, technical or otherwise. If disclosures exist, then provide on separate document a description of the issue and note whether it has been cured. Examples of disclosures include: defaults, mortgage relief, assignments, foreclosures, material/mechanic's liens, legal action, issuance of IRS Form 8823, instances of non-compliance with local building codes or planning regulations, and other program findings of non-compliance.

EXHIBIT 1. PARTICIPANTS IN THE APPLICATION INFORMATION

Part E. Previous Participation and Background Certification Form

Section 3. National Previous Participation and Background Certification Form

Applicants should review the information for accuracy and full disclosure as incomplete forms or disclosure may result in disqualification of the application or an administrative deficiency.

Principal Printed Name: _____

Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
FHFC#2 001- 504C	Belmont Heights Phase II	Tampa, FL	201	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	6/01	on going	<input type="checkbox"/>
067- 35251- PM/L8	Abbey Lane Apartments	Winter Haven, FL	125	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/83	on going	<input type="checkbox"/>
ML-159 (IHDA)	Town & Country Apartments	Granite City, IL	121	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3/81	on going	<input type="checkbox"/>
083- 35385- L8-LD- FAM	Phoenix Hill Apartments	Louisville, KY	46	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3/82	on going	<input type="checkbox"/>
052- 35333- PM/L8	Stonecroft Apartments	Hagerstown, MD	108	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/80	on going	<input type="checkbox"/>
MD06H0 20085	Elizabeth Court Apartments	Hagerstown, MD	111	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/82	on going	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
	continued next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

¹⁶ Activity ID #: Final Development, Contract or Loan Number used by the agency to identify the development or activity.

¹⁷ Disclosure: Check the box if the development or activity has known past non-compliance or defaults, technical or otherwise. If disclosures exist, then provide on separate document a description of the issue and note whether it has been cured. Examples of disclosures include: defaults, mortgage relief, assignments, foreclosures, material/mechanic's liens, legal action, issuance of IRS Form 8823, instances of non-compliance with local building codes or planning regulations, and other program findings of non-compliance.

EXHIBIT 1. PARTICIPANTS IN THE APPLICATION INFORMATION

Part E. Previous Participation and Background Certification Form

Section 3. National Previous Participation and Background Certification Form

Applicants should review the information for accuracy and full disclosure as incomplete forms or disclosure may result in disqualification of the application or an administrative deficiency.

Principal Printed Name: _____

Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
084-36613/08 4-94009	Greenleaf Apartments	Kansas City, MO	195	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/88	on going	<input checked="" type="checkbox"/>
MO-16-P002-037	Cardinal Ridge	Kansas City, MO	160	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1/02	on going	<input type="checkbox"/>
065-44017-LD	Terrace Gardens Apartments	Greenwood, MS	75	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-44059-LD	Cannonade Apartments	Kosciusko, MS	75	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-44049-LD	North Hills Manor Apartments	Meridian, MS	104	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-35334-PM-L8	Moorhead Manor Apartments	Moorhead, MS	62	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-44043LD	Oak Ridge Manor Apartments	Natchez, MS	104	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>

¹⁶ Activity ID #: Final Development, Contract or Loan Number used by the agency to identify the development or activity.

¹⁷ Disclosure: Check the box if the development or activity has known past non-compliance or defaults, technical or otherwise. If disclosures exist, then provide on separate document a description of the issue and note whether it has been cured. Examples of disclosures include: defaults, mortgage relief, assignments, foreclosures, material/mechanic's liens, legal action, issuance of IRS Form 8823, instances of non-compliance with local building codes or planning regulations, and other program findings of non-compliance.

EXHIBIT 1. PARTICIPANTS IN THE APPLICATION INFORMATION

Part E. Previous Participation and Background Certification Form

Section 3. National Previous Participation and Background Certification Form

Applicants should review the information for accuracy and full disclosure as incomplete forms or disclosure may result in disqualification of the application or an administrative deficiency.

Principal Printed Name: _____

Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
065-35333-PM-L8	Pendleton Square Apartments	Philadelphia, MS	64	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-44044-LD	Ferndale Manor Apartments	Starkville, MS	80	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-35075-LD	Barley Courts Apartments	Tupelo, MS	100	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-44038-LD	South Park Manor Apartments	Tupelo, MS	112	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
065-44053-LD	Clubview Apartments	Yazoo City, MS	75	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/98	on going	<input type="checkbox"/>
	Wall Street Tower	Manchester, NH	151	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	8/83	on going	<input type="checkbox"/>
	Charles Drew Court	Atlantic City, NJ	38	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/87	on going	<input type="checkbox"/>
035-44004-LDC	Atlantic Villas	Atlantic City, NJ	127	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6/69	on going	<input type="checkbox"/>

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Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
035-44008	Barlinvis Apartments	Atlantic City, NJ	68	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6/83	on going	<input type="checkbox"/>
901 NJHMFA	Brigantine Homes	Atlantic City, NJ	161	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	9/78	on going	<input type="checkbox"/>
035-35002-SUP-LDC	East I - Townhouse Terrace North	Atlantic City, NJ	82	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/70	on going	<input type="checkbox"/>
035-35001-LDC-SUP	East II - Townhouse Terrace North	Atlantic City, NJ	68	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/70	on going	<input type="checkbox"/>
035-35089	Waterside at the Inlet	Atlantic City, NJ	350	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/84	on going	<input type="checkbox"/>
035-55010-LDC	West Town House Terrace	Atlantic City, NJ	100	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	9/67	on going	<input type="checkbox"/>
280 NJHMFA	N.I.A. Apartments	Bridgeton, NJ	196	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/83	on going	<input type="checkbox"/>
	continued on next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
035-55016-LDC	Bridgeton Villas I	Bridgeton, NJ	196	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/67	on going	<input type="checkbox"/>
035-44023-LDP	Bridgeton Villas II	Bridgeton, NJ	56	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/69	on going	<input type="checkbox"/>
1064 NJHMFA	Crestbury Apartments	Camden, NJ	392	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3/87	on going	<input type="checkbox"/>
031-35047-LDC-R-SUP	River Run Apartments	Carteret, NJ	75	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/70	on going	<input type="checkbox"/>
926 NJHMFA	Hall's Corner Apartments	East Brunswick, NJ	154	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/94	on going	<input type="checkbox"/>
983 NJHMFA	Oakwood Plaza Apartments	Elizabeth, NJ	360	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4/80	on going	<input type="checkbox"/>
419 NJHMFA	Ocean Towers	Jersey City, NJ	100	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	3/83	on going	<input type="checkbox"/>
882 NJHMFA	Sebastian Villa Apartments	Neptune, NJ	171	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/94	on going	<input type="checkbox"/>

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Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
607 NJHMFA	Willie T. Wright Plaza	Newark, NJ	115	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12/83	on going	<input checked="" type="checkbox"/>
935 NJHMFA	Salem Towers Apartments	Orange, NJ	113	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/96	on going	<input type="checkbox"/>
035-55018-LD	Ridgewood Park Apartments	Pleasantville, NJ	88	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/67	on going	<input type="checkbox"/>
035-35071-LD-LD	Winteringham Village	Toms River, NJ	183	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4/78	on going	<input type="checkbox"/>
29 NJHMFA	Rowan Towers	Trenton, NJ	196	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3/83	on going	<input type="checkbox"/>
1171 NJHMFA	Esperanza Apartments	Trenton, NJ	46	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	5/91	on going	<input type="checkbox"/>
035-35082	Park Plaza	Tuckerton, NJ	51	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4/80	on going	<input type="checkbox"/>
	continued on next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LHHC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
035-55006-LDC	Vineland Gardens	Vineland, NJ	75	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/70	on going	<input type="checkbox"/>
035-35021-LDC-SUP	Walnut Manor Apartments	Vineland, NJ	100	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6/70	on going	<input type="checkbox"/>
013037N I	Skyline Gardens Apartments	Albany, NY	190	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/96	on going	<input type="checkbox"/>
012-27338	Brownsville Gardens	Brooklyn, NY	162	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	3/82	on going	<input type="checkbox"/>
012-35449-LD-L8	Pinecrest Manor	Mt. Kisco, NY	131	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	3/81	on going	<input type="checkbox"/>
	Westmont	New York, NY	162	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2/85	on going	<input type="checkbox"/>
013025N I	Main Street Housing	South Fallsburg, NY	61	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	12/93	on going	<input type="checkbox"/>
11/-35084-221D4	Willow Creek Apartments	Bartlesville, OK	64	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/93	on going	<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
118-35093-221D4	Willow Gardens Apartments	Bartlesville, OK	47	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/94	on going	<input type="checkbox"/>
118-35080-221D4	Willow Park Apartments	Bartlesville, OK	76	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/94	on going	<input type="checkbox"/>
118-38006-231	Willow Rock Apartments	Bartlesville, OK	76	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/94	on going	<input type="checkbox"/>
118-35103-PM-L8	Indian Hills Apartments	Catoosa, OK	60	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/94	on going	<input type="checkbox"/>
117-94011	Country Park Apartments	Chickasha, OK	60	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/93	on going	<input type="checkbox"/>
118-35-104	Lakeshore Apartments	Claremore, OK	66	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/94	on going	<input type="checkbox"/>
117-94008	Nottingham Square Apartments	Moore, OK	161	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	2/88	on going	<input type="checkbox"/>
11894008	St. Thomas Square	Tulsa, OK	129	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/96	on going	<input type="checkbox"/>

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Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
11894008	Wortington	Tulsa, OK	78	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1/93	on going	<input type="checkbox"/>
11835116	West Edison Plaza Apartments	Tulsa, OK	66	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/93	on going	<input type="checkbox"/>
11894007	Patrick Henry Apartments	Tulsa, OK	56	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/93	on going	<input type="checkbox"/>
11835118	River Bank Plaza Apartments	Tulsa, OK	80	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/93	on going	<input type="checkbox"/>
OK56-K073-007	Windsor Village Apartments	Tulsa, OK	47	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/93	on going	<input type="checkbox"/>
034-55007-LD	Lancaster Park Apartments	Allentown, PA	110	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/70	on going	<input type="checkbox"/>
PA268023009	Little Lehigh Manor	Allentown, PA	111	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/77	on going	<input type="checkbox"/>
	continued on next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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R-499-8E PHFA	Bangor Elderly	Bangor, PA	101	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/79	on going	<input type="checkbox"/>
R-712-8F PHFA	Rostraver Apartments	Belle Vernon, PA	96	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7/81	on going	<input type="checkbox"/>
R-729-8F PHFA	Bentleyville Apartments	Bentleyville, PA	102	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12/79	on going	<input type="checkbox"/>
R-312-8F PHFA	Hunter's Ridge/Simpson Manor	Brownsville, PA	126	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11/76	on going	<input type="checkbox"/>
R-1036-8F PHFA	Orchard Apartments	Camp Hill, PA	81	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	7/82	on going	<input type="checkbox"/>
034-38019	Mallard Run	Camp Hill, PA	101	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4/78	on going	<input type="checkbox"/>
034-35214-LD	Chester Apartments	Chester, PA	105	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5/82	on going	<input type="checkbox"/>
R-0360 PHFA	Coal Township Elderly	Coal Township, PA	101	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12/89	on going	<input type="checkbox"/>
R547-8F PHFA	Regency Park Apartments	Coatesville, PA	126	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7/79	on going	<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
034-38034	Shirley Futch Plaza	East Stroudsburg, PA	101	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4/77	on going	<input type="checkbox"/>
R-510-8E PHFA	Easton Senior Citizens Housing	Easton, PA	98	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11/78	on going	<input type="checkbox"/>
R-0182 PHFA	Hazlewood Apartments	Hazleton, PA	100	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12/89	on going	<input checked="" type="checkbox"/>
034-35160-PM	Lansford Townhouses	Lansford, PA	51	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	9/79	on going	<input type="checkbox"/>
PA26802 3014	Lehighon Elderly Housing	Lehighon, PA	113	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12/77	on going	<input type="checkbox"/>
R-0439 PHFA	Mahanoy Elderly	Mahanoy City, PA	125	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12/89	on going	<input type="checkbox"/>
R-0433 PHFA	Milton Village	Milton, PA	80	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2/81	on going	<input type="checkbox"/>
R-997-8F PHFA	Spring Run Apartments	Monaca, PA	101	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7/83	on going	<input type="checkbox"/>
	continued on next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
R-739-8E PHFA	Munroe Towers	Oakmont, PA	101	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7/79	on going	<input type="checkbox"/>
R-813-8E PHFA	Haddington Elderly Housing	Philadelphia, PA	136	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4/80	on going	<input type="checkbox"/>
034-35208-LD PHFA	Haddington Townhouses	Philadelphia, PA	126	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	12/81	on going	<input type="checkbox"/>
034-35177	Kensington Townhouses	Philadelphia, PA	71	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/81	on going	<input type="checkbox"/>
034-38006-LD	Spring Garden Towers	Philadelphia, PA	208	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/76	on going	<input type="checkbox"/>
034-35206-PM	Montgomery Townhouses	Philadelphia, PA	135	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6/82	on going	<input type="checkbox"/>
034-32032-PM	West Poplar Apartments	Philadelphia, PA	140	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1/78	on going	<input type="checkbox"/>
	continued on next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
P-001769 PHFA	Mount Sinai	Philadelphia, PA	38	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/98	on going	<input checked="" type="checkbox"/>
0-614 PHFA	Sharswood Townhouses	Philadelphia, PA	71	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2/97	on going	<input type="checkbox"/>
034-32033-PM	Wister Apartments	Philadelphia, PA	200	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/78	on going	<input type="checkbox"/>
0-0303 PHFA	Kings Ferry Square	Philadelphia, PA	71	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/94	on going	<input checked="" type="checkbox"/>
0-0276 PHFA	Dauphin Arms	Philadelphia, PA	71	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11/92	on going	<input checked="" type="checkbox"/>
0-0476 PHFA	Jameson Court	Philadelphia, PA	72	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1/92	on going	<input checked="" type="checkbox"/>
9751	8 Diamonds Townhomes	Philadelphia, PA	152	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6/00	on going	<input type="checkbox"/>
0-198 PHFA	Sedgley Park Apartments	Philadelphia, PA	28	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1/93	on going	<input checked="" type="checkbox"/>
R-754-8EPHFA	Reading Elderly Housing	Reading, PA	201	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/77	on going	<input type="checkbox"/>

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Subsection (c). Participation in Non-Texas State Housing Construction/Rehab. Programs (To be completed by Applicant.)

Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
R-0074 PHFA	Scranton Townhouse/Village Park	Scranton, PA	160	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11/76	on going	<input type="checkbox"/>
R-1000-8F PHFA	South Park/Parkford Apartments	South Park, PA	101	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11/82	on going	<input type="checkbox"/>
R-404-8FR PHFA	Park Spring Apartments	Spring City, PA	151	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8/77	on going	<input type="checkbox"/>
R-506-8E PHFA	Filbern Manor	West Newton, PA	127	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2/78	on going	<input type="checkbox"/>
034-32036-PM-L8	Timberland Apartments	Williamsport, PA	100	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12/77	on going	<input type="checkbox"/>
034-38012-LD	Williamsport Elderly	Williamsport, PA	101	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	12/77	on going	<input type="checkbox"/>
	continued on next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
054-35476-PM-WAH-L8	Woods Edge	Columbia, SC	131	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	7/82	on going	<input type="checkbox"/>
054-36627	Gentle Pines	West Columbia	150	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	2/89	on going	<input type="checkbox"/>
054-35482-PM-PAH-L8	Northbridge Courts	Moncks Corner, SC	101	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	2/81	on going	<input type="checkbox"/>
051-35350-PM/L8	Garrison Woods	Stafford, VA	131	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	2/81	on going	<input type="checkbox"/>
056-35114-LD-L8	Canebrake Apartments	Fredicksted, USVI	52	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/82	on going	<input type="checkbox"/>
045-35119-PM/WAH/L8	Wildwood House	Beckley, WV	163	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	9/78	on going	<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
045-35141-PM-L8	Valley Green Apartments	Buckhannon, WV	121	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/79	on going	<input type="checkbox"/>
045-44002-LDP/SUP	Spring Hill apartments	Charleston, WV	429	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	3/71	on going	<input type="checkbox"/>
045-35148-PM/L8	Adams Landing	Huntington, WV	85	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8/80	on going	<input type="checkbox"/>
045-35160-PM-L8	Jane Lew Apartments	Jane Lew, WV	60	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	9/81	on going	<input type="checkbox"/>
LA HFA#01-10 and 02-62	Abundance Square Associates, LP	New Orleans, LA	73	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/01	on going	<input type="checkbox"/>
OK56PO 73027	Osage Duplexes	Tulsa, OK	49	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	7/02	on going	<input type="checkbox"/>
	continued on next page			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
MHDC#02-118-MT	North Broadway Associates	Kansas City, MO	48	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	2/02	on going	<input type="checkbox"/>
OHFA 01-07-27	Newton Country Club	Tulsa, OK	76	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6/01	on going	<input type="checkbox"/>
OHFA 02-02-06	Osage North	Tulsa, OK	72	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	2/02	on going	<input type="checkbox"/>
	Randolph Associates	Kansas City, MO	95	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/00	on going	<input type="checkbox"/>
LA HFA #03-48	Treasure Village	New Orleans, LA	34	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	5/01	on going	<input type="checkbox"/>
OK56-URD073-198	Osage Hills (Latimer King Associates)	Tulsa, OK	128	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1/00	on going	<input type="checkbox"/>
IL06-URD-002-1696	West Maypole	Chicago, IL	155	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	12/02	on going	<input type="checkbox"/>
HUD#VQ 46-E1000-001	Estate Plessen Associates	St. Croix, USVI	80	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	8/97	on going	<input type="checkbox"/>

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Agency Activity ID # ¹⁶	Property Name	Property City	Total # of Units	HOME	LIHTC	Mort. Revenue Bonds	Other: Describe	Term of Participation or Contract Begin	Term of Participation or Contract End	Disclosure ¹⁷
NJHMFA APP.200 2-M	Lafayette Family - Woodward	Jersey City, NJ	850	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6/02	on going	<input type="checkbox"/>
NJHMFA #654	Lafayette Senior	Jersey City, NJ	82	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	5/02	on going	<input type="checkbox"/>
Albany HFA NY06-HRD009	Edwin Corning	Albany, NY	160	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	2/02	2002	<input type="checkbox"/>
FHFC #2002-003C	Belmont Heights	Tampa, FL	358	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	6/01	on going	<input type="checkbox"/>
NJHMFA 1332	Carpenters Square	Gloucester, NJ		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3/00	on going	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>

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The State of Texas
Uniform Housing Programs Application
Exhibit 1. PARTICIPANTS IN THE APPLICATION INFORMATION
OTHER

FHA #	Project	City	State	OTHER: DESCRIBE
062-44056-LD	Chanticleer	Selma	AL	LIHPRHA & Mortgage Historical Tax Credits, HUD Upfront Grant
051-55034 DC HUD	Wardman Court Apartments	Washington	DC	HUD mortgage
067-5505	Bethany Court	Ft. Pierce	FL	HUD
063-35255	ROOSEVELT GARDENS	Jacksonville	FL	HUD mortgage
063-94015	Brandywine Court	Jacksonville	FL	HUD mortgage
063-35229-PM	Senior Citizen Village	Jacksonville	FL	HOPE VI
FHFC#2001-504C	BELMONT HEIGHTS PHASE II	TAMPA	FL	HUD
052-35333-PM/L8	STONECROFT APARTMENTS	Hagerstown	MD	HUD
MD06H020085	ELIZABETH COURT	Hagerstown	MD	GNMA (M2M 2003)
084-36613	Greenleaf	Kansas City	MO	LIHPRHA & Mortgage
065-44017-LD	Terrace Gardens	Greenville	MS	LIHPRHA & Mortgage
065-440-59-LD	Cannonade Apts.	Kosciusko	MS	LIHPRHA & Mortgage
065-44049-LD	N. Hills Manor	Meridian	MS	State Issued Bonds
065-35334-PM-L8	Moorhead Manor	Moorhead	MS	LIHPRHA & Mortgage
065-44043-LD	Oak Ridge Manor	Natchez	MS	State Issued Bonds
065-35333-PM-L8	Pendleton Sq.	Phila.	MS	LIHPRHA & Mortgage
065-44044-LD	Ferndale Manor	Starkville	MS	LIHPRHA & Mortgage
065-35075-LD	BARLEY COURTS APARTMENTS	Tupelo	MS	LIHPRHA & Mortgage
065-44038	South Park	Tupelo	MS	LIHPRHA & Mortgage
065-44053-LD	Clubview	Yazoo City	MS	LIHPRHA & Mortgage
	WALL STREET TOWERS	Manchester	NH	GREATER MANCHESTER DEVELOPMENT CORP HUD INSURED, INTEREST REDUCTION
035-44004-LDC	ATLANTIC VILLAS	Atlantic City	NJ	HUD INSURED
035-44008	BARLINVIS APARTMENTS	Atlantic City	NJ	NJHMFA
(NJHMFA) 901	BRIGANTINE HOMES	Atlantic City	NJ	HUD
035-35002-SUP-LDC	EAST I - TOWNHOUSE TERRACE NORTH	Atlantic City	NJ	HUD
035-35001-LDC-SUP	EAST II - TOWNHOUSE TERRACE NORTH	Atlantic City	NJ	HUD
035-35089	WATERSIDE AT THE INLET	Atlantic City	NJ	STATE STREET BANK & TRUST
035-55010-LDC	WEST - TOWN HOUSE TERRACE	Atlantic City	NJ	Fleet Bank
ACIA	Charles Drew Ct.	Atlantic City	NJ	NJHMFA
(NJHMFA) 280	N.I.A. APARTMENTS	Bridgeton	NJ	HUD
035-55016-LDC	BRIDGETON VILLAS I	Bridgeton	NJ	HUD INSURED; FEDERAL NATIONAL MORTGAGE CORP
035-44023-LDP	BRIDGETON VILLAS II	Bridgeton	NJ	FNMA/GMAC
031-35047-LDC-R-SUP	RIVER RUN APARTMENTS/ROOSE	Carteret	NJ	HUD 236 mortgage
NJHMFA 926	Hall's Corner	E. Brunswick	NJ	HUD 236
NJHMFA 419	OCEAN TOWERS	Jersey City	NJ	HUD 236 mortgage
NJHMFA 882	Sebastian Villas	Neptune	NJ	HUD 236 mortgage
NJHMFA 935	Salem Towers	Orange	NJ	HUD
035-55018-LD	RIDGEWOOD PARK APARTMENTS	Pleasantville	NJ	HUD
035-35071-LD-L8	WINTERINGHAM VILLAGE	Toms River	NJ	NJHMFA, Isles Inc, NJDCA, City of Trenton
NJHMFA 1171	Wood Street	Trenton	NJ	SECURITY PACIFIC NATIONAL BANK
035-35082	PARK PLAZA APARTMENTS	Tuckerton	NJ	HUD
035-55006-LDC	VINELAND GARDENS	Vineland	NJ	FNMA/GMAC
035-35021-LDC-SUP	WALNUT MANOR APARTMENTS	Vineland	NJ	NYHSFA Construction Loan & Arrearage Note, NYHSFA, Section 236 Interest Reduction
DHCR 013-037-NI	Skyline Apts.	Albany	NY	HUD
012-57338	BROWNSVILLE GARDENS	Brooklyn	NY	HUD
012-35449-LD-L8	PINECREST MANOR	Mt. Kisco	NY	FREDDIE MAC
	WESTMONT	New York	NY	PFA, Section 236 interest reduction, First Federal Savings & Loan, Rehabilitation Loan
NYDHCR- 013-0025/NI	Main Street	S. Fallsburg	NY	HUD - M2M
118-35084-221D4	Willow Creek	Bartlesville	OK	HUD - M2M
118-35093-221D4	Willow Garden	Bartlesville	OK	HUD - M2M
118-35080-221D4	Willow Park	Bartlesville	OK	HUD - M2M
118-38006-231	Willow Rock	Bartlesville	OK	HUD - M2M
118-35103-PM-L8	Indian Hills	Catoosa	OK	HUD - M2M
117-94011	Country Park	Chickasha	OK	HUD - M2M
118-35-104	Lakeshore Apts.	Claremore	OK	HUD - M2M
117-94008	NOTTINGHAM SQUARE APARTMENTS	Moore	OK	HUD
11894007	Patrick Henry	Tulsa	OK	HUD - M2M
11894008	St. Thomas/Worthington	Tulsa	OK	HUD - M2M
034-55007-LD	LANCASTER PARK APARTMENTS	Allentown	PA	HUD
PA268023009	LITTLE LEHIGH MANOR	Allentown	PA	ALLENTOWN DEV
R-499-8E (PHFA)	BANGOR ELDERLY	Bangor	PA	PHFA

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OTHER

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062-44056-LD	Chanticleer	Selma	AL	LIHPRHA & Mortgage
034-38019	MALLARD RUN	Camp Hill	PA	HUD
034-38034	SHIRLEY FUTCH PLAZA	East Stroudsburg	PA	HUD INSURED
PHFA# R-1036-8F	Orchard Apts.	Harrisburg	PA	HUD
034-35160-PM	LANSFORD TOWNHOUSES	Lansford	PA	HUD
R-813-8E (PHFA)	HADDINGTON ELDERLY HOUSING	Philadelphia	PA	PHFA
034-35208-LD (PHFA)	HADDINGTON TOWNHOUSES	Philadelphia	PA	PHFA
034-35177	KENSINGTON TOWNHOUSES	Philadelphia	PA	HUD
034-38006-LD	SPRING GARDEN TOWERS	Philadelphia	PA	FREDDIE MAC
034-32032-PM	WEST POPLAR APARTMENTS	Philadelphia	PA	HUD
034-32033-PM	WISTER APARTMENTS	Philadelphia	PA	HUD
PHA # 9751	RAYMOND ROSEN ASSOCIATES LP	PHILADELPHIA	PA	PUBLIC HOUSING DEVELOPMENT FUNDS, CDBG
R-754-8E (PHFA)	READING ELDERLY HOUSING	Reading	PA	PHFA
034-38012-LD	WILLIAMSPORT ELDERLY	Williamsport	PA	HUD
054-35476-PM-WAH-L8	WOODS EDGE	Columbia	SC	SOUTH CAROLINA STATE HOUSING
054-36627	GENTLE PINES	West Columbia	SC	HUD
054-35482-PM-PAH-L8	NORTHBRIDGE COURTS	Moncks Corner	SC	SOUTH CAROLINA STATE HOUSING
051-35350-PM/L8	GARRISON WOODS	Stafford	VA	HUD
056-35114-LD-L8	CANEBRAKE APARTMENTS	Fredicksted	VI	HUD
045-35141-PM-L8	VALLEY GREEN APARTMENTS	Buckhannon	WV	HUD
045-44002-LDP/SUP	SPRING HILL APARTMENTS	Charleston	WV	HUD 236
FHFC #2002-003C	BELMONT HEIGHTS	TAMPA	FL	FREDDIE MAC, CDBG
IL06-URD-002-1696	WEST MAYPOLE LP	CHICAGO	IL	HOPE VI, TIF, ILHDA FHLB
LA HFA #01-10 AND 02-62	ABUNDANCE SQUARE ASSOCIATES, LP	NEW ORLEANS	LA	HOPE VI, BANK ONE
LA HFA #03-48	TREASURE VILLAGE ASSOCIATES LP	NEW ORLEANS	LA	HOPE VI, CMC
MHDC# 02-118-MT	NORTH BROADWAY ASSOCIATES LP	KANSAS CITY	MO	HOPE VI, MHDC PERM MORTGAGE
	RANDOLPH ASSOCIATES LP	KANSAS CITY	MO	HOPE VI, MHDC PERM MORTGAGE
NJHMFA 1332	CARPENTERS SQUARE	GLOUCESTER	NJ	NJ BALANCED HOUSING, URBAN SITE ACQUISITION FUNDS, SMALL CITIES, FHLB, CITY OF GLOUCESTER LOAN, CASINO REINVESTMENT DEVELOPMENT
NJHMFA APP. 2002-M	LAFAYETTE FAMILY - WOODWARD	JERSEY CITY	NJ	TICIC, FHLB, NJ BALANCED HOUSING
NJHMFA #654	LAFAYETTE SENIOR	JERSEY CITY	NJ	NJ BALANCED HOUSING, FHLB
ALBANY HFA NY06-HRD009	EDWIN CORNING	ALBANY	NY	HOPE VI
OK56PO73027	OSAGE DUPLEXES (HASKELL ASSOCIATES,	TULSA	OK	HOPE VI, FHLB, BANK OF OKLAHOMA
OHFA 01-07-27	NEWTON COUNTRY CLUB ASSOCIATES LP	TULSA	OK	HOPE VI, FHLB
OHFA 02-02-06	OSAGE NORTH ASSOCIATES LP	TULSA	OK	HOPE VI
OK56-URD073-198	OSAGE HILLS (LATIMER KING ASSOCIATES	TULSA	OK	HOPE VI, CDBG, FHLB
HUD # VQ46-E1000-001	ESTATE PLESSEN ASSOCIATES LP	ST. CROIX	USVI	CDBG, FHLB

Legend:

CDBG: Community Development Block Grant
CMC: Continental Mortgage Corp.
FHLB: Federal Home Loan Bank
HUD M2M: has previously undergone mark to market refinancing
ILHDA: Illinois Housing Development Authority
LIHPRHA: Low Income Housing Preservation Housing Act
M2M: going mark to market in year indicated
MHDC: Missouri Housing Development Commission
NJDCA: New Jersey Department of Community Affairs
NJHMFA: New Jersey Housing Mortgage Finance Agency
NYHSFA: New York Housing State Finance Agency
TICIC: Thrift Institution Community Investment Corp.
TIF: Tax Increment Financing

PROPERTY NAME:	LOCATION:	BIN NUMBER:	CORRECTED 8823 ISSUED:
CHAPARRAL APTS.	Midland, TX	TX88-01486	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01487	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01488	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01489	11/04/01
CHAPARRAL APTS.	Midland, TX	TX88-01490	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01491	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01492	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01493	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01494	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01495	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01496	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01497	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01498	10/12/01
CHAPARRAL APTS.	Midland, TX	TX88-01499	11/04/01
DAUPHIN ARMS	Philadelphia, PA	PA92-02088	03/13/01
DAUPHIN ARMS	Philadelphia, PA	PA92-02088	11/21/01
DAUPHIN ARMS	Philadelphia, PA	PA92-02088	11/21/01
DAUPHIN ARMS	Philadelphia, PA	PA92-01088	05/06/02
DAUPHIN ARMS	Philadelphia, PA	PA92-01088	06/11/02
DAUPHIN ARMS	Philadelphia, PA	PA92-02088	07/16/02
DAUPHIN ARMS	Philadelphia, PA	PA92-02088	05/03/02
DAUPHIN ARMS	Philadelphia, PA	PA92-03088	05/03/02
DAUPHIN ARMS	Philadelphia, PA	PA92-01088	01/15/02
GREENLEAF APTS.	Kansas City, MO	MO88-00416	08/21/01
GREENLEAF APTS.	Kansas City, MO	MO88-00418	06/05/01
HAZLEWOOD APTS.	Hazle Twp., PA	PA89-01087	06/21/01
JAMESON COURT APTS.	Philadelphia, PA	PA95-01096	06/05/01
JAMESON COURT APTS.	Philadelphia, PA	PA95-01096	03/13/01
JAMESON COURT APTS.	Philadelphia, PA	PA95-01096	12/12/00
KINGS FERRY APTS.	Philadelphia, PA	PA93-01092	12/11/00
KINGS FERRY APTS.	Philadelphia, PA	PA93-01092	09/10/02
MOUNT SINAI APTS.	Philadelphia, PA	PA98-00057	08/21/02
SEDGLEY PARK APTS.	Philadelphia, PA	PA91-00120	09/18/01
SEDGLEY PARK APTS.	Philadelphia, PA	PA91-00120	09/18/01
WILLIE T. WRIGHT APTS.	Newark, NJ	NJ88-00801	10/25/02
YORKTOWN ARMS APTS.	Philadelphia, PA	PA95-00040	05/08/01

EXHIBIT 1, PARTICIPANTS IN THE APPLICATION INFORMATION

Principal Printed Name:

General Partners

Castle Gardens – Michaels LLC, GP., 100% owned by Michael J. Levitt

Kings Row – Michaels LLC, GP., 100% owned by Michael J. Levitt

Yale Village – Michaels LLC, GP., 100% owned by Michael J. Levitt

Continental Terrace – Michaels LLC, GP., 100% owned by Michael J. Levitt

Limited Partner

All Limited Partner interests are owned by Michael J. Levitt

At time of syndication Michael J. Levitt's limited partnership interest will be transferred to the entity buying the credits.

Section 1. Other Describe:

Chaparral Housing Associates is a HUD 221 (d)(3).

EXHIBIT 1 PARTICIPANTS IN THE APPLICATION INFORMATION

Part E. Previous Participation and Background Certification Form

Section 3. National Previous Participation and Background Certification Form

Subsection (a). Principal's Authorization to Release Request for Compliance Status (To be completed by Applicant.)

The Principal named below is applying for funding from the Texas Department of Housing and Community Affairs (TDHCA) for the following developments (List the "Applicant Legal Name" for each current or pending TDHCA application of the Principal): Castle Gardens Associates, L.P., Kings Row Associates, L.P., Continental Terrace Associates, L.P. and Yale Village Associates, L.P.

The under signed, hereby requests and authorizes the agency named in Subsection (b) to release to TDHCA information regarding any low-income housing development that the agency monitors and in which this Principal has or is participating. A description of the Principal's participation in this state's affordable housing programs is provided in Subsection (c).

Principal's Signature [Signature] Date 2/12/03 Principal's Printed Name John O' Donnell

Subsection (b). State Agency Response to Request for Compliance Status (To be completed by State Agency.)

State Agency Name: _____ Contact: _____

Address: _____

City: _____ State: _____ ZIP: _____ Phone: _____

- 1. Has this state agency issued an 8823 for any violations in the last three years in the following categories?
 - Major violations of health, safety, and building codes. Such finding is Corrected Uncorrected
 - Refusal to lease to persons with Section 8 vouchers. Such finding is Corrected Uncorrected
 - Determination of a violation under the Fair Housing Act. Such finding is Corrected Uncorrected
 - Development is out of compliance and is never expected to comply as reported to the IRS via an 8823.

2. Are all the developments under control or ownership by the Principal named above in compliance? Yes No

If "No," what formal or informal action has been taken by your agency? _____

3. Is there other information you wish to share regarding compliance status? _____

This response represents this agency's evaluation of the Principal's compliance status as of February 28, 2003.

Prepared By: _____ Title _____ Date _____

Please return "Exhibit 1, Part E, Section 3" to TDHCA no later than May 1, 2003. This documentation can be transmitted by mail to: TDHCA Compliance Monitoring Division, P.O. Box 13941, Austin, Texas 78711-3941, or via fax at 512.475.3359. If you have any questions, contact Sara Carr Newsom at (512) 475-0407. Your prompt response and any information that you are able to share is greatly appreciated.

CP CONTINENTAL, LP
SOURCES & USES OF FUNDS
DECEMBER 13, 2002

SHORT TERM DEBT	
Short Term Note - Note 1 (Cash Down)	\$ 400,000
Short Term Note - Note 2 (Other Assets - Net)	154,833
LONG TERM DEBT ASSUMED	
First Mortgage	1,634,566
SELLER NOTE (PROPERTY)	1,965,434
OWNERS' EQUITY	100
SOURCES	\$ 4,154,933
REAL ESTATE ACQUIRED	
Land	\$ 650,000
Buildings	3,350,000
Subtotal Real Estate Acquired	<u>\$ 4,000,000</u>
OTHER ASSETS ACQUIRED - NET	
Cash - operations	\$ 7,398
Tenant accounts receivable	10,638
Miscellaneous prepaid expenses	47,956
Tenant deposits held in trust	44,878
Escrow Deposits	100,234
Replacement reserve	118,534
Residual Receipts Reserve	2,545
Building equipment - portable	5,888
Office furniture and equipment	5,326
Maintenance equipment	725
Motor Vehicles	1,272
Less: Accumulated depreciation/value adjustment	-
Subtotal - Assets	<u>\$ 345,394</u>
LESS CURRENT LIABILITIES:	
Accounts Payable	\$ (45,122)
Accrued Wages Payable	(24,855)
Accrued Property Taxes	(62,266)
Misc. Current Liabilities	(12,146)
Prepaid Revenue	(39)
Tenant deposits held in trust	(46,033)
Subtotal - Current Liabilities	<u>\$ (190,461)</u>
Other Assets - Net	<u>\$ 154,933</u>
USES	\$ 4,154,933

CP KINGS, LP
SOURCES & USES OF FUNDS
DECEMBER 13, 2002

SHORT TERM DEBT	
Short Term Note - Note 1 (Cash Down)	\$ 530,000
Short Term Note - Note 2 (Other Assets - Net)	532,338
LONG TERM DEBT ASSUMED	
First Mortgage	3,972,710
Misc. Long Term Debt	-
SELLER NOTE (PROPERTY)	797,290
OWNERS' EQUITY	100
SOURCES	\$ 5,832,438
REAL ESTATE ACQUIRED	
Land	\$ 400,000
Buildings	4,900,000
Subtotal Real Estate Acquired	\$ 5,300,000
OTHER ASSETS ACQUIRED - NET	
Cash - operations	\$ 86,541
Tenant accounts receivable	10,446
Miscellaneous prepaid expenses	79,326
Tenant deposits held in trust	11,757
Escrow Deposits	2,830,512
Replacement reserve	438,933
Building equipment - portable	4,793
Furniture for project/tenant use	2,963
Furnishings	3,238
Office furniture and equipment	790
Maintenance equipment	1,088
Less: Accumulated depreciation/value adjustment	(1,425,975)
Subtotal - Assets	\$ 2,044,412
LESS CURRENT LIABILITIES:	
Accounts Payable	\$ (29,535)
Accrued Property Taxes	(82,778)
Prepaid Revenue	(2,393)
Tenant deposits held in trust	(10,418)
Miscellaneous long-term liabilities	(1,386,850)
Subtotal - Current Liabilities	\$ (1,511,973)
Other Assets - Net	\$ 532,438
USES	\$ 5,832,438

CP CASTLE, LP
SOURCES & USES OF FUNDS
DECEMBER 13, 2002

SHORT TERM DEBT	
Short Term Note - Note 1 (Cash Down)	\$ 320,000
Short Term Note - Note 2 (Other Assets - Net)	392,912
LONG TERM DEBT ASSUMED	
First Mortgage	1,176,525
SELLER NOTE (PROPERTY)	
	1,703,475
OWNERS' EQUITY	
	100
SOURCES	\$ 3,593,012
REAL ESTATE ACQUIRED	
Land	\$ 370,000
Buildings	2,830,000
Subtotal Real Estate Acquired	<u>\$ 3,200,000</u>
OTHER ASSETS ACQUIRED - NET	
Cash - operations	\$ 5,436
Tenant accounts receivable	9,832
Miscellaneous prepaid expenses	36,803
Tenant deposits held in trust	15,055
Replacement reserve	409,229
Building equipment - portable	3,924
Furniture for project/tenant use	593
Furnishings	6,983
Office furniture and equipment	847
Maintenance equipment	94
Motor Vehicles	1,111
Less: Accumulated depreciation/value adjustment	-
Subtotal - Assets	<u>\$ 489,907</u>
LESS CURRENT LIABILITIES:	
Accounts Payable	(18,914)
Misc. Current Liabilities	(63,960)
Prepaid Revenue	(48)
Tenant deposits held in trust	(13,973)
Subtotal - Current Liabilities	<u>\$ (96,895)</u>
Other Assets - Net	<u>\$ 393,012</u>
USES	\$ 3,593,012

CP YALE, LP
SOURCES & USES OF FUNDS
DECEMBER 13, 2002

SHORT TERM DEBT	
Short Term Note - Note 1 (Cash Down)	\$ 670,000
Short Term Note - Note 2 (Other Assets - Net)	468,987
LONG TERM DEBT ASSUMED	
First Mortgage	1,886,637
Misc. Long Term Debt	1,237,676
SELLER NOTE (PROPERTY)	2,905,687
OWNERS' EQUITY	100
SOURCES	\$ 7,169,087
REAL ESTATE ACQUIRED	
Land	\$ 550,000
Buildings	6,150,000
Subtotal Real Estate Acquired	<u>\$ 6,700,000</u>
OTHER ASSETS ACQUIRED - NET	
Cash - operations	113,991
Tenant accounts receivable	21,460
Miscellaneous prepaid expenses	57,437
Tenant deposits held in trust	19,102
Escrow Deposits	153,086
Replacement reserve	211,892
Building equipment - portable	25,611
Office furniture and equipment	2,884
Maintenance equipment	1,146
Miscellaneous fixed assets	2,452
Subtotal - Assets	<u>\$ 609,062</u>
LESS CURRENT LIABILITIES:	
Accounts Payable	\$ (940)
Accounts Payable - Sec 8 and others	(16,462)
Accrued Property Taxes	(104,281)
Prepaid Revenue	(25)
Tenant deposits held in trust	(18,268)
Subtotal - Current Liabilities	<u>\$ (139,976)</u>
Other Assets - Net	<u>\$ 469,087</u>
USES	\$ 7,169,087

EXHIBIT 102B – PROPOSED WORK WRITE-UP FOR REHABILITATION PROJECTS

(Only available in Excel Format)

Name of Project: **CASTLE GARDEN APARTMENTS**

TDHCA Project # **02022**

Instructions: The Project Owner's architect or contractor should complete this form. The Proposed Work Write-up will assist the Department in its review of development costs to ensure that those costs are realistic. The activity descriptions provided below should be detailed enough so that a staff member may clearly identify the proposed work and may evaluate the cost against current market standards. Each item should include the cost of labor and material plus any charges for equipment, overhead and profit from a subcontractor or material supplier. Attach all building by building itemizations that led to the summary totals below.

Example:
Roofing

Removed all existing shingles and felt. Replaced 10% of roof decking and soffit material. Entire project reroofed with roofing felt, flashing and shingles. Attic roof ventilators replaced.	160	Squares	\$ 30.00	2,700	7,500
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Item	Brief Description of Activity Performed or Material Installed	Quantity	Material		Labor	Total Cost
			Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	

OFF-SITES

Off-site concrete						-
Storm drains & devices						-
Water & fire hydrants						-
Off-site utilities						-
Sewer lateral(s)						-
Off-site paving						-
Off-site electrical						-
Other: (specify)						-
Subtotal Off-Sites Cost						-

SITE WORK

Demolition						
Clean ventilation	152	ea	\$ 10.00	1,520		1,520
demo carpet /haul away	70000	sf	\$ 0.15	10,500		10,500
Demo mechanical equipment	152	ea	\$ 20.00	3,040		3,040
Demo roofs	882	squares	\$ 2.00	1,764		1,764
demo exterior concrete	1	ls	\$ 2,500.00	2,000		2,500
Rough grading						-
Fine grading						-
Storm drain & detention ponds						-
On-site concrete						
20 x20 6" #5rebar 5000psi	4	locations	\$ 650.00	1,690		2,600
100' concrete / remove/repla	1	ls	\$ 1,000.00	650		1,000
repair / overlay /resurf	1	ls	\$ 45,000.00	15,750		45,000
On-site electrical						-
On-site paving						-
On-site utilities						-
Decorative masonry						-
Bumper stops, striping & signs	1	ls	\$ 2,500.00	2,000		2,500
Landscaping	1	ls	\$ 25,000.00	11,250		25,000
Pool and decking						-
Recreational facilities/playgrounds						

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

	Playground / Recreational / Benches	1	ls	\$ 27,500.00	2,750	27,500
	Exercise Room Shell	420	sf	\$ 25.00	-	10,500
	Exercise Room ffe	1	ls	\$ 10,000.00	1,000	10,000
	Exercise Room mep	1	ls	\$ 3,000.00	1,200	3,000
	Exercise Room finishes	1	ls	\$ 2,450.00	980	2,450
Fencing						
Fencing Description	2" 6 ft Tubular picket	2760	lf	\$ 35.50	34,293	97,980
Security gate and controls	Motor Operated Gates	4	ea	\$ 4,700.00	6,580	18,800
	Security Intercom	2	ea	\$ 5,000.00	3,500	10,000
Post Office Boxes						-
Trash collection facilities						-
Other: (specify)						-
Subtotal Site Work Cost						285,654
DIRECT CONSTRUCTION						
Concrete						-
Light weight concrete						-
Masonry						-
Metals						-
Rough Carpentry						
	rail stinger tread riser	38	ea	\$ 1,000.00	24,700	38,000
	building ends	2856	sf	\$ 2.25	1,607	6,426
	interior stairways	6080	sf	\$ 2.25	3,420	13,680
	stairway soffit	1900	sf	\$ 3.14	1,492	5,966
	window / door mold	152	un	\$ 44.00	5,016	6,688
	fascia	5906	lf	\$ 2.82	8,327	16,655
	trash enclosures	6	ea	\$ 750.00	2,700	4,500
Finish Carpentry						-
Waterproofing						-
Insulation (specify installation locations and R-rating)						
	blown 5-1/4" R22	78000	sf	\$ 0.51	11,934	39,780
	water heater	78	ea	\$ 35.00	683	2,730
	door sill and windows	152	un	\$ 4.00	456	608
	foam sealants	152	un	\$ 45.00	5,130	6,840
Roofing	14 roofs asphalt shingles	882	squares	\$ 155.00	54,684	136,710
Sheet metal	Addl roof vents	60	ea	\$ 75.00	1,575	4,500
Electrical						
GFIC	Kitchen	152	ea	\$ 12.50	760	1,900
GFIC	second bath	32	ea	\$ 12.50	160	400
GFIC	Master bath	152	ea	\$ 12.50	760	1,900
GFIC	Electrical wiring	184	ea	\$ 65.00	4,784	11,960
Smoke Detectors	Bedrooms	320	ea	\$ 15.00	960	4,800
Carbon Monoxide Detectors		152	un	\$ 47.00	1,429	7,144
Hard Wire Smoke Detector	Electrical wiring	152	un	\$ 55.00	6,688	8,360
Hard Wire Smoke Detector	Kitchen Detector	152	ea	\$ 45.00	5,472	6,840
Circuit breakers / wiring / hvac		152	un	\$ 175.00	17,290	26,600
Ttransformer to Sub Panel	per electrical engineer	152	un	\$ 200.00	30,400	30,400
bath lighting		184	ea	\$ 15.00	1,104	2,760
bath lighting flourecent bulbs		552	ea	\$ 6.00	331	3,312
wiring for garbage disposal		152	un	\$ 50.00	6,080	7,600
Plumbing						
Water and gas pipe fittings, pipe installation etc.						
undersink plumbing		152	ea	\$ 20.00	2,128	3,040
angle stops	toilets+sinks	456	ea	\$ 4.00	1,277	1,824
angle stops	Kitchen	152	ea	\$ 4.00	426	608
Jet clean waste line		1	ls	\$ 3,500.00	2,450	3,500
Scope waste line		1	ls	\$ 3,500.00	2,450	3,500

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

waste line repairs	1	ls	\$ 5,000.00	3,500	5,000
waste line demo/ backfill	1	ls	\$ 4,500.00	4,500	4,500
Bathtubs/Shower Enclosures					
Goose-neck shower supply	184	ea	\$ 10.00	644	1,840
Low flow shower heads	184	ea	\$ 10.00	644	1,840
shower enclosure/ valves	184	ea	\$ 200.00	29,440	36,800
tub replacement	61	ea	\$ 675.00	32,940	41,175
Toilets	184	ea	\$ 280.00	18,032	51,520
Sinks	152	ea	\$ 30.00	1,596	4,560
Lavatories					
Fixtures	152	ea	\$ 45.00	1,368	6,840
Water Heater (Provide Flue Effic.)					
50 gal	12	ea	\$ 600.00	2,520	7,200
40 gal	66	ea	\$ 275.00	6,353	18,150
water heater timer	78	ea	\$ 38.00	593	2,964
Other (describe)					-
HVAC					
Air Conditioners (Provide SEER Rating)					
Furnace	152	ea	\$ 1,025.00	62,320	155,800
Airhandler / Condensate Line	152	ea	\$ 465.00	28,272	70,680
Programable Thermostat	152	ea	\$ 75.00	4,560	11,400
Condensor/ complete	152	ea	\$ 1,285.00	78,128	195,320
Ductwork, electrical, lines, etc.	152	un	\$ 100.00	13,680	15,200
Ceiling Fans	472	ea	\$ 145.00	27,376	68,440
Other (describe)					-
Doors					
Peep hole	152	un	\$ 17.00	517	2,584
Entry Door Frame Wood	152	un	\$ 50.00	3,040	7,600
Entry Sill, bulb sweep, weatherstrip	152	un	\$ 35.00	2,128	5,320
Windows					
Windows (describe i.e. double hung, dual pane)					
Vertical blinds for new windows	672	ea	\$ 20.00	3,360	13,440
New windows dual pane vinyl low e	672	ea	\$ 225.00	37,800	151,200
Solar Screens					-
Glazing (Mirrors, window walls and special glazing not incl. in Windows.					-
Lath & plaster					-
Drywall					
GFIC D/W repair	184	ea	\$ 80.00	8,832	14,720
Hard Wire Smoke Detectors D/W r	152	ea	\$ 17.00	1,550	2,584
Tile work					
Acoustical					-
Resilient or other flooring					
Vinyl base	27296	lf	\$ 1.64	13,430	44,765
vct Hall	5440	sf	\$ 2.25	3,672	12,240
VCT stairs	3800	sf	\$ 2.25	2,565	8,550
vct baths	184	un	\$ 90.00	4,968	16,560
vct kitchen /dining	20776	sf	\$ 2.25	14,024	46,746
Carpeting					
Carpet bedrooms	35488	sf	\$ 1.50	21,293	53,232
Carpet livingrooms	27632	sf	\$ 1.50	16,579	41,448
carpet vct move furniture	70000	sf	\$ 0.12	8,478	8,478
Painting & decorating					
siding	11000	sf	\$ 0.21	1,733	2,310
fascia	5906	lf	\$ 0.54	2,392	3,189

2001 UHFC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT


	refinish kitchen cabinet	152	un	\$ 75.00	8,550	11,400
	paint units and misc d/w repair	152	un	\$ 400.00	45,600	60,800
	door trim	2584	lf	\$ 0.54	1,047	1,395
	doors and Frames	152	un	\$ 20.00	2,280	3,040
Specialties						
Cabinets						
	bath vanity	184	ea	\$ 45.00	3,726	8,280
	bath vanity countertop	184	ea	\$ 65.00	5,382	11,980
	kitchen doors and drawers	152	un	\$ 60.00	2,736	9,120
	kitchen hardware	152	un	\$ 5.00	456	760
	countertops	152	un	\$ 225.00	13,680	34,200
Equipment for modification for pers	Handicap upgrade	1	le	\$ 15,000.00	9,000	15,000
Appliances						
	Range					
	Oven	152	ea	\$ 320.00	4,864	48,640
	Refrigerator	152	ea	\$ 415.00	6,308	63,080
	Microwave					
	Dishwasher					
	Disposal	152	ea	\$ 45.00	2,394	6,840
	Other (describe) Fire Extinguisher	152	ea	\$ 18.00	547	2,736
	Washer					
	Fan/Hood	152	ea	\$ 50.00	760	7,600
	Dryer					
Special Equipment (describe)						
Fireplaces						
Carports or garages						
Accessory buildings						
	Office repairs	1	ls	\$ 4,500.00	2,700	4,500
	Community room	1	ls	\$ 2,500.00	1,500	2,500
	project signage	1	ls	\$ 1,500.00	900	1,500
	entry map	1	ls	\$ 750.00	450	750
	building numbers	152	ea	\$ 35.00	3,192	5,320
Elevator						
Lead-Based Paint Abatement						
Asbestos Abatement						
Other: (specify)						
Miscellaneous (not to exceed \$1000)						
Subtotal Direct Construction					882,535	1,843,148
Total Construction Cost (Number should tie with "Construction Hard Costs" amount shown in Exh. 102)						2,128,802

Castle Gardens Associates, L.P.

By: Castle Gardens - Michaels LLC, GP

Project Owner Name

Architect/Contractor Name

By: 
 Signature: John O'Donnell
 Its: Vice President
 February 12, 2003
 Date

By: _____
 Signature
 Its: _____
 Date

EXHIBIT 102B – PROPOSED WORK WRITE-UP FOR REHABILITATION PROJECTS

(Only available in Excel Format)

Name of Project: **KINGS ROW APARTMENTS**

TDHCA Project # **02020**

Instructions: The Project Owner's architect or contractor should complete this form. The Proposed Work Write-up will assist the Department in its review of development costs to ensure that those costs are realistic. The activity descriptions provided below should be detailed enough so that a staff member may clearly identify the proposed work and may evaluate the cost against current market standards. Each item should include the cost of labor and material plus any charges for equipment, overhead and profit from a subcontractor or material supplier. Attach all building by building itemizations that led to the summary totals below.

Example:

Roofing

Removed all existing shingles and felt. Replaced 10% of roof decking and soffit material. Entire project reroofed with roofing felt, flashing and shingles. Attic roof ventilators replaced.	160	Squares	30	2,700	\$7,500
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Item	Brief Description of Activity Performed or Material Installed	Quantity	Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Material		Labor		Total Cost
				Cost/Measure	Total Labor			
OFF-SITES								
	Off-site concrete							\$0
	Storm drains & devices							\$0
	Water & fire hydrants							\$0
	Off-site utilities							\$0
	Sewer lateral(s)							\$0
	Off-site paving							\$0
	Off-site electrical							\$0
	Other: (specify)							\$0
	Subtotal Off-Sites Cost							\$0
SITE WORK								
	Demolition							
	demo existing windows	810	ea	\$ 15.00	12,150			12,150
	Doors, Frames, Screen doors	180	un	\$ 20.00	3,600			3,600
	Clean ventilation	180	un	\$ 10.00	1,800			1,800
	Demo mechanical equipment	180	un	\$ 50.00	9,000			9,000
	Demo siding	1	ls	\$ 7,500.00	7,500			7,500
	Demo roofs	749	squares	\$ 3.50	2,622			2,622
	demo carpet /haul away	57700	sf	\$ 0.15	8,655			8,655
	demo wall sink	180	ea	\$ 15.00	2,700			2,700
	demo exterior concrete	2	ls	\$ 2,500.00	3,750			5,000
	Rough grading							\$0
	Fine grading							\$0
	Storm drain & detention ponds							\$0
	On-site concrete							
	Balcony landings	2250	sf	\$ 9.85	14,406			22,163
	wheel chair ramp	1	ls	\$ 1,000.00	650			1,000
	sidewalk, and curb	2	ls	\$ 15,000.00	19,500			30,000
	concrete trash pad	2	ls	\$ 650.00	845			1,300
	On-site electrical							\$0
	On-site paving	1	ls	\$ 45,000.00	11,250			\$45,000

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On-site utilities						\$0
Decorative masonry						\$0
Bumper stops, striping & signs	parking lot striping	1	ls	\$ 2,500.00	2,000	\$2,500
Landscaping						
	Landscaping	1	ls	\$ 25,000.00	15,000	25,000
	area drainage	1	ls	\$ 4,000.00	3,200	4,000
	erosion repairs	1	ls	\$ 4,000.00	3,200	4,000
Pool and decking						\$0
Recreational facilities/playgrounds						
	Playground / Recreational / Bench	1	ls	\$ 7,500.00	2,625	7,500
	Exercise Room	420	sf	\$ 80.00	1,680	33,600
	Multi Purpose room ffe	1	ea	\$ 20,000.00		20,000
	Multi Purpose room computer	1	ea	\$ 5,000.00		5,000
Fencing						
Fencing Description						\$0
Security gate and controls						
	Motor Operated Gates	3	ea	\$ 12,500.00	18,750	37,500
	Security Intercom	3	ea	\$ 5,000.00	3,750	15,000
Post Office Boxes						\$0
Trash collection facilities						\$0
Other: (specify)						\$0
Subtotal Site Work Cost						\$306,589
DIRECT CONSTRUCTION						
Concrete						\$0
Light weight concrete						\$0
Masonry						\$0
Metals	rail stinger tread riser	45	ea	\$ 1,800.00	28,350	\$81,000
Rough Carpentry						
	water heater	180	ea	\$ 100.00	12,600	18,000
	lap siding	8197	sf	\$ 2.25	12,911	18,444
	t-111	4782	sf	\$ 2.25	7,531	10,759
	sofit	2795	sf	\$ 3.14	6,142	8,775
	window / door mold	810	lf	\$ 22.00	12,474	17,820
	fascia	3105	lf	\$ 2.82	6,129	8,756
		4	ea	\$ 400.00	1,120	1,600
	misc	180	un	\$ 120.00	15,120	21,600
	misc	180	un	\$ 30.00	3,780	5,400
Finish Carpentry						\$0
Waterproofing						\$0
Insulation (specify installation locations and R-rating)						
	Waterheater insulation blanket	180	ea	\$ 35.00	1,890	6,300
	Injection insulation / caulking	180	un	\$ 4.00	576	720
	Exterior Caulking	180	un	\$ 25.00	3,600	4,500
	roof insulation	74980	sf	\$ 1.10	65,982	82,478
Roofing	14 roofs	749.8	squares	\$ 175.00	78,729	\$131,215
Sheet metal	Gutter and Downspout	3475	lf	\$ 2.95	6,151	\$10,251
Electrical						
	GFIC kitchen	180	ea	\$ 10.00	720	1,800
	GFIC Master Bath	180	ea	\$ 10.00	720	1,800
	GFIC wiring	180	ea	\$ 65.00	4,680	11,700
	Smoke Detectors	470	ea	\$ 15.00	2,820	7,050
	Carbon Monoxide Detectors	180	ea	\$ 35.00	2,520	6,300
	Hard Wire Smoke Detectors	180	ea	\$ 25.00	3,600	4,500
	Hard Wire Smoke Detectors	180	ea	\$ 45.00	6,480	8,100
	Circuit breakers / wiring / disconn	180	ea	\$ 120.00	17,280	21,600

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	Circuit breakers / wiring	180	un	\$ 75.00	10,800	13,500
	circuit for w/h timer / closet lite	180	un	\$ 70.00	10,080	12,600
	Ttransformer to Sub Panel upgrade	180	un	\$ 500.00	90,000	90,000
	bath lighting	180	ea	\$ 15.00	675	2,700
	bath lighting flourecent bulbs	540	ea	\$ 6.00	810	3,240
	Multi Purpose room	1	ls	\$ 1,000.00	1,000	1,000
	wiring for hood	180	un	\$ 50.00	6,750	9,000
	wiring for garbage disposal	180	un	\$ 50.00	6,750	9,000
Plumbing						
	Water and gas pipe fittings, pipe installation etc.					
	undersink plumbing	180	ea	\$ 20.00	2,160	3,600
	angle stops	540	ea	\$ 4.00	1,296	2,160
	angle stops	180	ea	\$ 4.00	432	720
	Jet clean waste line	1	ls	\$ 6,500.00	3,900	6,500
	Scope waste line	1	ls	\$ 3,500.00	2,100	3,500
	waste line repairs	1	ls	\$ 20,000.00	12,000	20,000
	waste line demo/ backfill	1	ls	\$ 4,500.00	2,700	4,500
Bathtubs/Shower Enclosures						
	Goose-neck shower supply	180	un	\$ 10.00	450	1,800
	Low flow shower heads	180	un	\$ 10.00	450	1,800
	shower enclosure	180	un	\$ 15.00	675	2,700
	tub replacement	180	un	\$ 15.00	1,755	2,700
	bath vanity plumbing	180	un	\$ 65.00	9,360	11,700
Toilets	Low Flow Toilets	180	ea	\$ 280.00	12,600	\$50,400
Sinks		180	ea	\$ 30.00	2,700	\$5,400
Lavatories					-	\$0
Fixtures	faucets	180	ea	\$ 45.00	4,050	\$8,100
Water Heater (Provide Flue Effic.)						
	30 gal	156	ea	\$ 160.00	6,240	24,960
	40 gal	24	ea	\$ 205.00	1,230	4,920
	water heater	180	ea	\$ 38.00	1,710	6,840
	water heater	180	ea	\$ 150.00	24,300	27,000
	Other (describe)				-	\$0
HVAC						
Air Conditioners (Provide SEER Rating)						
	Furnace	180	un	\$ 735.00	46,305	132,300
	Airhandler / Condensate Line	180	un	\$ 465.00	29,295	83,700
	Programable Thermostat	180	un	\$ 75.00	4,725	13,500
	Condensor/ complete	180	un	\$ 1,285.00	80,955	231,300
	duct work modifications	180	un	\$ 50.00	3,150	9,000
	New registers	180	un	\$ 20.00	1,260	3,600
	Ductwork, electrical, lines, etc.				-	\$0
Ceiling Fans	Ceiling fan bedrooms & living room	650	ea	\$ 75.00	19,500	\$48,750
	Other (describe)				-	\$0
Doors						
	Combo deadbolt lock	180	un	\$ 175.00	12,600	31,500
	Peep hole	180	un	\$ 17.00	1,224	3,060
	Entry Door Metal	180	un	\$ 125.00	9,000	22,500
	Entry Door Frame Wood	180	un	\$ 50.00	3,600	9,000
	Entry Sill, bulb sweep, weatherstrip	180	un	\$ 35.00	2,520	6,300
Windows						
Windows (describe i.e. double hung, dual pane)						
	Dual Pane Vinyl Insulated Window	810	ea	\$ 220.00	71,280	178,200
	Vertical blinds for new windows	810	ea	\$ 20.00	6,480	16,200
	Solar Screens				-	\$0
Glazing (Mirrors, window walls and special glazing not incl. in Windows.)						
					-	\$0

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Lath & plaster					-	\$0
Drywall						
	GFIC dw repair	180	ea	\$ 80.00	8,640	14,400
	Hard Wire Smoke Detectors dw re	180	ea	\$ 17.00	1,836	3,060
	drywall repair w/h circuits	180	ea	\$ 40.00	4,320	7,200
	drywall waterheater closet	180	ea	\$ 75.00	8,100	13,500
Tile work					-	\$0
Acoustical					-	\$0
Resilient or other flooring						
	vct Hall	7020	sf	\$ 2.00	3,510	14,040
	vct baths	180	un	\$ 90.00	4,050	16,200
	vct kitchen /dining	33100	sf	\$ 2.25	18,619	74,475
	vct entry	180	un	\$ 25.00	1,125	4,500
	Vinyl base	43510	lf	\$ 1.64	35,678	71,356
Carpeting						
	Carpet bedrooms	57700	sf	\$ 1.50	34,620	86,550
	Carpet livingrooms	30920	sf	\$ 1.50	18,552	46,380
	carpet vct move furniture	57700	sf	\$ 0.12	6,988	6,988
Painting & decorating						
Paint	trim	6210	lf	\$ 0.54	2,515	3,353
	paint units and misc d/w repair	180	un	\$ 475.00	64,125	85,500
Paint	fascia	6210	lf	\$ 0.54	2,515	3,353
Paint	siding and t-111	68310	sf	\$ 0.21	10,759	14,345
Gutter and Downspout	Paint	3475	lf	\$ 0.55	1,433	1,911
Paint	doors and Frames	180	ea	\$ 20.00	2,700	3,600
Specialties					-	\$0
Cabinets						
	bath vanity	180	un	\$ 75.00	5,400	13,500
	bath vanity countertop	180	un	\$ 20.00	1,440	3,600
	complete new cabinets / demo exis	180	un	\$ 1,600.00	100,800	288,000
	kitchen hardware	180	un	\$ 15.00	540	2,700
	countertops	180	un	\$ 190.00	11,970	34,200
	medicine cabinet	180	un	\$ 20.00	720	3,600
Equipment for modification for persons w/ disabilities					-	\$0
Appliances						
Range					-	\$0
Oven		117	ea	\$ 320.00	3,744	\$37,440
Refrigerator		126	ea	\$ 415.00	5,229	\$52,290
Microwave					-	\$0
Dishwasher					-	\$0
Disposal		180	ea	\$ 45.00	2,025	\$8,100
Other (describe) Fire Extinguisher /Backsplash						
	Fire Extinguisher	180	un	\$ 19.00	684	3,420
	Backsplash	180	un	\$ 19.00	684	3,420
Washer					-	\$0
Fan/Hood		180	ea	\$ 50.00	900	\$9,000
Dryer					-	\$0
Special Equipment (describe)	Handicap Upgrades	1	ls	\$ 15,000.00	6,000	\$15,000
Fireplaces					-	\$0
Carports or garages					-	\$0
Accessory buildings						
	Office repairs	1	ls	\$ 4,500.00	3,375	4,500
	Community room	1	ls	\$ 7,500.00	5,625	7,500
	project signage	1	ls	\$ 1,500.00	1,125	1,500
	entry map	1	ls	\$ 750.00	563	750

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

	building numbers	19 bldgs	\$	35.00	499	665
Elevator					-	\$0
Lead-Based Paint Abatement					-	\$0
Asbestos Abatement					-	\$0
Other: (specify)					-	\$0
Miscellaneous (not to exceed \$1000)					-	\$0
Subtotal Direct Construction					1,340,812	\$2,569,615
Total Construction Cost (Number should tie with "Construction Hard Costs" amount shown in Exh. 102)						\$2,876,204

Kings Row Associates, L.P.

By: Kings Row - Michaels LLC, GP

Project Owner Name

Architect/Contractor Name

By: 

Signature John O'Donnell

Its: Vice President

February 12, 2003

Date

By: _____

Signature

Its: _____

Date

EXHIBIT 102B – PROPOSED WORK WRITE-UP FOR REHABILITATION PROJECTS

(Only available in Excel Format)

Name of Project: **Continental Terrace**

TDHCA Project # **02021**

Instructions: The Project Owner's architect or contractor should complete this form. The Proposed Work Write-up will assist the Department in its review of development costs to ensure that those costs are realistic. The activity descriptions provided below should be detailed enough so that a staff member may clearly identify the proposed work and may evaluate the cost against current market standards. Each item should include the cost of labor and material plus any charges for equipment, overhead and profit from a subcontractor or material supplier. Attach all building by building itemizations that led to the summary totals below.

Example:

Roofing

Removed all existing shingles and felt. Replaced 10% of roof decking and soffit material. Entire project reroofed with roofing felt, flashing and shingles. Attic roof ventilators replaced.	160	Squares	30	2,700	\$7,500
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Item	Brief Description of Activity Performed or Material Installed	Quantity	Material		Labor	Total Cost
			Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	
OFF-SITES						
	Off-site concrete					\$0
	Storm drains & devices					\$0
	Water & fire hydrants					\$0
	Off-site utilities					\$0
	Sewer lateral(s)					\$0
	Off-site paving					\$0
	Off-site electrical					\$0
	Other: (specify)					\$0
	Subtotal Off-Sites Cost					\$0
SITE WORK						
	Demolition					
	demo existing windows	1224	ea	\$ 15.00	18,360	18,360
	Clean ventilation	208	ea	\$ 65.00	13,520	13,520
	Demo mechanical equipment	264	ea	\$ 65.00	17,160	17,160
	demo carpet /haul away	6808	yds	\$ 1.35	9,191	9,191
	demo exterior concrete	1	ls	\$ 2,500.00	2,500	2,500
	Demo siding	1	ls	\$ 10,000.00	10,000	10,000
	Rough grading					\$0
	Fine grading					\$0
	Storm drain & detention ponds					\$0
	On-site concrete					
	100' wheel chair ramp	1	ls	\$ 1,000.00	750	1,000
	sidewalk, and curb	1	ls	\$ 15,000.00	12500	15,000
	On-site electrical					
	On-site paving					
	asphalt repair overlay/ res	4000	sy	\$ 60,000.00	30000	60,000

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	parking lot striping		1 ls	\$ 2,500.00	2000	2,500
	On-site utilities	Trenchbackfill addl Elec serv for H	200 ea	\$ 1,225.00	171500	245,000
	Decorative masonry					\$0
	Bumper stops, striping & signs					\$0
	Landscaping					
		Landscaping	1 ls	\$ 25,000.00	5000	25,000
		area drainage	1 ls	\$ 4,000.00	3250	4,000
	Pool and decking					\$0
	Recreational facilities/playgrounds	Playground / Recreational equipme	1 ls	\$ 37,500.00	5000	37,500
	Fencing					
	Fencing Description	2" 6 ft Tubular picket	2690 lf	\$ 35.50	38198	95,495
	Security gate and controls	See attached worksheet and narrative				
		Motor Operated Gates	3 ea	\$ 12,500.00	5000	37,500
		Security Intercom	3 ea	\$ 5,000.00	5000	15,000
	Post Office Boxes					\$0
	Trash collection facilities	Trash Pad 20x20 6" w #5rebar	3 locations	\$ 650.00	1200	1,950
	Other: (specify)					\$0
	Subtotal Site Work Cost					\$610,676
	DIRECT CONSTRUCTION					
	Concrete					\$0
	Light weight concrete					\$0
	Masonry					\$0
	Metals	Gutters and Downspouts	3000 lf	\$ 2.95	2,213	\$8,850
	Rough Carpentry					
		framing water heater / hvac	200 units	\$ 135.00	8100	27,000
		rail stinger tread riser	152 units	\$ 20.00	912	3,040
		trash enclosures	6 locations	\$ 400.00	720	2,400
		Siding	51904 sf	\$ 2.25	35035.2	116,784
		sofit	7500 sf	\$ 3.14	7065	23,550
		window / door mold	5190 lf	\$ 2.20	3425.4	11,418
		corner and trim	5190 lf	\$ 2.82	4390.74	14,636
	Finish Carpentry					
	Waterproofing					\$0
	Insulation (specify installation locations and R-rating)					
		Waterheater insulation blanket	200 ea	\$ 35.00	2100	7,000
		Injection insulation / caulking	200 ea	\$ 10.00	600	2,000
		Blown Insulation R30	176 units	\$ 175.00	9240	30,800
		Exterior Caulking	200 units	\$ 15.00	900	3,000
	Roofing					\$0
	Sheet metal					\$0
	Electrical	See attached worksheet and narrative				
	new subpanels and break	water heater / hvac	200 un	\$ 135.00	13500	27,000
	new meters	water heater / hvac	200 un	\$ 85.00	8500	17,000
	wiring new circuits interna	water heater / hvac	200 un	\$ 250.00	25000	50,000
	Main Distribution Transform	water heater / hvac	3 ea	\$ 22,000.00	33000	66,000
	Cable and Subdistribution	water heater / hvac	200 un	\$ 300.00	30000	60,000
	Building distribution panel	water heater / hvac	36 bldg	\$ 2,000.00	36000	72,000
	circuit for w/h timer / close	water heater / hvac	200 un	\$ 70.00	7000	14,000
	GFIC	Kitchen	200 ea	\$ 10.00	400	2,000
	GFIC	Lower bath	56 ea	\$ 10.00	112	560

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

	GFIC	Master bath	256 ea	\$ 10.00	512	2,560
	GFIC	Repairs to drywall	512 ea	\$ 20.00	2048	10,240
	GFIC	Electrical wiring	512 ea	\$ 65.00	6656	33,280
	Hard Wire Smoke Detecto	Bedrooms	424 ea	\$ 15.00	1272	6,360
	Hard Wire Smoke Detecto	Bedrooms elect wiring	424 ea	\$ 35.00	7420	14,840
	bath lighting		264 ea	\$ 15.00	1188	3,960
	bath lighting flourecent bulbs		792 ea	\$ 6.00	475.2	4,752
	Ceiling fan bedrooms & living room		624 ea	\$ 75.00	14040	46,800
	Plumbing					
	Water and gas pipe fittings, pipe installation etc.					
		undersink plumbing	200 un	\$ 20.00	2800	4,000
		angle stops	264 ea	\$ 4.00	739.2	1,056
		angle stops	200 un	\$ 4.00	560	800
		Jet clean waste line	1 ls	\$ 6,500.00	4550	6,500
		Scope waste line	1 ls	\$ 3,500.00	2450	3,500
		waste line repairs	1 ls	\$ 20,000.00	14000	20,000
		waste line demo/ backfill	1 ls	\$ 4,500.00	3150	4,500
	Bathtubs/Shower Enclosures					
		Low flow shower heads	208 ea	\$ 10.00	832	2,080
		Goose-neck shower supply	208 ea	\$ 10.00	832	2,080
		shower enclosure	200 ea	\$ 15.00	1200	3,000
		tub replacement	200 ea	\$ 15.00	1200	3,000
	Toilets	Low Flow Toilets	264 ea	\$ 280.00	18480	73,920
	Sinks		200 un	\$ 30.00	2,100.00	\$6,000
	Lavatories	bath vanity plumbing	264 ea	\$ 65.00	\$6,864	\$17,160
	Fixtures	faucets	200 un	\$ 45.00	3,150.00	\$9,000
	Water Heater (Provide Flue Effic.)					
		Water heater	200 un	\$ 160.00	8000	32,000
		Water heater timer	200 un	\$ 38.00	1900	7,600
		plumbing modifications	200 un	\$ 50.00	6500	10,000
	Other (describe)					
	HVAC					
	Air Conditioners (Provide SEER Rating)					
		Furnace	208 ea	\$ 735.00	38220	152,880
		Airhandler / Condensate Line	208 ea	\$ 465.00	24180	96,720
		ProgramableThermostat	208 ea	\$ 75.00	3900	15,600
		Condensor/ complete	208 ea	\$ 1,285.00	66820	267,280
	Ductwork, electrical, lines, etc.					
		duct work modifications	200 un	\$ 75.00	9000	15,000
		New registers	416 ea	\$ 20.00	832	8,320
	Ceiling Fans					
	Other (describe)					
	Doors					
		Entry Sill, bulb sweep, weatherstrip	50 ea	\$ 35.00	875	1,750
		Peep hole	200 ea	\$ 20.00	2000	4,000
	Windows					
	Windows (describe i.e. double hung, dual pane)					
		Dual Pane Vinyl Insulated Window	1224 ea	\$ 320.00	137088	391,680
		Recondition sliders	200 units	\$ 35.00	2450	7,000
		Vertical blinds for new windows	1224 ea	\$ 30.00	12852	36,720
	Solar Screens					
	Glazing (Mirrors, window walls and special glazing not incl. in Windows.					
	Lath & plaster					

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

Drywall							
	drywall repair hvac/ w/h circuits	200	units	\$ 85.00	11900	17,000	
	drywall hvac/waterheater closet	200	units	\$ 100.00	14000	20,000	
Tile work							\$0
Acoustical							\$0
Resilient or other flooring	See attached worksheet and narrative						
	Vinyl base	28240	lf	\$ 1.55	28451.8	43,772	
	vct baths	264	ea	\$ 74.25	12741.3	19,602	
	vct kitchen	200	ea	\$ 101.25	13162.5	20,250	
	vct entry	200	ea	\$ 25.00	3250	5,000	
	VCT bedrooms	61056	sf	\$ 2.25	89294.4	137,376	
Carpeting	See attached worksheet and narrative						
	carpet stairs	152	units	\$ 85.00	3876	12,920	
	carpet livingroom / Hall	6808	sq. yds	\$ 9.50	19402.8	64,676	
	carpet move furniture	6808	sy	\$ 2.00	4084.8	13,616	
Painting & decorating	See attached worksheet and narrative						
	GFIC	512	ea	\$ 80.00	20480	40,960	
	Gutter and Downspout	3000	lf	\$ 0.55	825	1,650	
	Hard Wire Smoke Detectors	425	ea	\$ 17.00	3612.5	7,225	
	paint units and misc d/w repair	200	units	\$ 475.00	47500	95,000	
	refinish kitchen cabinet	200	units	\$ 35.00	3500	7,000	
Specialties							\$0
Cabinets							
	bath vanity	132	ea	\$ 75.00	2475	9,900	
	bath vanity countertop	264	ea	\$ 20.00	1320	5,280	
	medicine cabinet	50	ea	\$ 20.00	250	1,000	
	kitchen doors and drawers	200	units	\$ 80.00	4000	16,000	
	kitchen hardware	200	units	\$ 15.00	750	3,000	
	countertops	200	units	\$ 190.00	9500	38,000	
Equipment for modification for persons w/ disabilities							
	Handicap upgrades	1	ls	\$ 15,000.00	7500	15,000	
	convert 20% 2 bdrm townhomes to	18	ea	\$ 11,500.00	134550	\$ 207,000	
	convert 20% 3 bdrm townhomes to	12	ea	\$ 1,500.00	11700	\$ 18,000	
Appliances							
	Range				\$0	\$0	
	Oven	stoves and ovens	100	ea	\$ 320.00	3,200	\$32,000
	Refrigerator		160	ea	\$ 415.00	6,640	66,400
	Microwave						\$0
	Dishwasher						\$0
	Disposal	garbage disposal	160	ea	\$ 45.00	\$720	\$7,200
	Other (describe)						
	splash		200	units	\$ 20.00	800	4,000
	Fire Extinguisher		200	units	\$ 18.00	720	3,600
	Washer						\$0
	Fan/Hood	ventahoods	100	ea	\$ 50.00	\$500	\$5,000
	Dryer						\$0
Special Equipment (describe)							
Fireplaces							\$0
Carports or garages							\$0
Accessory buildings							
	Office repairs		1	ls	\$ 4,500.00	2250	4,500
	Community room		1	ls	\$ 4,500.00	2250	4,500
	project signage		1	ls	\$ 1,500.00	750	1,500


2001 LHFC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

	entry map	3	ls	\$ 750.00	1125	2,250
	building numbers	36	bldg	\$ 350.00	6300	12,600
	Elevator					\$0
	Lead-Based Paint Abatement					\$0
	Asbestos Abatement					\$0
	Other: (specify)					
	misc repairs	200	units	\$ 120.00	12000	24,000
	misc hardware	200	units	\$ 30.00	3000	6,000
	Miscellaneous (not to exceed \$1000)					\$0
Subtotal Direct Construction						\$2,877,753
Total Construction Cost (Number should tie with "Construction Hard Costs" amount shown in Exh. 102)						\$3,488,429

Continental Terrace Associates, L.P.

By: Continental Terrace - Michaels LLC, GP
Project Owner Name

Architect/Contractor Name

By: 
Signature John O'Donnell
Its: Vice President
February 12, 2003
Date

By: _____
Signature
Its: _____
Date

EXHIBIT 102B – PROPOSED WORK WRITE-UP FOR REHABILITATION PROJECTS

(Only available in Excel Format)

Name of Project: **YALE VILLAGE**

TDHCA Project # **02019**

Instructions: The Project Owner's architect or contractor should complete this form. The Proposed Work Write-up will assist the Department in its review of development costs to ensure that those costs are realistic. The activity descriptions provided below should be detailed enough so that a staff member may clearly identify the proposed work and may evaluate the cost against current market standards. Each item should include the cost of labor and material plus any charges for equipment, overhead and profit from a subcontractor or material supplier. Attach all building by building itemizations that led to the summary totals below.

Example:
Roofing

Removed all existing shingles and felt. Replaced 10% of roof decking and soffit material. Entire project reroofed with roofing felt, flashing and shingles. Attic roof ventilators replaced.	160	Squares	\$ 30	2,700	\$7,500
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Item	Brief Description of Activity Performed or Material Installed	Quantity	Material		Labor	Total Cost
			Type of Measure (squares, linear ft., sq. ft, lbs., etc.)	Cost/Measure	Total Labor	

OFF-SITES

Off-site concrete						\$0
Storm drains & devices						\$0
Water & fire hydrants						\$0
Off-site utilities						\$0
Sewer lateral(s)						\$0
Off-site paving						\$0
Off-site electrical						\$0
Other: (specify)						\$0
Subtotal Off-Sites Cost						\$0

SITE WORK

Demolition						
	1	LS	\$ -			
<i>Demo existing windows</i>	1	LS	\$ -	20,700		\$20,700
<i>Clean ventilation</i>	1	LS	\$ -	2,500		\$2,500
<i>Demo mechanical equipment</i>	1	LS	\$ -	6,250		\$6,250
<i>Demo siding</i>	1	LS	\$ -	20,000		\$20,000
<i>Demo carpet /haul away</i>	1	LS	\$ -	6,315		\$6,315
<i>Demo exterior concrete</i>	1	LS	\$ 250	2,250		\$2,500
Rough grading						\$0
Fine grading						\$0
Storm drain & detention ponds						\$0
On-site concrete						
<i>Wheel chair ramp</i>	2	LS	\$ 600	800		2,000
<i>Sidewalk, and curb</i>	1	LS	\$ 9,000	6,000		15,000
<i>Concrete trash pad</i>	2	LS	\$ 390	520		1,300
On-site electrical						\$0
On-site paving						
<i>Asphalt repair/ recompact/ overlay</i>	1	LS	\$ 42,500	\$42,500		\$85,000

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On-site utilities
 Decorative masonry
 Bumper stops, striping & signs
 Landscaping

 Pool and decking
 Recreational facilities/playgrounds

 Fencing
 Fencing Description
 Security gate and controls
 Post Office Boxes
 Trash collection facilities
 Other: (specify)
Subtotal Site Work Cost

DIRECT CONSTRUCTION

Concrete
 Light weight concrete
 Masonry
 Metals
 Rough Carpentry

 Finish Carpentry
 Waterproofing
 Insulation (specify installation locations and R-rating)

 Roofing
 Sheet metal
 Electrical

<i>Asphalt Striping</i>	1	LS	\$ 500	\$2,000	\$2,500
					\$0
					\$0
<i>Landscaping Planting and Trees</i>	1	LS	\$ 15,000	\$10,000	\$25,000
<i>Area drainage</i>	1	LS	\$ 800	\$3,200	\$4,000
<i>Errosion repairs</i>	1	LS	\$ 800	\$3,200	\$4,000
					\$0
<i>Playground / Recreational equipme</i>	1	LS	\$ 33,750	3,750	37,500
<i>Multi Purpose room - New</i>	1	LS	\$ 170,000	170,000	340,000
<i>Multi Purpose room - F&E</i>	1	LS	\$ 18,000	2,000	20,000
<i>Multi Purpose room - Computer</i>	1	LS	\$ 4,500	500	5,000
<i>Multi Purpose room - High Speed</i>	1	LS	\$ 900	100	1,000
					\$0
					\$0
					\$0
<i>trash enclosures</i>	12	ea	\$ 120	\$3,360	\$4,800
<i>Hydrant locators / reflectors</i>	3	ea	\$ 38	\$113	\$225
					\$605,590
					\$0
					\$0
					\$0
					\$0
<i>Stairway repairs</i>	212	ea	\$ 14.00	1,272	4,240
<i>Frame / door waterheater closet</i>	250	ea	\$ 40.00	15,000	25,000
<i>Siding</i>	62769	sf	\$ 1.35	56,492	141,230
<i>Siding soffit</i>	5978	lf	\$ 1.88	7,508	18,771
<i>Siding window door mold</i>	1630	lf	\$ 13.20	14,344	35,860
<i>Siding corner and trim</i>	5978	lf	\$ 1.69	6,743	16,858
<i>Fascia replacement - 10%</i>	598	lf	\$ 1.80	718	1,794
<i>Siding rot replair - 10%</i>	6277	sf	\$ 0.15	3,766	4,708
					\$0
					\$0
<i>Waterheater insulation blanket</i>	250	ea	\$ 28.00	1,750	\$8,750
<i>Injection insulation / caulking</i>	1,630	lf	\$ 0.80	5,216	\$6,520
<i>Exterior Caulking</i>	250	un	\$ 1.00	1,000	\$1,250
					\$0
<i>Gutter and Downspout</i>	5978	lf	\$ 1.77	\$7,054	\$17,635
<i>GFIC</i>	250	ea	\$ 7.00	750.00	\$2,500
<i>GFIC</i>	374	ea	\$ 7.00	1,122.00	\$3,740
<i>GFIC</i>	250	ea	\$ 7.00	750.00	\$2,500
<i>GFIC - wiring</i>	874	ea	\$ 19.50	39,767.00	\$56,810
<i>Smoke Detectors</i>	630	ea	\$ 13.50	945.00	\$9,450
<i>Carbon Monoxide Detectors</i>	250	un	\$ 31.50	875.00	\$8,750
<i>Hard Wire Smoke Detectors</i>	250	un	\$ 7.50	4,375.00	\$6,250
<i>Hard Wire Smoke Detectors</i>	250	un	\$ 13.50	7,875.00	\$11,250

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

	<i>Circuit breakers / wiring</i>	250	un	\$ 22.50	13,125.00	\$18,750
	<i>circuit for w/h timer / closet lite</i>	250	un	\$ 21.00	12,250.00	\$17,500
	<i>bath lighting</i>	374	ea	\$ 4.50	3,927.00	\$5,610
	<i>bath lighting flourecent bulbs</i>	1122	ea	\$ 5.40	673.20	\$6,732
Plumbing	Water and gas pipe fittings, pipe installation etc.					
	<i>bath vanity plumbing</i>	374	ea	\$ 22.75	15,801.50	\$24,310
	<i>Jet clean waste line</i>	1	ls	\$ 650.00	5,850.00	\$6,500
	<i>Scope waste line</i>	1	ls	\$ 350.00	3,150.00	\$3,500
	<i>waste line repairs</i>	1	ls	\$ 2,000	18,000.00	\$20,000
	<i>waste line demo/ backfill</i>	1	ls	\$ 450.00	4,050.00	\$4,500
	<i>undersink plumbing</i>	250	ea	\$ 2.00	4,500.00	\$5,000
	<i>angle stops Toilets / Sinks</i>	1122	ea	\$ 0.40	4,039.20	\$4,488
	<i>angle stops Kitchen</i>	500	ea	\$ 0.40	1,800.00	\$2,000
Bathtubs/Shower Enclosures						
	<i>Goose-neck shower supply</i>	412	ea	\$ 6.50	1,442.00	\$4,120
	<i>Low flow shower heads</i>	412	ea	\$ 6.50	1,442.00	\$4,120
	<i>shower enclosure repair</i>	50	un	\$ 4.50	525.00	\$750
	<i>tub repair</i>	50	un	\$ 4.50	525.00	\$750
Toilets	<i>low flow toilets</i>	374	ea	\$ 210.00	\$26,180	\$104,720
Sinks		250	ea	\$ 18.00	\$3,000	\$7,500
Lavatories						\$0
Fixtures	<i>faucets</i>	250	ea	\$ 27.00	\$4,500	\$11,250
Water Heater (Provide Flue Effic.)						
	<i>30 gal</i>	214	ea	\$ 104.00	11,984.00	\$34,240
	<i>40 gal</i>	36	ea	\$ 133.25	2,583.00	\$7,380
	<i>water heater timer</i>	250	ea	\$ 34.20	950.00	\$9,500
	<i>water heater plumbing modification</i>	250	ea	\$ 8.00	18,000.00	\$20,000
Other (describe)						\$0
HVAC	Air Conditioners (Provide SEER Rating)					
	<i>Furnace</i>	250	ea	\$ 441.00	73,500.00	\$183,750
	<i>Airhandler / Condensate Line</i>	163	ea	\$ 279.00	30,318.00	\$75,795
	<i>Programable Thermostat</i>	250	ea	\$ 45.00	7,500.00	\$18,750
	<i>Condensor/ complete</i>	88	ea	\$ 771.00	45,232.00	\$113,080
	<i>New registers</i>	250	un	\$ 12.00	2,000.00	\$5,000
Ductwork, electrical, lines, etc.						\$0
Ceiling Fans	<i>Bedrooms and livingrooms</i>	880	un	\$ 45.00	\$26,400	\$66,000
Other (describe)						\$0
Doors						
	<i>Combo deadbolt lock</i>	250	un	\$ 105.00	17,500	\$43,750
	<i>Peep hole</i>	250	un	\$ 6.80	2,550	\$4,250
	<i>Entry Sill, bulb sweep, weatherstrip</i>	250	un	\$ 14.00	5,250	\$8,750
	<i>Entry Door Metal</i>	200	un	\$ 81.25	8,750	\$25,000
	<i>Entry Door Frame Wood</i>	220	un	\$ 20.00	6,600	\$11,000
Windows						
	Windows (describe i.e. double hung, dual pane)					
	<i>Dual Pane Vinyl Insulated Windows</i>	1380	ea	\$ 132.00	121,440	\$303,600
	<i>Vertical blinds for new windows</i>	1242	ea	\$ 16.00	4,968	\$24,840
Solar Screens						\$0
Glazing (Mirrors, window walls and special glazing not incl. in Windows.						\$0
Lath & plaster						\$0

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Drywall						
	<i>DW repair</i>	874	ea	\$ 16.00	55,936.00	\$69,920
	<i>Paint and Drywall repair Smoke De</i>	250	un	\$ 3.40	3,400.00	\$4,250
	<i>water heater circuits</i>	250	un	\$ 8.00	8,000.00	\$10,000
	<i>water heater closet</i>	250	un	\$ 15.00	15,000.00	\$18,750
Tile work						\$0
Acoustical						\$0
Resilient or other flooring						
	<i>VCT bedrooms</i>	83546	sf	\$ 1.46	65,792.79	187,979.40
	<i>Vinyl base</i>	59650	lf	\$ 1.07	34,239.10	97,826.00
	<i>vct livingroom / Hall</i>	4678	sf	\$ 1.46	15,553.61	44,438.89
	<i>vct baths</i>	374	ea	\$ 48.26	9,719.33	27,769.50
	<i>vct kitchen</i>	250	un	\$ 65.81	8,859.38	25,312.50
	<i>vct entry</i>	250	un	\$ 16.25	2,187.50	6,250.00
Carpeting						
	<i>carpet stairs</i>	212	un	\$ 55.25	6,307.00	\$18,020
	<i>carpet vct move furniture</i>	4678	sf	\$ -	5,099.02	\$5,099
Painting & decorating						
	<i>Gutter and Downspout</i>	5978	lf	\$ 0.33	1,315.16	\$3,288
	<i>paint units and misc d/w repair</i>	250	un	\$ 142.50	83,125.00	\$118,750
	<i>refinish kitchen cabinet</i>	125	ea	\$ 40.50	11,812.50	\$16,875
Specialties						\$0
Cabinets						
	<i>bath vanity</i>	187	ea	\$ 45.00	5,610.00	14,025.00
	<i>bath vanity countertop</i>	374	ea	\$ 12.00	2,992.00	7,480.00
	<i>complete new cabinets / demo exis</i>	125	ea	\$ 960.00	80,000.00	200,000.00
	<i>kitchen doors and drawers</i>	125	un	\$ 52.00	3,500.00	10,000.00
	<i>kitchen hardware</i>	125	un	\$ 11.25	468.75	1,875.00
	<i>countertops</i>	250	un	\$ 66.50	30,875.00	47,500.00
	<i>medicine cabinet</i>	50	un	\$ 13.00	350.00	1,000.00
Equipment for modification for persons w/ disabilities						
	<i>Handicap upgrades</i>	1	ls	\$ 7,500	7,500	\$15,000
	<i>convert 20% 2 bdrm townhomes to</i>	18	ea	\$ 4,025	134,550	\$207,000
	<i>convert 20% 3 bdrm townhomes to</i>	18	ea	\$ 525	17,550	\$27,000
Appliances						
Range						\$0
Oven	<i>stoves and ovens</i>	63	ea	\$ 288	\$2,016	\$20,160
Refrigerator	<i>ref</i>	75	ea	\$ 374	\$3,113	\$31,125
Microwave						\$0
Dishwasher						\$0
Disposal	<i>dis</i>	125	ea	\$ 27	\$2,250	\$5,625
Other (describe) Fire	<i>fir</i>	250	un	\$ 16	\$450	\$4,500
Extinguishers						\$0
Washer						\$0
Fan/Hood	<i>vent</i>	125	ea	\$ 45	\$625	\$6,250
Dryer						\$0
Special Equipment (describe)						\$0
Fireplaces						\$0
Carports or garages						\$0
Accessory buildings						
	<i>misc repairs</i>	250	un	\$ 24	24,000.00	\$30,000
	<i>misc hardware</i>	250	un	\$ 24	1,500.00	\$7,500

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

Office repairs	1	is	\$ 2,250	2,250.00	\$4,500
Community room	1	is	\$ 2,250	2,250.00	\$4,500
project signage	1	is	\$ 750	750.00	\$1,500
entry map	1	is	\$ 375	375.00	\$750
building numbers	35	bldgs	\$ 18	612.50	\$1,225
Elevator					\$0
Lead-Based Paint Abatement					\$0
Asbestos Abatement					\$0
Other: (specify)					\$0
Miscellaneous (not to exceed \$1000)					\$0
total Direct Construction				1,643,618	\$2,893,694
total Construction Cost (Number should tie with "Construction Hard Costs" amount shown in Exh. 102)					\$3,499,284

Elevator
 Lead-Based Paint Abatement
 Asbestos Abatement
 Other: (specify)

Miscellaneous (not to exceed \$1000)

total Direct Construction


total Construction Cost (Number should tie with "Construction Hard Costs" amount shown in Exh. 102)

Yale Village Associates, L.P.

By: Yale Village - Michaels LLC, GP

Project Owner Name

Architect/Contractor Name



 Signature Jenn O'Donnell
 Vice President

 February 12, 2003

 Date

By: _____
 Signature
 Its: _____

 Date

CERTIFICATIONS AND ASSURANCES

I, Charlie Schwennesen, in my capacity as Executive Vice President of Century Pacific Equity Corporation, and on behalf of Century Pacific Equity Corporation and its affiliates ("CP"), hereby make the following certifications and assurances to the Texas Department of Housing and Community Affairs ("TDHCA") in connection with the proposed transfer of CP's partnership interests in the limited partner owners of the Yale Village Apartments (TDHCA# 02019); Kings Row Apartments (TDHCA# 02020); Continental Terrace Apartments (TDHCA# 02021); and Castle Garden Apartments (TDHCA# 02022)(collectively, the "Projects") to the Michaels Development Co. and/or its affiliates ("Michaels"):

1. Upon approval by TDHCA of the transfer of interests from CP to Michaels, CP shall immediately give notice to the current tenants of the Projects of the pending transfer.
2. Upon transfer of its interests to Michaels, CP will not participate in any capacity in the Projects.
3. CP will assist Michaels in complying with all of the conditions of the Project commitment letters issued by TDHCA.
4. All existing CP debt related to the Projects will be extinguished on or before the date of transfer.

Charlie Schwennesen
Executive Vice President
CENTURY PACIFIC EQUITY
CORPORATION

Date: February __, 2003

ADJOURN

Michael Jones
Chair of Board