TDHCA

03016

Region 1

MULTIFAMILY FINANCE PRODUCTION DIVISION

2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Amarillo Garden Apartments** TDHCA #: **03016**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 1 Site Address: 1223 S. Roberts

City: Amarillo County: Potter Zip Code: 79102

☐ TTC ☐ DDA ☐ QCT Purpose / Activity: Acquisition/Rehab

Targeted Units: Family: 100 Elderly: 0 Handicapped/Disabled 7 Domestic Abuse: 0 Transitional: 0

Set Asides: ☐ General ☑ At-Risk ☐ Nonprofit ☐ Rural ☐ TX-USDA-RHS ☐ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Am Gardens, LTD.

Principal Names	Principal Contact	Percentage Ownership
Alliance Housing Foundation	Gene Morrison	100% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$265,490** Allocation over 10 Years: $2,654,900

Credits Requested $404,377 Eligible Basis Amount: $319,606 Equity/Gap Amount $265,490

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	6	7	7	20
40%	0	4	4	2	10
50%	0	5	7	8	20
60%	0	9	18	23	50
MR	0	0	0	0	0
Total	0	24	36	40	

Total LI Units: 100

Owner/Employee Units: 0

Total Project Units: 100

Applicable Fraction: 100.00

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

DEVELOPMENT AMENITIES (no extra cost to tenant)

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

UNIT AMENITIES (no extra cost to tenant)

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

BUILDING INFORMATION

Total Development Cost:	$4,650,252
Gross Building Square Feet	91,500
Total Net Rentable Area Square Feet:	88,500
Average Square Feet/Unit	885
Cost Per Net Rentable Square Foot	$52.55
Credits per Low Income Uni	$2,655

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$610,522
Total Expenses:	$364,955
Net Operating Income	$245,567
Estimated 1st Year Debt Coverage Ratio	1.30

FINANCING

Permanent Principal Amount:	$2,500,000
Applicant Equity:	$0
Equity Source:	NA
Syndication Rate:	$0.8099

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Minerva Partners, Ltd.	Market Analyst:	Mark C. Temple
Housing GC:	PDW Construction	Originator/UW:	NA
Engineer:	NA	Appraiser:	Pyles Whatley
Cost Estimator:	NA	Attorney:	Sprouse, Smith & Rowley
Architect:	JPS & Associates	Accountant:	Brown Graham & Company
Property Manager	Walden Management Company, LLC	Supp Services	Alliance Housing Foundation
Syndicator:	Lend Lease Real Estate	Permanent Lender	Community Development Trust

Project Name: Amarillo Garden Apartments | Project Number: 03016

PUBLIC COMMENT SUMMARY

Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **2** Opposition: **0**

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

Local/State/Federal Officials with Jurisdiction:

Local Official: Trent Sisemore, Mayor City of Mesquite, S

TX Representative: David Swinford, District 87 , N

TX Senator: Teel Bivins, District 31 , S

US Representative:

US Senator:

Comment from Other Public Officials:

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 76 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of an executed partnership agreement by Carryover.

Receipt, review and acceptance of documentation in form of a settlement statement of the original 1988 acquisition price by American Housing Foundation/Credit Realty X, Ltd., plus documentation of any actual costs of owning, holding or improving the property - and any off-setting operating income to justify the proposed acquisition price by Carryover.

Receipt, review, and acceptance of a revised cost breakdown, sources and uses of funds statement, and development proforma using consistent cost figures as addressed in the underwriting report prior to execution of the commitment.

Receipt, review, and acceptance of an acceptable follow-up Phase II Environmental Site Assessment report by a third party environmental engineer indicating that the property does not contain asbestos, asbestos-containing materials or lead-based paint which may result in a hazard during renovation or recommendations as to mitigation if found. Moreover, the Applicant should document full compliance with all recommendations made by the ESA inspector and subsequent inspectors by close of the construction loan.

Receipt, review, and acceptance of documentation of HUD's approval of the transfer of the existing HAP contract, and approval of any change in rents by close of construction loan.

Receipt, review, and acceptance of written approval from the Federal Housing Commissioner for the prepayment of the FHA-insured loan, by close of the construction loan.

Receipt, review, and acceptance of a permanent loan commitment reflecting the structure of the debt contemplated herein, by the time of Carryover.

Should the rate or terms of the proposed debt or equity syndication and/or the proposed unit rental rate change, the transaction should be re-evaluated.

Alternate Recommendation: NA

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

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

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

☐ To ensure geographic dispersion within each Uniform State Service Region.

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

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals_ families with different levels of income.

Explanation: **Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended. This development is also needed to meet the At-Risk Set-Aside.**

Robert Onion, Manager of Awards and Allocation Date

Brooke Boston, Director of Multifamily Finance Production Date

Developer Evaluation

Project ID # **03016** Name: **Amarillo Garden Apartments** City: **Amarillo**

LIHTC 9% [x] LIHTC 4% [ ] HOME [ ] BOND [ ] HTF [ ] SECO [ ] ESGP [ ] Other [ ]

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

National Previous Participation Certification Received: [x] N/A [ ] Yes [ ] No

Noncompliance Reported on National Previous Participation Certification: [ ] Yes [ ] No

Portfolio Management and Compliance

Projects in Material Noncompliance: No [x] Yes [ ] # of Projects: 0

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

Total # monitored with a score less than 30: 1 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable [x] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

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

Asset Management

Not applicable [ ] Review pending [ ] No unresolved issues [x] Unresolved issues found [ ]

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

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable [ ] Review pending [ ] No unresolved issues [x] Unresolved issues found [ ]

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

Reviewed by R Meyer Date 5 /28/2003

Single Family Finance Production

Not applicable [ ] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

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

Reviewed by ______ Date ______

Community Affairs

Not applicable [ ] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

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

Reviewed by Eddie Fariss Date 5 /5 /2003

Office of Colonia Initiatives

Not applicable [x] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

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

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable [ ] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

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

Reviewed by ______ Date ______

Loan Administration

Not applicable [ ] No delinquencies found [x] Delinquencies found [ ]

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

Reviewed by Stephanie Stuntz Date 5 /6 /2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 16, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03016

DEVELOPMENT NAME

Amarillo Gardens Apartments

APPLICANT

Name:	Am Gardens, Ltd.	**Type:**	For Profit w/ Non-profit General Partner
Address:	8725 Wafer Ash Way	**City:**	Austin **State:** Texas
Zip:	78750 **Contact:** Gene V. Morrison	**Phone:**	(512) 971-7110 **Fax:** (512) 257-7981

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Alliance Housing Foundation	**(%):**	0.00925	**Title:**	Managing General Partner/Developer
Name:	Minerva Partners, Ltd.	**(%):**	0.00025	**Title:**	Special Limited Partner/Developer
Name:	Baptist Community Services	**(%):**	0.00025	**Title:**	Special Limited Partner/Developer
Name:	High Plain Christian Ministries	**(%):**	0.00025	**Title:**	Special Limited Partner/Developer
Name:	American Housing Foundation	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION

Location:	1223 S. Roberts		☐ **QCT**		☐ **DDA**
City:	Amarillo	**County:**	Potter	**Zip:**	79102

REQUEST

Amount	Interest Rate	Amortization	Term
1) $404,377	N/A	N/A	15 years

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

Proposed Use of Funds: Acquisition/ Rehab **Property Type:** Multifamily

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $265,490 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of an executed partnership agreement by carryover;
2. Receipt, review, and acceptance of documentation in the form of a settlement statement of the original 1988 acquisition price by American Housing Foundation/Credit Realty X, Ltd. plus documentation of any actual costs of owning, holding or improving the property—and any off-setting operating income to justify the proposed acquisition price by carryover;
3. Receipt, review, and acceptance of a revised cost breakdown, sources and uses of funds statement, and development proforma using consistent cost figures as addressed in the underwriting report prior to execution of the commitment;
4. Receipt, review, and acceptance of an acceptable follow-up Phase II Environmental Site Assessment report by a third party environmental engineer indicating that the property does not contain asbestos, asbestos-containing materials or lead-based paint which may result in a hazard during renovation or recommendations as to mitigation if found. Moreover, the Applicant should document full

compliance with all recommendations made by the ESA inspector and subsequent inspectors prior to close of the construction loan;

5. Receipt, review, and acceptance of documentation of HUD's approval of the transfer of the existing HAP contract, and approval of any change in rents by close of construction loan;
6. Receipt, review, and acceptance of written approval from the Federal Housing Commissioner for the prepayment of the FHA-insured loan, by close of the construction loan;
7. Receipt, review, and acceptance of a permanent loan commitment reflecting the structure of the debt contemplated herein, by the time of carryover;
8. Should the rate or terms of the proposed debt or equity syndication and or the proposed unit rental rate change, the transaction should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

The property is currently restricted under LIHTC program rules as it received tax credits in 1989; thirteen years ago (file number 06720). A complete review of that file was not conducted, however, it is known that the president of the limited partnership, Credit Realty X, Ltd., is Steve Sterquell who is also the founder or co-founder of many of the entities that are playing a role in the current development, particularly American Housing Foundation but also including the general partner of the seller, Housing for Texans Foundation. In 2002 the owners of the project applied for an allocation of tax credits in the amount of $461,090, and were recommended by the underwriting division on June 14, 2002 for an award of $265,578. The underwriting analysis recommended the project be approved subject to the following conditions:

1. Receipt, review, and acceptance of documentation fully disclosing the Board make-up and officers of the Seller, the General Partner of the Seller, the Property Manager, the General Partner of the Applicant, the General Partner of the 10% Co-developer , the General Contractor, and any other relationship between or among Development team members;
2. Receipt, review, and acceptance of full disclosure of the original acquisition price plus holding costs and off setting operating income from the seller in order to justify the proposed acquisition price;
3. Receipt, review, and acceptance of a revised appraisal which reflects an "as is" lease hold estate interest for the property with a separate lease hold estate interest for the land if a lease continues to be the method of acquisition;
4. Receipt, review, and acceptance of certification from an unrelated third party CPA as to the eligibility of the lease hold estate, and the portion of value ascribed to land, in the basis determination for the tax credit allocation;
5. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
6. Receipt, review, and acceptance of an acceptable follow-up Phase I or Phase II Environmental Site Assessment report by a third party environmental engineer indicating that the property does not contain asbestos, asbestos-containing materials or lead-based paint which may result in a hazard during renovation or recommendations as to mitigation if found. Moreover, the Applicant should document full compliance with all recommendations made by the ESA inspector and subsequent inspectors
7. Receipt, review and acceptance of a pay-in schedule for the anticipated syndication proceeds;
8. Receipt, review and acceptance of documentation from the local taxing authority evidencing the development will be exempt from property taxes; and
9. Should all of the conditions above be met this transaction should be re-evaluated by the Underwriting Division.

On June 24, 2002, without having provided the documentation requested above as support for the project's stated costs, the applicant appealed the Underwriter's recommended award of tax credits, stating that the transaction would not be feasible with a tax credit award lower than that requested. The appeal was declined by the Department's executive director on July 8, 2002. On July 16, 2002 the Applicant elected not to proceed with the transaction, and withdrew the application. The current transaction contemplates a somewhat different ownership structure, and no longer includes a lease, however many of the identity of interest concerns remain.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	100	# Rental Buildings	9	# Common Area Bldngs	1	# of Floors	2	Age:	25 yrs	Vacant:	8%	at	01/ 31/ 2003

Net Rentable SF:	88,500	**Av Un SF:**	885	**Common Area SF:**	3,000	**Gross Bldg SF:**	91,500

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 75% masonry/brick veneer/20% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Vinyl flooring, range & oven, hood & fan, garbage disposal, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, cable, evaporative cooling, high speed internet.

ON-SITE AMENITIES

Community room, management offices, laundry facilities, kitchen, restrooms, equipped children's play area, sports courts, picnic area.

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

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Amarillo Garden Apartments is a proposed acquisition and rehabilitation development of 100 units of affordable housing located in Amarillo. The development was built in 1970 and is comprised of nine residential buildings as follows:

- One Building Style A with four four-bedroom units;
- Three Building Style B with 12 three-bedroom units;
- Three Building Style C with 12 two-bedroom units; and
- Two Building Style D with 12 one-bedroom units.

Based on the site plan, the apartment buildings are distributed evenly throughout the site and arranged in groups of two or three around central courtyards/open space. The site includes a community building and mailboxes located near the center, two play areas with equipment, a baseball field and two tennis courts. The community building includes the management office, a meeting room with kitchen, restrooms, a maintenance shop with separate entrance and a laundry facility.

Existing Subsidies: The development's current financing is insured under the FHA 221(d)(3) program. The note for this loan specifically precludes prepayment without the prior written approval of the Federal Housing Commissioner. Approval for prepayment of the loan should be provided as a condition to an allocation of tax credits.

In addition, a contract for Section 8 Housing Assistance Payments (HAP) is in effect for all 100 units at the property with an expiration date of 8/31/2006. The contract rents are as follows: $408 per month for one bedroom; $539 for two bedrooms; $610 for three bedrooms; and $649 for four bedrooms. Based upon the submitted rent schedule it does not appear that the Applicant will ask for a rent increase under the HAP contract. However, the Applicant has indicated, with HUD's approval, they will continue to operate the property with the HAP contract. Receipt, review and acceptance of HUD's approval to transfer the existing HAP contract to the Applicant is a condition of this report.

Development Plan: The buildings are currently 98% occupied and in need of rehabilitation. The submitted scope of work includes: remove/replace 500 SF of concrete sidewalk, minor repair, seal coat and striping of parking lots, new signage, remove retaining walls, grade, seed lawns, install irrigation system, general landscaping, remove/replace playground equipment, add chain link fence around perimeter, remove/replace baseball diamond backstop, add security gates and card readers, remove/replace stair treads, replace/repair stair sets as needed, remove existing mansard walls, install new siding/trim, add pitched roofs, new gutters, add light fixtures, electrical outlets and light switches, repair building exterior, remove/replace vent stacks, remove/replace ceramic tile surrounds in bathrooms, refinish tub/shower combinations, add new bathroom accessories, add medicine cabinet to each bathroom, remove/replace 100 air conditioners and furnaces, add two ceiling fans to each unit, remove/replace exterior doors, windows and VCT flooring, exterior/interior painting, install mini-blinds, replace countertops, base/upper cabinets and range hoods, and renovate office building.

The Applicant submitted a tenant relocation plan indicating the rehabilitation time schedule will be coordinated based on existing vacancies, physical logistics, curb appeal and other factors individual to each property. Tenants will be relocated from the initial building to be rehabilitated to existing vacancies within the subject property. The owner will pay for moving expenses, while the tenant is responsible for normal rent. The owner will also pay for short-term onsite storage of non essential items and short-term local telephone and basic cable TV. Once renovations are completed at the initial building, the relocated tenants will be given first choice on newly rehabilitated units. Tenants living in the second building to be renovated will be given second choice to move. This process will be repeated for every building. The Applicant has budgeted $100,000 for relocation costs.

Architectural Review: The existing one- and two-story residential buildings were constructed in the mansard style popular in the 1970s and 1980s. The Applicant plans to strip the buildings of the mansard façades and add siding with pitched roofs. The finished product will have a much improved appearance. The units are of average size for the market area and offer adequate storage. The existing office building is small, but includes tenant-accessible areas such as a laundry facility, business center and meeting room with kitchen.

Supportive Services: Supportive services will be provided by Alliance Housing Foundation, a principal of the Applicant. The Applicant has certified that it will coordinate its tenant services programs with state workforce development and welfare programs, and that it will provide at least three of the tenant services from among TDHCA tenant services options.

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

SITE ISSUES

SITE DESCRIPTION

Size:	9.4 acres	409,464 square feet	**Zoning/ Permitted Uses:**	Multifamily	
Flood Zone Designation:	Zone C		**Status of Off-Sites:**	Fully Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located just north of Interstate 40 at and just west of Ross Street at 1223 South Roberts Street in the central area of the City of Amarillo. Amarillo is located in north Texas in the Panhandle area, 359 miles northwest of the Dallas/Fort Worth Metroplex.

Adjacent Land Uses: The area can be characterized as having an assortment of diverse uses ranging from commercial, single family residential, and vacant land.

- **North:** single family residential
- **South:** single family residential
- **East:** commercial
- **West:** single family residential

Site Access: Interstate Highways 40 and 27 bisect the city. In addition, the city is served by U.S. Highways 87 and 66, State Highway 136, and Loop 335.

Public Transportation: Public transportation to the area is provided by Amarillo City Transit.

Shopping & Services: The site is within two miles of groceries, pharmacies, discount retail and miscellaneous retail centers. The site development is located within the Amarillo Independent School District with an elementary and middle school within one mile and a high school within three miles. Amarillo College, parks, and a hospital are located within two miles.

Site Inspection Findings: The property was inspected by a TDHCA staff member on 05/02/2003. Staff noted the good condition in which the property had been maintained, considering its age, and found the property suitable for the proposed activity.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 1, 2002, and updated on February 24, 2003, was prepared by Enviro-Dyne Engineering Company and contained the following findings and recommendations: "The available information reviewed and contained within this report does not indicate the past or present use, storage, or disposal of hazardous waste or substances on the property. It is not recommended that any additional assessments be conducted on this property. There are no tests for soil contamination, asbestos, lead-based paint, air quality or a wet lands delineation study as these items are not included within a standard Phase I Environmental Assessment and were not specifically requested by the owner."

The property is clearly of an age where both lead and asbestos concerns should be evaluated or addressed. A follow-up study that addresses asbestos and lead-based paint and the successful mitigation of any such concerns that are identified is a condition of this report.

POPULATIONS TARGETED

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

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$20,220	$23,100	$25,980	$28,860	$31,140	$33,480

MARKET HIGHLIGHTS

A market feasibility study dated February 24, 2003 was prepared by Mark C. Temple and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market area for the Amarillo Gardens Apartments is considered the Amarillo MSA which includes the City of Amarillo and is described by the following farthest boundaries: North—Moore County, South—Castro and Swisher Counties, East—Carson and Armstrong Counties, and West—Oldham and Deaf Smith Counties." (p. I 1-2)

Population: The estimated 2002 population of Amarillo was 177,167 and is expected to increase by 1% annually to approximately 185,997 by 2007. Within the primary market area there were estimated to be 73,955 households in 2002.

Total Local/Submarket Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
	Market Analyst	
Type of Demand	**Units of Demand**	
Household Growth	161	
Resident Turnover	4,307	96.4%
Other Sources: 10 yrs pent-up demand	0	0%
TOTAL ANNUAL DEMAND	4,468	**100%**

Inclusive Capture Rate: Because of the presence of current tenants and the expectation that all will remain at the property during and after rehabilitation of the buildings, due in large part to the continuation of the existing

HAP contract, a capture rate calculation is not a relevant tool in determining the demand for the subject units. However, the Market Analyst concluded a 6.7% capture rate.

Local Housing Authority Waiting List Information: "Verification with the Amarillo Housing Authority indicates there is a lengthy waiting list of 1,550 persons for family and senior units." (p. IV-5)

Market Rent Comparables: The Market Analyst surveyed ten comparable apartment projects totaling 2,153 units in the market area. (p. III-2)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$408	$230	+$178	$461	-$53
1-Bedroom (40%)	$408	$321	+$87	$461	-$53
1-Bedroom (50%)	$408	$411	-$3	$461	-$53
1-Bedroom (60%)	$408	$501	-$93	$461	-$53
2-Bedroom (30%)	$539	$271	+$268	$671	-$132
2-Bedroom (40%)	$539	$379	+$160	$671	-$132
2-Bedroom (50%)	$539	$487	+$52	$671	-$132
2-Bedroom (60%)	$539	$595	-$56	$671	-$132
3-Bedroom (30%)	$610	$307	+$303	$686	-$76
3-Bedroom (40%)	$610	$432	+$178	$686	-$76
3-Bedroom (50%)	$610	$557	+$53	$686	-$76
3-Bedroom (60%)	$610	$682	-$72	$686	-$76
4-Bedroom (60%)	$649	$734	-$85	"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)

Submarket Vacancy Rates: The market study indicates an occupancy rate of 96.5% in Amarillo for 2002. (p. III-58)

Absorption Projections: "According to the Panhandle Regional Planning Commission and Claritas, Inc. present absorption trends of apartment projects located in the Amarillo Market Area range from 15 to 20 units per month. The strength of this immediate market area is further supported by the continued and projected indicators of increasing occupancy levels and rental rates. Based on current positive multifamily indicators and present absorption levels of 15 to 20 units per month, it is estimated that a 95+ percent occupancy level can be achieved in a one month time frame." (p. VI-3)

The Underwriter found the market study provided sufficient information for purposes of this underwriting report.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's income projections are based on the rents stipulated in the Section 8 HAP contract between the current property owner and HUD. The Underwriter, likewise, utilized the HAP contract rents. Should the HAP contract be terminated, or should the assumption of the contract by a new entity not be permitted by HUD, there would be the potential for additional income (currently approximately $25,776) if the Applicant chose to increase rents to the maximum allowed under program rules. The market study information suggests that the market could support rents at the rent limit maximums. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,477 per unit is within 5% of the Underwriter's estimate of $3,650 per unit. The Applicant's budget for payroll and payroll tax, however, deviates significantly when compared to the database averages, being $18,851, or more than 10% lower than the amount indicated by the database.

Conclusion: The Applicant's net operating income projection is not within 5% of the Underwriter's estimate; therefore, the Underwriter's proforma will be used to determine the development's debt service capacity. The total debt service for a seller's note and a conventional first lien mortgage results in a debt coverage ratio

(DCR) that is below the Department's minimum guideline of 1.10. However, the first lien-only DCR is at a maximum 1.30. The development's total annual debt service should be limited to no more than $223,347.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 9.4 acres	$205,000	**Date of Valuation:**	02/ 27/ 2003
Existing Building(s): "as is"	$2,251,000	**Date of Valuation:**	02/ 27/ 2003
Total Development: "as is"	$2,575,000	**Date of Valuation:**	02/ 27/ 2003
Appraiser: Jan Whatley	**City:** Dallas	**Phone:**	(214) 340-5880

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser concludes that the highest and best use of this property, both as vacant and as improved, is multifamily rental. The appraiser's estimated land value is based on four land sales within Amarillo. Adjustments to the comparable land sales included size and access/frontage/exposure. After adjustments, land sales based on price per square foot ranged from $0.48 to $0.71. The appraiser concluded $0.50 per square foot rounded up to $205,000 as the estimated land value for the subject property.

In estimating the value of the development as a whole, the appraiser indicates the income capitalization and sales comparison approaches are appropriate tools for valuing this property, while discounting the cost approach. However, due to the subsidy provided through the existing HAP contract, the final value is based solely on the income capitalization approach, which is also the highest value conclusion of the three. This is deemed to be appropriate due to the Applicant's intent to renew the HAP contract.

Conclusion: The appraiser's estimate of the property's value, $2,575,000, appears to be a reasonable estimate based upon the information provided.

ASSESSED VALUE

Land: 9.37 acres	$89,760	**Assessment for the Year of:**	2002
Building:	$704,240	**Valuation by:**	Potter-Randall County Appraisal District
Total Assessed Value:	$794,000	**Tax Rate:**	2.61006

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase agreement		
Contract Expiration Date:	08/ 15/ 2003	**Anticipated Closing Date:**	08/ 15/ 2003
Acquisition Cost:	$2,575,000	**Other Terms/Conditions:**	
Seller:	Credit Realty X, Ltd.	**Related to Development Team Member:**	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant has indicated an acquisition price of $2,750,000 in portions of the application and $2,575,000 in other portions with the latter amount being hand written into the contract to match the appraised value conclusion. Due to the multiple identities of interest between the seller group and buyer group the Applicant is required to fully document the original acquisition cost and holding costs of the property as stated in 10TAC§1.32(e)(1)(B) of the Department's Underwriting Guidelines. Although this information was requested as a condition of the underwriting report in 2002, the Applicant withdrew its application before such information was provided. The documentation supporting the transfer price has been requested for this year's application as well, but has not been fully provided. The Applicant has provided a summary of what they believe the property's original acquisition for Credit Realty X, Ltd. was and the amounts reflected in their most recent financial statements as follows:

	Original 1989 IRS Partnership Form 1065	2002 Audited Financial Statements

Buildings	$1,829,943	$1,829,943
Building Improvements and Furnishings	-----	779,986
Land	68,711	68,711
Land Improvements	------	21,478
Total	$1,898,654	$2,700,118

The purchase price of the property of $2,575,000 is based on an appraisal performed February 27, 2003 by Pyles Whatley Corporation. The appraised value of the land is $205,000. The 2002 tax-assessed value for the property was $794,000, with the land assessed at $89,760. The Applicant deducted the appraisers $205,000 estimate for land value and included the remainder of the appraised value as the building acquisition basis for the current transaction.

The Applicant provided a balance sheet of the seller partnership as of December 31, 2002 which reflects a net property plant and equipment value less accumulated depreciation of $1,528,966 and a net equity position of this single asset entity of negative $216,662. Also provided is the original note, reflecting a mortgage amount of $1,287,700 which is assumed to be the original acquisition price. The balance sheet reflects a remaining mortgage balance of $664,611, with $51,503 in current maturities. The Underwriter has calculated an anticipated payoff at the time of closing to be approximately $626,390. The Department's underwriting requirements for identity of interest transactions at 10TAC§1.32(e)(1)(B)(iv)(II) calls for a transfer amount not to exceed an amount necessary to allow the sellers to be indifferent to foreclosure or breakeven transfer.

The seller's financial statement also reflects accrued interest on two notes due to American Housing Foundation (residual receipts note) and Housing for Texans (developer's fee note). The financial statements indicate the developer's fee note is secured by the property. The property's security for this note, however, does not appear in the title commitment dated February 27, 2003. The information in the financial statement indicates that the residual receipts note is only payable from residual receipts and after the written approval of the secretary of HUD, and that it is an unsecured note. These notes appear to be to parties related to development team members, and/or were notes derived to support apparently unrealistic equity and/or developer fees out of the previous acquisition and justify eligible basis in the original tax credit allocation on this property. Now it would appear that the eligible basis of the current transaction is being inflated by these same amounts plus interest in order to support eligible acquisition basis. The following is a summary of the payout from the sale as prepared by the Applicant:

<u>Distribution of Sale Proceeds:</u>

Estimated Closing Costs	$ 50,000
Chevron USA Exit Taxes	220,764
FHA Mortgage	664,578
Residual Receipts Note	605,100
Accrued Interest	497,997
Developer Fee Note	95,827
Accrued Interest	59,741
Housing For Texans – Capital Account	143,539
Distribution to Partners	237,454
Total	$2,575,000

The question of appropriate transfer value rests in the breakeven transfer amount which can take into account the exit taxes to be paid to make the seller indifferent to foreclosure. The exit taxes will be greater or less depending upon the ultimate transfer price, however, the exact mechanism for this adjustment has not been made clear. The Applicant has indicated that the current L.P.'s negative capital account is $360,201 divided by one minus its tax rate of 38% leads to the calculation provided. However, the balance sheet reflects a negative equity in the partnership of $216,662. At a breakeven transfer price it would appear very little exit taxes would be due.

The uncertainty of the purpose of the secondary notes leads the Underwriter to conclude that they should not be supported by additional tax credits or allowed to inflate the value of the transfer price. Thus, the Underwriter utilized the anticipated payoff of the primary debt as the transfer price and prorated that amount by the appraiser's building to total value ratio to determine the eligible acquisition basis of $576,522.

Sitework Cost: The Applicant's claimed sitework costs of $3,300 per unit are considered reasonable for a rehabilitation development. The Applicant included an additional $100,000 or $1,000 per unit as ineligible demolition costs. These costs were reflected as part of the rehabilitation costs for the abatement of asbestos-containing materials and lead-based paint.

Direct Construction Cost: The Applicant intends to spend $1,845,334 on direct construction costs. Sitework and direct construction combined is $2,275,375, or $22,754 per unit. The amended work write-up signed by the architect confirms the amount indicated by the Applicant.

Ineligible Costs: The Applicant included $25,000 in marketing costs as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $76,250 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's fees for overhead exceeds the maximum allowed by TDHCA guidelines by $2,001 and an equal amount was therefore removed from basis. The Applicant includes development fees of $833,201 in the cost schedule, which is based on the inclusion of acquisition costs. Due to the overstatement of interest and contractor overhead, developer fees are overstated by $15,487 based on the Applicant's costs. While four other entities are listed in the Application as the developer, the Applicant has clearly indicated in the cost breakdown that the payee for the developer fee is American Housing Foundation. American Housing Foundation has been involved in the transaction in some way since its original acquisition. It is difficult to justify the inclusion of developer fee on the acquisition since it would be difficult for American Housing Foundation to show additional due diligence has been conducted for this transfer. The Underwriter, therefore only allowed a developer fee on the amount of the outstanding debt and the rehabilitation portion of the development. This results in a $269K reduction in acquisition cost and eligible basis.

Conclusion: The renovation of the project was certified by the architecture firm of JPS & Associates. The total cost for the scope of work according to the architect is $2,275,375. The Underwriter used a pro-rated value of $49,868 for the land and $576,522 for the acquisition cost of the building to determine eligible basis. Because the Applicant overstated the transfer price of the property, the Applicant also overstated developer fee and hence overstated eligible basis on the acquisition side. The final result is an overall eligible basis difference of $2,187,237. The Underwriter has concluded an eligible basis of $663,000 for acquisition and $3,543,635 for rehabilitation to determine an annual tax credit allocation of $319,606 or, $84,771 less than requested, from this method. This amount will be used to derive syndication proceeds and compare to the gap of funds method below.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: Bank One, N.A. **Contact:** Mahesh Aiyer

Principal Amount: $3,600,000 **Interest Rate:** Prime plus 0.5%

Additional Information:

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

LONG TERM/PERMANENT FINANCING

Source: Community Development Trust **Contact:** Mark Jarrell

Principal Amount: $2,500,000 **Interest Rate:** 5.80%

Additional Information: No commitment or statement of terms has been provided.

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

Annual Payment: $189,621 **Lien Priority:** 1st **Commitment Date** 02/ 27/ 2003

LONG TERM/PERMANENT FINANCING

Source: American Housing Foundation **Contact:** Steve Sterquell

Principal Amount: $600,000 **Interest Rate:** 5.0%

Additional Information: Seller's note

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

Annual Payment: $34,718 **Lien Priority:** 2nd **Commitment Date** 06/ 9/ 2003

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments **Contact:** Marie Keutman

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

State: Mass **Zip:** 02110 **Phone:** (617) 772-9557 **Fax:** (617) 782-7890

Net Proceeds: $3,275,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80.99¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 02/ 27/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $510,371 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The Applicant plans to prepay the current FHA insured loan. As mentioned earlier, the note for this loan specifically precludes prepayment without the prior written approval of the Federal Housing Commissioner. Documentation of such approval has not been provided. The interim financing of $3,600,000 provided by Bank One will be partially paid off at the end of the construction period by the permanent loan proceeds of $2,500,000 provided by Community Development Trust. Based on the term sheet provided by the proposed lender, the Applicant has underwritten the transaction using an interest rate of 5.80%, amortized over 30 years, and an allowance for debt service resulting in an effective overall rate of 6.50%. Information in the application indicates that the term could be eighteen years rather than thirty, but this is not confirmed. These terms are typical of loans currently being made for this type of transaction. The Application also provides a draft term sheet from Berkshire Mortgage Finance for what appears to be an alternative FHA 221(d)(4) financing structure.

The application indicates that American Housing Foundation will provide a subordinate seller's note in the amount of $600,000, fully amortized over a 40-year term, with an interest rate of 5.00%, in order to accommodate project financing. No other documentation of this commitment was provided in the original application and a request for follow-up information resulted in a commitment letter indicating that the loan would be a sellers note from American Housing Foundation to fill the gap of financing and would be non-recourse. It is unknown if this note will pay out the claim of the residual receipts note or will be a note to repay the proposed developer fee.

LIHTC Syndication: Lend Lease Real Estate Investments has offered to purchase a 99.99% interest in the limited partnership, providing up to $3,275,000 at a rate of $0.8050 per tax-credit dollar purchased however the commitment amount reflects a higher calculated rate of $0.8099.

Deferred Developer's Fees: Per the Applicant's estimate, up to $510,371 in developer's fees may need to be deferred in order to match financing sources to the cost of the project. This amounts to 61% of the Applicant's projected total developer fee.

Financing Conclusions: As indicated in the development cost section of this report the Underwriter's lower total costs will be used to determine the recommended credit amount and total development cost due to the overstated acquisition transfer price of the property. While the Underwriter has confirmed an eligible basis of credit up to $319,606, the resulting syndication proceeds of $2,588,550 appear to be $438,298 more than are needed to fill the gap. Thus the Underwriter recommends the credit amount be reduced to $265,490. Based on this analysis there will be no deferred developer fee. The disposition of the residual receipts note and previous developer fee note are not addressed in the current transfer value of the acquisition so as to not allow additional credits to be derived from them.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The seller of the property is Credit Realty Partners X, Ltd. In the financial statements for American Housing Foundation, Credit Realty Partners X, Ltd. is identified as a related party under the common control of American Housing Foundation. For this transaction, American Housing Foundation is acting as the housing consultant/administering agent, the developer fee recipient, and a potential lender. At least one of the principals of the Applicant, Baptist Community Services, also refers to American Housing Foundation as a related party in its financial statements. Baptist Community Services holds ownership interests in several development companies in which American Housing Foundation also holds ownership interests or has common corporate officers. Such relationships are allowable but trigger identity of interest requirements in 10TAC§1.32(e)(1)(B) of the Department's Underwriting Guidelines to be followed.

Alliance Housing Foundation, a principal of the general partner will also provide supportive services.

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

Financial Highlights:

- The Applicant, Am Gardens, Ltd., is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statement.
- Alliance Housing Foundation submitted audited financial statements for the year ending December 31, 2001 under its former name, Affordable Factory-Built Housing Foundation. The financial statements show total assets of $189,112 consisting of $26,350 in cash, $161,159 in receivables, and $1,603 in furniture and fixtures. No liabilities are shown.
- Baptist Community Services and High Plains Christian Ministries which is under the control of Baptist Community Services, submitted audited financial statements as of December 31, 2001 reporting total assets of $137,513,998, consisting of $64,824,228 in cash, short term investments, accounts receivable, and notes receivable, $482,620 in non-current assets and receivables, $29,450,655 in property and equipment, $1,653,989 in long-term investments, $40,225,,411 in the Baptist/St. Anthony's Health System, and $877,065 in other assets. Liabilities totaled $2,559,449 resulting in a net worth of $134,954,549.
- Minerva Partners, Ltd. submitted an unaudited financial statement for 2001 reporting total assets of $13,590,601, consisting of $768,015 in cash, $1,417,744 in real estate loans, $11,231,828 in real property, $36,686 in receivables, and $136,328 intangible and other assets. Liabilities totaled $12,579,151, resulting in a net worth of $1,011,450.
- Minerva Partners, Ltd.'s president and prinicpal, Matt Malouf, also provided personal financial statements.
- American Housing Foundation submitted audited financial statements as of December 31, 2001 reporting total assets of $89,713,860, consisting of $3,822,771 in cash, $32,806,761 in receivables, $47,765,255 in land, buildings, and equipment, and $5,319,073 in other assets. Liabilities totaled $55,526,528, resulting in a net worth of $34,187,332.

The development plan calls for the transfer of the property from the current ownership entity, Credit Realty X, Ltd., to a new ownership entity, Am Gardens, Ltd., which is yet to be formed. No limited partnership agreement is available, and the structure of the ownership entity at the time of this report is therefore somewhat vague. The organizational chart indicates that Alliance Housing Foundation, a non-profit corporation based in Austin, will act as the general partner, owning 0.1% of the transaction. Lend Lease Real Estate is shown to be the limited partner-investor owning 99.9% of the partnership with Alliance Housing Foundation, Baptist Community Services, a non-profit corporation based in Amarillo, High Plains Christian Ministries, a non-profit corporation based in Amarillo, and Minerva Partners, Ltd., a for-profit organization out of Dallas each having a 25% interest in the Applicant limited partnership as "special limited partners." Elsewhere in the application each of these parties is said to have a 0.25% interest in Am Gardens Ltd. The role of several non-profit corporations as limited partner investors is not understood and clarification should be provided. Lend Lease's statement of terms under which they would purchase a 99.99% interest in the partnership with Alliance Housing Foundation as the general partner, requires guarantees of the general partner's obligations from Baptist Community Services and Minerva Partners, Ltd. It is also stated that "a corporation affiliated with Lend Lease will be a Special Limited Partner with certain restricted management rights and a small interest in sale proceeds."

While Alliance Housing Foundation is described as being the leading party of the applicant, Minerva Partners, Ltd. is identified as the developer for the development team. An unsigned "Co-development Agreement" defines Alliance Housing Foundation, Baptist Community Services, High Plains Christian Ministries, and Minerva Partners collectively as the developer. The cost schedule, however, indicates that the development fee will be paid to American Housing Foundation.

Background & Experience:

- Am Gardens, Ltd. is a new entity formed for the purpose of developing the project.
- Baptist Community Services and its affiliates have completed four LIHTC housing developments totaling 542 units since 1998.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports/or analysis have not been satisfactorily addressed.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Stephen Apple*	**Date:**	June 16, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 16, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Amarillo Gardens Apartments, Amarillo, 9% LIHTC #03016

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
TC30%	6	1	1	630	$270	$408	$2,448	$0.65	$40.00	$31.00
TC40%	4	1	1	630	361	408	1,632	0.65	40.00	31.00
TC50%	5	1	1	630	451	408	2,040	0.65	40.00	31.00
TC60%	9	1	1	630	541	408	3,672	0.65	40.00	31.00
TC30%	7	2	1	825	325	539	3,773	0.65	54.00	34.00
TC40%	4	2	1	825	433	539	2,156	0.65	54.00	34.00
TC50%	7	2	1	825	541	539	3,773	0.65	54.00	34.00
TC60%	18	2	1	825	649	539	9,702	0.65	54.00	34.00
TC30%	7	3	1	1,078	375	610	4,270	0.57	68.00	38.00
TC40%	2	3	1	1,078	500	610	1,220	0.57	68.00	38.00
TC50%	8	3	1	1,078	625	610	4,880	0.57	68.00	38.00
TC60%	19	3	1	1,078	750	610	11,590	0.57	68.00	38.00
TC60%	4	4	1	1,218	837	649	2,596	0.53	103.00	43.00
TOTAL:	100		**AVERAGE:**	885	$559	$538	$53,752	$0.61	$57.64	$35.08

INCOME	Total Net Rentable Sq Ft:	88,500	TDHCA	APPLICANT		USS Region	1
POTENTIAL GROSS RENT			$645,024	$645,024		IREM Region	
Secondary Income	Per Unit Per Month:	$12.50	15,000	15,000	$12.50	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$660,024	$660,024			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(49,502)	(49,500)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$610,522	$610,524			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.87%	$420	0.47	$41,958	$40,000	$0.45	$400	6.55%
Management		5.64%	344	0.39	34,413	$30,526	0.34	305	5.00%
Payroll & Payroll Tax		16.52%	1,009	1.14	100,851	$82,000	0.93	820	13.43%
Repairs & Maintenance		6.10%	372	0.42	37,235	$40,000	0.45	400	6.55%
Utilities		8.37%	511	0.58	51,114	$50,000	0.56	500	8.19%
Water, Sewer, & Trash		4.49%	274	0.31	27,421	$30,000	0.34	300	4.91%
Property Insurance		3.48%	212	0.24	21,240	$24,000	0.27	240	3.93%
Property Tax	2.61006	3.39%	207	0.23	20,724	$21,150	0.24	212	3.46%
Reserve for Replacements		4.91%	300	0.34	30,000	$30,000	0.34	300	4.91%
Other Expenses:		0.00%	0	0.00	0	$0	0.00	0	0.00%
TOTAL EXPENSES		59.78%	$3,650	$4.12	$364,955	$347,676	$3.93	$3,477	56.95%
NET OPERATING INC		40.22%	$2,456	$2.77	$245,567	$262,848	$2.97	$2,628	43.05%
DEBT SERVICE									
First Lien Mortgage		31.06%	$1,896	$2.14	$189,621	$189,621	$2.14	$1,896	31.06%
Seller's Note		5.69%	$347	$0.39	34,718	34,718	$0.39	$347	5.69%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		3.48%	$212	$0.24	$21,228	$38,509	$0.44	$385	6.31%
AGGREGATE DEBT COVERAGE RATIO					1.09	1.17			
RECOMMENDED DEBT COVERAGE RATIO					1.30				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		13.47%	$6,264	$7.08	$626,390	$2,575,000	$29.10	$25,750	37.40%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.10%	3,300	3.73	330,041	330,041	3.73	3,300	4.79%
Direct Construction		39.68%	18,453	20.85	1,845,334	1,845,334	20.85	18,453	26.80%
Contingency	5.86%	2.74%	1,274	1.44	127,421	127,421	1.44	1,274	1.85%
General Req'ts	5.23%	2.45%	1,138	1.29	113,769	113,769	1.29	1,138	1.65%
Contractor's G & A	2.00%	0.94%	435	0.49	43,508	45,508	0.51	455	0.66%
Contractor's Profit	5.23%	2.45%	1,138	1.29	113,769	113,769	1.29	1,138	1.65%
Indirect Construction		6.51%	3,028	3.42	302,830	302,830	3.42	3,028	4.40%
Ineligible Costs		5.58%	2,594	2.93	259,425	259,425	2.93	2,594	3.77%
Developer's G & A	2.00%	1.57%	732	0.83	73,159	111,093	1.26	1,111	1.61%
Developer's Profit	13.00%	10.23%	4,755	5.37	475,533	722,107	8.16	7,221	10.49%
Interim Financing		4.40%	2,048	2.31	204,750	204,750	2.31	2,048	2.97%
Reserves		2.89%	1,343	1.52	134,324	134,324	1.52	1,343	1.95%
TOTAL COST		100.00%	$46,503	$52.55	$4,650,252	$6,885,371	$77.80	$68,854	100.00%
Recap-Hard Construction Costs		*55.35%*	**$25,738**	**$29.08**	**$2,573,842**	**$2,575,842**	**$29.11**	**$25,758**	*37.41%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	53.76%	$25,000	$28.25	$2,500,000	$2,500,000	$2,500,000	Developer Fee Available
Seller's Note	12.90%	$6,000	$6.78	600,000	600,000		$548,692
LIHTC Syndication Proceeds	70.43%	$32,750	$37.01	3,275,000	3,275,000	2,150,252	% of Dev. Fee Deferred
Deferred Developer Fees	10.98%	$5,104	$5.77	510,371	510,371		0%
Additional (excess) Funds Required	-48.06%	($22,351)	($25.26)	(2,235,119)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$4,650,252	$6,885,371	$4,650,252	$1,232,025.63

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Amarillo Gardens Apartments, Amarillo, 9% LIHTC #03016

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

PAYMENT COMPUTATION

Primary	$2,500,000	Term	360
Int Rate	6.50%	DCR	1.30

Secondary	$600,000	Term	480
Int Rate	5.00%	Subtotal DCR	1.09

Additional		Term	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$189,621
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$55,946

Primary	$2,500,000	Term	360
Int Rate	6.50%	DCR	1.30

Secondary	$0	Term	480
Int Rate	5.00%	Subtotal DCR	1.30

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

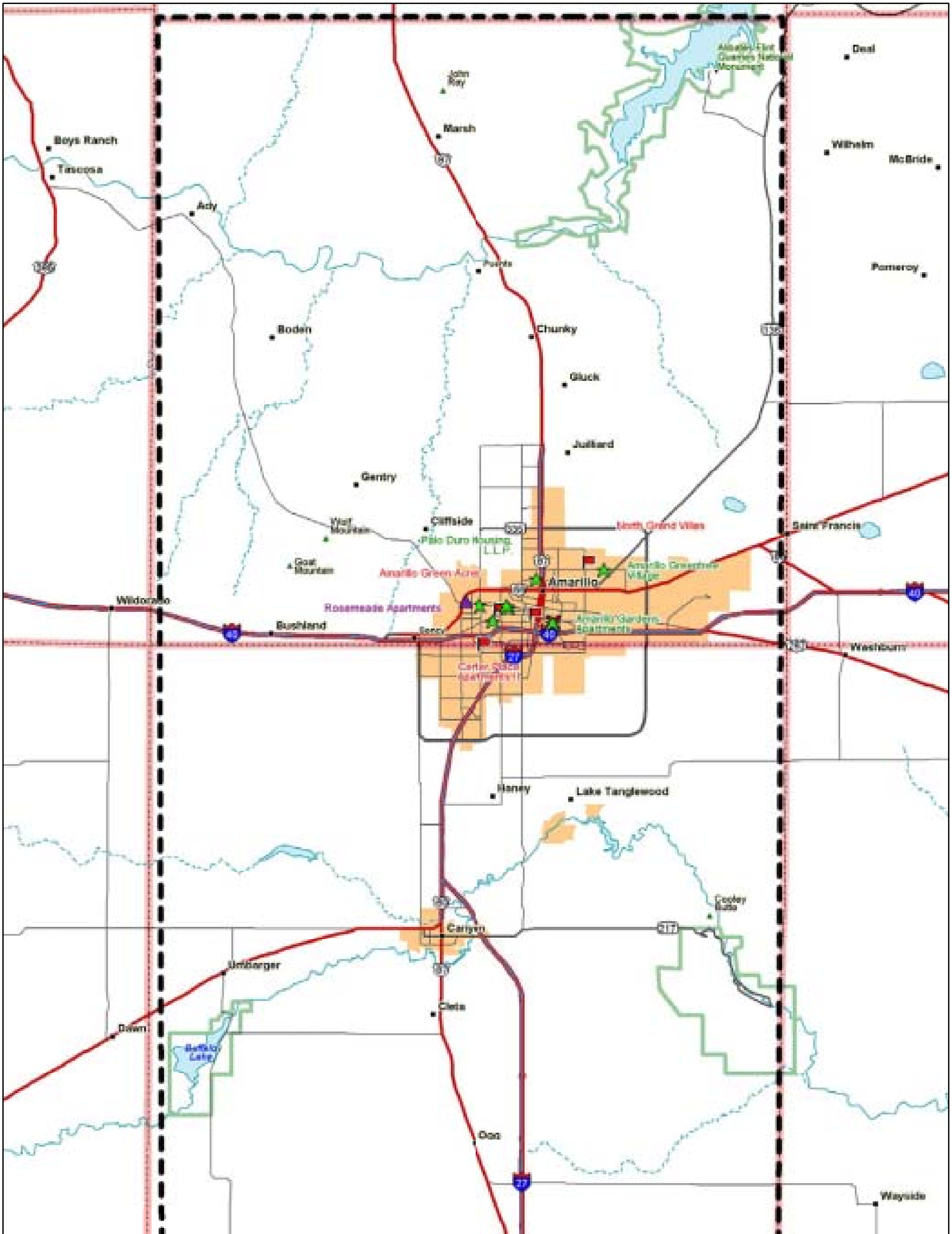
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$645,024	$664,375	$684,306	$704,835	$725,980	$841,610	$975,657	$1,131,053	$1,520,041
Secondary Income	15,000	15,450	15,914	16,391	16,883	19,572	22,689	26,303	35,348
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	660,024	679,825	700,219	721,226	742,863	861,182	998,346	1,157,356	1,555,390
Vacancy & Collection Loss	(49,502)	(50,987)	(52,516)	(54,092)	(55,715)	(64,589)	(74,876)	(86,802)	(116,654)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$610,522	$628,838	$647,703	$667,134	$687,148	$796,593	$923,470	$1,070,554	$1,438,736
EXPENSES at 4.00%									
General & Administrative	$41,958	$43,636	$45,381	$47,197	$49,084	$59,719	$72,657	$88,398	$130,851
Management	34,413	35,446	36,509	37,604	38,733	44,902	52,053	60,344	81,097
Payroll & Payroll Tax	100,851	104,885	109,080	113,444	117,981	143,542	174,641	212,478	314,519
Repairs & Maintenance	37,235	38,724	40,273	41,884	43,559	52,997	64,479	78,448	116,122
Utilities	51,114	53,158	55,284	57,496	59,796	72,750	88,512	107,689	159,405
Water, Sewer & Trash	27,421	28,518	29,659	30,845	32,079	39,029	47,484	57,772	85,517
Insurance	21,240	22,090	22,973	23,892	24,848	30,231	36,781	44,749	66,240
Property Tax	20,724	21,553	22,415	23,312	24,244	29,497	35,887	43,662	64,631
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$364,955	$379,209	$394,023	$409,419	$425,420	$515,366	$624,445	$756,746	$1,111,942
NET OPERATING INCOME	$245,567	$249,629	$253,680	$257,715	$261,729	$281,227	$299,025	$313,809	$326,794
DEBT SERVICE									
First Lien Financing	$189,621	$189,621	$189,621	$189,621	$189,621	$189,621	$189,621	$189,621	$189,621
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$55,946	$60,008	$64,059	$68,094	$72,108	$91,606	$109,404	$124,188	$137,173
DEBT COVERAGE RATIO	1.30	1.32	1.34	1.36	1.38	1.48	1.58	1.65	1.72

LIHTC Allocation Calculation - Amarillo Gardens Apartments, Amarillo, 9% LIHTC #03016

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	$205,000	$49,868				
Purchase of buildings	$2,370,000	$576,522	$2,370,000	$576,522		
(2) Rehabilitation/New Construction Cost						
On-site work	$330,041	$330,041			$330,041	$330,041
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$1,845,334	$1,845,334			$1,845,334	$1,845,334
(4) Contractor Fees & General Requirements						
Contractor overhead	$45,508	$43,508			$43,508	$43,508
Contractor profit	$113,769	$113,769			$113,769	$113,769
General requirements	$113,769	$113,769			$113,769	$113,769
(5) Contingencies	$127,421	$127,421			$127,421	$127,421
(6) Eligible Indirect Fees	$302,830	$302,830			$302,830	$302,830
(7) Eligible Financing Fees	$204,750	$204,750			$204,750	$204,750
(8) All Ineligible Costs	$259,425	$259,425				
(9) Developer Fees			$355,500	$86,478	$462,213	$462,213
Developer overhead	$111,093	$73,159				
Developer fee	$722,107	$475,533				
(10) Development Reserves	$134,324	$134,324				
TOTAL DEVELOPMENT COSTS	$6,885,371	$4,650,252	$2,725,500	$663,000	$3,543,635	$3,543,635

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		$2,725,500	$663,000	$3,543,635	$3,543,635
High Cost Area Adjustment				100%	100%
TOTAL ADJUSTED BASIS		$2,725,500	$663,000	$3,543,635	$3,543,635
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$2,725,500	$663,000	$3,543,635	$3,543,635
Applicable Percentage		3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$98,936	$24,067	$295,539	$295,539
Syndication Proceeds	**0.8099**	**$801,299**	**$194,923**	**$2,393,628**	**$2,393,628**
Total Credits (Eligible Basis Method)				**$394,475**	**$319,606**
Syndication Proceeds				**$3,194,926**	**$2,588,550**
Requested Credits				**$404,377**	
Syndication Proceeds				**$3,275,126**	
Gap of Syndication Proceeds Needed					**$2,150,252**
Credit Amount					**$265,490**



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Zoom Level: 9-0 Datum: WGS84

Scale 1 : 400,000
1" = 6.31 mi

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TDHCA

03140

Region 1

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

Development Name: **Park Meadows Villas** TDHCA #: **03140**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 1 | Site Address: Oak Avenue and Weber Avenue
City: Lubbock | County: Lubbock | Zip Code: 79404

☐ TTC ☐ DDA ☑ QCT | Purpose / Activity: New Construction

Targeted Units: Family: 112 Elderly: 0 Handicapped/Disabled 8 Domestic Abuse: 0 Transitional: 0

Set Asides: ☑ General ☐ At-Risk ☑ Nonprofit ☐ Rural ☐ TX-USDA-RHS ☐ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: LHA Park Meadows, LP

Principal Names	Principal Contact	Percentage Ownership
LPMD-1, LLC	Oscar Jones	.01% of Owner
City of Lubbock Housing Initiatives, Inc. (CLHI)	Oscar Jones	100% Member of GP
City of Lubbock Housing Authority	Oscar Jones	100% Member of CLHI

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$737,372** Allocation over 10 Years: $7,373,720

Credits Requested $745,677 Eligible Basis Amount: $737,372 Equity/Gap Amount $740,999

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	6	6	6	18
50%	0	10	16	6	32
60%	0	9	20	21	50
MR	0	3	6	3	12
Total	0	28	48	36	

Total LI Units: 100
Owner/Employee Units: 0
Total Project Units: 112
Applicable Fraction: 89.00

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

DEVELOPMENT AMENITIES (no extra cost to tenant)

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

UNIT AMENITIES (no extra cost to tenant)

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

BUILDING INFORMATION

Total Development Cost:	$8,324,452
Gross Building Square Feet	108,240
Total Net Rentable Area Square Feet:	105,840
Average Square Feet/Unit	945
Cost Per Net Rentable Square Foot	$78.65
Credits per Low Income Uni	$7,374

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$636,940
Total Expenses:	$343,076
Net Operating Income	$293,864
Estimated 1st Year Debt Coverage Ratio	1.30

FINANCING

Permanent Principal Amount:	$2,694,000
Applicant Equity:	$27,555
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7598

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	LH Development, LP	Market Analyst:	Mark C. Temple
Housing GC:	Alpha Construction Company	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	McWhorter, Cobb & Johnson, LLP
Architect:	Beeler, Guest & Owens Architects	Accountant:	NA
Property Manager	UAH Property Management, LP	Supp Services	NA
Syndicator:	NA	Permanent Lender	JP Morgan Chase

Project Name: Park Meadows Villas Project Number: 03140

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

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

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

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	NC	
TX Representative:	Carl H. Isett, District 84 , S	
TX Senator:	Robert Duncan, District 28 , S	
US Representative:	Larry Combest, U.S. Representative, S	
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 93 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a statement from the relevant taxing authority (ies) which either confirms the claimed property tax exemption or provides for an estimate of property taxes through a PILOT agreement prior to Carryover.

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

Alternate Recommendation: NA

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

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

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

☐ To ensure geographic dispersion within each Uniform State Service Region.

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

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals families with different levels of income.

Explanation: **Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended.**

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

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03140** Name: **Park Meadows Villas** City: **Lubbock**

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

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

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

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

Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 2 # not yet monitored or pending review: 3

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

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

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

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

Reviewed by R Meyer Date 5 /28/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by __________ Date __________

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by Eddie Fariss Date 5 /5 /2003

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by __________ Date __________

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

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

Reviewed by Stephanie Stuntz Date 5 /6 /2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 9, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03140

DEVELOPMENT NAME

Park Meadows Villas Apartments

APPLICANT

Name:	LHA Park Meadows, LP	**Type:**	For Profit
Address:	3508 Far West Boulevard, Suite 170	**City:**	Austin
State:	TX		
Zip:	78731	**Contact:**	Aubrea Hance
Phone:	(512) 527-9335	**Fax:**	(512) 527-9337

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name	(%)	Title
LPMD-1, LLC	.01	Managing General Partner
City of Lubbock Housing Initiatives, Inc. (CLHI)		Owner of G.P.
City of Lubbock Housing Authority		Owner of CLHI
LH Development, LP		Developer
Landmark Housing Development, LLC		G.P. of Developer
Kent Hance Sr.		49.5% owner of Developer
Kent (Ron) Hance Jr.		24.75% owner of Developer
Susan Hance Sorrells		24.75% owner of Developer
Watermark Consulting		Consultant
Aubrea Hance		Principal of Consultant

PROPERTY LOCATION

Location: Oak and Weber Avenues ☒ **QCT** ☐ **DDA**

City: Lubbock **County:** Lubbock **Zip:** 79404

REQUEST

Amount	Interest Rate	Amortization	Term
$745,677	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $737,372 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a statement from the relevant taxing authority (ies) which either confirms the claimed property tax exemption or provides for an estimate of property taxes through a PILOT agreement prior to carryover.
2. Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated

and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	112	**# Rental Buildings**	8	**# Common Area Bldgs**	1	**# of Floors**	2	**Age:**	0	yrs	**Vacant:**	N/A	at __/ __/ ____

Net Rentable SF: 105,840 **Av Un SF:** 945 **Common Area SF:** 2,400 **Gross Bldg SF:** 108,240

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade,80% masonry brick veneer 15% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Amenities include a 2,400-SF community building with activity room, management offices, laundry and maintenance facilities, kitchen and restrooms, picnic pavilion; equipped children’s play area; sport courts, and, perimeter fencing with a limited access gate.

Uncovered Parking: 256 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Park Meadows Villas Apartments is a relatively dense (15 units per acre) proposed new construction development of 112 units of mixed income housing located in east Lubbock. The development is comprised of eight medium sized residential buildings as follows:

- Two Building Type A with eight two-bedroom/one-bath units and eight two-bedroom/two-bath units;
- One Building Type B with eight one-bedroom/one-bath units, four two- bedroom/one-bath units, and four two-bedroom/ two-bath units;
- Four Building Type C with four one-bedroom/one-bath units, four two-bedroom/one-bath units, and four three-bedroom/two-bath units; and
- One Building Type D with four one-bedroom/one-bath units, four two-bedroom/one-bath units, four two-bedroom/two-bath units, and four three-bedroom/two-bath units.

Architectural Review: The building elevations and unit Floorplans are attractive and functional. The units all have porches or balconies with storage closets.

Supportive Services: The Applicant did not specify a supportive services provider but committed to providing at least three of the services from the TDHCA list and estimated annual expenses at $6,000.

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

SITE ISSUES

SITE DESCRIPTION

Size: 7.51 acres 327,136 square feet **Zoning/ Permitted Uses:** R-3, multifamily residential permitted

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a roughly rectangularly-shaped parcel located in the eastern area of Lubbock, approximately 1.5 miles from the central business district. The site is situated on the west side of Weber Avenue.

Adjacent Land Uses:

- **North:** single-family residential and a city park
- **South:** multifamily residential
- **East:** Weber Avenue with single-family residential beyond
- **West:** vacant land with active railroad tracks running parallel to the property 540 feet from the property line, and commercial/industrial uses beyond

Site Access: Access to the property is from the northeast or southwest from Weber Drive. The development is to have one entry from Weber Drive. Access to Loop 289 is 1.7 miles east and Interstate Highway 27 is 1.2 miles west, which provide connections to all other major roads serving Lubbock and surrounding areas.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 2.5 miles of three major grocery/pharmacies, as well as 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: There is an existing apartment building on the site and an active railroad track runs adjacent to the western boundary. See next section.

Site Inspection Findings: TDHCA staff performed a site inspection on May 17, 2003 and found the location to be acceptable for the proposed development under existing TDHCA guidelines. The inspector regarded the adjacent active railroad tracks and pipe yard as environmental hazards, especially for children, and noted the extremely poor condition of the existing housing units which are owned and managed by the City of Lubbock Housing Authority.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 24, 2003 was prepared by Barnett Engineering, Inc. and contained the following findings and recommendations:

Findings:

- "There is an existing two-story brick veneer apartment building that was found with no known environmental factors and should have no known problems upon removal." (supplemental letter)
- "The railroad near the site is used as a train car storage yard with a minimal noise level around 40 decibels, according to Larry Wiesener with the South Plains Switching Limited Company. The exterior noise level will be around 50 decibels and is within the HUD Section 51.103(c) guidelines." (supplemental letter)
- "…we believe that significant surface or subsurface contamination on the subject property is unlikely. A level II survey to further examine this area for contamination is not warranted." (executive summary)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 100 of the units (89% of the total) will be reserved for low-income tenants. 18 of the units (16%) will be reserved for households earning 40% or less of AMGI, 32 units (39%) will be reserved for households earning 50% or less of AMGI, 50 units (45%) will be reserved for households earning 60% or less of AMGI, and the remaining 12 units (11%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$19,620	$22,440	$25,200	$28,020	$30,240	$32,520

MARKET HIGHLIGHTS

A market feasibility study dated March 25, 2003 was prepared by Mark Temple and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market for the Park Meadows Villas Apartments is considered the Lubbock MSA or Lubbock County…In addition, it is viewed a very strong secondary market exists due to the proposed site's proximity to the remaining High Plains surrounding counties." (p. I-2)

Population: The estimated 2002 population of Lubbock County was 246,702 and is expected to increase by 5% to approximately 256,860 by 2007. Within the primary market area there were estimated to be 94,650 households in 2002.

Total Local/Submarket Demand for Rental Units: "Based upon the TDHCA [market analysis methodology], there is an annual demand of approximately 1,736 units from 2003 to 2007." (p. IV-8)"

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	257	3%	110	2%
Resident Turnover	7,453	97%	7,158	98%
TOTAL ANNUAL DEMAND	**7,710**	**100%**	**7,268**	**100%**

Ref: TDHCA Primary Market Analysis Summary

Inclusive Capture Rate: "…the 100 LIHTC and 12 market rate units of the apartment project represent a 1.5% capture rate of all income-appropriate rental households within the market area, depending on management's criteria for qualifying potential renters." (p. VI-8) The Underwriter calculated an inclusive capture rate of 1.4% based upon a revised demand of 7,268 units.

Local Housing Authority Waiting List Information: "The Lubbock Housing Authority currently has a three-year lengthy waiting list for families and elderly seeking housing units." (p. IV-5)

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment projects totaling 1,582 units in the market area. "The projected initial rents for the project are well within and below the rental range for comparable projects within the market area." (certificate, p. 2)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom (40%)	$285	$296	-$11	$585	-$300
1-Bedroom (50%)	$370	$384	-$14	$585	-$215
1-Bedroom (60%)	$400	$471	-$71	$585	-$185
1-Bedroom (MR)	$400	N/A	N/A	$585	-$185
2-Bedroom (40%)	$340	$352	-$12	$697	-$357
2-Bedroom (50%)	$440	$457	-$17	$697	-$257
2-Bedroom (60%)	$485/$500	$562	-$62-77	$697	-$212/-$197
2-Bedroom (MR)	$440/$500	N/A	N/A	$697	-$257/-$197
3-Bedroom (40%)	$380	$400	-$20	$936	-$556
3-Bedroom (50%)	$500	$521	-$21	$936	-$436
3-Bedroom (60%)	$575	$643	-$68	$936	-$361
3-Bedroom (MR)	$575	N/A	N/A	$936	-$361

(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 occupancy level of the market area is presently 96.4%." (p. III-1)

Absorption Projections: "Based upon current positive multifamily indicators and present absorption rates of 15 to 20 units per month, it is estimated that a 95+% occupancy level can be achieved in a six-to-eight-month time frame." (p. IV-7)

Known Planned Development:

- "There is one market rate apartment project that is currently under construction. Consisting of 200 units, the Dominion Apartments was developed in two phases. Phase one began leasing activities in 2000 while phase two is still currently under construction with leasing activities beginning this year. The apartment project currently has a 75% occupancy level. " (p. III-29)
- "The [144-unit] Cantibury Pointe Apartments is currently under construction and will begin leasing activities this quarter." (p. III-33)
- The Market Analyst did not reflect the proposed rehabilitation of the Pioneer Hotel, a 100 unit loft conversion tax credit application under consideration currently by the Department.

Effect on Existing Housing Stock: "The proposed project, in light of the vacancy and absorption rates for the applicable market area, is not likely to result in an unreasonably high vacancy rate for comparable units within the market area (i.e., standard, well-maintained units within such market area that are reserved for occupancy by low and very low income tenants)." (certificate, p. 2)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are slightly ($11-$77) lower than the maximum rents allowed under LIHTC guidelines, although the Market Analyst's estimated market rents for all unit types are in excess of the LIHTC maximum rents. The Underwriter therefore used the maximum LIHTC rents for the LIHTC units and the maximum 60% AMI rents for the market rate units, resulting in additional $60,504 in potential gross rent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the Underwriter's increased rents the Underwriter's effective gross income estimate exceeds the Applicant's by $56K.

Expenses: The Applicant's estimate of total operating expense is 7% lower than the Underwriter's database-derived estimate for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($14.5K lower) and payroll ($14.3K lower). The Applicant did not include any property taxes in the expense estimate because the City of Lubbock Housing Authority will own the General Partner and presumably qualify for a property tax exemption. Although the Applicant did not submit substantiation from the taxing authority to confirm this exemption and the Underwriter has not included estimated taxes based on the property's current exemption, it is a condition of this report that the Applicant submits a statement from the relevant taxing authority which either confirms the tax exemption or provides an estimate of property taxes.

Conclusion: The Applicant's estimated income and 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. Due primarily to the difference in rental income, the Underwriter's estimated debt coverage ratio (DCR) of 1.32 slightly exceeds the program maximum standard of 1.30. This suggests that the development could support additional debt service of approximately $3,700 annually. This results in an additional potential $44,000 in serviceable debt at the terms provided, and may reduce the need for other funds.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	$21,949	**Assessment for the Year of:**	2002
Building:	$0	**Valuation by:**	Lubbock County Appraisal District
Total Assessed Value:	$21,949	**Tax Rate:**	2.47945

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Warranty deed (property currently owned by parent entity of General Partner)
Original Acquisition Date:	9/ 27/ 1968
Acquisition Cost:	$ (None)
Other Terms/Conditions:	To be transferred upon LIHTC allocation
Grantor:	Housing Authority of the City of Lubbock
Related to Development Team Member:	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site is part of a larger parcel currently owned by the Housing Authority of the City of Lubbock, which is the sole owner of the General Partner, and will transfer the property to the Applicant at no cost if a tax credit allocation is received.

Sitework Cost: The Applicant's claimed sitework costs of $4,725 per unit are considered reasonable compared to historical sitework costs for multifamily projects. The Applicant included $100,000 in demolition costs for the existing structures on the site, which are ineligible costs and are not included in the above per unit sitework amount.

Direct Construction Cost: The Applicant's direct construction cost estimate is $176K or 4% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant's contingency allowance exceeds the maximum 5% guideline by $68,316, however, and eligible basis is therefore reduced by a similar amount.

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 $14,000 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 contractor's and developer's fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by $12,347.

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 $7,617,201 is used to determine a credit allocation of $737,372 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

INTERIM CONSTRUCTION FINANCING

Source:	JPMorgan Chase Bank
Contact:	Linda McMahon
Principal Amount:	$3,350,000
Interest Rate:	Estimated at 7.5% + 1% annual fee
Additional Information:	Letter of credit backing FNMA forward permanent loan
Amortization:	N/A yrs
Term:	2 yrs
Commitment:	☐ None ☐ Firm ☒ Term Sheet

LONG TERM/PERMANENT FINANCING

Source:	JPMorgan Chase
Contact:	Linda McMahon
Principal Amount:	$2,650,000
Interest Rate:	Estimated & underwritten at 7.5%
Additional Information:	
Amortization:	30 yrs
Term:	18 yrs
Commitment:	☐ None ☐ Firm ☒ Term Sheet
Annual Payment:	$222,350
Lien Priority:	1st
Commitment Date	2/ 26/ 2003

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments **Contact:** Marie Keutmann

Address: 101 Arch Street, 13th Floor **City:** Boston

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

Net Proceeds: $5,666,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 76¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 26/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $8,452 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. Based upon the Underwriter's DCR analysis an additional $3,700 in debt service is minimally required to ensure a DCR below 1.30. This would allow an increase in the debt amount to $2,694,000 to occur based upon current terms of the proposed loan.

LIHTC Syndication: The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $737,372 annually for ten years, resulting in syndication proceeds of approximately $5,602,897.

Deferred Developer's Fees: The Applicant's proposed deferred fees of $8,452 amount to less than 1% of the total eligible fees. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $27,555, which represents approximately 3% of the eligible fee and which should be repayable from cash flow within one year.

Financing Conclusions: With the anticipated increase in debt, the decrease in credits results in only a slight increase in anticipated deferred developer fees. 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.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

Kent Hance. Sr. is the father of Kent (Ron) Hance, Jr. and Susan Hance Sorrells. Aubrea Hance is the wife of Ron Hance. These are acceptable 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 nonprofit parent of the General Partner, City of Lubbock Housing Initiatives, Inc. (CLHI), submitted an unaudited financial statement as of December 2002 reporting total assets of $($31K) and consisting of $111K in cash, ($956K) in receivables, and 814K in real property, equipment, and fixtures. Liabilities totaled $472K, resulting in a negative net worth of $503K.
- The City of Lubbock Housing Authority, the parent of CLHI, submitted an unaudited financial statement as of December 2002 reporting total assets of $16.2M and consisting of $503K in cash, $298K in receivables, $199K in investments, and $15.2M in real property and equipment. Liabilities totaled $137K, resulting in a net worth of $16.1M.
- The principals of the Developer, Kent Hance Sr., Kent Hance Jr., and Susan Hance Sorrells, submitted personal financial statements.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The nonprofit parent and sole member of the General Partner, the City of Lubbock Housing Initiatives, Inc. (CHLI), has been incorporated since 1993 but listed no previous experience in developing affordable housing.
- The parent and sole member of CHLI, the City of Lubbock Housing Authority, also listed no previous affordable housing development experience but has extensive experience in affordable housing ownership and management since its establishment in 1939.
- Kent Hance Sr., the 49.5% owner of the Developer, listed participation in six previous LIHTC housing developments in Texas totaling 682 units since 1997.
- Kent Hance Jr. and Susan Hance Sorrells, each 24.75% owners of the Developer, listed participation in five previous LIHTC housing developments in Texas totaling 608 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses, and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Credit Underwriting Supervisor:	*Jim Anderson*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 9, 2003

Park Meadows Villas Apartments, Lubbock, 9% LIHTC #03140

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 (40%)	6	1	1	750	$350	$296	$1,776	$0.39	$54.00	$48.00
TC (50%)	10	1	1	750	438	$384	3,840	0.51	54.00	48.00
TC (60%)	9	1	1	750	525	$471	4,239	0.63	54.00	48.00
MR	3	1	1	750		$471	1,413	0.63	54.00	48.00
TC (40%)	4	2	1	900	420	$352	1,408	0.39	68.00	50.00
TC (50%)	16	2	1	900	525	$457	7,312	0.51	68.00	50.00
TC (60%)	2	2	1	900	630	$562	1,124	0.62	68.00	50.00
MR	2	2	1	900		$562	1,124	0.62	68.00	50.00
TC (40%)	2	2	2	985	420	$352	704	0.36	68.00	50.00
TC (60%)	18	2	2	985	630	$562	10,116	0.57	68.00	50.00
MR	4	2	2	985		$562	2,248	0.57	68.00	50.00
TC (40%)	6	3	2	1,100	485	$400	2,400	0.36	85.00	57.00
TC (50%)	6	3	2	1,100	606	$521	3,126	0.47	85.00	57.00
TC (60%)	21	3	2	1,100	728	$643	13,503	0.58	85.00	57.00
MR	3	3	2	1,100		$643	1,929	0.58	85.00	57.00
TOTAL:	112		AVERAGE:	945	$505	$502	$56,262	$0.53	$69.96	$51.75

INCOME	Total Net Rentable Sq Ft:	105,840			TDHCA	APPLICANT		USS Region	1
POTENTIAL GROSS RENT					$675,144	$614,640		IREM Region	
Secondary Income			Per Unit Per Month:	$10.00	13,440	13,440	$10.00	Per Unit Per Month	
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					$688,584	$628,080			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(51,644)	(47,112)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$636,940	$580,968			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.21%	$353	0.37	$39,550	$25,100	$0.24	$224	4.32%
Management		5.00%	284	0.30	31,847	$29,049	0.27	259	5.00%
Payroll & Payroll Tax		16.32%	928	0.98	103,925	$89,600	0.85	800	15.42%
Repairs & Maintenance		6.99%	398	0.42	44,530	$44,800	0.42	400	7.71%
Utilities		3.76%	214	0.23	23,978	$25,700	0.24	229	4.42%
Water, Sewer, & Trash		4.51%	257	0.27	28,745	$33,100	0.31	296	5.70%
Property Insurance		5.28%	300	0.32	33,600	$33,600	0.32	300	5.78%
Property Tax	2.47945	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		3.52%	200	0.21	22,400	$22,400	0.21	200	3.86%
Other: spt svcs, compl fees, sec		2.28%	129	0.14	14,500	$14,500	0.14	129	2.50%
TOTAL EXPENSES		53.86%	$3,063	$3.24	$343,076	$317,849	$3.00	$2,838	54.71%
NET OPERATING INC		46.14%	$2,624	$2.78	$293,865	$263,119	$2.49	$2,349	45.29%
DEBT SERVICE									
JPMorgan Chase		34.91%	$1,985	$2.10	$222,350	$222,350	$2.10	$1,985	38.27%
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		11.23%	$639	$0.68	$71,514	$40,769	$0.39	$364	7.02%
AGGREGATE DEBT COVERAGE RATIO					1.32	1.18			
RECOMMENDED+A64 DEBT COVERAGE RATIO					1.30				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.62%	4,725	5.00	529,200	529,200	5.00	4,725	6.36%
Direct Construction		54.67%	38,995	41.26	4,367,447	4,543,560	42.93	40,568	54.58%
Contingency	5.00%	3.06%	2,186	2.31	244,832	321,954	3.04	2,875	3.87%
General Req'ts	6.00%	3.68%	2,623	2.78	293,799	310,366	2.93	2,771	3.73%
Contractor's G & A	2.00%	1.23%	874	0.93	97,933	103,455	0.98	924	1.24%
Contractor's Profit	6.00%	3.68%	2,623	2.78	293,799	310,366	2.93	2,771	3.73%
Indirect Construction		2.96%	2,109	2.23	236,250	236,250	2.23	2,109	2.84%
Ineligible Costs		5.54%	3,951	4.18	442,499	442,499	4.18	3,951	5.32%
Developer's G & A	2.00%	1.61%	1,145	1.21	128,282	134,119	1.27	1,197	1.61%
Developer's Profit	13.00%	10.44%	7,445	7.88	833,830	871,776	8.24	7,784	10.47%
Interim Financing		4.39%	3,132	3.31	350,819	350,819	3.31	3,132	4.21%
Reserves		2.13%	1,519	1.61	170,088	170,088	1.61	1,519	2.04%
TOTAL COST		100.00%	$71,328	$75.48	$7,988,778	$8,324,452	$78.65	$74,325	100.00%
Recap-Hard Construction Costs		*72.94%*	***$52,027***	***$55.05***	***$5,827,010***	***$6,118,901***	***$57.81***	***$54,633***	*73.51%*

SOURCES OF FUNDS					$0.626		RECOMMENDED		
JPMorgan Chase		33.17%	$23,661	$25.04	$2,650,000	$2,650,000	$2,694,000	Developer fee Available	
Additional Financing		0.00%	$0	$0.00	0	0	0	$993,548	
LIHTC Syndication Proceeds		70.92%	$50,589	$53.53	5,666,000	5,666,000	5,602,897	% of Dev. Fee Deferred	
Deferred Developer Fees		0.11%	$75	$0.08	8,452	8,452	27,555	3%	
Additional (excess) Funds Required		-4.20%	($2,997)	($3.17)	(335,674)	0	0	Dev Fee Repayable in 15 yrs	
TOTAL SOURCES					$7,988,778	$8,324,452	$8,324,452	$1,601,986	

Park Meadows Villas Apartments, Lubbock, 9% LIHTC #03140

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.23	$4,469,256
Adjustments				
Exterior Wall Finish	6.60%		$2.79	$294,971
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(106,898)
Floor Cover			1.92	203,213
Porches/Balconies	$29.24	19,292	5.33	564,098
Plumbing	$615	180	1.05	110,700
Built-In Appliances	$1,625	112	1.72	182,000
Stairs	$1,625	12	0.18	19,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	155,585
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$61.22	2,400	1.39	146,920
Other: Fireplace	$2,200	1	0.02	2,200
SUBTOTAL			57.08	6,041,544
Current Cost Multiplier	1.03		1.71	181,246
Local Multiplier	0.86		(7.99)	(845,816)
TOTAL DIRECT CONSTRUCTION COSTS			$50.80	$5,376,974
Plans, specs, survy, bld prm	3.90%		($1.98)	($209,702)
Interim Construction Interes	3.38%		(1.71)	(181,473)
Contractor's OH & Profit	11.50%		(5.84)	(618,352)
NET DIRECT CONSTRUCTION COSTS			$41.26	$4,367,447

PAYMENT COMPUTATION

Primary	$2,650,000	Term	360
Int Rate	7.50%	DCR	1.32
Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.32
Additional	$5,666,000	Term	
Int Rate		Aggregate DCR	1.32

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$226,042
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$67,823

Primary	$2,694,000	Term	360
Int Rate	7.50%	DCR	1.30
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.30
Additional	$5,666,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$675,144	$695,398	$716,260	$737,748	$759,881	$880,910	$1,021,216	$1,183,869	$1,591,021
Secondary Income	13,440	13,843	14,258	14,686	15,127	17,536	20,329	23,567	31,672
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	688,584	709,242	730,519	752,434	775,007	898,446	1,041,545	1,207,436	1,622,693
Vacancy & Collection Loss	(51,644)	(53,193)	(54,789)	(56,433)	(58,126)	(67,383)	(78,116)	(90,558)	(121,702)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$636,940	$656,048	$675,730	$696,002	$716,882	$831,062	$963,429	$1,116,878	$1,500,991
EXPENSES at 4.00%									
General & Administrative	$39,550	$41,132	$42,777	$44,488	$46,268	$56,292	$68,488	$83,326	$123,342
Management	31,847	32,802	33,786	34,800	35,844	41,553	48,171	55,844	75,050
Payroll & Payroll Tax	103,925	108,082	112,405	116,902	121,578	147,918	179,965	218,954	324,106
Repairs & Maintenance	44,530	46,312	48,164	50,091	52,094	63,381	77,112	93,819	138,875
Utilities	23,978	24,937	25,935	26,972	28,051	34,128	41,522	50,518	74,780
Water, Sewer & Trash	28,745	29,895	31,091	32,334	33,628	40,913	49,777	60,562	89,646
Insurance	33,600	34,944	36,342	37,795	39,307	47,823	58,184	70,790	104,787
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	22,400	23,296	24,228	25,197	26,205	31,882	38,790	47,193	69,858
Other	14,500	15,080	15,683	16,311	16,963	20,638	25,109	30,549	45,220
TOTAL EXPENSES	$343,076	$356,480	$370,411	$384,890	$399,937	$484,528	$587,119	$711,555	$1,045,663
NET OPERATING INCOME	$293,865	$299,568	$305,319	$311,112	$316,944	$346,534	$376,311	$405,323	$455,329
DEBT SERVICE									
First Lien Financing	$226,042	$226,042	$226,042	$226,042	$226,042	$226,042	$226,042	$226,042	$226,042
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	$67,823	$73,526	$79,277	$85,070	$90,902	$120,492	$150,269	$179,281	$229,286
DEBT COVERAGE RATIO	1.30	1.33	1.35	1.38	1.40	1.53	1.66	1.79	2.01

LIHTC Allocation Calculation - Park Meadows Villas Apartments, Lubbock, 9% LIHTC #03140

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				
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$529,200	$529,200	$529,200	$529,200
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$4,543,560	$4,367,447	$4,543,560	$4,367,447
(4) Contractor Fees & General Requirements				
Contractor overhead	$103,455	$97,933	$101,455	$97,933
Contractor profit	$310,366	$293,799	$304,366	$293,799
General requirements	$310,366	$293,799	$304,366	$293,799
(5) Contingencies	$321,954	$244,832	$253,638	$244,832
(6) Eligible Indirect Fees	$236,250	$236,250	$236,250	$236,250
(7) Eligible Financing Fees	$350,819	$350,819	$350,819	$350,819
(8) All Ineligible Costs	$442,499	$442,499		
(9) Developer Fees			$993,548	
Developer overhead	$134,119	$128,282		$128,282
Developer fee	$871,776	$833,830		$833,830
(10) Development Reserves	$170,088	$170,088		
TOTAL DEVELOPMENT COSTS	$8,324,452	$7,988,778	$7,617,201	$7,376,191

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$7,617,201	$7,376,191
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$9,902,362	$9,589,048
Applicable Fraction		89.29%	89.29%
TOTAL QUALIFIED BASIS		$8,841,394	$8,561,650
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$737,372	$714,042
Syndication Proceeds	**0.7598**	**$5,602,897**	**$5,425,620**
Total Credits (Eligible Basis Method)		**$737,372**	**$714,042**
Syndication Proceeds		**$5,602,897**	**$5,425,620**
Requested Credits		**$745,677**	
Syndication Proceeds		**$5,666,000**	
Gap of Syndication Proceeds Needed		**$5,630,452**	
Credit Amount		**$740,999**	

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Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
1" = 1.58 mi

0 ½ 1 1½ 2 mi
0 1 2 3 4 km

TN
MN
8.1°E