

TDHCA #

03145

Region 12



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

Development Name: **Sterling Springs Villas**

TDHCA #: **03145**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 12 Site Address: South side of E. Golf Course & Fairgrounds Rd.
 City: Midland County: Midland Zip Code: 79701

TTC DDA QCT Purpose / Activity: New Construction

Targeted Units: Family: 120 Elderly: 0 Handicapped/Disabled 9 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: LHD Sterling Springs, LP

Principal Names	Principal Contact	Percentage Ownership
Landmark TC Management, LLC	Ron Hance	.009% of Owner
Crossroads Housing Development Corporation	Paul Pryor	.001% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation	\$845,579	Allocation over 10 Years:	\$8,455,790
Credits Requested	\$850,643	Eligible Basis Amount:	\$845,579
		Equity/Gap Amount	\$851,792

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	10	28	18	56
60%	0	14	26	18	58
MR	0	0	2	4	6
Total	0	24	56	40	

Total LI Units: 114
 Owner/Employee Units: 0
 Total Project Units: 120
 Applicable Fraction: 95.00

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:	\$8,947,733	Average Square Feet/Unit	943
Gross Building Square Feet	115,536	Cost Per Net Rentable Square Foot	\$79.09
Total Net Rentable Area Square Feet:	113,136	Credits per Low Income Uni	\$7,417

INCOME AND EXPENSE INFORMATION

Effective Gross Income	\$666,244
Total Expenses:	\$433,238
Net Operating Income	\$233,006
Estimated 1st Year Debt Coverage Ratio	1.12

FINANCING

Permanent Principal Amount:	\$2,475,000
Applicant Equity:	\$47,218
Equity Source:	Deferred Developer Fee
Syndication Rate:	\$0.7599

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, L.P.	Supp Services	NA
Syndicator:	Lend Lease Real Estate Investments	Permanent Lender	JP Morgan Chase

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: **1** 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: Tom Craddick, District 82, S	
TX Senator: Teel Bivins, District 31, S	
US Representative: Charles W. Stenholm, S	
US Senator:	
General Summary of Comment: Broad Support	

DEPARTMENT EVALUATION	
Points Awarded: 81	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of evidence of rezoning of the site to a conforming use by execution of commitment.
Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

Alternate Recommendation: NA

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

- Score Meeting a Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.
- To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals, families with different levels of income.

Explanation: Region 12 is undersubscribed, therefore all eligible developments in the region are recommended.

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

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

Approved Credit Amount: Date of Determination:

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

Project ID # **03145**

Name: **Sterling Springs Villas**

City: **Midland**

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 10, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03145

DEVELOPMENT NAME

Sterling Springs Villas Apartments

APPLICANT

Name:	<u>LHD Sterling Springs, L.P.</u>	Type:	<u>For Profit</u>
Address:	<u>3508 Far West Boulevard, Suite 170</u>	City:	<u>Austin</u> State: <u>TX</u>
Zip:	<u>78731</u>	Contact:	<u>Ron Hance</u>
		Phone:	<u>(512) 527-9335</u>
		Fax:	<u>(512) 527-9337</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Landmark TC Management, LLC</u>	(%):	<u>.009</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Crossroads Housing Development Corporation</u>	(%):	<u>.001</u>	Title:	<u>Co-General Partner (nonprofit, CHDO)</u>
Name:	<u>LH Development, LP</u>	(%):		Title:	<u>Developer</u>
Name:	<u>Landmark Housing Development, LLC</u>	(%):		Title:	<u>G.P. of developer</u>
Name:	<u>Kent Hance Sr.</u>	(%):		Title:	<u>50% owner of MGP & 49.5% owner of developer</u>
Name:	<u>Kent (Ron) Hance Jr.</u>	(%):		Title:	<u>25% owner of MGP & 24.75% owner of developer</u>
Name:	<u>Susan Hance Sorrells</u>	(%):		Title:	<u>25% owner of MGP & 24.75% owner of developer</u>
Name:	<u>Watermark Consulting</u>	(%):		Title:	<u>Consultant</u>
Name:	<u>Aubrea Hance</u>	(%):		Title:	<u>Principal of Consultant</u>

PROPERTY LOCATION

Location: Southwest corner of intersection of E. Golf Course & Fairgrounds Roads **QCT** **DDA**
City: Midland **County:** Midland **Zip:** 79701

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$850,643	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	
Set-Aside(s): <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$845,579 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of evidence of rezoning of the site to a conforming use by execution of

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commitment.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	120	# Rental Buildings:	11	# Common Area Bldgs:	1	# of Floors:	2	Age:	0	vacant:	N/A	at	___/___/___
Net Rentable SF:	113,136	Av Un SF:	943	Common Area SF:	2,400	Gross Bldg SF:	115,536						

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 80% brick veneer 15% Hardiplank siding exterior wall covering with 5% wood trim, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Amenities include a 2,400- SF community building with activity room, management offices, fitness and laundry facilities, kitchen, restrooms, computer/business center, daycare facility and central mailroom; swimming pool equipped children's play area; sports court; and, perimeter fencing with limited access gate.

Uncovered Parking: 240 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Sterling Springs Villas Apartments is a proposed new construction development of 120 units of mixed income housing located in east Midland. The development is comprised of 30 residential buildings as follows:

- € Four Building Type A with four one-bedroom/one-bath units;
- € Two Building Type B with four one-bedroom/one-bath units;
- € Three Building Type C with four two-bedroom/one-bath units;
- € Four Building Type D with four two-bedroom/one-bath units;
- € Seven Building Type E with four two-bedroom/two-bath units; and
- € Ten Building Type F with four three-bedroom/two-bath units.

Architectural Review: The buildings are a mix of one- and two-story fourplexes, with pitched roofs and mixed brick veneer and cement fiber siding exterior wall finish.

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 to be substantially leased-up in September of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 10 acres 435,600 square feet **Zoning/ Permitted Uses:** C-3, Commercial District, & 2F, Two-Family Dwelling, rezoning request submitted

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

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SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an “L”-shaped parcel located in the east area of Midland, approximately one mile from the central business district. The site is situated on the southwest corner of the intersection of E. Golf Course Road and Fairgrounds Road.

Adjacent Land Uses:

- ∉ **North:** E. Golf Course Road with single-family residential beyond
- ∉ **South:** vacant land
- ∉ **East:** Fairgrounds Road with vacant land and single-family residential beyond
- ∉ **West:** an elderly LIHTC multifamily development (Santa Rita Senior Village, 9% LIHTC #02104) under construction, with a public high school and city park beyond

Site Access: Access to the property is from the east or west along Golf Course Road or the north or south from Fairgrounds Road. The development is to have two main entries off of Golf Course Road. Access to Interstate Highway 20 is one mile south, which provides connections to all other major roads serving the Midland and Odessa area.

Public Transportation: Public transportation is not available in Midland.

Shopping & Services: The site is within one mile of a major grocery/pharmacy, and all the private and public facilities of Midland are located within five miles.

Special Adverse Site Characteristics: The site is not currently zoned for multifamily residential use, and the Applicant has submitted a rezoning request. Receipt, review, and acceptance of evidence of rezoning of the site to a conforming use is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on April 2, 2003 and found the location to be acceptable for the proposed development. The inspector noted the site is two miles south of a petroleum storage facility and approximately 900 yards west of a large electrical power substation, and expressed concern that more heavy industrial uses may be added to the area in the future.

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: “Based on the results of this reconnaissance, 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. 114 of the units (95% of the total) will be reserved for low-income tenants. 56 of the units (47%) will be reserved for households earning 50% or less of AMGI, 58 units (48%) will be reserved for households earning 60% or less of AMGI, and the remaining six units (5%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$19,260	\$22,020	\$24,780	\$27,540	\$29,760	\$31,920

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 area for the Sterling Springs Villas Apartments is considered Midland County...In addition, it is viewed a very strong secondary market exists due to the proposed site’s proximity to the remaining Midland-Odessa MSA.” (P. I-1) While this market area contains 900 square miles, its size is consistent with other midsized markets where the primary population is located in the county seat.

Population: The estimated 2002 population of Midland County was 116,981 and is expected to increase by 2.4% to approximately 119,802 by 2007. Within the primary market area there were estimated to be 43,208

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households in 2007.

Total Local/Submarket Demand for Rental Units: “Based upon the TDHCA [market analysis methodology], there is an annual demand of approximately 650 units from 2003 to 2007.” (p. IV-9)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	107	6%	14	1%
Resident Turnover	1,748	94%	1,748	99%
TOTAL ANNUAL DEMAND	1,855	100%	1,762	100%

Ref: TDHCA Primary Market Analysis Summary

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 19.5% based upon the subject’s 120 units plus 241 vacant units in existing properties and a demand of 1,855 units. The Underwriter calculated an inclusive capture rate of 6.5% based upon a revised supply of unstabilized comparable affordable units of 120 divided by a revised demand of 1,762.

Local Housing Authority Waiting List Information: “Verification with the Midland Housing Authority indicates there is a lengthy waiting list for family and senior units. However, the actual total number of persons was not disclosed...” (p. IV-5)

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment projects totaling 1,646 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 (50%)	\$357	\$388	-\$31	\$371	-\$14
1-Bedroom (60%)	\$437	\$474	-\$37	\$371	+\$66
2-Bedroom (50%)	\$430	\$468	-\$38	\$516	-\$86
2-Bedroom (60%)	\$526	\$571	-\$45	\$516	+\$10
2-Bedroom (MR)	\$575	N/A	N/A	\$516	+\$59
3-Bedroom (50%)	\$499	\$541	-\$42	\$574	-\$75
3-Bedroom (60%)	\$610	\$574	-\$36	\$574	+\$36
3-Bedroom (MR)	\$615	N/A	N/A	\$574	+\$41

(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 93.7%.” (p. III-1)

Absorption Projections: “Based upon current positive multifamily indicators and present absorption rates of 10 to 12 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:

- € “During the 2000’s there have been no apartment projects built in the Midland market area.” (p.III-28)
- € “...the proposed family LIHTC apartment project will adjoin the sponsor’s 136-unit senior LIHTC apartment project that was approved in 2002 [Santa Rita Senior Village, #02104].” (p. III-29)

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. 1)

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

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MULTIFAMILY UNDERWRITING ANALYSIS**

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are from \$31-\$51 below the maximum rents allowed under LIHTC guidelines, reflecting the Applicant's judgment of attainable rents. Based on the Market Analyst's estimated market rents, however, the Underwriter has increased rents on all of the 50% AMI units to the estimated market rents and decreased rents on all of the 60% AMI and market rate units to the estimated market rents. The net result of these largely offsetting adjustments is that the Underwriter's estimated potential gross rent is \$1,848 less than the Applicant's. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines; therefore the Underwriter's effective gross income estimate is \$1,712 (less than 1%) lower than the Applicant's.

Expenses: The Applicant's total expense estimate of \$3,435 per unit is within 5% of the Underwriter's database-derived estimate of \$3,610 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$14.8K lower).

Conclusion: Although the Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations, 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. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	\$21,781 (prorated from 48.768-acre parcel)	Assessment for the Year of:	2002
Building:	N/A	Valuation by:	Midland Appraisal District
Total Assessed Value:	\$21,781	Tax Rate:	2.8148

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract						
Contract Expiration Date:	10/	31/	2003	Anticipated Closing Date:	10/	31/	2003
Acquisition Cost:	\$ 190,000			Other Terms/Conditions:	\$2,000 earnest money		
Seller:	John M, Bushman and Carol Ann Bushman 1986 Children's Irrevocable Trust				Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$190,000 (\$0.44/SF or \$19K/acre), although 872% of the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$4,714 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$179K or 3.7% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Other: The Applicant's contingency allowance exceeds the TDHCA maximum guideline of 5% by \$1,670 and therefore eligible basis will be reduced by an equivalent amount.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer's fees 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 \$251.

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

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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 \$8,266,743 is used to determine a credit allocation of \$845,579 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 **Contact:** Linda McMahon
Principal Amount: \$3,500,000 **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: \$2,475,000 **Interest Rate:** Estimated & underwritten at 7.5%
Additional Information:
Amortization: 30 yrs **Term:** 18 yrs **Commitment:** None Firm Term sheet
Annual Payment: \$207,667 **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: \$6,464,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 76¢
Commitment None Firm Conditional **Date:** 2/ 26/ 2003
Additional Information:

APPLICANT EQUITY

Amount: \$8,733 **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.

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 \$845,579 annually for ten years, resulting in syndication proceeds of approximately \$6,425,515.

Deferred Developer's Fees: The Applicant's proposed deferred fees of \$8,733 amount to less than 1% of the total eligible fees.

Financing Conclusions: Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$47,218, which represents approximately 4% of the eligible fee and which should be repayable from cash flow within approximately two years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

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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 Managing General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The nonprofit Co-General Partner, Crossroads Housing Development Corporation, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$181K and consisting of \$44K in cash, \$136K in real property, equipment, and fixtures. Liabilities totaled \$2K, resulting in a net worth of \$179K.
- € The principals of the Developer, Kent Hance Sr., Kent Hance Jr., and Susan Hance Sorrells, submitted personal financial statements.

Background & Experience:

- € The Applicant and Managing General Partner are new entities formed for the purpose of developing the project.
- € Crossroads Housing Development Corporation, the Co-General Partner, listed participation in one previous 76-unit LIHTC housing development.
- € 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 operating proforma is more than 5% outside of the Underwriter's verifiable ranges.

Credit Underwriting Supervisor

Jim Anderson

Date: June 11, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: June 11, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Sterling Springs Villas Apartments, Midland, 9% LIHTC #03145

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tot Pd Util	Wtr, Swr, Trsh
TC (50%)	10	1	1	664	\$430	\$371	\$3,710	\$0.56	\$42.50	\$39.75
TC (60%)	14	1	1	664	516	371	5,194	0.56	42.50	39.75
TC (50%)	28	2	1	900	516	468	13,104	0.52	48.00	42.25
TC (60%)	26	2	2	1,000	619	516	13,416	0.52	48.00	42.25
MR	2	2	2	1,000		516	1,032	0.52	48.00	42.25
TC (50%)	18	3	2	1,100	596	541	9,738	0.49	55.00	44.75
TC (60%)	18	3	2	1,100	716	574	10,332	0.52	55.00	44.75
MR	4	3	2	1,100		574	2,296	0.52	55.00	44.75
TOTAL:	120			AVERAGE: 943	\$547	\$490	\$58,822	\$0.52	\$49.23	\$42.58

INCOME				TOTAL Net Rentable Sq Ft 113,136		TDHCA	APPLICANT				
POTENTIAL GROSS RENT						\$705,864	\$707,712	USS Region 12			
Secondary Income				Per Unit Per Month:	\$10.00	14,400	14,400	IREM Region			
Other Support Income:						0	0	Per Unit Per Month			
POTENTIAL GROSS INCOME						\$720,264	\$722,112				
Vacancy & Collection Loss % of Potential Gross Income:				-7.50%		(54,020)	(54,156)	-7.50% of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$666,244	\$667,956				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative				5.92%	\$329	0.35	\$39,442	\$24,600	\$0.22	\$205	3.68%
Management				5.00%	278	0.29	33,312	33,398	0.30	278	5.00%
Payroll & Payroll Tax				15.42%	856	0.91	102,703	96,000	0.85	800	14.37%
Repairs & Maintenance				7.64%	424	0.45	50,880	45,000	0.40	375	6.74%
Utilities				2.71%	151	0.16	18,078	17,500	0.15	146	2.62%
Water, Sewer, & Trash				7.38%	410	0.43	49,156	51,000	0.45	425	7.64%
Property Insurance				5.74%	319	0.34	38,240	38,240	0.34	319	5.72%
Property Tax 2.8148				9.47%	526	0.56	63,125	68,160	0.60	568	10.20%
Reserve for Replacements				3.60%	200	0.21	24,000	24,000	0.21	200	3.59%
Other: spt svcs, compl fees				2.15%	119	0.13	14,300	14,300	0.13	119	2.14%
TOTAL EXPENSES				65.03%	\$3,610	\$3.83	\$433,238	\$412,198	\$3.64	\$3,435	61.71%
NET OPERATING INC				34.97%	\$1,942	\$2.06	\$233,007	\$255,758	\$2.26	\$2,131	38.29%
DEBT SERVICE											
JPMorgan Chase Bank				31.17%	\$1,731	\$1.84	\$207,667	\$207,667	\$1.84	\$1,731	31.09%
Additional Financing				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW				3.80%	\$211	\$0.22	\$25,340	\$48,091	\$0.43	\$401	7.20%
AGGREGATE DEBT COVERAGE RATIO						1.12	1.23				
ALTERNATIVE DEBT COVERAGE RATIO						1.12					

CONSTRUCTION COST					TDHCA	APPLICANT			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl)		2.30%	\$1,667	\$1.77	\$200,000	\$200,000	\$1.77	\$1,667	2.24%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.50%	4,714	5.00	565,680	565,680	5.00	4,714	6.32%
Direct Construction		55.24%	40,056	42.49	4,806,728	4,985,780	44.07	41,548	55.72%
Contingency	5.00%	3.09%	2,239	2.37	268,620	279,243	2.47	2,327	3.12%
General Req'ts	6.00%	3.70%	2,686	2.85	322,344	333,088	2.94	2,776	3.72%
Contractor's G & i	2.00%	1.23%	895	0.95	107,448	111,029	0.98	925	1.24%
Contractor's Prof:	6.00%	3.70%	2,686	2.85	322,344	333,088	2.94	2,776	3.72%
Indirect Construction		3.78%	2,738	2.90	328,610	328,610	2.90	2,738	3.67%
Ineligible Costs		3.31%	2,403	2.55	288,392	288,392	2.55	2,403	3.22%
Developer's G & A	2.00%	1.60%	1,163	1.23	139,508	143,803	1.27	1,198	1.61%
Developer's Profit	13.00%	10.42%	7,557	8.02	906,802	934,719	8.26	7,789	10.45%
Interim Financing		2.91%	2,114	2.24	253,625	253,625	2.24	2,114	2.83%
Reserves		2.19%	1,589	1.69	190,676	190,676	1.69	1,589	2.13%
TOTAL COST		100.00%	\$72,506	\$76.91	\$8,700,779	\$8,947,733	\$79.09	\$74,564	100.00%

Recap-Hard Construction Costs				TDHCA	APPLICANT	RECOMMENDED		
JPMorgan Chase Bank	28.45%	\$20,625	\$21.88	\$2,475,000	\$2,475,000	\$2,475,000	Developer Fee Available	
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,078,271	
LIHTC Syndication Proceeds	74.29%	\$53,867	\$57.13	6,464,000	6,464,000	6,425,515	% of Dev. Fee Deferred	
Deferred Developer Fees	0.10%	\$73	\$0.08	8,733	8,733	47,218	4%	
Additional (excess) Funds Req	-2.84%	(\$2,058)	(\$2.18)	(246,954)	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES				\$8,700,779	\$8,947,733	\$8,947,733	\$635,618	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Sterling Springs Villas Apartments, Midland, 9% LIHTC #03145

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$45.73	\$5,173,361
Adjustments				
Exterior Wall Fini	6.60%		\$3.02	\$341,442
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(208,916)
Floor Cover			1.92	217,221
Porches/Balconies	\$29.24	16,382	4.23	479,010
Plumbing	\$615	204	1.11	125,460
Built-In Appliance	\$1,625	120	1.72	195,000
Stairs	\$1,400	8	0.10	11,200
Floor Insulation			0.00	0
Heating/Cooling			1.47	166,310
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$61.22	2,400	1.30	146,920
Other: Fireplace	\$2,200	1	0.02	2,200
SUBTOTAL			58.77	6,649,207
Current Cost Multiplie	1.03		1.76	199,476
Local Multiplier	0.86		(8.23)	(930,889)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.31	\$5,917,794
Plans, specs, survy, b	3.90%		(\$2.04)	(\$230,794)
Interim Construction I	3.38%		(1.77)	(199,726)
Contractor's OH & Prof	11.50%		(6.02)	(680,546)
NET DIRECT CONSTRUCTION COSTS			\$42.49	\$4,806,728

PAYMENT COMPUTATION

Primary	\$2,475,000	Term	360
Int Rate	7.50%	DCR	1.12

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.12

Additional	\$6,464,000	Term	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$207,667
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$25,340

Primary	\$2,475,000	Term	360
Int Rate	7.50%	DCR	1.122022401

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.122022401

Additional	\$6,464,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.122022401

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

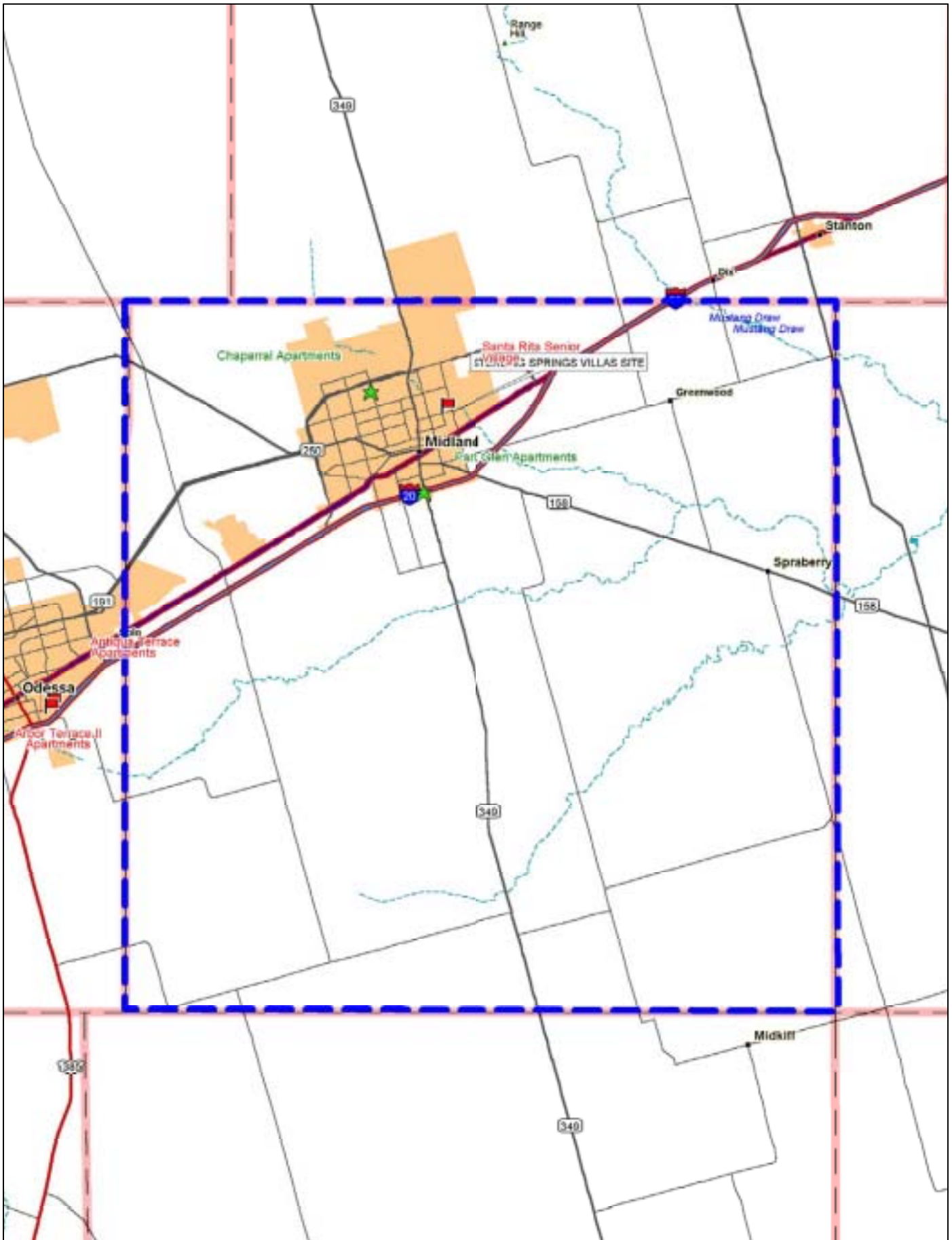
INCOME	a: 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$705,864	\$727,040	\$748,851	\$771,317	\$794,456	\$920,992	\$1,067,683	\$1,237,737	\$1,663,415
Secondary Income		14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		720,264	741,872	764,128	787,052	810,663	939,781	1,089,464	1,262,987	1,697,349
Vacancy & Collection Los		(54,020)	(55,640)	(57,310)	(59,029)	(60,800)	(70,484)	(81,710)	(94,724)	(127,301)
Employee or Other Non-Re		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$666,244	\$686,232	\$706,818	\$728,023	\$749,864	\$869,298	\$1,007,754	\$1,168,263	\$1,570,048
EXPENSES at 4.00%										
General & Administrative		\$39,442	\$41,019	\$42,660	\$44,367	\$46,141	\$56,138	\$68,300	\$83,098	\$123,005
Management		33,312	34,312	35,341	36,401	37,493	43,465	50,388	58,413	78,502
Payroll & Payroll Tax		102,703	106,811	111,084	115,527	120,148	146,179	177,849	216,380	320,296
Repairs & Maintenance		50,880	52,915	55,032	57,233	59,523	72,418	88,108	107,197	158,677
Utilities		18,078	18,802	19,554	20,336	21,149	25,731	31,306	38,089	56,380
Water, Sewer & Trash		49,156	51,122	53,167	55,294	57,506	69,965	85,123	103,565	153,301
Insurance		38,240	39,770	41,360	43,015	44,735	54,427	66,219	80,566	119,257
Property Tax		63,125	65,650	68,276	71,008	73,848	89,847	109,313	132,996	196,866
Reserve for Replacements		24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other		14,300	14,872	15,467	16,086	16,729	20,353	24,763	30,128	44,597
TOTAL EXPENSES		\$433,238	\$450,234	\$467,900	\$486,263	\$505,349	\$612,683	\$742,929	\$900,995	\$1,325,730
NET OPERATING INCOME		\$233,007	\$235,998	\$238,918	\$241,760	\$244,515	\$256,614	\$264,825	\$267,268	\$244,318
DEBT SERVICE										
First Lien Financing		\$207,667	\$207,667	\$207,667	\$207,667	\$207,667	\$207,667	\$207,667	\$207,667	\$207,667
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		\$25,340	\$28,331	\$31,252	\$34,094	\$36,848	\$48,948	\$57,159	\$59,601	\$36,651
DEBT COVERAGE RATIO		1.12	1.14	1.15	1.16	1.18	1.24	1.28	1.29	1.18

LIHTC Allocation Calculation - Sterling Springs Villas Apartments, Midland, 9% LIHT

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	\$200,000	\$200,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$565,680	\$565,680	\$565,680	\$565,680
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$4,985,780	\$4,806,728	\$4,985,780	\$4,806,728
(4) Contractor Fees & General Requirements				
Contractor overhead	\$111,029	\$107,448	\$111,029	\$107,448
Contractor profit	\$333,088	\$322,344	\$333,088	\$322,344
General requirements	\$333,088	\$322,344	\$333,088	\$322,344
(5) Contingencies	\$279,243	\$268,620	\$277,573	\$268,620
(6) Eligible Indirect Fees	\$328,610	\$328,610	\$328,610	\$328,610
(7) Eligible Financing Fees	\$253,625	\$253,625	\$253,625	\$253,625
(8) All Ineligible Costs	\$288,392	\$288,392		
(9) Developer Fees			\$1,078,271	
Developer overhead	\$143,803	\$139,508		\$139,508
Developer fee	\$934,719	\$906,802		\$906,802
(10) Development Reserves	\$190,676	\$190,676		
TOTAL DEVELOPMENT COSTS	\$8,947,733	\$8,700,779	\$8,266,743	\$8,021,711

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$8,266,743	\$8,021,711
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$10,746,766	\$10,428,224
Applicable Fraction			94.34%	94.34%
TOTAL QUALIFIED BASIS			\$10,138,831	\$9,838,309
Applicable Percentage			8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			\$845,579	\$820,515

Syndication Proceeds	0.7599	\$6,425,515	\$6,235,059
Total Credits (Eligible Basis Method)		\$845,579	\$820,515
Syndication Proceeds		\$6,425,515	\$6,235,059
Requested Credits		\$850,643	
Syndication Proceeds		\$6,464,000	
Gap of Syndication Proceeds Needed		\$6,472,733	
Credit Amount		\$851,792	



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