

# **BOARD MEETING OF JULY 14, 2005**

**Beth Anderson, Chair**

**C. Kent Conine, Vice-Chair**



Patrick R. Gordon, Member

Vidal Gonzalez, Member

Shadrick Bogany, Member

Norberto Salinas, Member

***MISSION***

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

JULY 14, 2005

ROLL CALL

|                             | Present | Absent |
|-----------------------------|---------|--------|
| Anderson, Beth, Chair       | _____   | _____  |
| Conine, C. Kent, Vice-Chair | _____   | _____  |
| Bogany, Shadrick, Member    | _____   | _____  |
| Gonzalez, Vidal, Member     | _____   | _____  |
| Gordon, Patrick, Member     | _____   | _____  |
| Salinas, Norberto, Member   | _____   | _____  |
| Number Present              | _____   |        |
| Number Absent               |         | _____  |

\_\_\_\_\_, Presiding Officer

**BOARD MEETING**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
507 Sabine, 4<sup>th</sup> Floor Boardroom, Austin, Texas 78701  
Thursday, July 14, 2005      9:30 a.m.

**A G E N D A**

**CALL TO ORDER, ROLL CALL  
CERTIFICATION OF QUORUM**

Elizabeth Anderson  
Chair of Board

**PUBLIC COMMENT**

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

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

**ACTION ITEMS**

Item 1 Presentation, Discussion and Possible Approval of Housing Tax Credit Items: Elizabeth Anderson

- a) Housing Tax Credit Extensions for Construction Loan Closings for:  
03248 La Casita Apartments, Garciasvilles, Texas  
04047 Stratton Oaks Apartments, Sequin, Texas
- b) Action on Appeals for the 2005 Housing Tax Credit Program Application  
Cycle for:  
05082 Sphinx at Luxar Villas, Dallas, Texas  
05103 Elm Grove Senior Village, Amarillo, Texas  
  
Consistent with §49.17(b)(4)(B) And Any Other Appeals Timely Filed
- c) Presentation of Research on Allegations Made About 2005 Housing Tax  
Credit Applications
- d) Request for Waiver of §49.9(f)(8)(A) requirement regarding age of  
Notifications for Spriggdale Plaza

Item 2 Presentation, Discussion and Possible Approval of Multifamily Bond Program: Vidal Gonzalez

- a) Inducement Resolution Declaring Intent to Issue Multifamily Housing  
Mortgage Revenue Bonds for Developments Throughout the State of  
Texas and Authorizing the Filing of Related Applications for the Allocation  
of Private Activity Bonds with the Texas Bond Review Board for Program  
Year 2005 (2005 Waiting List)  
  
2005-040 Brookwood Apartments, Houston, Texas  
2005-039 Rolling Creek Apartments, Houston, Texas  
2005-042 Ennis Senior Estates, Ennis, Texas

- b) Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer For:
- 1) Park Manor Senior, Sherman, Grayson County, Texas, in an Amount Not to Exceed \$10,400,000 and Issuance of a Determination Notice (Requested Amount of \$492,922 and Recommended Amount of \$492,922)
  - 2) St Augustine Estates Apartments, Dallas, Dallas County, Texas, in an Amount Not to Exceed \$10,000,000 and Issuance of a Determination Notice (Requested Amount of \$564,705 and Recommended Amount Not to Exceed \$564,705)
- c) Issuance of Determination Notices on Tax-Exempt Bond Transactions with Other Issuers:
- 05414 Clark Pointe, San Antonio, Texas  
San Antonio Housing Finance Corp. is Issuer  
(Requested Amount of \$1,011,332 and Recommended Amount Not to Exceed \$1,011,332)

Item 3 Presentation, Discussion and Possible Approval of Programmatic Items:

C. Kent Conine

- a) Discussion and Possible Action on Award of Predevelopment Loan Funds from the Housing Trust Fund for:  
Acres Homes, Houston, Texas
- b) Approval of Recommendations by Department Staff for HOME Awards to Community Housing Development Organizations (CHDOs) from the Following List of all Applications Submitted Under the 2005 HOME CHDO NOFA from the list of all Applications:

| Project # | Region | Project Name                | Location   | Req. Amt    |
|-----------|--------|-----------------------------|------------|-------------|
| 05146     | 3      | Spring Garden               | Springtown | \$ 600,000  |
| 05189     | 3      | Windvale Park               | Corsicana  | \$1,500,000 |
| 05258     | 7      | Hearthside                  | Austin     | \$1,250,000 |
| 05247     | 13     | Hacienda Santa Barbara Apts | Socorro    | \$ 231,362  |
| 05262     | 7      | Luling Senior Housing       | Luling     | \$1,500,000 |
| 05419     | 6      | Sundance Apartments         | Texas City | \$1,000,000 |

- c) Approval of Recommendations by Department Staff for HOME Awards From the Following list of all Applications Submitted under the 2005 HOME Rental Production (General and Preservation) NOFA from the list of all Applications:

| Project # | Region | Project Name                    | Location      | Req. Amt   |
|-----------|--------|---------------------------------|---------------|------------|
| 05238     | 8      | Hamilton Manor Apartments       | Hamilton      | \$ 296,869 |
| 05236     | 8      | Clifton Manor Apartments I & II | Clifton       | \$ 602,566 |
| 05261     | 5      | East Texas Apartments           | Garrison      | \$ 502,366 |
| 05239     | 6      | Bayshore Manor Apartments       | Palacios      | \$ 385,000 |
| 05234     | 4      | Country Square Apartments       | Lone Star     | \$ 385,000 |
| 05234     | 6      | Park Place Apartments           | Bellville     | \$ 225,000 |
| 05084     | 6      | University Place Apartments     | Wharton       | \$ 375,000 |
| 05237     | 12     | Bel Aire Manor Apartments       | Brady         | \$ 319,808 |
| 06001     | 4      | Laneville Place Apartments      | Henderson     | \$ 435,000 |
| 05135     | 9      | Villas at German Spring         | New Braunfels | \$ 500,000 |
| 05224     | 10     | Brookwood Retirement Apts.      | Victoria      | \$ 950,000 |
| 05249     | 9      | Floresville Square Apartments   | Floresville   | \$ 733,638 |
| 05263     | 8      | Belton Housing Authority        | Belton        | \$ 921,513 |

- d) Approval of Recommendations of Department Staff for Housing Trust Fund Rental Development Program Awards from the Following List of all Applications Submitted for the 2005 Housing Trust Fund Competitive NOFA from the list of all Applications:

| Project # | Region | Project Name                    | Location       | Req. Amt   |
|-----------|--------|---------------------------------|----------------|------------|
| 05246     | 3      | Villas at Henderson Place       | Cleburne       | \$ 700,000 |
| 05222     | 6      | Kingwood Senior Village         | Houston        | \$ 350,000 |
| 05142     | 7      | Wesleyan Retirement Homes       | Georgetown     | \$ 250,000 |
| 05258     | 7      | Hearthside                      | Austin         | \$ 218,457 |
| 05238     | 8      | Hamilton Manor Apartments       | Hamilton       | \$ 41,352  |
| 05236     | 8      | Clifton Manor Apartments I & II | Clifton        | \$ 87,046  |
| 05259     | 10     | Fenner Square                   | Goliad         | \$ 110,000 |
| 05257     | 10     | The Villas at Costa Tarragona   | Corpus Christi | \$ 170,000 |
| 05237     | 12     | Bel Aire Manor Apartments       | Brady          | \$ 51,026  |
| 05141     | 2      | The Arbors at Rose Park         | Abilene        | \$ 138,000 |
| 05155     | 9      | Canyon's Landing                | Poteet         | \$ 160,000 |
| 05135     | 9      | Villas at German Spring         | New Braunfels  | \$ 500,000 |
| 05247     | 13     | Hacienda Santa Barbara Apts.    | Socorro        | \$ 206,539 |

Item 4 Presentation, Discussion and Possible Approval of:

Edwina Carrington

- a) FY 2006 Draft Operating Budget
- b) FY 2006 Draft Housing Finance Operating Budget
- c) Approval of Request for Qualifications for Financial Advisor
- d) Approval of Market Rate Program

**EXECUTIVE SESSION**

Elizabeth Anderson

- A. The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
- B. The Board may go into executive session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint or charge against an officer or employee of TDHCA.
- C. Consultation with Attorney Pursuant to §551.071, Texas Government Code: Other pending or contemplated litigation, settlement offers or matters under Texas Government Code §551.071(2) related to low income housing issues currently active in the Dallas area.

**OPEN SESSION**

Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

**REPORT ITEMS**

Executive Directors Report

- 1. Quarterly Transfer Report for Housing Tax Credits
- 2. Report Concerning the Use of Supportive Housing Program Rental Assistance for Tax Credit Transitional Housing
- 3. Department Outreach Activities – Meetings, Trainings, Conferences Workshops for June, 2005

**ADJOURN**

Elizabeth Anderson

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

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

*Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.*

*Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.*

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Items**

Requests for extensions to commence substantial construction and close the construction loan are summarized below.

**Required Action**

Approve or deny the requests for extensions of commencement of substantial construction and closing the construction loan. The request regarding commencement of construction relates to a 2003 Housing Tax Credit commitment. The request regarding closing the construction loan relates to 2004 commitment.

**Background**

Pertinent facts about the developments requesting extensions are given below. The requests were each accompanied by the mandatory \$2,500 extension request fee.

**La Casita Apartments, HTC Development No. 03248**

Summary of Request: This application was originally awarded credits in 2003 and has faced challenges from inception, primarily relating to controlling the development site. The initial delay was the identification of each of several owners of the land and obtaining all necessary signatures from those owners. Delays continued when the title company insisted on the condition that two years be allowed for the identification of any possible additional owners. Because of the condition in the title policy, USDA-RD would not provide an approval to proceed. Therefore, on October 1, 2004, the applicant informed the Department of these challenges and initiated a return of the credits. However, on November 3, 2004, the applicant notified the Department that another title company had agreed to provide an acceptable policy. With the Board's approval (Board meeting on December 13, 2004), the applicant requested and received an extension for commencement of substantial construction, from November 14, 2004 to July 1, 2005. The land has now been closed and the USDA-RD approvals that are necessary to start construction have been obtained. In addition, the applicant has obtained site plan approval and all necessary permits. However, a preconstruction conference with USDA-RD could not be held until mid-June, leaving the applicant in full control of the progress of the development but unable to fulfill the commencement of substantial construction requirement that the foundations of 50% of all buildings be poured. In consequence, the applicant now requests an extension until September 9, 2005.

|                                |                     |
|--------------------------------|---------------------|
| Applicant:                     | HVM La Casita, Ltd. |
| General Partner:               | HVM Housing, LLC    |
| Developers:                    | Dennis Hoover       |
| Principals/Interested Parties: | Dennis Hoover       |
| Syndicator:                    | Raymond James       |
| Construction Lender:           | First State Bank    |
| Permanent Lender:              | USDA-RD             |
| Other Funding:                 | NA                  |
| City/County:                   | La Casita/Starr     |
| Set-Aside:                     | Rural/Elderly       |
| Type of Development:           | New Construction    |
| Units:                         | 28 HTC units        |
| 2003 Allocation:               | \$66,499            |



|                                  |   |
|----------------------------------|---|
| Allocation per HTC Unit:         | \$2,375   |
| Extension Request Fee Paid:      | \$2,500   |
| Type of Extension Request:       | Commencement of Substantial Construction  |
| Note on Time of Request:         | Request was submitted on time.  |
| Current Deadline:                | July 1, 2005  |
| New Deadline Requested:          | September 9, 2005   |
| <b>New Deadline Recommended:</b> | <b>September 9, 2005</b>  |
| Prior Extensions:                | Commencement of Substantial Construction was previously extended from 11/12/04 to 7/1/05.   |
| <b>Staff Recommendation:</b>     | <b>Approve the extension as requested.</b> The applicant has a successful track record and has now eliminated all issues and causes of delay that were not within the applicant's control. The development is very small and the applicant is confident that the development can still be placed in service by the federal deadline of December 31, 2005. |

## **Stratton Oaks Apartments, HTC Development No. 04047**

**Summary of Request:** On May 26, 2005, the Applicant requested and received approval from the Board to change the locations and configurations of the buildings on the site. Incorporating the changes into the site and building plans increased the time necessary to complete the plans for submission to obtain building permits. In addition, the City of Seguin's review of the civil engineering plans resulted in the need for additional engineering work, primarily involving drainage. The date that the construction loan can be closed will primarily be determined by the length of time necessary for the City's plan review process and the City's approval of the revisions to the original plans. Applicant states that the development's debt and equity financing is in place and ready to close as soon as the review process is complete.

|                                  |  |
|----------------------------------|--|
| Applicant:                       | DDC Stratton Square, Ltd.  |
| General Partner:                 | Seguin Housing Development Corporation – Stratton, Inc.  |
| Developers:                      | DDC Stratton Oaks, Ltd.  |
| Principals/Interested Parties:   | Seguin Housing Authority (sole control of GP), Colby and Susanne Denison (owners of developer)   |
| Syndicator:                      | MMA Financial, LLC   |
| Construction Lender:             | Midland Mortgage Investment Corporation  |
| Permanent Lender:                | Midland Mortgage Investment Corporation  |
| Other Funding:                   | NA   |
| City/County:                     | Seguin/Guadalupe   |
| Set-Aside:                       | Nonprofit  |
| Type of Development:             | New Construction   |
| Units:                           | 100 HTC units  |
| 2004 Allocation:                 | \$590,539  |
| Allocation per HTC Unit:         | \$5,905  |
| Extension Request Fee Paid:      | \$2,500  |
| Type of Extension Request:       | Construction Loan Closing  |
| Note on Time of Request:         | Deadline was 6/1/05. Request was submitted on 6/28/05  |
| Current Deadline:                | June 1, 2005   |
| New Deadline Requested:          | October 1, 2005  |
| <b>New Deadline Recommended:</b> | <b>October 1, 2005</b>   |
| Prior Extensions:                | Construction Loan Closing was previously extended from 6/1/05 to 8/1/05.   |
| <b>Staff Recommendation:</b>     | <b>Approve the extension as requested.</b> The requested extension appears to be reasonable and the applicant appears to have the ability to complete the development within the applicable time limits. |



## HAMILTON VALLEY MANAGEMENT, INC.

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June 28, 2005

Brooke Boston  
Director of Multifamily Finance Production  
TDHCA  
507 Sabine Street  
Austin, Texas 78711-3941

Re: HVM La Casita, Ltd. Extension Request  
TDHCA #03248

Dear Ms. Boston,

Please let this letter serve as a formal request to extend the deadline for Commencement of Substantial Construction for the above referenced property. (Please refer to the letter attached requesting the first extension dated November 10<sup>th</sup>, 2004). This letter explains all the extenuating circumstances that have caused the delay in our ability to commence with construction.

Since the first request was made, the title issues have been solved, the sellers in agreement and the purchase closed, and on June 6<sup>th</sup>, 2005 had the pre-construction conference with Rural Development. We have all approvals now to start construction. With having the pre-construction conference only a week and half ago, it is not possible for us to have the 50% of slabs poured by the deadline of July 1, 2005. We are requesting an extension until September 9, 2005. Now that all other issues are cleared up and it is down to what we do have some control over we can be sure that the slabs required will be poured by this date.

As you can see in the first request for extension, all of the items holding us back from beginning were not things we had control over. We paid a \$2500.00 fee with the first request for extension and would like to make a plea to waive the second fee that I have enclosed with this letter. We have done everything in our power to solve all issues and advance with this project.



## HAMILTON VALLEY MANAGEMENT, INC.

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Please take all of the aforementioned items into consideration when reviewing this request for extension. If you should have any questions regarding this, or any other matter, please do not hesitate to contact Dennis Hoover, Ben Farmer or myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Kim Treiber".

Kim Treiber  
Hamilton Valley Management  
(512) 756-6809 ext. 18  
P. O. Box 190  
Burnet, Texas 78611

Dennis Hoover  
(512) 756-6809 Ext. 12

Benjamin Farmer  
(512) 756-6809 Ext. 20

/kkt  
Attachments



## HAMILTON VALLEY MANAGEMENT, INC.

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November 10th, 2004

Brooke Boston  
Director Of Multifamily Finance Production  
T.D.H.C.A.  
507 Sabine Street  
Austin, Texas 78711-3941

Re: La Casita Extension Request

Mrs. Boston,

This letter will serve as a formal request to extend the deadline for Commencement of Substantial Construction. Due to extenuating circumstances, which I have explained below, it will not be feasible for us to make the current deadline of November the 12<sup>th</sup>. You will also find a check attached for the \$2500.00 extension request fee.

As explained in the letter sent to you by Dennis Hoover, it proved to be a long and drawn out process for us to obtain a clear title commitment on the piece of land in La Casita that we wanted to build on. After months of trying to coordinate and collaborate with the owners, judges, title companies, and lawyers, we abandoned hope of ever obtaining a clear title to the land. We contacted Rural Development and requested a transfer of loan obligation, relinquished our credits back to you, and started looking for a new piece of land to build on next year.

Last week, the owner of the land contacted us, said that they had found a way to obtain a clear title commitment, and wondered if we were still interested in purchasing the land. We contacted Rural Development, inquired as to whether the loan obligation could still be granted on the piece of land, to which they replied that it could, and at that point Dennis Hoover contacted you and asked if the tax credits were still available for this allocation. From what I understand you are willing to give us the tax credits, but will need some sort of timeline with an expected start of construction, as well as a projected date for Commencement of Substantial Construction.

The way things look right now, it would probably take the rest of the month to obtain the title commitment, and from there we would need approved site and drainage plans, as well as a pre-construction conference with local and state Rural Development officers to

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P.O. Box 190 • BURNET, TEXAS 78611 • (512) 756-6809 • FAX (512) 756-9885

E-mail: [info@hamiltonvalley.com](mailto:info@hamiltonvalley.com)



## HAMILTON VALLEY MANAGEMENT, INC.

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approve all plans and budgets. All of this, on top of getting a crew started on site work and slabs, and with the holidays coming up, I do not forecast us being able to complete 50% of the slabs before July 1<sup>st</sup> of 2005. I realize this sounds like a ridiculous amount of time to complete site work and slabs, but we forecast a dramatic slowing down of the process when Rural Development and the title company try and agree on how the language and details of the commitment should be set out. This, in fact, was the deal killer on the last go-round. We are assured that it can be worked out by both sides, but also are sure that it will take some time to do so. We also have to have the subdivision plat reviewed, approved, and returned by Starr County, which in our past experience has taken months to accomplish. TxDOT has to review and approve our site and drainage plans, which will take some time, and through all of these steps, we have to keep USDA abroad of the happenings, and in agreement with any alterations or suggestions that any one of the previously mentioned departments might wish to implement. I am sure you are aware of all of these factors, but it seems increasingly difficult to accomplish such matters in the Lower Rio Grande Valley than it is to get it done here.

Please take all of the aforementioned items into consideration when reviewing this request for extension. We would also request of you to waive the \$2500.00 fee, in lieu of the fact that we have made every effort to get this project off the ground, yet circumstances which we had no control over kept us from doing so.

If you should have any question regarding this, or any other matter, please do not hesitate to contact Dennis Hoover or me immediately.

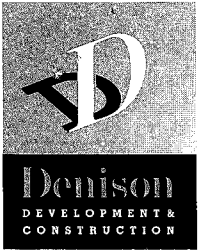
Respectfully,

Benjamin Farmer  
Hamilton Valley Management, Inc.  
(512) 756-6809 ext. 20  
P.O. Box 190  
Burnet, Texas 78611

Dennis Hoover  
Hamilton Valley Management, Inc.  
(512) 756-6809 ext. 12  
P.O. Box 190  
Burnet, Texas 78611

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E-mail: [info@hamiltonvalley.com](mailto:info@hamiltonvalley.com)



June 28, 2005

Ms. Brooke Boston  
Director of Multifamily Finance Production  
Texas Department of Housing and Community Affairs  
507 Sabine, 4<sup>th</sup> Floor  
Austin, Texas 78701

Re: Request for second extension of Construction Loan Closing and associated Post-Application documents due June 1, 2005 for HTC #04047 Stratton Oaks Apartments of Seguin

Dear Brooke:

On behalf of DDC Stratton Oaks, Ltd., I am writing to request a second 60-day extension (**to October 1, 2005**) of the Construction Loan Closing and associated Post-Application reports and documents that are due June 1, 2005. I enclose a check in the amount of \$2,500 for the extension fee, along with a TDHCA Document and Payment Receipt.


We received Board approval of an application amendment from TDHCA on May 26, 2005. The amendment request involved a change in the site plan and building configuration resulting from geotechnical results and engineering recommendations; therefore the approval and timing of this request impacted the final construction drawings and the issuance of final permits necessary for the debt and equity closings. Additionally, the City of Seguin has made comments to the Civil Engineering plans, primarily involving drainage, that require additional engineering work. Our closing date ultimately hinges on issuance of the building permits – which is largely dictated by the timeliness of the City's Plan Review and Inspection Department in responding to and ultimately accepting the revisions.

We have already started preliminary site work and do not feel the closing delay will materially impact the completion of the development. Our debt and equity financing is in place and ready to close upon receipt of the permits. We are diligently working towards a July closing date; however we are requesting additional time should the issuance of the building permits be delayed.

Thank you for your consideration of this request. If you have questions or need additional information, please contact me at (512) 577-5566.

Sincerely,

DDC STRATTON OAKS, LTD.



Colby Denison  
Authorized Agent

Applicant: SWHP Wichita Falls, LP  
Site Location: 601 Airport Dr.  
City/County: Wichita Falls / Wichita County  
Regional Allocation Category: Urban/Exurban  
Set-Aside: None  
Population Served: Family  
Region: 2  
Type of Development: New Construction  
Units: 76  
Credits Requested: \$604,349

**Staff Recommendation:** The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal of the application's disqualification.



05082 Sphinx Luxar Villas, Dallas, Texas

05103 Elm Grove Senior Village, Amarillo, Texas

**TO BE SUPPLIED IF APPEALS  
TIMELY FILED**

**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**BOARD ACTION REQUEST**  
**July 14, 2005**

**Action Item**

Deny the applicant's appeal of disqualification of 2005 Housing Tax Credit (HTC) Application.

**Requested Action**

Issue a determination on the appeal.

**Background and Recommendations**

**I. Green Briar Village, #05058**

This Applicant was originally sent a notice of the application's disqualification on July 1, 2005. In the application submitted March 1, 2005, the applicant requested 2 points under Section 49.9(g)(20) of the Qualified Allocation Plan (QAP). This section provided, in part, "The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609s for, more than two Developments involving tax credits." Staff research indicates that Randy Stevenson is acting as a principal in the General Partner, Southwest Housing Providers, LLC and he signed various documents (i.e. loan commitment) as Vice President of Southwest Housing Providers, LLC, the entity under which the applicant is claiming HUB points. However, three previous developments of which he is a principal have already been issued 8609's as of March 1, 2005. The applications for which 8609s have been issued are: Parkstone Senior Village, #00066, Parkstone Crossroads Apartments, #01090, and Limestone Ridge Apartments, #01150.

Under Section 49.5(b)(1) of the QAP, "The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresentation in the Application or other information submitted to the Department at any stage of the evaluation or approval process", the Department may disqualify an application or debar a Person if it is determined that a violation has occurred under this section.

It has been determined that by knowingly violating Section 49.9(g)(20) of the QAP, the applicant has violated Section 49.5(b)(1) of the QAP. Therefore, pursuant to this section of the QAP, this application was disqualified from the 2005 Application Cycle and therefore terminated.

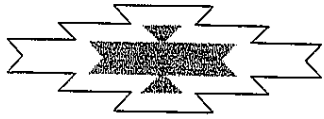
Relevant documentation related to this appeal is provided behind the Board Action Request. It should be noted that the appellant has indicated that, while the 2 points should have never been requested, the applicant made an error and is requesting the application be reinstated with the reduction of the two points from its point total.

Applicant: SWHP Wichita Falls, LP  
Site Location: 601 Airport Dr.  
City/County: Wichita Falls / Wichita County  
Regional Allocation Category: Urban/Exurban  
Set-Aside: None  
Population Served: Family  
Region: 2  
Type of Development: New Construction  
Units: 76  
Credits Requested: \$604,349

**Staff Recommendation:**

The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal of the application's disqualification.

# Executive Director/ Board Appeal



SOUTHWEST HOUSING  
PROVIDERS, L.L.C.

RECEIVED

JUL 7 2005

LIHTC

FAX TRANSMITTAL

DATE: 7-6-05  
TO: JENNIFER JOYCE - TDHCA  
FAX #: 512-475-0764  
PAGES: 5 (including cover)

COMMENTS

RE: APPEAL FOR TDHCA # 05058  
GREEN BRIAR VILLAGE.

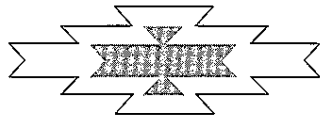
ATTACHED IS APPEAL LETTER  
ADDRESSED TO EDWINA CARRINGTON  
FOR PROJECT TERMINATION NOTICE  
OF JULY 1, 2005 (COPY INCLUDED).

ORIGINAL WILL BE SENT VIA  
OVERNIGHT DELIVERY.

SHARON LAURENCE OR RANDY STEVENSON,  
817-261-5088.

7/6/05 4:25 pm - FAX

7/6/05 - LONESTAR OVERNIGHT AIRBILL # 33098390



# SOUTHWEST HOUSING PROVIDERS, L.L.C.

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Ms. Edwina Carrington, Executive Director  
Texas Department of Housing and Community Affairs  
Waller Creek Office Building  
507 Sabine Street  
Austin, TX 78701

Re: Green Briar Village  
TDHCA # 05058

Dear Ms. Carrington:

We wish to appeal the staff's decision to terminate application 05058, Green Briar Village Apartments, Wichita Falls, Texas. Your letter of July 1, 2005 indicates:

*“Under Section 49.5(b)(1) of the QAP, “The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresenting in the Application or other information submitted to the Department at any stage of the evaluation or approval process”, may disqualify an application or debar a Person if it is determined that a violation has occurred under this section.”*

The letter further states:

*“It had been determined that by knowingly violating Section 49.9(g)(20) of the QAP, you have violated Section 49.5(b)(1) of the QAP.”*

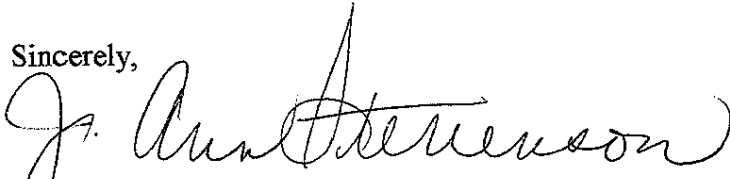
The Applicant SWHP Wichita Falls, LP is a not yet formed Texas Limited Partnership with its sole general partner as Southwest Housing Providers, LLC, a Texas Limited Liability Company. This Limited Liability Company was formed in 2003; is owned 100% by Ann Stevenson, a female; and is certified as a HUB by the Texas Building and Procurement Commission. Ms. Ann Stevenson is the sole owner of Southwest Housing Providers, LLC, however, Randy Stevenson is an officer of the organization. Since Mr. Stevenson has received prior allocations of tax credits and Schedule 8609s for at least two projects, these points for HUB participation should not have been requested. The applicant was under the mistaken impression that, because Mr. Stevenson was not an owner of Southwest Housing Providers, LLC, this entity was an eligible HUB. The fact that he is an officer of the limited liability company was fully disclosed in the application. He signed several of the documents as Vice President. Volume 4, Tab 12 of the application only showed the owner – Ann Stevenson as a principal because the applicant mistakenly thought principal meant owner, not “any officer authorized to act on behalf of the limited liability company” as defined in the QAP.

Termination of the application for this mistake should not occur. The applicant made a mistake assuming "principal" meant owner and has fully disclosed the organization and identities of interest in the organizations to the Agency.

We would also like to point out that Southwest Housing Providers, LLC has no relationship whatsoever in any form with Southwest Housing Corporation of Dallas, currently in the news.

We ask that you reinstate this application with the reduction of two points from its point total.

Sincerely,

A handwritten signature in cursive script that reads "J. Ann Stevenson". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

J. Ann Stevenson  
President of the General Partner



WWW.TDHCA.STATE.TX.US

July 1, 2005

RICK PERRY  
Governor

EDWINA P. CARRINGTON  
Executive Director

BOARD MEMBERS  
Elizabeth Anderson, Chair  
Shadrick Bagany  
C. Kent Conine  
Vidal Gonzalez  
Patrick R. Gordon  
Norberto Salinas

Randy Stevenson  
SWHP Wichita Falls, LP  
2400-A Roosevelt  
Arlington, TX 76016  
Telephone: (817) 261-5088  
Telecopier: (817) 261-5095

Re: **Green Briar Apartments, TDHCA# 05058**

Dear Mr. Stevenson:

On March 1, 2005, you submitted an application for the above-referenced development. In that application you requested 2 points under Section 49.9(g)(20) of the Qualified Allocation Plan (QAP). This section provided, in part, "The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609's for, more than two Developments involving tax credits." Our research indicates that you, Randy Stevenson, are acting as a principal in the General Partner, Southwest Housing Providers, LLC. You signed various documents (i.e. loan commitment) as Vice President of Southwest Housing Providers, LLC, the entity under which the applicant is claiming HUB points. However, three previous developments of which you are a principle have already been issued 8609's as of March 1, 2005. The applications for which 8609's have been issued are: Parkstone Senior Village, #00066, Parkstone Crossroads Apartments, #01090, and Limestone Ridge Apartments, #01150.

Under Section 49.5(b)(1) of the QAP, "The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresentation in the Application or other information submitted to the Department at any stage of the evaluation or approval process", may disqualify an application or debar a Person if it is determined that a violation has occurred under this section.

It has been determined that by knowingly violating Section 49.9(g)(20) of the QAP, you have violated Section 49.5(b)(1) of the QAP. Therefore, please be informed that



Mr. Randy Stevenson  
July 1, 2005  
Page 2 of 2

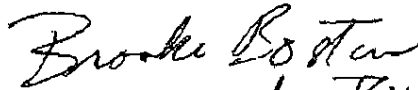
pursuant to this section of the QAP, the Department has disqualified this application from the 2005 Application Cycle and therefore terminated this Application and no further action will be taken on it.

Please be aware that an Appeals Policy exists for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP. If you wish to appeal this application termination decision, you must file your appeal with the Department no later than July 8, 2005. However, in the event that the Executive Director denies your appeal and you would like to be placed on the July 14, 2005 agenda, you must file your appeal no later than July 7, 2005. You must indicate in your appeal that you would like to be placed on the Board agenda in the event of Executive Director's denial. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP.

Please note that in the event that either the Executive Director or Board approves your appeal and the application is then reinstated, you will be reissued a revised final scoring notice which will rescind the 2 points for HUB participation.

If you have any questions, please do not hesitate to contact Jennifer Joyce at [jennifer.joyce@tdhca.state.tx.us](mailto:jennifer.joyce@tdhca.state.tx.us) or at 512.475.3995.

Sincerely,



Brooke Boston  
Multifamily Finance Production Division Director



# Application Disqualification Letter



X-JEM

WWW.TDHCA.STATE.TX.US

July 1, 2005

RICK PERRY  
Governor

EDWINA P. CARRINGTON  
Executive Director

BOARD MEMBERS  
Elizabeth Anderson, Chair  
Shadrick Bogany  
C. Kent Conine  
Vidal Gonzalez  
Patrick R. Gordon  
Norberto Salinas

Randy Stevenson  
SWHP Wichita Falls, LP  
2400-A Roosevelt  
Arlington, TX 76016  
Telephone: (817) 261-5088  
Telecopier: (817) 261-5095

**Re: Green Briar Apartments, TDHCA# 05058**

Dear Mr. Stevenson:

On March 1, 2005, you submitted an application for the above-referenced development. In that application you requested 2 points under Section 49.9(g)(20) of the Qualified Allocation Plan (QAP). This section provided, in part, "The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609's for, more than two Developments involving tax credits." Our research indicates that you, Randy Stevenson, are acting as a principal in the General Partner, Southwest Housing Providers, LLC. You signed various documents (i.e. loan commitment) as Vice President of Southwest Housing Providers, LLC, the entity under which the applicant is claiming HUB points. However, three previous developments of which you are a principle have already been issued 8609's as of March 1, 2005. The applications for which 8609's have been issued are: Parkstone Senior Village, #00066, Parkstone Crossroads Apartments, #01090, and Limestone Ridge Apartments, #01150.

Under Section 49.5(b)(1) of the QAP, "The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresentation in the Application or other information submitted to the Department at any stage of the evaluation or approval process", may disqualify an application or debar a Person if it is determined that a violation has occurred under this section.

It has been determined that by knowingly violating Section 49.9(g)(20) of the QAP, you have violated Section 49.5(b)(1) of the QAP. Therefore, please be informed that

Mr. Randy Stevenson  
July 1, 2005  
Page 2 of 2


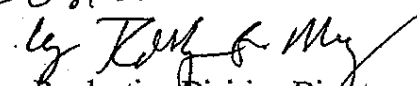
pursuant to this section of the QAP, the Department has disqualified this application from the 2005 Application Cycle and therefore terminated this Application and no further action will be taken on it.

Please be aware that an Appeals Policy exists for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP. If you wish to appeal this application termination decision, you must file your appeal with the Department no later than July 8, 2005. However, in the event that the Executive Director denies your appeal and you would like to be placed on the July 14, 2005 agenda, you must file your appeal no later than July 7, 2005. You must indicate in your appeal that you would like to be placed on the Board agenda in the event of Executive Director's denial. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP.

Please note that in the event that either the Executive Director or Board approves your appeal and the application is then reinstated, you will be reissued a revised final scoring notice which will rescind the 2 points for HUB participation.

If you have any questions, please do not hesitate to contact Jennifer Joyce at [jennifer.joyce@tdhca.state.tx.us](mailto:jennifer.joyce@tdhca.state.tx.us) or at 512.475.3995.

Sincerely,

  
Brooke Boston   
Multifamily Finance Production Division Director

**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**BOARD ACTION REQUEST**  
**July 14, 2005**

**Action Item**

Deny the applicant's appeal of scoring reduction for one 2005 Housing Tax Credit (HTC) Application.

**Requested Action**

Issue a determination on the appeal.

**Background and Recommendations**

**I. Key West Village, #05117**

This Applicant was originally sent a revised scoring notice on July 1, 2005 (the notice was erroneously dated May 13, 2005), notifying the applicant that their application's final score was being reduced by 12 points because the neighborhood organization's documentation submitted for Quantifiable Community Participation (QCP) indicated there were only three members in the organization and all three members were also directors. Section 49.9(g)(2)(A)(iv) of the Qualified Allocation Plan (QAP) states that "Neighborhood Organizations' do not include...organizations that have no members other than board members...". Therefore, it was determined that because all three members were also directors, the letter was determined ineligible and a revised 12 points was awarded to the application rather than the original 24 awarded originally.

Relevant documentation related to this appeal is provided behind the Board Action Request. It should be noted that the appellant has indicated that there are more than three members in the association, although he was unable to substantiate this claim prior to the posting of the Board Book.

|                               |  |
|-------------------------------|--|
| Applicant:                    | Odessa Senior Housing Partnership, Ltd |
| Site Location:                | 1600 Clements Street                   |
| City/County:                  | Odessa / Ector County                  |
| Regional Allocation Category: | Urban/Exurban                          |
| Set-Aside:                    | Non-Profit                             |
| Population Served:            | Elderly                                |
| Region:                       | 12                                     |
| Type of Development:          | New Construction                       |
| Units:                        | 36                                     |
| Credits Requested:            | \$179,585                              |

**Staff Recommendation:** The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal of the 12 points.

# Executive Director/ Board Appeal



**HOUSING ASSOCIATES, INC**

July 5, 2005

JUL 7 AM 7:39

Ms. Jennifer Joyce  
Texas Department of Housing and Community Affairs  
Waller Creek Office Building  
507 Sabine Street  
Austin, TX 78701  
Via fax (512) 475-0764

Re: Key West Village, Phase II  
THDCA # 05117

Dear Ms. Joyce:

We received your letter dated May 13, 2005 indicating you were rescoring our Quantifiable Community Participation to 12 points because the neighborhood association's documents indicated there were only three members in the association.

That is not correct. There are more members of the Association than just the three members that are on the Board of Directors. The Association's directors are out of town until Wednesday, July 13th. I will obtain a list of the names and addresses of the other members and fax it to you at that time.

We request that you award the full 24 points for Quantifiable Community Participation for this application.

Sincerely,

  
Daniel Allgeier  
Consultant

660 North Central Expressway  
Suite 290  
Plano, Texas 75074

972-881-9052  
facsimile 972- 881-9443  
E-Mail -- dallgeier@alphaconst.net

07/06/05 16:27  
07/01/2005 08:07 FAX  
06/28/2005 13:32

NUROCK -> 432 337 8712  
432 337 8712  
0134781908

ORDEGA HOUSING AUTHORITY  
TX DEPT. OF HOUSING

NO. 249 P001/002  
002/003  
PAGE 01/02



**MULTI-FAMILY FINANCE PRODUCTION DIVISION**  
**Housing Tax Credit Program - 2005 Application Cycle**  
**Final Scoring Notice- REVISED**

Office: **Senior Housing Partnership II, Ltd.**  
Executive Office  
134 E. 2nd Street  
Ohaus, TX 79760  
Phone #: (432) 333-1000  
Fax #: (432) 337-8713

Date Issued: 05/13/05

**THIS NOTICE WILL ONLY BE TRANSMITTED VIA FACSIMILE**

**RE: 2005 HTC Application for Kay West Village - Phase II**  
**TDCNA Number: 0817**

Attention: **Executive Office**

The Texas Department of Housing and Community Affairs (the Department) has completed its Eligibility and Selection Criteria Review of the above-referenced application as further described in Section 49.5(D)(2) of the 2005 Qualified Allocation Plan and Rules (QAP). Below, a revised summary score for Quantifiable Community Participation from neighborhood organizations. This is followed, in bold, by the final cumulative number of points awarded by the Department to the above-referenced Application.

Points Awarded for Quantifiable Community Participation:

**13**

Final Score Awarded to Application by Department:

**171**

Explanation for Adjustments to Points Requested (if any):

Scoring Item # 2: Quantifiable Community Participation. After further review of your QCP documentation, it appears that the letter from Westwood Neighborhood Association, Inc. is ineligible. Section 49.5(D)(2)(A)(v) of the QAP states that "Neighborhood organizations do not include ... organizations that have no members other than board members...". Unfortunately, the neighborhood organization's documentation submitted clearly identifies that there are only 3 members in the organization and all 3 members are also Directors. Therefore, the letter is ineligible and you are now awarded 13 points for this item.

**A Special Appeals Policy exists for the HTC Program. If you wish to appeal this revised scoring notice (including set-aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Friday, July 8, 2005. If an appeal is denied by the Executive Director, an applicant may appeal to the Board. THE DEPARTMENT STRONGLY RECOMMENDS that you submit your appeal to the Executive Director no later than Wednesday, July 6, 2005 by 5:00 p.m. in order to allow any denied appeals to be added to the July 14, 2005 Board agenda. The restrictions and requirements relating to the Appeals Policy can be found in Section 49.17(B) of the 2005 QAP.**

In an effort to ensure that all Board appeals related to this revised notice are heard at the July 14 meeting, the Department has provided the following form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the applicant automatically be added to the Board agenda. Note that the completion of the form will add the applicant to the agenda, but that an actual appeal to the Board must be received by the Department by 5:00 p.m. Thursday, July 7, 2005. All appeals should be submitted to the attention of Jennifer Joyce.

If you have any questions, please contact Jennifer Joyce by telephone (512.475.0764 or 512.475.1893) or email to [jennifer.joyce@dshs.state.tx.us](mailto:jennifer.joyce@dshs.state.tx.us).

Sincerely,



07/06/05 16:27  
07/01/2005 08:07 FAX

NUROCK + 432 337 8712  
432 897 0713

ODESSA HOUSING AUTHORITY

NO. 249 P002/002

003/003

03/20/2005 10:02

9124751896

TX DEPT. OF HOUSING

PAGE 02/03



**MULTI-FAMILY FINANCE PRODUCTION DIVISION**  
**Housing Tax Credit Program - 2004 Application Cycle**  
**Final Scoring Notice- REVISED**

**Appeal Election Form: 05117, Key West Village - Phase II**

I am in receipt of my 2005 scoring notice and am filing a formal appeal to the Executive Director before July 6, 2005, although the Department recommends submission by July 2, 2005, for processing (attached). If my appeal is denied by the Executive Director, I

Do wish to appeal to the Board of Directors and request that my application be added to the July 14, 2005 TTHCA Board of Directors meeting agenda. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Thursday July 7, to be placed on the July 14 Board book. If no documentation is submitted, the appeal documentation to the Executive Director will be waived.

Do not wish to appeal to the Board of Directors.

Signed: *Christina J. Lopez*  
Title: *Executive Director*  
Date: *July 6, 2005*

Please see or email to the attention of Jennifer Jaynes (HR)  
512.475.8764 or 512.475.1894  
(email) [jennifer.jaynes@texas.gov](mailto:jennifer.jaynes@texas.gov)

## Revised Scoring Notice



**MULTI-FAMILY FINANCE PRODUCTION DIVISION**  
**Housing Tax Credit Program - 2005 Application Cycle**  
**Final Scoring Notice- REVISED**

*4-Jen*

Odessa Senior Housing Partnership II, Ltd.

Date Issued: 05/13/05

Bernadine Spears  
 124 E. 2nd Street  
 Odessa, TX 79760  
 Phone #: (432) 333-1088  
 Fax #: (432) 337-8712

**THIS NOTICE WILL ONLY BE  
 TRANSMITTED VIA FACSIMILE**

**RE: 2005 HTC Application for Key West Village - Phase II**  
**TDCHA Number: 05117**

Attention: Bernadine Spears

The Texas Department of Housing and Community Affairs (the Department) has completed its Eligibility and Selection Criteria Review of the above-referenced application as further described in Section 49.9(d)(2) of the 2005 Qualified Allocation Plan and Rules (QAP). Below, a revised summary score for Quantifiable Community Participation from neighborhood organizations. This is followed, in bold, by the final cumulative number of points awarded by the Department to the above-referenced Application.

Points Awarded for Quantifiable Community Participation:

12

**Final Score Awarded to Application by Department:**

171

Explanation for Adjustments to Points Requested (if any):

Scoring Item # 2: Quantifiable Community Participation. After further review of your QCP documentation, it appears that the letter from Waymakers Neighborhood Association, Inc. is ineligible. Section 49.9(g)(2)(A)(iv) of the QAP states that "Neighborhood organizations' do not include ...organizations that have no members other than board members...". Unfortunately, the neighborhood organization's documentation submitted clearly identifies that there are only 3 members in the organization and all 3 members are also Directors. Therefore, the letter is ineligible and you are now awarded 12 points for this item.

A formal Appeals Policy exists for the HTC Program. If you wish to appeal this revised scoring notice (including set-aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Friday, July 8, 2005. If an appeal is denied by the Executive Director, an applicant may appeal to the Board. THE DEPARTMENT STRONGLY SUGGESTS that you submit your appeal to the Executive Director no later than Wednesday, July 6, 2005 by 5:00 p.m. in order to allow any denied appeals to be added to the July 14, 2005 Board agenda. The restrictions and requirements relating to the Appeals Policy can be found in Section 49.17(b) of the 2005 QAP.

In an effort to ensure that all Board appeals related to this revised notice are heard at the July 14 meeting, the Department has provided the following form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the applicant automatically be added to the Board agenda. Note that the completion of the form will add the applicant to the agenda, but that an actual appeal to the Board must be received by the Department by 5:00 p.m. Thursday, July 7, 2005. All appeals should be submitted to the attention of Jennifer Joyce.

If you have any concerns, please contact Jennifer Joyce by facsimile (512.475.0764 or 512.475.1895) or email to [jennifer.joyce@tdhca.state.tx.us](mailto:jennifer.joyce@tdhca.state.tx.us).

Sincerely,



**MULTI-FAMILY FINANCE PRODUCTION DIVISION**  
**Housing Tax Credit Program - 2005 Application Cycle**  
**Final Scoring Notice- REVISED**

---

**Appeal Election Form: 05117, Key West Village - Phase II**

I am in receipt of my 2005 scoring notice and am filing a formal appeal to the Executive Director before July 8, 2005, although the Department recommends submission by July 6, 2005, for processing (attached). If my appeal is denied by the Executive Director, I:

- Do wish to appeal to the Board of Directors and request that my application be added to the July 14, 2005 TDHCA Board of Directors meeting agenda. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Thursday July 7, to be placed on the July 14 Board book. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.
- Do not wish to appeal to the Board of Directors.

Signed \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Please fax or email to the attention of Jennifer Joyce: (fax)  
512.475.0764 or 512.475.1895  
(email) [jennifer.joyce@tdhca.state.tx.us](mailto:jennifer.joyce@tdhca.state.tx.us)



Texas Department of Housing and Community Affairs  
Multifamily Finance Production Division  
2005 Quantifiable Community Participation

July 1, 2005

Claudette Jones  
Waymakers Neighborhood Association, Inc.  
1140 Clifford  
Odessa, TX 79763

Organization Fax:

Organization Email: JonesCV@Ector-County.K12.TX.US

Re: Response from your Neighborhood Organization for Quantifiable Community Participation  
Key West Village - Phase II, # 05117

Dear Claudette Jones:

I am writing regarding the letter you submitted for the purpose of scoring Quantifiable Community Participation points for the above-referenced application.

The Department has reviewed the letter and compared it to the minimum requirements for the letter as required under the Qualified Allocation Plan and Rules (QAP) that govern the Housing Tax Credit Program this year. Unfortunately, in our review, one or more requirements still have not been satisfied as further described below.

After further review of your QCP documentation, it appears that this letter is ineligible. Section 49.9(g)(2)(A)(iv) of the QAP states that "Neighborhood organizations' do not include ... organizations that have no members other than board members...". Unfortunately, your neighborhood organization's documentation submitted clearly identifies that there are only 3 members in the organization and all 3 members are also Directors. Please note that the Applicant is being informed of this point reduction and will have an opportunity to appeal this determination.

Therefore, your organization's letter will not be considered further for scoring. However, please be assured that the Department values all public input and while the Department will be unable to assign points to your letter the Department will still record your input in the Application's file and provide the Board of the Department with a summary of your comment for their information and consideration.

Thank you again for your active involvement in our application process. If you have any questions, please do not hesitate to contact me at 512.475.3296.

Sincerely,

*Brooke Boston*

Brooke Boston  
Director of Multifamily Finance Production

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Items**

Presentation of Research on Allegations Made About 2005 Housing Tax Credit (HTC) Applications.

**Required Action**

No action required. For informational purposes only.

**Background and Recommendations**

The attached document summarizes the allegations received on or before July 6, 2005 made against applications in the 2005 HTC Application Cycle anonymously or by other applicants or consultants. This includes all formal allegations received by staff during the cycle, as well as those comments provided by Mr. Eric Opiela at the June 27 Board meeting.

Staff has researched all of the allegations. To the extent that the research confirmed an allegation, point reductions and/or terminations were made administratively. In these cases, the applicant has been given an opportunity to appeal, as is the case with all point reductions and terminations. To the extent that the research did not confirm an allegation, a memo has been written to the file for that application explaining our research and a copy of that memo is being provided to the individual making the allegation. The table attached reflects a summary of all such allegations and the resolution/finding on each.

**Anonymous and Non-Anonymous Allegations**

| <b>Anonymous and Non-Anonymous Allegations 2005 HTC Cycle</b> |                  |                      |                   |   |  |
|---|------------------|----------------------|-------------------|---|--|
| <b>Project #</b>  | <b>Name</b>      | <b>Allegation By</b> | <b>Date Rcvd.</b> | <b>Nature</b>   | <b>Resolution</b>  |
| 05091   | Los Milagros     | Jeff Crozier         | May 5, 2005       | QCP Letter Eligibility: The letter challenged that resident councils should not be allowed to extend their boundaries beyond the area of their existing residential property. The Board already heard this in an appeal and determined that the letter did indeed meet the requirements of the QAP. The appeal was denied.  | <b>Resolved.</b> Appeal denied in May 26, 2005 Board meeting and further resolved 6/08/05 in an e-mail to the Mr. Crozier. We also said in e-mail to the applicant that we would not accept any new documentation and would hold all letters to the same standard.   |
| 05207   | Parker Lane Sr.  | Scott McGuire        | May 10, 2005      | QCP Letter Eligibility. The letter asserted that there was no evidence of voting quorum. The QAP does not require this level of evidence and the by-laws were acceptable as evidence that the voting process was acceptable. No further action was taken. Additionally, Mr. McGuire asserted that the Neighborhood Organization (NO) was not within boundaries of the Development site because only a portion of Development is in boundaries of NO. Department determined that the site being partially within the boundaries is acceptable. | <b>Resolved.</b> Letter Found Eligible and a memo (5/12/05) was drafted for the file. It should be noted that this situation of a NO's boundaries only being within a portion of the Development site was not specific only to this Application. There were several others handled in this manner.   |
| 05260   | Saddlecreek Buda | Scott McGuire        | May 10, 2005      | QCP Letter Eligibility. The letter asserted the NO's voting process was handled incorrectly. This level of documentation was not a requirement of the QAP. The Department did research this to the extent possible and determined that the process was acceptable according to the bylaws and documents submitted. The letter also asserted that the geographical boundaries go beyond the actual neighborhood plat.  | <b>Resolved.</b> Letter Found Eligible and a memo (5/12/05) was drafted to the file. The QAP does not require the organization vote, it merely requires that the organization provide a description of the process used and then proceeds to encourage (but not require) that a meeting of the membership take place where the membership votes. Department also ruled that each NO can self define its boundaries as long as they do not contradict their own bylaws. |
| 05012   | Landa Place      | Les Kilday           | June 6, 2005      | HUB Point Eligibility. Letter asserts that Granger MacDonald, the developer, is too experienced to qualify as HUB. After verifying the information in the application, the Department has concluded that G. Granger MacDonald did not act as a principal in the General Partner, J.C. Ventures, LLC and therefore does not violate the restrictions associated with these points.   | <b>Pending.</b> Memo to file being drafted indicating the continued eligibility for the HUB points.  |

**Anonymous and Non-Anonymous Allegations**

| <b>Project #</b> | <b>Name</b>  | <b>Allegation By</b> | <b>Date Rcvd.</b> | <b>Nature</b>   | <b>Resolution</b>  |
|------------------|--------------|----------------------|-------------------|---|--|
| 05058            | Green Briar  | Diana McIver         | June 21, 2005     | HUB Point Eligibility. Asserts that Randy Stevenson did act as a principal in the General Partner, Southwest Housing Providers, LLC. Research indicates that the allegation is true and that 8609 forms have been issued for three properties as of March 1, 2005, making the applicant ineligible for HUB points.  | <b>Pending.</b> It was determined that Section 49.9(g)(15) requires the deduction of two points. Additionally, the Department will disqualify/ terminate this application from the 2005 application round for providing a material misrepresentation in the application - this disqualification is in lieu of a debarment for a longer period of time. TDHCA is not precluded from recommending the disqualification or debarment of the applicant under Section 49.5(b)(1). It should be noted, however, that any applicant who claims HUB points but has received two or more 8609s must be subject to the same treatment. Notice will be sent to applicant. |
| 05051            | Longview Sr. | Eric Opiela          | June 14, 2005     | QCP Letter Eligibility. Mr. Opiela asserts the NO letter is ineligible under the QAP because a crime watch does not serve the general welfare of the neighborhood. The organization certified in their letter that they meet the purpose stated in the QAP and the Department has found the statement within the letter to be sufficient evidence for all other QCP letters. If the Department were to determine eligibility differently than basing it solely on the statement in the letter, it would require the reevaluation of all QCP letters to ensure equitable treatment. Mr. Opiela also points to the NO's request to be on record as insufficient because complete information of all officers and their positions was not provided. Relating to the provision of officers and their positions, the same standard was used on all registry letters submitted to the Department. Other points by Mr. Opiela: Officers not living near the development (not required in QAP), 2004 letter not accepted by Department and we should consider for 2005 (not in QAP and dealing with different QAP), fax number for developer implies a gift (we determined that the use | <b>Pending.</b> Memo to file being drafted indicating the continued eligibility of the QCP letter and QCP points.  |
| 05117            | Key West     | Eric Opiela          | June 16, 2005     | QCP Letter Eligibility. Alleges that the organization is comprised of only board members. The QAP does preclude this (though the intent during drafting of the QAP was meant to preclude non-profits with no members, not to preclude small organizations in which all members serve as officers). However, the QAP is clear and the letter is indeed ineligible. Eric Opiela also brought this up in the June 27 board meeting and we received a copy of his statements in writing on 6/29/05.   | <b>Pending.</b> The letter is ineligible. Department will deduct 12 points from the application (reduction of the QCP score from 24 to 12) and will issue a new scoring notice (triggering the opportunity for the applicant to appeal).   |



**Anonymous and Non-Anonymous Allegations**

| <b>Project #</b> | <b>Name</b>            | <b>Allegation By</b> | <b>Date Rcvd.</b> | <b>Nature</b>  | <b>Resolution</b>   |
|------------------|------------------------|----------------------|-------------------|--|---|
| 05118            | Vista Verde I/II       | David Marquez        | NA                | QCP and Applicant Eligibility. All parties agree that this letter should not be eligible and points that were initially awarded are now rescinded. However, David Marquez and his counsel now request that the applicant be terminated because of a "material misrepresentation" having been made in the application. The applicant denies this is a case of misrepresentation and Department concurs.   | <b>Resolved.</b> On June 16 Mr. Marquez was sent an email. Applicant Found Eligible. No further recommendation.   |
| 05141            | Arbors at Rose Park    | Eric Opiela          | June 14, 2005     | QCP Letter Eligibility. Alleges the organization is not on record because we allowed a deficiency to be issued to be on record with State, which is not explicit in the QAP, but not precluded. However, this NO was never issued a deficiency letter so there is nothing to determine in this situation.  | <b>Pending.</b> Memo to file being drafted indicating the continued eligibility of the QCP letter and QCP points. |
| 05198            | Olive Grove            | Joe Lopez            | June 1, 2005      | QCP Letter Eligibility. Eric Opiela also brought this up in June 27 board meeting and we received a copy of his statements in writing on 6/29/05. Both assertions are that the development site was annexed into the boundaries of the organization improperly. In the letter from Mr. Lopez, he says, "If you can provide us with documentation...proper vote...we have no dispute". Documentation was received by the Department from the NO affirming that they had annexed the property in accordance with their rules.  | <b>Pending.</b> Memo to file being drafted indicating the continued eligibility of the QCP letter and QCP points. |
| 05027            | Timber Village         | Eric Opiela          | June 20, 2005     | Allocation Designation. Alleged mis-designation of Marshall as "Rural"; Mr. Opiela believes it should be designated as "Urban/Exurban". He asserts that the 2003 census indicates a population of greater than 20,000, which would mean it is not Rural. The city of Marshall and several other cities are unique in that the definition of population, and the methods used by OMB, indicate that the communities are indeed Rural. This was researched and discussed prior to release of the Application Manual in late 2004. Eric Opiela brought this up in the Board meeting and we received a copy of his statements in writing on 6/29/05. Relating to the designation of Marshall, the same standard was used on all designations in Texas, which were determined by TDHCA staff and published in November 2004 with all HTC application materials. | <b>Pending.</b> Memo to file being drafted indicating the continued status as Rural.                              |
| (for) 05020      | Hereford Central Place | Eric Opiela          | June 27, 2005     | Alleged that two separate developments in Borger and Levelland both participated in "money laundering" because the applicants paid the city money and in return the applicants received the money back and were awarded points under Section 49.9(g)(5)(A) of the QAP for funding from a local political subdivision. While the Department agrees that this practice should be specifically disallowed in the 2006 QAP, at the time it is not specifically precluded in the QAP. Therefore, there is no section of the QAP being violated in this practice. It should be noted that this was also brought up by Mr. Rick Brown in an e-mail as late as June 27, 2005 and prior. Eric Opiela brought this up for the first time in a Board meeting, and we received a copy of his statements in writing on 6/29/05.   | <b>Pending.</b> Memo to file being drafted indicating no violation occurred.                                      |
| 05102            | Villa de Arroyo        | Anonymous            | May 13, 2005      | QCP Letter Eligibility. Asserted organization was not on record with the state. Research indicates that this is correct, however the organization is on record with the county, which is also an acceptable method and was how the Department initially determined eligibility.  | <b>Resolved.</b> 5/16/05 - Letter Found Eligible  |

**Anonymous and Non-Anonymous Allegations**

| <b>Project #</b> | <b>Name</b>          | <b>Allegation By</b> | <b>Date Rcvd.</b> | <b>Nature</b>  | <b>Resolution</b>                                |
|------------------|----------------------|----------------------|-------------------|--|--|
| 05117            | Key West<br>(repeat) | Anonymous            | May 13,<br>2005   | QCP Letter Eligibility. Says that the organization never had a "required" meeting (suggesting that it was required by the QAP), but a meeting is not required in the QAP.  | <b>Resolved.</b> 5/13/05 - Letter Found Eligible |
| 05195            | San Gabriel Sr.      | Scott McGuire        | May 10,<br>2005   | QCP Letter Eligibility. Asserted that the organization did not follow their by-laws. While submitting bylaws (and confirming compliance with the bylaws) was required for any of the NO letters, we investigated it because of the comment received by Mr. McGuire. Our research indicated that the organization did follow their by-laws. | <b>Resolved.</b> 5/12/05 - Letter Found Eligible |

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Item**

Presentation, Discussion and Possible Approval of a waiver of the Threshold requirement regarding §49.9(f)(8)(A) of the 2005 Qualified Allocation Plan (“QAP”) for Spriggdale Plaza Apartments.

**Background**

Section 49.9(f)(8)(A) of the 2005 QAP states that for applications submitted for tax exempt bond developments, the written notifications must not be older than 30 days prior to the date the application is submitted. Volume 3 of the application was due on May 27, 2005, therefore, the notification letters could not have been sent earlier than April 28, 2005. The letters were dated March 28, 2005. The applicant stated in his request that the elected officials wanted to be kept informed as to the progress of the development. By sending the notifications earlier than thirty days, the community and elected officials were informed of the public hearing well in advance, which was scheduled for April 12, 2005, and allowed the community to be better prepared.

**Summary**

Spriggdale Plaza Apartments is a 4% Housing Tax Credit Application with Tax Exempt Bond Financing proposing new construction of 250 units in San Antonio. The application received a reservation from the 2005 Private Activity Bond Program on March 24, 2005. The Bonds are being issued by San Antonio Housing Finance Corporation and will expire on August 21, 2005.

**Recommendation**

Staff recommends the Board approve the request to waive the Threshold requirement.



[WWW.TDHCA.STATE.TX.US](http://WWW.TDHCA.STATE.TX.US)

**REQUEST FOR BOARD ACTION  
Multifamily Finance Production**

**2005 Private Activity Bond Program – Waiting List**

**1 Priority 1A Application  
1 Priority 1C Applications  
1 Priority 2 Application  
3 Total Applications Received**

**TABLE OF EXHIBITS**

|              |   |
|--------------|---|
| <b>TAB 1</b> | <b>TDHCA Board Presentation – July 14, 2005</b> |
| <b>TAB 2</b> | <b>Summary of Applications</b>                  |
| <b>TAB 3</b> | <b>Inducement Resolution</b>                    |
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**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Item**

Inducement resolution for Multifamily Revenue Bonds and Authorization for Filing Applications for the Year 2005 Private Activity Bond Authority for three (3) applications – Waiting List.

**Requested Action**

Approve the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2005 Private Activity Bond Program for three (3) applications.

**Background**

Each year, the State of Texas is notified of the cap on the amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately \$389 million will be set aside for the use of multifamily development until August 15, 2005 for the 2005 program year. The lottery held on November 4, 2004 had a decrease of approximately ninety (90) applications from the 2004 program year. Due to the large amount of authority to be Carried Forward into 2005 and the decrease in applications for the 2005 program year, it is expected that there will be a shortage of applications to use the full state issuance authority. The Department will be accepting applications for the 2005 Waiting List through October of 2005.

This Inducement Resolution includes three (3) applications that were received by June 6, 2005. These three (3) applications will be added to the 2005 Waiting List. Each application is reviewed, scored and ranked according to the Department's published scoring criteria. Upon Board approval to proceed, the applications will be submitted to the Texas Bond Review Board for placement on the 2005 Waiting List. The Department currently has eleven (11) applications previously approved for the 2005 Waiting List which have received reservations. It is anticipated that there will be at least \$500 million in bond allocation available on August 15<sup>th</sup>.

Brookwood Apartments – The Department has received numerous emails and letters in opposition to this application, including local, state and US elected officials. The proposed development will be located at the northwest corner of Loop 610 just east of Highway 290, Houston, Harris County, Texas. Demographics for the census tract include AMFI of \$31,779; total population of 7,017; percent of population that is minority 77.9%; percent of population below the poverty line 28%; number of owner occupied units is 408; number of renter units is 2,116 and vacant units is 175.

Rolling Creek Apartments – This application was previously submitted for the 2004 Waiting List. The applicant failed to have the sign installed on the property as required by the rules and subsequently withdrew the application. The application does have opposition with the adjacent community and local/state elected officials. The proposed development will be located at 8038 Gatehouse Drive, Houston, Texas. Demographics for the census tract include AMFI of \$60,469; total population of 12,145; percent of the population that is minority 66.79%; percent of population below the poverty line 7.92%; number of owner occupied units 2,928; number renter occupied units 606 and vacant units 74.

Ennis Senior Estates – The development will be located at 6600 Rudd Road, Ennis, Texas. Demographics for the census tract include AMFI of \$66,950; total population of 3,817; percent of population that is minority 14.88%; percent of population below poverty line 11.38%; number of owner occupied units 1,165; number of renter units 166; and vacant units 84.

### **Recommendation**

Approve the Inducement Resolution as presented by staff. This will allow the applicants the opportunity to substantiate the need for affordable housing in the area and present their product to the community and the Board. Staff will present all appropriate information to the Board for a final determination for the issuance of the bonds and housing tax credits during the full application process of each individual application.

## Texas Department of Housing and Community Affairs

### 2005 Multifamily Private Activity Bond Program - Waiting List

| Application #                              | Development Information                                      | Units      | Bond Amount          | Developer Information   | Comments  |
|--|--|------------|----------------------|---|-----------|
| 2005-039                                   | Rolling Creek Apartments<br>8038 Gatehouse Drive             | 248        | \$ 14,600,000        | Rolling Creek Apartments, LP<br>Mark Bower                                    | Recommend |
| Priority 1C                                | City: Houston<br>County: Harris<br><i>New Construction</i>   | General    | Score = 52           | 5430 Holly Road, Suite 8<br>Corpus Christi, Texas 78411<br>(361) 980-1220     |           |
| 2005-040                                   | Brookwood Apartments<br>4000-5000 blocks of Brookwoods Drive | 250        | \$ 15,000,000        | Brookwood Apartments, LP<br>Dwayne Henson                                     | Recommend |
| Priority 2                                 | City: Houston<br>County: Harris<br><i>New Construction</i>   | General    | Score = 51.5         | 1800 Bering Drive, Suite 501<br>Houston, Texas 77057<br>(713) 334-5808        |           |
| 2005-042                                   | Ennis Senior Estates<br>6600 Rudd Road                       | 248        | \$ 10,000,000        | LRI, IV Ltd.<br>Barry Halla   | Recommend |
| Priority 1A                                | City: Ennis<br>County: Ellis<br><i>New Construction</i>      | Elderly    | Score = 56           | 800 West Airport Freeway, Suite 1100<br>Irving, Texas 75062<br>(972) 445-4139 |           |
| <b>Totals for Recommended Applications</b> |  | <b>746</b> | <b>\$ 39,600,000</b> |   |           |

## RESOLUTION NO. 05-052

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL PROJECTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

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

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

WHEREAS, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multi-family residential rental developments (each a "Project" and collectively, the "Projects") as more fully described in Exhibit "A" attached hereto. The ownership of each Project as more fully described in Exhibit "A" will consist of the ownership entity and its principals or a related person (each an "Owner" and collectively, the "Owners") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Project and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Project from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Project will be occupied at all times by eligible tenants, as determined by the Board of the Department pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Project will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Project listed on Exhibit "A" attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and



WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Project described on Exhibit "A" attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Project an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Project is not dependent or related to the issuance of Bonds (as defined below) for any other Project and that a separate Application shall be filed with respect to each Project; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Project on the terms and conditions hereinafter set forth; NOW, THEREFORE,

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

Section 1--Certain Findings. The Board finds that:

- (a) each Project is necessary to provide decent, safe and sanitary housing at rentals that eligible tenants can afford;
- (b) each Owner will supply, in its Project, well-planned and well-designed housing for eligible tenants;
- (c) the financing of each Project pursuant to the provisions of the Act will constitute a public purpose and will provide a public benefit;
- (d) each owner is financially responsible; and
- (e) each Project will be undertaken within the authority conferred by the Act upon the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Project in an aggregate principal amount not to exceed those amounts, corresponding to each respective Project, set forth in Exhibit "A"; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental project bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Project; (iii) approval by the Bond Review Board, if required; (iv) approval by the Texas Attorney General; (v) satisfaction of the Board that each Project meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Project and listed on Exhibit "A" attached hereto ("Costs of each respective Project") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction of its Project, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction of its Project; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Project will not exceed the amount set forth in Exhibit "A" which corresponds to its Project.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction of its Project, which Project will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Project and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Project, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Project. Substantially all of the proceeds of the Bonds shall be used to finance the Projects, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Project.

Section 9--Costs of Project. The Costs of each respective Project may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Project. Without limiting the generality of the foregoing, the Costs of each respective Project shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Project, administrative expenses and such other expenses as

may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Project, the placing of the Project in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Project incurred by it prior to issuance of the Bonds and will pay all costs of its Project which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State of Texas, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Project will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Project will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Texas Bond Review Board, if required, and the Attorney General of the State of Texas.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Project will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Project's necessary review and legal documentation for the filing of an Application for the 2005 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Project may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Project which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end

that the Bonds issued to reimburse Costs of each respective Project may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 14th day of July, 2005.

[SEAL]

By: \_\_\_\_\_  
Elizabeth Anderson, Chair

Attest: \_\_\_\_\_  
Delores Groneck, Secretary

EXHIBIT "A"

Description of each Owner and its Project

| Project Name  | Owner                        | Principals   | Amount Not to Exceed |
|---|------------------------------|--|----------------------|
| Brookwood Apartments  | Brookwood Apartments, L.P.   | Brookwood Development, L.L.C., the General Partner, or other entity, the Members of which will be Dwayne Henson Investments, Inc. and/or Resolution Real Estate Services, L.L.C., and/or other entity  | \$15,000,000         |
| Costs: (i) acquisition of real property located approximately between the 4000 to 5000 blocks of Brookwoods Drive, Houston, Harris County, Texas; and (ii) the construction thereon of an approximately 250-unit multifamily residential rental housing project, in the amount not to exceed \$15,000,000.  |                              |  |                      |
| Project Name  | Owner                        | Principals   | Amount Not to Exceed |
| Ennis Senior Estates  | LRI IV, Ltd.                 | LRI Ennis Senior Estates, LLC, the General Partner, or other entity, the Members of which will be Life Rebuilders, Inc.  | \$10,000,000         |
| Costs: (i) acquisition of real property located at approximately the 6000 block of Rudd Road south of Highway 287 and approximately 650 feet north of the northwest of the intersection of Rudd Road and Blazek Road, Ennis, Ellis County, Texas; and (ii) the construction thereon of an approximately 248-unit multifamily senior residential rental housing project, in the amount not to exceed \$10,000,000. |                              |  |                      |
| Project Name  | Owner                        | Principals   | Amount Not to Exceed |
| Rolling Creek Apartments  | Rolling Creek Apartments, LP | Rolling Creek Apartments Group, LLC, the General Partner, or other entity, the Sole Member of which will be Cynosure Properties, L.P., or other entity, the General Partner of which is Cynosure Partners, LLC, the Members of which are Mark T. Bower and/or Daniel T. Serini | \$14,600,000         |
| Costs: (i) acquisition of real property located at approximately 8038 Gatehouse Drive, Houston, Harris County, Texas; and (ii) the construction thereon of an approximately 248-unit multifamily residential rental housing project, in the amount not to exceed \$14,600,000.  |                              |  |                      |











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## **MULTIFAMILY FINANCE PRODUCTION DIVISION**

### **2005 Private Activity Multifamily Revenue Bonds**

**Park Manor Senior Community  
East side of FM 1417, 640 ft North of Park Avenue  
Sherman, Texas**

**OHC/Park Manor Ltd.**

**196 Units**

**Priority 2 – 100% of units at 60% AMFI**

**\$10,400,000 Tax Exempt – Series 2005**

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**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**BOARD ACTION REQUEST**  
**July 14, 2005**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Park Manor Senior Community development.

**Summary of the Park Manor Senior Community Transaction**

The pre-application for the 2005 Waiting List was received on February 7, 2005. The application was scored and ranked by staff. The application was induced at the March Board meeting and submitted to the Texas Bond Review Board. The application received a Reservation of Allocation on April 5, 2005. This application was submitted under the Priority 2 category which serves individuals and families at or below sixty (60%) AMFI. A public hearing was held on May 26, 2005. There was no one present at the hearing. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located on the east side of FM1417, approximately 640 ft north of Park Avenue, Sherman, Grayson County, Texas.

**Summary of the Financial Structure**

The applicant is requesting the Department's approval and issuance of fixed rate tax exempt bonds in an amount not to exceed \$10,400,000. The bonds will be unrated and privately placed with MuniMae Financial LLC. The term of the bonds will be for 40 years. The construction and lease up period will be for 18 months during which payment terms will be interest only, followed by an amortization schedule with a maturity date of July 1, 2045. The interest rate on the bonds from the date of issuance through and including January 31, 2007 will be 5.00% per annum followed by a permanent interest rate of 6.40% per annum thereafter until maturity.

**Recommendation**

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Park Manor Senior Community development because of the quality of construction of the development as demonstrated by the plans and specifications, the feasibility of the development (as demonstrated by the commitments from the bond purchaser/equity provider and the underwriting report from the department's real estate analysis division) and the need of affordable housing in the Sherman area as demonstrated by the market study and appraisal reports.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**BOARD MEMORANDUM**  
**July 14, 2005**

**DEVELOPMENT:** Park Manor Senior Community, Sherman, Grayson County, Texas

**PROGRAM:** Texas Department of Housing & Community Affairs  
2005 Private Activity Multifamily Revenue Bonds  
(Reservation received April 5, 2005)

**ACTION REQUESTED:** Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1372, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. *(The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas.)*

**PURPOSE:** The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to OHC/Park Manor, Ltd., a Texas limited partnership (the "Owner" or "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a proposed multifamily residential rental development. The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental development

**BOND AMOUNT:** \$ 10,400,000 (\*) Series 2005 Tax Exempt Bonds

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

**ANTICIPATED CLOSING DATE:** The Department received a volume cap allocation for the Bonds on April 5, 2005 pursuant to the Texas Bond Review Board's 2005 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before September 2, 2005, the anticipated closing date is July 26, 2005.

**BORROWER:** OHC/Park Manor, Ltd., a Texas limited partnership, the general partner of which is Noel Project Development, LLC of which Outreach Housing Corporation is the 100% owner. MMA Financial, LLC, is an Investor Limited Partner of Borrower, and it or an affiliate thereof, will be providing the equity for the transaction by purchasing approximately a 99% limited partnership interest in the Borrower, MMA Special Limited Partner, Inc. is a Special Limited Partner of Borrower.

**COMPLIANCE HISTORY:**

The Compliance Status Summary completed on June 6, 2005 reveals that the principals of the general partner above have a total of ten (10) properties being monitored by the Department. Five of those properties have been monitored with a score of less than 30 and other five have not been monitored at this time.

**ISSUANCE TEAM/ADVISORS:**

MuniMae TEI Holdings, LLC or an affiliate thereof (“Bond Purchaser”)  
MMA Financial, LLC (“Equity Provider”)  
The Bank of New York Trust Company, N.A. (“Trustee”)  
Vinson & Elkins L.L.P. (“Bond Counsel”)  
RBC Dain Rauscher Inc. (“Financial Advisor”)  
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)

**BOND PURCHASER:**

The Bonds will be purchased by MuniMae TEI Holdings, LLC or an affiliate thereof. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

**DEVELOPMENT DESCRIPTION:**

The Development is a 196-unit apartment community to be constructed on an approximate 18 acre site located east of FM 1417 and 640 ft north of Park Avenue, Sherman, Grayson County, Texas (the “Development”). The Development will consist of twenty-six (26) one-story residential, wood-framed apartment buildings consisting of 50% brick veneer and 75% hardiplank exteriors with a total of approximately 154,000 net rentable square feet and an average unit size of 807 square feet. The development will include a clubhouse with offices and kitchen facilities, a business center, a fitness room, a senior activity center with a theatre room and computer room, full perimeter fencing with controlled access, a community garden, barbeque grills with picnic tables, and a swimming pool. The unit amenities include microwave ovens, refrigerator with icemaker, range and oven, ceiling fans, wood flooring, granite counter tops, and a storage room.

| Units | Unit Type     | Sq Ft | Proposed Net | Rent |
|-------|---------------|-------|--------------|------|
| 80    | 1-Bed/1-Baths | 708   | \$555.00     | 60%  |
| 80    | 2-Bed/1-Baths | 820   | \$650.00     | 60%  |
| 36    | 2-Bed/2-Baths | 917   | \$664.00     | 60%  |
| 196   | Total Units   |       |              |      |

**SET-ASIDE UNITS:**

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each development will be set aside on a priority basis for persons with special needs. *(The Borrower has elected to set aside 100% of the units for tax credit purposes.)*

**RENT CAPS:**

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals sixty percent (60%) of the area median income which is a Priority 2 category with the private activity bond program.

**TENANT SERVICES:**

Borrower has selected Outreach Housing Corporation to be the future provider of social services, and manager to conduct tenant programs for the residents. The provision of these services will be required pursuant to the Regulatory and Land Use Restriction Agreement (LURA).

**DEPARTMENT ORIGINATION**

**FEES:**

\$1,000 Pre-Application Fee (Paid)  
\$10,000 Application Fee (Paid)  
\$52,000 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT ANNUAL FEES:**

\$10,400 Bond Administration (0.10% of first year bond amount)  
\$4,900 Compliance (\$25/unit/year adjusted annually for CPI).

**ASSET OVERSIGHT FEE:**

\$4,900 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

*(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow.)*

**TAX CREDITS:**

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$492,922 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$4,579,590 of equity for the transaction.

**BOND STRUCTURE:**

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

The Bonds will be privately placed with the Bond Purchaser. The Bond Purchaser contemplates transferring the Bonds to a custodial or trust arrangement whereby beneficial interests in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The Bond Purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust. During the construction and lease-up period, the Bonds will pay as to interest only.

**BOND INTEREST RATES:**

The interest rate on the bonds from the date of issuance to April 1, 2007 will be 5.00% per annum followed a permanent interest rate on the Bonds will be 6.40% per annum until maturity.

**CREDIT**

**ENHANCEMENT:**

The bonds will be unrated with no credit enhancement.

**FORM OF BONDS:**

The Bonds will be issued in physical form and in denominations of \$100,000 or any amount in excess of \$100,000.

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

The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

**TERMS OF THE  
MORTGAGE LOAN:**

The Mortgage Loan is a nonrecourse obligation of the Borrower (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. Deeds of Trust and related documents convey the Owner's interest in the Development to secure the payment of the Mortgage Loan.

**REDEMPTION OF  
BONDS PRIOR TO  
MATURITY:**

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

**Mandatory Redemption:**

- (a) The Bonds are subject to mandatory redemption, in whole or in part (i) from any and all Receipts Requiring Mandatory Redemption, at a redemption price equal to 100% of the principal amount of Bonds being redeemed; and (ii) from moneys available for such purpose on deposit in the funds and accounts established by the Trust Indenture to the extent required.
- (b) The Bonds are subject to mandatory redemption, in part, following the Conversion Date, in the amount, if any, equal to the amount that the outstanding principal amount of the Bonds exceeds the permanent loan amount, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date.

**Optional Redemption at Direction of Borrower:**

- (a) From and after September 1, 2022 only, the Bonds shall be subject to redemption at the option of the Issuer, in whole or in part, and only at the written direction of the Borrower, at a redemption price equal to 100% of the principal amount of the

Bonds being redeemed, plus interest accrued to the redemption date.

**Optional Redemption at Direction of Servicing Agent and Holders:**

- (a) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Servicing Agent, from and to the extent of amounts on deposit in the Construction Fund if construction of the Development has not lawfully commenced within sixty (60) days of the Closing Date. At a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest.
- (b) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds, upon the occurrence of an Event of Taxability, but only if so directed by the Holders in writing within ninety (90) days of the occurrence of the Event of Taxability, at a redemption price equal to 106% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date; provided, however, that the foregoing redemption premium shall not be payable if the Event of Taxability is solely the result of a change in the Code or the Regulations.
- (c) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of 100% of the outstanding principal amount of the Bonds, at any time after the September 1, 2022, without premium, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date, but only if the Holders provide the Issuer, the Trustee and the Borrower with written notice of their election to require redemption of the Bonds at least one hundred and eighty (180) days prior to the date set for redemption.

**FUNDS AND  
ACCOUNTS/FUNDS  
ADMINISTRATION:**

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

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

The Trust Indenture will initially create up to ten (10) funds with the following general purposes:



1. Bond Proceeds Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Bond Proceeds Fund and immediately applied by the Trustee to other funds and accounts as required.
2. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to its accounts for payment according to the amount required and time designated by the Trust Indenture – first to the Fee and Expense Account, second to the Tax and Insurance Account, third to the Interest Account, and forth to the Principal Account.
3. Borrower Equity Fund – Funds from sources other than Bond proceeds to pay for Costs of Issuance, capitalized interest and certain other costs relating to the acquisition and development of the Development.
4. Costs of Issuance Fund – Fund into which amounts for the payment of certain costs incurred in connection with the issuance of the bonds are deposited and disbursed.
5. Construction Fund – Fund into which amounts needed to complete construction of the improvements are deposited and disbursed.
6. Capitalized Interest Fund – Fund into which a portion of the proceeds of the bonds or borrower equity are deposited and used to fund the payment of interest during the construction period.
7. Lease-Up Fund – Funded from syndication proceeds or other funds provided by the Borrower other than proceeds of the Bonds. Such amount, plus other funds transferred therein pursuant to the Indenture, will be applied to pay the Operating Expenses of the Development to the extent that the Development's net cash flow is insufficient to pay such amounts. On or after the date which is the earlier of the Conversion Date and the Loan Equalization Payment Date, amounts remaining in the Lease-Up Fund will be used (i) first, to redeem Bonds if required pursuant to the terms of the Indenture and the Borrower does not pay or cause to be paid by the Guarantors under the Guaranty all amounts required to redeem Bonds; (ii) second, to pay any deferred and unpaid developer's fee; and (iii) third, the balance, if any, will be paid to the Borrower.
8. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.
9. Replacement Fund – Fund into which amounts are held in reserve to cover replacement cost and ongoing maintenance to the Development.

10. Bond Proceeds Clearance Fund – Fund into which monies are transferred from the Bond Proceeds Account of the Construction Fund and the Bond Proceeds account of the Capitalized Interest Fund, as and when provided in the Indenture, and are applied, after completion of the project, either directly or after being transferred to the Principal Account of the Reserve Fund, to pay any unpaid or deferred developer's fee and/or to redeem Bonds.

Essentially, all of the Bond proceeds will be deposited into the Bond Proceeds Fund, the Construction Fund and the Capitalized Interest Fund and disbursed there from during the Construction Phase (over 18 to 24 months) to finance the construction of the Development and to pay interest on the Bonds. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

**DEPARTMENT  
ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003.
2. Bond Trustee – The Bank of New York Trust Company, N.A. was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor – RBC Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in August 2003.

**ATTORNEY GENERAL  
REVIEW OF BONDS:**

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

## RESOLUTION NO. 05-051

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (PARK MANOR SENIOR COMMUNITY) SERIES 2005; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Park Manor Senior Community) Series 2005 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and The Bank of New York Trust Company, N.A., a national banking association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to OHC/Park Manor Ltd., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on March 10, 2005, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan and Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount corresponding to the original aggregate principal amount of the

Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that the Borrower's obligations under the Note will be secured by the Deed of Trust, Security Agreement and Assignment of Rents and Leases and Financing Statement (the "Deed of Trust") from the Borrower for the benefit of the Department and a Guaranty Agreement (the "Guaranty") from Richard Shaw, a resident of the State of Texas, and Outreach Housing Corporation, a Texas non-profit corporation, for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan (except for certain reserved rights), including the Note, the Deed of Trust and the Guaranty, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

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

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

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Financing Agreement, the Assignments, the Regulatory Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Deed of Trust and the Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Deed of Trust and the Note and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

## ARTICLE I

### ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be (A) from the date of issuance through and including March 31, 2007, 5.00% per annum, and (B) from April 1, 2007 until the maturity date thereof, 6.40% per annum; provided, however, that the interest rate is subject to adjustment as set forth in the Indenture; provided further, that in no event shall

the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall be \$10,400,000; and (iii) the final maturity of the Bonds shall occur on July 1, 2045.

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

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

Section 1.5--Approval, Execution and Delivery of Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee.

Section 1.6--Acceptance of the Deed of Trust, the Note and the Guaranty. That the Deed of Trust, the Note and the Guaranty are hereby accepted by the Department.

Section 1.7--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Deed of Trust
- Exhibit F - Note
- Exhibit G - Guaranty
- Exhibit H - Assignments

Exhibit I - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department, and the Secretary to the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

Section 2.3--Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement

and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Financing Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

Section 2.7—Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

### ARTICLE III CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

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

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list

that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

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

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

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

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

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

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

## ARTICLE IV

### GENERAL PROVISIONS

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



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

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

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

*(Signature Page Follows)*

PASSED AND APPROVED this 14th day of July, 2005.

By: \_\_\_\_\_  
Elizabeth Anderson, Chair

[SEAL]

Attest: \_\_\_\_\_  
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Section 1. Project and Owner.

Owner: OHC/Park Manor Ltd., a Texas limited partnership

Project: The Project is a 196-unit multifamily facility to be known as Park Manor Senior Community and to be located at approximately the east side of FM 1417, approximately 640 feet north of Park Avenue, Sherman, Grayson County, Texas. The Project will consist of 26 one-story residential apartment buildings with approximately 154,000 net rentable square feet and an approximate average unit size of 807 square feet. The unit mix will consist of:

|           |                                |
|-----------|--------------------------------|
| 80        | one-bedroom/one-bathroom units |
| 80        | two-bedroom/one-bath units     |
| <u>36</u> | two-bedroom/two-bath units     |
| 196       | Total Units                    |

Unit sizes will range from approximately 700 square feet to approximately 900 square feet.

The Project will include a clubhouse with offices, a business center, a fitness room, a community/senior activity room, a theatre room, a computer room, kitchen facilities, and public restrooms. On-site amenities include a swimming pool, a community garden, and a picnic area with barbeque grills. All individual units will have a washer/dryer connection, a microwave oven, a refrigerator with icemaker, a range and oven, ceiling fans, laminate wood flooring, granite counter tops and a storage room.

Section 2. Project Amenities.

Project Amenities shall include:

- € Washer/Dryer Connections
- € Microwave Oven in each Unit
- € Storage Room (outside the Unit)
- € Ceiling Fans in living area and all bedrooms
- € 75% or Greater Masonry (includes rock, stone, brick, stucco and cementious board product; excludes efis)
- € Covered Community Porch
- € BBQ Grills and Tables (one each per 50 units)
- € Walking Trail (minimum length of ¼ mile)
- € Full Perimeter Fencing will Gated Access
- € Computers with internet access/Business Facilities
- € Games Room or TV Lounge
- € Workout Facilities

**Housing Tax Credit Program  
Board Action Request  
July 14, 2005**

**Action Item**

Request, review, and board determination of two (2) four percent (4%) tax credit applications with TDHCA as the Issuer.

**Recommendation**

Staff is recommending that the board review and approve the issuance of two (2) four percent (4%) Tax Credit Determination Notices with **TDHCA** as the Issuer for tax exempt bond transactions known as:

| <b>Development No.</b> | <b>Name</b>                 | <b>Location</b> | <b>Issuer</b> | <b>Total Units</b> | <b>LI Units</b> | <b>Total Development</b> | <b>Applicant Proposed Tax Exempt Bond Amount</b> | <b>Requested Credit Allocation</b> | <b>Recommended Credit Allocation</b> |
|------------------------|-----------------------------|-----------------|---------------|--------------------|-----------------|--------------------------|--|------------------------------------|--------------------------------------|
| 05609                  | St. Augustine Estates       | Dallas          | TDHCA         | 150                | 150             | \$13,915,652             | \$7,650,000                                      | \$569,843                          | \$559,841                            |
| 05612                  | Park Manor Senior Community | Sherman         | TDHCA         | 196                | 196             | \$15,422,600             | \$10,400,000                                     | \$492,922                          | \$492,922                            |



**HOUSING TAX CREDIT PROGRAM  
2005 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Park Manor Senior Community**

TDHCA#: 05612

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Sherman QCT: N DDA: N TTC: N  
 Development Owner: OHC/Park Manor Ltd.  
 General Partner(s): Outreach Housing Corp., 100%, Contact: Richard Ruschman  
 Construction Category: New Construction  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA  
 Development Type: Elderly

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$492,922 Eligible Basis Amt: \$494,385 Equity/Gap Amt.: \$639,521  
**Annual Tax Credit Allocation Recommendation: \$492,922**  
 Total Tax Credit Allocation Over Ten Years: \$ 4,929,220

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 196 HTC Units: 196 % of HTC Units: 100  
 Gross Square Footage: 162,200 Net Rentable Square Footage: 154,000  
 Average Square Footage/Unit: 786  
 Number of Buildings: 29  
 Currently Occupied: N

**Development Cost**

Total Cost: \$15,422,600 Total Cost/Net Rentable Sq. Ft.: \$100.156

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,380,440 Ttl. Expenses: \$668,250 Net Operating Inc.: \$712,191  
 Estimated 1st Year DCR: 1.10

**DEVELOPMENT TEAM**

Consultant: Not Utilized Manager: Provident Management, Inc.  
 Attorney: Richard Ruschman Architect: To Be Determined  
 Accountant: Reznick, Fedder & Silverman Engineer: To Be Determined  
 Market Analyst: The Jack Poe Company Lender: MMA Financial, LLC  
 Contractor: Brasha Builders, Inc. Syndicator: MMA Financial, LLC

**PUBLIC COMMENT<sup>2</sup>**

| From Citizens:         | From Legislators or Local Officials:                |
|------------------------|---|
| # in Support: 0        | Sen. Craig Estes, District 30 - NC                  |
| # in Opposition: 0     | Rep. Larry Phillips, District 62 - NC               |
| <b>Public Hearing:</b> | Mayor Julie Ellis Starr - NC                        |
| # in Support: 0        | Scott Wall, City Manager - S                        |
| # in Opposition: 0     | Scott Shadden, Director of Development Services     |
| # Neutral: 0           | The development is consistent with the Master Plan. |

1. Gross Income less Vacancy  
 2. NC - No comment received, O - Opposition, S - Support

**CONDITION(S) TO COMMITMENT**

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Acceptance by the Board of the anticipated likely redemption of up to \$900,000 in bonds to \$9,500,000 at the conversion to permanent.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond.    Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
 Robbye Meyer, Mgr. of Multifamily Finance Production      Date      Brooke Boston, Dir. of Multifamily Finance Production      Date

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond    Housing Type

Other Comments including discretionary factors (if applicable). \_\_\_\_\_

\_\_\_\_\_  
 Edwina P. Carrington, Executive Director      Date  
 Chairman of Executive Award and Review Advisory Committee

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

\_\_\_\_\_  
 Chairperson Signature: \_\_\_\_\_      Elizabeth Anderson,  
 Chairman of the Board      Date

## Park Manor Senior Community

### Estimated Sources & Uses of Funds

#### Sources of Funds

|                                      |                             |
|--------------------------------------|-----------------------------|
| Series 2005 Tax-Exempt Bond Proceeds | \$ 10,400,000               |
| Tax Credit Proceeds                  | 4,028,567                   |
| Deferred Developer's Fee             | 266,620                     |
| Estimated Interest Earning           | 128,567                     |
| <b>Total Sources</b>                 | <b><u>\$ 14,823,754</u></b> |

#### Uses of Funds

|  |                             |
|--|-----------------------------|
| Acquisition and Site Work Costs                              | \$ 2,577,500                |
| Direct Hard Construction Costs                               | 6,715,000                   |
| Other Construction Costs (General Require, Overhead, Profit) | 1,645,000                   |
| Indirect Construction Costs                                  | 1,525,804                   |
| Developer Fees   | 1,575,000                   |
| Direct Bond Related  | 260,450                     |
| Bond Purchaser Costs   | 317,000                     |
| Other Transaction Costs                                      | 18,000                      |
| Real Estate Closing Costs                                    | 190,000                     |
| <b>Total Uses</b>  | <b><u>\$ 14,823,754</u></b> |

### Estimated Costs of Issuance of the Bonds

#### Direct Bond Related

|   |                          |
|---|--------------------------|
| TDHCA Issuance Fee (.50% of Issuance)                                   | \$ 52,000                |
| TDHCA Application Fee   | 11,000                   |
| TDHCA Bond Compliance Fee (\$25 per unit)                               | 4,900                    |
| TDHCA Bond Administration Fee (2 years)                                 | 20,800                   |
| TDHCA Bond Counsel and Direct Expenses (Note 1)                         | 75,000                   |
| TDHCA Financial Advisor and Direct Expenses                             | 25,000                   |
| Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1) | 2,500                    |
| Borrower's Bond Counsel   | 50,000                   |
| Trustee Fee   | 5,250                    |
| Trustee's Counsel (Note 1)  | 4,000                    |
| Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)  | 1,250                    |
| Texas Bond Review Board Application Fee                                 | 5,000                    |
| Texas Bond Review Board Issuance Fee (.025% of Reservation)             | 2,600                    |
| TEFRA Hearing Publication Expenses                                      | 1,150                    |
| <b>Total Direct Bond Related</b>  | <b><u>\$ 260,450</u></b> |

## Park Manor Senior Community

| <b>Bond Purchase Costs</b>                     |                   |
|--|-------------------|
| MMA Financial Origination                      | 208,000           |
| MMA Financial Application and Bridge Loan Fees | 25,000            |
| MMA Financial Counsel                          | 45,000            |
| Contingency                                    | 39,000            |
| <b>Total Bond Purchase Costs</b>               | <b>\$ 317,000</b> |
| <b>Other Transaction Costs</b>                 |                   |
| Tax Credit Application and Determination Fees  | 18,000            |
| <b>Total Other Transaction Costs</b>           | <b>\$ 18,000</b>  |
| <b>Real Estate Closing Costs</b>               |                   |
| Title & Recording (Const.& Perm.)              | 165,000           |
| Property Taxes                                 | 25,000            |
| <b>Total Real Estate Costs</b>                 | <b>\$ 190,000</b> |
| <b>Estimated Total Costs of Issuance</b>       | <b>\$ 785,450</b> |

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

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



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

DATE: July 6, 2005

PROGRAM: 4% HTC

FILE NUMBER: 05612

**DEVELOPMENT NAME**

Park Manor Senior Community

**APPLICANT**

**Name:** OHC/Park Manor Ltd **Type:** For-profit  
**Address:** 16200 Dallas Parkway, Suite 190 **City:** Dallas **State:** TX  
**Zip:** 75248 **Contact:** Richard Shaw 1 **Phone:** (972) 733-0096 **Fax:** (972) 733-1864

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Outreach Housing Corporation **(%):** .005 **Title:** Managing General Partner  
**Name:** Noel Project Development LLC (Noel) **(%):** .005 **Title:** Special Limited Partner, Developer  
**Name:** Richard Shaw **(%):** N/A **Title:** Guarantor  
**Name:** Outreach Housing Corporation **(%):** N/A **Title:** 21% Owner of Noel  
**Name:** Colonial Communities, Inc **(%):** N/A **Title:** 79% Owner of Noel

**PROPERTY LOCATION**

**Location:** East side of FM 1417, 640 ft north of Park Avenue  **QCT**  **DDA**  
**City:** Sherman **County:** Grayson **Zip:** 75092

**REQUEST**

| <u>Amount</u>   | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|-----------------|----------------------|---------------------|-------------|
| 1) \$492,922    | N/A                  | N/A                 | N/A         |
| 2) \$10,400,000 | 6.5%                 | 40 yrs              | 40 yrs      |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits  
2) Tax-exempt private activity mortgage revenue bonds

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

**Special Purpose (s):** Elderly, Urban/Exurban

**RECOMMENDATION**

- RECOMMEND APPROVAL OF ISSUANCE OF \$10,400,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH AN UNDERWRITTEN FIXED INTEREST RATE OF 6.25% AND REPAYMENT TERM OF 40 YEARS WITH A 40-YEAR AMORTIZATION PERIOD, AND
- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$492,922 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Acceptance by the Board of the anticipated likely redemption of up to \$900,000 in bonds to \$9,500,000 at the conversion to permanent;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |                |                            |            |                              |              |                       |                |             |                |                |               |   |   |
|-------------------------|----------------|----------------------------|------------|------------------------------|--------------|-----------------------|----------------|-------------|----------------|----------------|---------------|---|---|
| <b>Total Units:</b>     | <u>196</u>     | <b># Rental Buildings:</b> | <u>29</u>  | <b># Non-Res. Buildings:</b> | <u>2</u>     | <b># of Floors:</b>   | <u>1</u>       | <b>Age:</b> | <u>N/A</u> yrs | <b>Vacant:</b> | <u>N/A</u> at | / | / |
| <b>Net Rentable SF:</b> | <u>154,000</u> | <b>Av Un SF:</b>           | <u>786</u> | <b>Common Area SF:</b>       | <u>8,200</u> | <b>Gross Bldg SF:</b> | <u>162,200</u> |             |                |                |               |   |   |

**STRUCTURAL MATERIALS**

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 50% masonry/brick veneer and 50% cement fiber siding. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be laminate wood. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, and high-speed internet access.

**ONSITE AMENITIES**

A 6,700-square foot community building will include an activity room, management offices, fitness, a kitchen, restrooms, a media room, and a central mailroom. The community building is located at the entrance to the property. In addition, barbecue grills, community gardens and perimeter fencing with limited access gate are planned for the site.

**Uncovered Parking:** 238 spaces    **Carports:** 76 spaces    **Garages:** 40 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The subject is a 11-unit per acre new construction development of 196 units of affordable housing located in western Sherman. The development is comprised of 29 evenly distributed single story garden style buildings as follows:

- Nine Building Type 1 with eight one-bedroom/one-bath units, and two two-bedroom/one-bath units;
- Thirteen Building Type 2 with four two-bedroom/one-bath units, and two two-bedroom/two-bath units;
- Two Building Type 3 with four one-bedroom/one-bath units; and
- Five Building Type 4 with two two-bedroom/one-bath units, and two two-bedroom/two-bath units.

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 18.268 acres    795,406 square feet    **Flood Zone Designation:** Zone X  
**Zoning:** R-2

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Sherman is located in approximately 60 miles north of Dallas in Grayson County. The site is an irregularly-shaped parcel located in the western area of Sherman, approximately 2 miles from the central business district. The site is situated on the north side of Park Avenue.

**Adjacent Land Uses:**

- **North:** vacant land;
- **South:** vacant land immediately adjacent and Park Avenue beyond;

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

- **East:** Creekview Lane and Creekside Avenue immediately adjacent and residential beyond; and
- **West:** FM 1417 immediately adjacent and vacant land beyond.

**Site Access:** Access to the property is from the east or west along Park Avenue or the north or south from Creek View Avenue or FM 1417. The development is to have two main entries, one from FM 1417 one from Creekside Avenue. Access to State Highway 75 is two miles east, which provides connections to all other major roads serving the Sherman area.

**Public Transportation:** The availability of public transportation was not identified in the application materials.

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

**Special Adverse Site Characteristics:** None

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 26, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment update report dated April 15, 2005 was prepared by Lark & Associates and contained the following findings and recommendations.

**Findings:** “On March 27, 2004, Lark & Associates did perform an [ESA] Phase I Environmental Site Assessment on the subject property identified as Project 735 indicating **no** environmental concerns within the property or surrounding or adjacent properties. Little to no change has occurred on subject site since previous phase I was performed. Based on our visual inspection, no signs of contamination from hazardous materials were in existence. Moreover, we have no knowledge of change in any environmental hazards on the subject property or in adjacent properties” (p. 18).

**Recommendations:** “Previous Phase I Environmental Site Assessment performed by our firm on March 27, 2004 did indicate No Environmental Concerns with a Low Risk. After a thorough research of Local, State and Federal Governmental Agencies as well as an on-site inspection, our firm has concluded that there are no adjacent sites to currently pose an environmental threat to the site or community. Our firm has concluded that the risk of contamination at this site is so minimal that no further investigation is warranted....After an on-site review and all contacted local, county, state and federal agencies, our firm has no environmental concerns within the area reviewed since the last Phase I Environmental Site Assessment was performed. Our firm does rank this site as **LOW RISK**” (p. 6).

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside; although as a Priority 2 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$21,600        | \$24,660         | \$27,780         | \$30,840         | \$33,300         | \$35,760         |

**MARKET HIGHLIGHTS**

A market feasibility study dated April 12, 2005 was prepared by Jack Poe Company Incorporated (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** The primary market area is defined as the Sherman-Dennison Metropolitan Statistical Area (Grayson County) (p. 20) This area encompasses approximately 980 square miles and is equivalent to a circle with a radius of 17.7 miles. The secondary market area is the Dallas-Fort Worth Consolidated Metropolitan Statistical Area (p. 20).

**Population:** The estimated 2004 population of the primary market area was 117,698 and is expected to

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increase by 7.8% to approximately 126,835 by 2009. Within the primary market area there were estimated to be 45,291 households in 2009.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 528 qualified households in the PMA, based on the current estimate of 45,291 households, the projected annual growth rate of 1.6%, age-appropriate renter households estimated at 34.7% of the population, age and income-qualified households estimated at 7.3%, and an annual renter turnover rate of 40% (p. 49). The Market Analyst used an income band of \$16,200 to \$27,780.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 17                     | 3%                       | 11                     | 2%                       |
| Resident Turnover                                      | 463                    | 88%                      | 466                    | 98%                      |
| Other Sources: Secondary Market                        | 48                     | 9%                       | 0                      | N/A                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>528</b>             | <b>100%</b>              | <b>478</b>             | <b>100%</b>              |

Ref: p. 53

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 37% based upon 528 units of demand and 196 unstabilized affordable housing in the PMA (subject only) (p. 53). The Underwriter calculated an inclusive capture rate of 41% based upon a supply of unstabilized comparable affordable units of 196 divided by a revised demand of 478.

**Demand from Section 8 Households:** “[T]he subject will accept Section 8 vouchers in lieu of the required minimum income. In order to prove that this demand exists, we have researched ten elderly communities restricted under the LIHTC program located in nine cities. The percentage of their resident population that currently uses Section 8 vouchers ranged from a low of 9% in Tyler to a high of 39% in Plano, with an average of 21.4%. Thus, it is indicated that residents with a Section 8 voucher are essential to stabilization of affordable senior communities. Therefore, including some of the senior rental households from below the income band minimum is warranted, but not all the households would qualify for vouchers. Therefore, 35 units of additional demand are forecasted to exist for units at the subject from below the income band minimum (approximately 20% of the subject units)” (p. 49).

**Market Rent Comparables:** The Market Analyst surveyed eight comparable apartment projects totaling 1,335 units in the market area. (p.41).

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (60%)</b>                       | \$555           | \$555              | \$0                 | \$650              | -\$95               |
| <b>2-Bed 1 Bath (60%)</b>                    | \$650           | \$664              | -\$14               | \$700              | -\$50               |
| <b>2-Bed 2 Bath (60%)</b>                    | \$664           | \$664              | \$0                 | \$750              | -\$86               |

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

**Primary Market Occupancy Rates:** “Average apartment occupancy, at 94%, in the primary market, is greater than the D/FW area average of 89.1%. The following table illustrates the apartment occupancy for the primary market by type of unit and age” (p. 29).

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**Average Gross Occupancy as of Fourth Quarter 2004**

| Primary Market | Total | Unit Type |       |       |       | Year Completed or Renovated |       |       |        |
|----------------|-------|-----------|-------|-------|-------|-----------------------------|-------|-------|--------|
|                |       | Eff       | One   | Two   | Three | 1990+                       | 80-89 | 70-79 | Pre 70 |
| D/FW Area      | 89.1% | 88.8%     | 89.7% | 88.5% | 88.2% | 91.7%                       | 89.6% | 86.2% | 85.8%  |
| Dallas Area    | 89.4% | 89.3%     | 89.9% | 88.9% | 89.0% | 91.8%                       | 89.8% | 86.6% | 86.8%  |
| FW Area        | 88.4% | 87.5%     | 89.2% | 87.7% | 85.9% | 91.1%                       | 89.1% | 84.8% | 83.3%  |
|                |       |           |       |       |       |                             |       |       |        |
| Primary Market | 94.0% | n/a       | 93.4% | 94.4% | 96.3% | 98.2%                       | 95.4% | 90.8% | n/a    |

**Absorption Projections:** “No new units were built in the primary market in 2004 but occupancy increased by about 4%. Therefore, approximately 80 units were absorbed. Three apartment complexes are in the planning stages...and it is possible that as many as 428 units could be built in the market in 2005. If all of these units get built and no new employment comes to fruition, the occupancy at existing units would be 80%. But, the probability that Tyson will complete their project is 90% and if that happens and 50% of their new employees relocate to the MSA from outside and 30% of them rent, then there will be additional demand for approximately 240 units. Thus, occupancy is forecasted to remain stable in the primary market” (p.30).

**Known Planned Development:** “The 2005 TDHCA Inventory lists one tax credit award for a qualified elderly development in the submarket. It is Villas of Sherman. It is 100% occupied and is included as a rent comparable in this analysis. This development is not within one mile of the subject” (p. 30). The Villas of Sherman was awarded tax credits in 1997. “There are no conventional apartment complexes permitted for development in the primary market. But, three HTC Applications are pending in the primary market according to the 2005 HTC Application Submission Log April 15, 2005 (TDHCA)” (p. 31).

**Market Study Analysis/Conclusions:** 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 (\$14) lower than the maximum rents allowed for the smaller two bedroom units under HTC guidelines otherwise all rents are set at the maximum allowed. There is the potential for additional income (approximately \$13K) if the Applicant chooses to increase rents to the maximum allowed, and the market study information suggests that the market could support rents at the rent limit maximums. The Applicant stated that the owner will pay for water heat and heating in this project, and rents and expenses were calculated accordingly. The Applicant overstated secondary income and provided insufficient additional substantiation for their estimate of \$71.26 per unit per month. The Applicant utilized a normal vacancy and collection loss rate. As a net result, the Applicant’s effective gross income is \$110K (8%) higher than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,092 per unit is 9% less than the Underwriter’s database-derived estimate of \$3,409 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: general and administrative (\$49K lower), repairs and maintenance (\$26K lower), and property tax (\$35K higher). The Applicant has indicated that a 50% property tax exemption will be sought due to the general partner’s existence as a non profit entity and without this exemption the transaction would be at risk of being financially infeasible.

**Conclusion:** The Applicant’s estimated income, total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income (NOI) estimate is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity.

While the Applicant’s NOI estimate provides sufficient debt service capacity for the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30 the Underwriter’s estimate falls well below the 1.10 threshold. Therefore, the maximum debt service for this project will likely be limited to \$647,223 by a reduction of the loan amount and/or a reduction in the

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interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$9,500,000.

| ACQUISITION VALUATION INFORMATION  |              |              |                    |              |          |
|------------------------------------|--------------|--------------|--------------------|--------------|----------|
| APPRAISED VALUE                    |              |              |                    |              |          |
| Land Only: 18.268 acres            | \$700,000    |              | Date of Valuation: | 4/ 30/       | 2005     |
| Existing Building(s): "as is"      | NA           |              | Date of Valuation: |              |          |
| Total Restricted: "as completed"   | \$13,090,000 |              | Date of Valuation: | 4/ 30/       | 2005     |
| Total Unrestricted: "as completed" | \$15,440,000 |              | Date of Valuation: | 4/ 30/       | 2005     |
| Appraiser: Jack Poe                |              | City: Dallas |                    | Phone: (214) | 720-9898 |

**APPRAISAL ANALYSIS/CONCLUSIONS**

An appraisal, provided by the purchaser, was performed by Jack Poe Company Incorporated, MAI and dated April 30, 2005. The appraisal provides three values: "as-is", "prospective value" (as completed), and land value. The current "as-is" value is most important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the sales comparison approach. Due to the quality of the comparable sales the appraisal provides and reasonable estimation of land value.

| ASSESSED VALUE          |           |  |                             |                                   |  |
|-------------------------|-----------|--|-----------------------------|-----------------------------------|--|
| Land: 45.186 acres      | \$113,425 |  | Assessment for the Year of: | 2004                              |  |
| Per acre:               | \$2,510   |  | Valuation by:               | Grayson County Appraisal District |  |
| Prorata Assessed Value: | \$45,856  |  | Tax Rate:                   | 2.70501                           |  |

| EVIDENCE of SITE or PROPERTY CONTROL |   |      |                                     |        |      |
|--------------------------------------|---|------|-------------------------------------|--------|------|
| Type of Site Control:                | Contract to Purchase Real Estate (18.268 acres) |      |                                     |        |      |
| Contract Expiration Date:            | 9/ 30/  | 2005 | Anticipated Closing Date:           | 7/ 31/ | 2005 |
| Acquisition Cost:                    | \$750,000                                       |      | Other Terms/Conditions:             |        |      |
| Seller: Colonial Equities            |   |      | Related to Development Team Member: | Yes    |      |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$750,000 (\$0.94/SF, \$41K/acre, or \$3,827/unit) is significantly higher than the assessed value but somewhat substantiated by the appraised value of \$700,000. A principal of the Developer acquired the site in June of 2004 at a cost of \$700,000 according to the appraiser. A note for the property reflects a 3% interest rate and thus the Underwriter used including holding costs of \$21,000 and closing costs of \$10,000. The Applicant provided no other documentation of holding costs or improvements made to the site that would provide justification for a higher non-arm's-length sale.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,385 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$7K or less than 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$290K 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 general requirements and contractor general and administrative fees exceed the 6% and 2% maximums allowed by HTC guidelines by \$48K based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's contingency also exceeds the 5% limit

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allowed by \$52,477. As a result of these other excesses, the Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by \$53K and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** Despite the differences noted above, the Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$13,965,686 is used to determine a credit allocation of \$494,385 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount. This is \$1,463 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.45% rather than the 3.54% underwriting rate used for applications received in April 2005.

| FINANCING STRUCTURE                 |  |   |  |
|-------------------------------------|--|---|--|
| INTERIM TO PERMANENT BOND FINANCING |  |   |  |
| <b>Source:</b>                      | MMA Financial  | <b>Contact:</b>                                       | Richard Monfred  |
| <b>Interim:</b>                     | \$10,400,000   | <b>Interest Rate:</b>                                 | 5.00%  |
| <b>Permanent:</b>                   | \$10,400,000   | <b>Interest Rate:</b>                                 | 6.25%  |
| <b>Additional Information:</b>      |  |   |  |
| <b>Amortization:</b>                | 40 yrs   | <b>Term:</b>  | 42.5 yrs   |
| <b>Annual Payment:</b>              | \$708,539  | <b>Commitment:</b>                                    | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
|                                     |  | <b>Lien Priority:</b>                                 | 1 <sup>st</sup> <b>Date:</b> 7/ 20/ 2005   |
| TAX CREDIT SYNDICATION              |  |   |  |
| <b>Source:</b>                      | MMA Financial  | <b>Contact:</b>                                       | Chris Diaz   |
| <b>Net Proceeds:</b>                | \$4,584,000  | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 93¢  |
| <b>Commitment:</b>                  | <input type="checkbox"/> LOI <input type="checkbox"/> Firm | <input checked="" type="checkbox"/> Conditional       | <b>Date:</b> 7/ 15/ 2005   |
| <b>Additional Information:</b>      |  |   |  |
| APPLICANT EQUITY                    |  |   |  |
| <b>Amount:</b>                      | \$457,600  | <b>Source:</b>  | Deferred Developer Fee   |

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by TDHCA and purchased by MMA Financial as an unrated/unenhanced private placement. The permanent financing commitment is consistent with the terms reflected in the revised sources and uses of funds listed in the application.

**HTC Syndication:** The tax credit syndication commitment is generally consistent with the terms reflected in the revised sources and uses of funds listed in the application.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$457,600 amount to 24% of the total fees.

**Financing Conclusions:** Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of 1.01 is less than the TDHCA minimum standard of 1.10. Therefore, the Underwriter anticipates that permanent debt may be reduced to \$9,500,000 by a mandatory redemption of bonds. To compensate for the reduction in loan the Applicant's deferred developer fee will be increased by as much as \$900,000. While the Applicant's eligible basis, adjusted by the Underwriter, supports credits of \$494,385, the request was only \$492,922 annually for ten years, resulting in syndication proceeds of approximately \$4,579,590. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,329,415, (after the adjustment for excess land cost is removed) which represents approximately 73% of the eligible fee and which should be repayable from cash flow within 10 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this

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analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments. A principal of the Developer is also a principal on the land seller but this relationship and any excess profit that may occur because of the identity of interest has been evaluated and mitigated in the acquisition section above.

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

**Financial Highlights**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Outreach Housing Corporation, submitted an unaudited financial statement as of September 30, 2004 reporting total assets of \$10M and consisting of \$274K in cash, \$4.7M in receivables, \$5M in real property, and \$78K in fixtures. Liabilities totaled \$1.1M, resulting in a net worth of \$9.8M.
- The guarantor of the development, Richard Shaw, submitted an unaudited financial statement as of September 22, 2004.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable range(s).
- The seller of the property has an identity of interest with the Applicant.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

**Director of Real Estate Analysis:**

Tom Gouris

**Date:** July 6, 2005



**MULTIFAMILY COMPARATIVE ANALYSIS**

**Park Manor Senior Community, Sherman, MRB/4% HTC #05612**

| 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 60%        | 80         | 1        | 1               | 700        | \$578           | \$555             | \$44,400         | \$0.79        | \$23.00        | \$36.00        |
| TC 60%        | 80         | 2        | 1               | 820        | 694             | \$664             | 53,120           | 0.81          | 30.00          | 42.00          |
| TC 60%        | 36         | 2        | 2               | 900        | 694             | \$664             | 23,904           | 0.74          | 30.00          | 42.00          |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
| <b>TOTAL:</b> | <b>196</b> |          | <b>AVERAGE:</b> | <b>786</b> | <b>\$647</b>    | <b>\$620</b>      | <b>\$121,424</b> | <b>\$0.79</b> | <b>\$27.14</b> | <b>\$39.55</b> |

**INCOME**

Total Net Rentable Sq Ft: **154,000**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
 Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                          | % OF EGI      | PER UNIT       | PER SQ FT     |
|--------------------------|---------------|----------------|---------------|
| General & Administrative | 5.26%         | \$371          | 0.47          |
| Management               | 4.50%         | 317            | 0.40          |
| Payroll & Payroll Tax    | 12.31%        | 867            | 1.10          |
| Repairs & Maintenance    | 5.44%         | 383            | 0.49          |
| Utilities                | 4.35%         | 306            | 0.39          |
| Water, Sewer, & Trash    | 3.47%         | 244            | 0.31          |
| Property Insurance       | 3.90%         | 275            | 0.35          |
| Property Tax 2.70501     | 5.09%         | 359            | 0.46          |
| Reserve for Replacements | 2.84%         | 200            | 0.25          |
| Other: compl fees        | 1.23%         | 87             | 0.11          |
| <b>TOTAL EXPENSES</b>    | <b>48.41%</b> | <b>\$3,409</b> | <b>\$4.34</b> |
| <b>NET OPERATING INC</b> | <b>51.59%</b> | <b>\$3,634</b> | <b>\$4.62</b> |

**DEBT SERVICE**

|                      | %            | PER UNIT    | PER SQ FT     |
|----------------------|--------------|-------------|---------------|
| First Lien Mortgage  | 51.33%       | \$3,615     | \$4.60        |
| Additional Financing | 0.00%        | \$0         | \$0.00        |
| Additional Financing | 0.00%        | \$0         | \$0.00        |
| <b>NET CASH FLOW</b> | <b>0.26%</b> | <b>\$19</b> | <b>\$0.02</b> |

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT       |
|--------------------------------------|--------|----------------|-----------------|-----------------|
| Acquisition Cost (site or bldg)      |        | 4.74%          | \$3,730         | \$4.75          |
| Off-Sites                            |        | 0.00%          | 0               | 0.00            |
| Sitework                             |        | 9.38%          | 7,385           | 9.40            |
| Direct Construction                  |        | 48.64%         | 38,280          | 48.72           |
| Contingency 5.00%                    |        | 2.90%          | 2,283           | 2.91            |
| General Req'ts 6.00%                 |        | 3.48%          | 2,740           | 3.49            |
| Contractor's G & A 2.00%             |        | 1.16%          | 913             | 1.16            |
| Contractor's Profit 5.87%            |        | 3.40%          | 2,679           | 3.41            |
| Indirect Construction                |        | 2.97%          | 2,337           | 2.97            |
| Ineligible Costs                     |        | 2.74%          | 2,153           | 2.74            |
| Developer's G & A 4.29%              |        | 3.37%          | 2,655           | 3.38            |
| Developer's Profit 10.71%            |        | 8.43%          | 6,633           | 8.44            |
| Interim Financing                    |        | 6.74%          | 5,301           | 6.75            |
| Reserves                             |        | 2.04%          | 1,605           | 2.04            |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$78,695</b> | <b>\$100.16</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>68.98%</b>  | <b>\$54,281</b> | <b>\$69.08</b>  |

**SOURCES OF FUNDS**

|                                 | %      | PER UNIT | PER SQ FT |
|---------------------------------|--------|----------|-----------|
| First Lien Mortgage             | 67.43% | \$53,061 | \$67.53   |
| Additional Financing            | 0.00%  | \$0      | \$0.00    |
| HTC Syndication Proceeds        | 29.72% | \$23,388 | \$29.77   |
| Deferred Developer Fees         | 2.97%  | \$2,335  | \$2.97    |
| Additional (Excess) Funds Req'd | -0.11% | (\$89)   | (\$0.11)  |
| <b>TOTAL SOURCES</b>            |        |          |           |

|   | TDHCA       | APPLICANT   |
|---|-------------|-------------|
| POTENTIAL GROSS RENT                              | \$1,457,088 | \$1,443,648 |
| Secondary Income                                  | 35,280      | 167,592     |
| Other Support Income                              | 0           |             |
| POTENTIAL GROSS INCOME                            | \$1,492,368 | \$1,611,240 |
| Vacancy & Collection Loss                         | (111,928)   | (120,840)   |
| Employee or Other Non-Rental Units or Concessions | 0           |             |
| EFFECTIVE GROSS INCOME                            | \$1,380,440 | \$1,490,400 |
| General & Administrative                          | \$72,627    | \$24,000    |
| Management  | 62,120      | 67,068      |
| Payroll & Payroll Tax                             | 169,974     | 165,500     |
| Repairs & Maintenance                             | 75,156      | 49,500      |
| Utilities   | 60,004      | 46,500      |
| Water, Sewer, & Trash                             | 47,904      | 47,000      |
| Property Insurance                                | 53,900      | 50,000      |
| Property Tax                                      | 70,325      | 105,000     |
| Reserve for Replacements                          | 39,200      | 39,200      |
| Other: compl fees                                 | 17,040      | 12,200      |
| TOTAL EXPENSES                                    | \$668,250   | \$605,968   |
| NET OPERATING INC                                 | \$712,191   | \$884,432   |
| First Lien Mortgage                               | \$708,539   | \$750,309   |
| Additional Financing                              | 0           |             |
| Additional Financing                              | 0           |             |
| NET CASH FLOW                                     | \$3,652     | \$134,123   |
| AGGREGATE DEBT COVERAGE RATIO                     | 1.01        | 1.18        |
| RECOMMENDED DEBT COVERAGE RATIO                   | 1.10        |             |

|                           | PER SQ FT | PER UNIT | % OF EGI |
|---------------------------|-----------|----------|----------|
| Comptroller's Region      |           |          | 3        |
| IREM Region               |           |          | Dallas   |
| Per Unit Per Month        | \$71.26   |          |          |
| % of Potential Gross Rent | -7.50%    |          |          |
| PER SQ FT                 |           |          |          |
| PER UNIT                  |           |          |          |
| % OF EGI                  |           |          |          |
| PER SQ FT                 | \$0.16    | \$122    | 1.61%    |
| PER UNIT                  | 0.44      | 342      | 4.50%    |
| PER SQ FT                 | 1.07      | 844      | 11.10%   |
| PER UNIT                  | 0.32      | 253      | 3.32%    |
| PER SQ FT                 | 0.30      | 237      | 3.12%    |
| PER UNIT                  | 0.31      | 240      | 3.15%    |
| PER SQ FT                 | 0.32      | 255      | 3.35%    |
| PER UNIT                  | 0.68      | 536      | 7.05%    |
| PER SQ FT                 | 0.25      | 200      | 2.63%    |
| PER UNIT                  | 0.08      | 62       | 0.82%    |
| PER SQ FT                 | \$3.93    | \$3,092  | 40.66%   |
| PER UNIT                  | \$5.74    | \$4,512  | 59.34%   |

|                                      | TDHCA               | APPLICANT           | PER SQ FT       | PER UNIT        | % of TOTAL     |
|--------------------------------------|---------------------|---------------------|-----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      | \$731,000           | \$750,000           | \$4.87          | \$3,827         | 4.86%          |
| Off-Sites                            | 0                   |                     | 0.00            | 0               | 0.00%          |
| Sitework                             | 1,447,500           | 1,447,500           | 9.40            | 7,385           | 9.37%          |
| Direct Construction                  | 7,502,965           | 7,510,000           | 48.77           | 38,316          | 48.63%         |
| Contingency                          | 447,523             | 500,000             | 3.25            | 2,551           | 3.24%          |
| General Req'ts                       | 537,028             | 540,000             | 3.51            | 2,755           | 3.50%          |
| Contractor's G & A                   | 179,009             | 225,000             | 1.46            | 1,148           | 1.46%          |
| Contractor's Profit                  | 525,000             | 525,000             | 3.41            | 2,679           | 3.40%          |
| Indirect Construction                | 458,100             | 458,100             | 2.97            | 2,337           | 2.97%          |
| Ineligible Costs                     | 422,000             | 422,000             | 2.74            | 2,153           | 2.73%          |
| Developer's G & A                    | 520,419             | 575,000             | 3.73            | 2,934           | 3.72%          |
| Developer's Profit                   | 1,300,000           | 1,300,000           | 8.44            | 6,633           | 8.42%          |
| Interim Financing                    | 1,039,000           | 1,039,000           | 6.75            | 5,301           | 6.73%          |
| Reserves                             | 314,607             | 150,000             | 0.97            | 765             | 0.97%          |
| <b>TOTAL COST</b>                    | <b>\$15,424,151</b> | <b>\$15,441,600</b> | <b>\$100.27</b> | <b>\$78,784</b> | <b>100.00%</b> |
| <b>Recap-Hard Construction Costs</b> | <b>\$10,639,025</b> | <b>\$10,747,500</b> | <b>\$69.79</b>  | <b>\$54,834</b> | <b>69.60%</b>  |

**RECOMMENDED**

|                                 | TDHCA               | APPLICANT           | RECOMMENDED         |
|---------------------------------|---------------------|---------------------|---------------------|
| First Lien Mortgage             | \$10,400,000        | \$10,400,000        | \$9,500,000         |
| Additional Financing            | 0                   |                     | 0                   |
| HTC Syndication Proceeds        | 4,584,000           | 4,584,000           | 4,593,185           |
| Deferred Developer Fees         | 457,600             | 457,600             | 1,329,415           |
| Additional (Excess) Funds Req'd | (17,449)            | 0                   | 0                   |
| <b>TOTAL SOURCES</b>            | <b>\$15,424,151</b> | <b>\$15,441,600</b> | <b>\$15,422,600</b> |
| Developer Fee Available         |                     |                     | \$1,821,611         |
| % of Dev. Fee Deferred          |                     |                     | 73%                 |
| 15-Yr Cumulative Cash Flow      |                     |                     | \$2,592,671         |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

**Park Manor Senior Community, Sherman, MRB/4% HTC #05612**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|---------|-------------|----------------|--------------------|
| Base Cost                              |         |             | \$46.12        | \$7,102,367        |
| <b>Adjustments</b>                     |         |             |                |                    |
| Exterior Wall Finish                   | 4.00%   |             | \$1.84         | \$284,095          |
| Elderly/9-Ft. Ceilings                 | 3.00%   |             | 1.38           | 213,071            |
| Roofing                                |         |             | 0.00           | 0                  |
| Subfloor                               |         |             | (2.03)         | (312,620)          |
| Floor Cover                            |         |             | 2.00           | 308,000            |
| Porches/Balconies                      | \$15.29 | 18032       | 1.79           | 275,709            |
| Plumbing                               | \$605   | 108         | 0.42           | 65,340             |
| Built-In Appliances                    | \$1,650 | 196         | 2.10           | 323,400            |
| Stairs/Fireplaces                      |         |             | 0.00           | 0                  |
| Maintenance Garage                     | \$16.17 | 1500        | 0.16           | 24,255             |
| Heating/Cooling                        |         |             | 1.53           | 235,620            |
| Carports                               | \$8.18  | 12,960      | 0.69           | 106,013            |
| Comm &/or Aux Bldgs                    | \$58.11 | 6,700       | 2.53           | 389,357            |
| Garages                                | \$17.18 | 12,960      | 1.45           | 222,653            |
| <b>SUBTOTAL</b>                        |         |             | <b>59.98</b>   | <b>9,237,260</b>   |
| Current Cost Multiplier                | 1.11    |             | 6.60           | 1,016,099          |
| Local Multiplier                       | 0.89    |             | (6.60)         | (1,016,099)        |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$59.98</b> | <b>\$9,237,260</b> |
| Plans, specs, survy, bld prnt          | 3.90%   |             | (2.34)         | (360,253)          |
| Interim Construction Interes           | 3.38%   |             | (2.02)         | (311,758)          |
| Contractor's OH & Profit               | 11.50%  |             | (6.90)         | (1,062,285)        |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$48.72</b> | <b>\$7,502,965</b> |

**PAYMENT COMPUTATION**

|                |              |       |      |
|----------------|--------------|-------|------|
| <b>Primary</b> | \$10,400,000 | Amort | 480  |
| Int Rate       | 6.25%        | DCR   | 1.01 |

|                  |       |              |      |
|------------------|-------|--------------|------|
| <b>Secondary</b> | \$0   | Amort        |      |
| Int Rate         | 0.00% | Subtotal DCR | 1.01 |

|                   |  |               |      |
|-------------------|--|---------------|------|
| <b>Additional</b> |  | Amort         |      |
| Int Rate          |  | Aggregate DCR | 1.01 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$647,223       |
| Secondary Debt Service  | 0               |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$64,968</b> |

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$9,500,000 | Amort | 480  |
| Int Rate       | 6.25%       | DCR   | 1.10 |

|                  |       |              |      |
|------------------|-------|--------------|------|
| <b>Secondary</b> | \$0   | Amort        | 0    |
| Int Rate         | 0.00% | Subtotal DCR | 1.10 |

|                   |       |               |      |
|-------------------|-------|---------------|------|
| <b>Additional</b> | \$0   | Amort         | 0    |
| Int Rate          | 0.00% | Aggregate DCR | 1.10 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%                | YEAR 1             | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 10            | YEAR 15            | YEAR 20            | YEAR 30            |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| POTENTIAL GROSS RENT           | \$1,457,088        | \$1,500,801        | \$1,545,825        | \$1,592,199        | \$1,639,965        | \$1,901,169        | \$2,203,976        | \$2,555,013        | \$3,433,723        |
| Secondary Income               | 35,280             | 36,338             | 37,429             | 38,551             | 39,708             | 46,032             | 53,364             | 61,864             | 83,140             |
| Other Support Income: (describ | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| POTENTIAL GROSS INCOME         | 1,492,368          | 1,537,139          | 1,583,253          | 1,630,751          | 1,679,673          | 1,947,202          | 2,257,341          | 2,616,876          | 3,516,863          |
| Vacancy & Collection Loss      | (111,928)          | (115,285)          | (118,744)          | (122,306)          | (125,975)          | (146,040)          | (169,301)          | (196,266)          | (263,765)          |
| Employee or Other Non-Rental   | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>EFFECTIVE GROSS INCOME</b>  | <b>\$1,380,440</b> | <b>\$1,421,854</b> | <b>\$1,464,509</b> | <b>\$1,508,444</b> | <b>\$1,553,698</b> | <b>\$1,801,162</b> | <b>\$2,088,040</b> | <b>\$2,420,611</b> | <b>\$3,253,098</b> |
| EXPENSES at 4.00%              |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| General & Administrative       | \$72,627           | \$75,532           | \$78,553           | \$81,695           | \$84,963           | \$103,371          | \$125,766          | \$153,014          | \$226,498          |
| Management                     | 62,120             | 63,983             | 65,903             | 67,880             | 69,916             | 81,052             | 93,962             | 108,927            | 146,389            |
| Payroll & Payroll Tax          | 169,974            | 176,773            | 183,844            | 191,198            | 198,846            | 241,926            | 294,340            | 358,110            | 530,090            |
| Repairs & Maintenance          | 75,156             | 78,162             | 81,289             | 84,540             | 87,922             | 106,971            | 130,146            | 158,343            | 234,386            |
| Utilities                      | 60,004             | 62,404             | 64,900             | 67,496             | 70,196             | 85,404             | 103,908            | 126,419            | 187,132            |
| Water, Sewer & Trash           | 47,904             | 49,820             | 51,813             | 53,885             | 56,041             | 68,182             | 82,954             | 100,927            | 149,396            |
| Insurance                      | 53,900             | 56,056             | 58,298             | 60,630             | 63,055             | 76,717             | 93,337             | 113,559            | 168,095            |
| Property Tax                   | 70,325             | 73,138             | 76,063             | 79,106             | 82,270             | 100,094            | 121,780            | 148,164            | 219,318            |
| Reserve for Replacements       | 39,200             | 40,768             | 42,399             | 44,095             | 45,858             | 55,794             | 67,882             | 82,588             | 122,251            |
| Other                          | 17,040             | 17,722             | 18,430             | 19,168             | 19,934             | 24,253             | 29,508             | 35,901             | 53,142             |
| <b>TOTAL EXPENSES</b>          | <b>\$668,250</b>   | <b>\$694,358</b>   | <b>\$721,493</b>   | <b>\$749,694</b>   | <b>\$779,003</b>   | <b>\$943,764</b>   | <b>\$1,143,583</b> | <b>\$1,385,952</b> | <b>\$2,036,697</b> |
| <b>NET OPERATING INCOME</b>    | <b>\$712,191</b>   | <b>\$727,495</b>   | <b>\$743,016</b>   | <b>\$758,751</b>   | <b>\$774,695</b>   | <b>\$857,398</b>   | <b>\$944,457</b>   | <b>\$1,034,659</b> | <b>\$1,216,401</b> |
| DEBT SERVICE                   |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| First Lien Financing           | \$647,223          | \$647,223          | \$647,223          | \$647,223          | \$647,223          | \$647,223          | \$647,223          | \$647,223          | \$647,223          |
| Second Lien                    | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| Other Financing                | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>NET CASH FLOW</b>           | <b>\$64,968</b>    | <b>\$80,272</b>    | <b>\$95,793</b>    | <b>\$111,528</b>   | <b>\$127,472</b>   | <b>\$210,174</b>   | <b>\$297,234</b>   | <b>\$387,436</b>   | <b>\$569,178</b>   |
| <b>DEBT COVERAGE RATIO</b>     | <b>1.10</b>        | <b>1.12</b>        | <b>1.15</b>        | <b>1.17</b>        | <b>1.20</b>        | <b>1.32</b>        | <b>1.46</b>        | <b>1.60</b>        | <b>1.88</b>        |

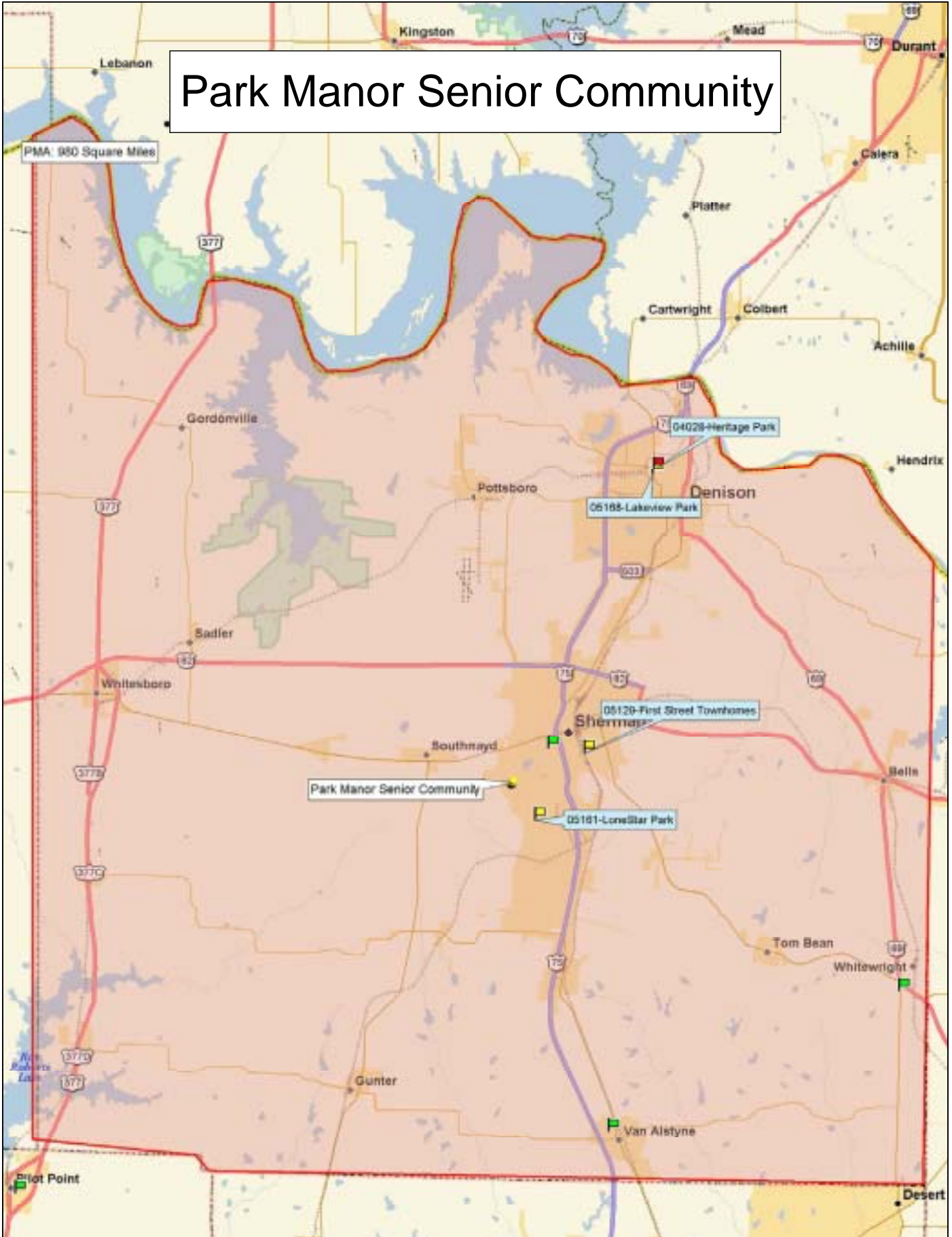
LIHTC Allocation Calculation - Park Manor Senior Community, Sherman, MRB/4% HTC #05612

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$750,000                       | \$731,000                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$1,447,500                     | \$1,447,500               | \$1,447,500                                | \$1,447,500                          |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$7,510,000                     | \$7,502,965               | \$7,510,000                                | \$7,502,965                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$225,000                       | \$179,009                 | \$179,150                                  | \$179,009                            |
| Contractor profit                                     | \$525,000                       | \$525,000                 | \$525,000                                  | \$525,000                            |
| General requirements                                  | \$540,000                       | \$537,028                 | \$537,450                                  | \$537,028                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$500,000                       | \$447,523                 | \$447,875                                  | \$447,523                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$458,100                       | \$458,100                 | \$458,100                                  | \$458,100                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$1,039,000                     | \$1,039,000               | \$1,039,000                                | \$1,039,000                          |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$422,000                       | \$422,000                 |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
|   |                                 |                           | \$1,821,611                                |                                      |
| Developer overhead                                    | \$575,000                       | \$520,419                 |  | \$520,419                            |
| Developer fee   | \$1,300,000                     | \$1,300,000               |  | \$1,300,000                          |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$150,000                       | \$314,607                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$15,441,600</b>             | <b>\$15,424,151</b>       | <b>\$13,965,686</b>                        | <b>\$13,956,544</b>                  |

| <b>Deduct from Basis:</b>                                  |  |              |              |
|--|--|--------------|--------------|
| 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)             |  |              |              |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  | \$13,965,686 | \$13,956,544 |
| High Cost Area Adjustment                                  |  | 100%         | 100%         |
| <b>TOTAL ADJUSTED BASIS</b>                                |  | \$13,965,686 | \$13,956,544 |
| Applicable Fraction  |  | 100%         | 100%         |
| <b>TOTAL QUALIFIED BASIS</b>                               |  | \$13,965,686 | \$13,956,544 |
| Applicable Percentage                                      |  | 3.54%        | 3.54%        |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  | \$494,385    | \$494,062    |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.9291 | \$4,593,185        | \$4,590,179      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$494,385</b>   | <b>\$494,062</b> |
| Syndication Proceeds                         |        | \$4,593,185        | \$4,590,179      |
| <b>Requested Credits</b>                     |        | <b>\$492,922</b>   |                  |
| Syndication Proceeds                         |        | \$4,579,590        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$5,941,600</b> |                  |
| <b>Credit Amount</b>                         |        | <b>\$639,521</b>   |                  |

# Park Manor Senior Community



## RENT CAP EXPLANATION Sherman/Denison MSA

### AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

**Rent Caps** are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

### MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

**MSA/County:** Sherman/Denison    **Area Median Family Income (Annual):** \$51,400

| ANNUALLY  |               |               |                  | MONTHLY   |             |            |  |  |             |            |            |
|---|---------------|---------------|------------------|---|-------------|------------|--|--|-------------|------------|------------|
| Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules |               |               |                  | Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities) |             |            | Utility Allowance by Unit Type (provided by the local PHA) | Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap) |             |            |            |
| # of Persons  | At or Below   |               |                  | Unit Type   | At or Below |            |  | (provided by the local PHA)  | At or Below |            |            |
|   | 50%           | 60%           | 80%              |   | 50%         | 60%        | 80%  |  | 50%         | 60%        | 80%        |
| 1   | \$ 18,000     | \$ 21,600     | \$ 28,800        | Efficiency  | \$ 450      | \$ 540     | \$ 720   |  | \$ 450      | \$ 540     | \$ 720     |
| 2   | 20,550        | 24,660        | \$ 32,900        | 1-Bedroom   | 481         | 578        | 771  | 23.00  | 458         | 555        | 748        |
| <b>3</b>  | <b>23,150</b> | <b>27,780</b> | <b>\$ 37,000</b> | <b>2-Bedroom</b>  | <b>578</b>  | <b>694</b> | <b>925</b>   | <b>30.00</b>   | <b>548</b>  | <b>664</b> | <b>895</b> |
| 4   | 25,700        | 30,840        | \$ 41,100        | 3-Bedroom   | 668         | 801        | 1,068  |  | 668         | 801        | 1,068      |
| 5   | 27,750        | 33,300        | \$ 44,400        | 4-Bedroom   | 745         | 894        | 1,192  |  | 745         | 894        | 1,192      |
| 6   | 29,800        | 35,760        | \$ 47,700        | 5-Bedroom   | 821         | 986        | 1,316  |  | 821         | 986        | 1,316      |
| 7   | 31,850        | 38,220        | \$ 51,000        |   |             |            |  |  |             |            |            |
| 8   | 33,900        | 40,680        | \$ 54,300        |   |             |            |  |  |             |            |            |
| <b>FIGURE 1</b>   |               |               |                  | <b>FIGURE 2</b>   |             |            | <b>FIGURE 3</b>  | <b>FIGURE 4</b>  |             |            |            |

**Figure 1** outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

**Figure 2** shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of two in the 60% income bracket earning \$24,660 could not pay more than \$578 for rent and utilities under the affordable definition.

- 1) \$24,660 divided by 12 = **\$2,055** monthly income; then,
- 2) **\$2,055** monthly income times 30% = **\$617** maximum total housing expense.

**Figure 4** displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

**Figure 3** shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

## Park Manor Senior Community

### RESULTS & ANALYSIS: for 60% AMFI units

**Tenants** in the 60% AMFI bracket will **save \$36to \$95** per month (leaving **1.6% to 4.6%** more of their monthly income for food, child care and other living expenses).  
 This is a monthly savings off the market rents of **5.1% to 14.6%**.

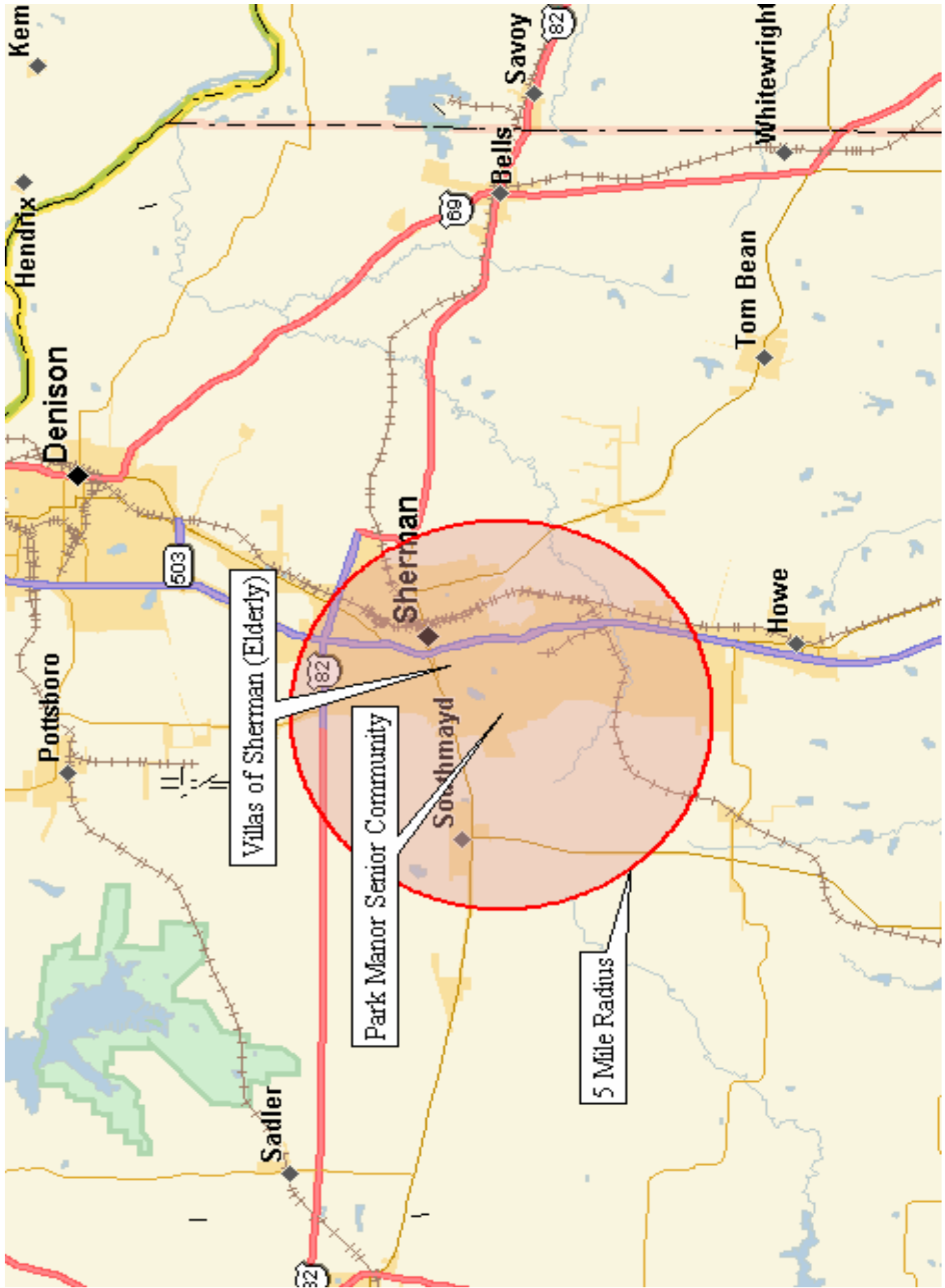
| PROJECT INFORMATION              |           |           |           |
|----------------------------------|-----------|-----------|-----------|
| Unit Mix                         |           |           |           |
| Unit Description                 | 1-Bedroom | 2-Bedroom | 2-Bedroom |
| Square Footage                   | 700       | 820       | 900       |
| Rents if Offered at Market Rates | \$650     | \$700     | \$750     |
| Rent per Square Foot             | \$1.08    | \$1.17    | \$1.20    |

| SAVINGS ANALYSIS FOR 60% AMFI GROUPING        |              |             |              |
|---|--------------|-------------|--------------|
| Rent Cap for 60% AMFI Set-Aside               | \$555        | \$664       | \$664        |
| <b>Monthly Savings for Tenant</b>             | <b>\$95</b>  | <b>\$36</b> | <b>\$86</b>  |
| Rent per square foot                          | \$0.79       | \$0.81      | \$0.74       |
| Maximum Monthly Income - 60% AMFI             | \$2,055      | \$2,315     | \$2,315      |
| <b>Monthly Savings as % of Monthly Income</b> | <b>4.6%</b>  | <b>1.6%</b> | <b>3.7%</b>  |
| <b>% DISCOUNT OFF MONTHLY RENT</b>            | <b>14.6%</b> | <b>5.1%</b> | <b>11.5%</b> |

**Information provided by:** Jack Poe Company Incorporated, 400 N. Saint Paul Street, Suite 440, Dallas, Texas 75201. Report dated April 12, 2005









# Applicant Evaluation

Project ID # **05612**

Name: **Park Manor Senior Community**

City:

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

Total # of Projects monitored: 5

Projects in Material Noncompliance

# in noncompliance: 0

Projects zero to nine: 5  
grouped ten to nineteen: 0  
by score twenty to twenty-nine: 0

Yes  No

# monitored with a score less than thirty: 5

Projects not reported Yes   
in application No

# not yet monitored or pending review: 5

# of projects not reported 0

### Portfolio Monitoring

### Single Audit

### Contract Administration

Not applicable   
Review pending   
No unresolved issues   
Unresolved issues found   
Unresolved issues found that warrant disqualification (Comments attached)

Not applicable   
Review pending   
No unresolved issues   
Issues found regarding late cert   
Issues found regarding late audit   
Unresolved issues found that warrant disqualification (Comments attached)

Not applicable   
Review pending   
No unresolved issues   
Unresolved issues found   
Unresolved issues found that warrant disqualification (Comments attached)

Reviewed by Patricia Murphy

Date 5/31/2005

### Multifamily Finance Production

Not applicable   
Review pending   
No unresolved issues   
Unresolved issues found   
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer S. Roth  
Date 5/27/2005

### Single Family Finance Production

Not applicable   
Review pending   
No unresolved issues   
Unresolved issues found   
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Paige McGilloway  
Date 5/31/2005

### Real Estate Analysis (Cost Certification and Workout)

Not applicable   
Review pending   
No unresolved issues   
Unresolved issues found   
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer \_\_\_\_\_  
Date \_\_\_\_\_

### Community Affairs

No relationship   
Review pending   
No unresolved issues   
Unresolved issues found   
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF  
Date 6/1/2005

### Office of Colonia Initiatives

Not applicable   
Review pending   
No unresolved issues   
Unresolved issues found   
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer \_\_\_\_\_  
Date \_\_\_\_\_

### Financial Administration

No delinquencies found   
Delinquencies found

Reviewer Stephanie A. D'Couto  
Date 5/31/2005

**Executive Director:** Edwina Carrington

**Executed:** Monday, June 06, 2005

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Multifamily Finance Production Division

**Public Comment Summary**

**Park Manor Senior Community**

| <b>Public Hearing</b>          |   |
|--------------------------------|---|
| <i>Total Number Attended</i>   | 0 |
| <i>Total Number Opposed</i>    | 0 |
| <i>Total Number Supported</i>  | 0 |
| <i>Total Number Neutral</i>    | 0 |
| <i>Total Number that Spoke</i> | 0 |

| <b>Public Officials Letters Received</b> |   |
|--|---|
| <i>Opposition</i>                        | 0 |
| <i>Support</i>                           | 1 |
| <i>City Manager of Sherman</i>           |   |

| <b>General Public Letters and Emails Received</b> |   |
|---|---|
| <i>Opposition Total</i>                           | 0 |
| <i>Support</i>                                    | 0 |

| <b>Summary of Public Comment</b> |  |
|----------------------------------|--|
|----------------------------------|--|

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TEFRA HEARING  
PARK MANOR SENIOR APARTMENTS

PUBLIC HEARING

Wakefield Elementary School  
400 Sunset Boulevard  
Sherman, Texas

May 26, 2005  
6:00 p.m.

BEFORE:  
TERESA MORALES, Housing Specialist

ALSO PRESENT:  
RICHARD SHAW

P-R-O-C-E-E-D-I-N-G-S

MS. MORALES: Good evening. My name is Teresa Morales. I would like to proceed with the public hearing. Let the record show that it is 6:11 p.m., Monday, May 26, 2005, and we are at the Wakefield Elementary School located at 400 Sunset Boulevard, Sherman, Texas.

I am here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community. This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for individuals to express their views regarding the development and the proposed bond issue.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider the transaction on June 27, 2005.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the board at any of their meetings. The Department staff will also accept written comments from the public up to 5:00 p.m. on June 10, 2005.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal

amount not to exceed \$10,400,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series, by the Texas Department of Housing and Community Affairs.

The proceeds of the Bonds will be loaned to OHC/Park Manor, Ltd., or a related person or affiliate entity thereof, to finance a portion of the costs of acquiring, constructing, and equipping of a multifamily rental housing community described as follows: A 196 unit multifamily residential rental development to be constructed on approximately 18.26 acres of land, located at approximately the east side of FM 1417, approximately 640 feet north of Park Avenue, Grayson County, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate thereof.

Let the record show that there are no attendees. Therefore, the meeting is now adjourned. The time is now 6:13 p.m.

(Whereupon, the meeting was concluded.)

C E R T I F I C A T E

IN RE: Park Manor Senior Apartments

LOCATION: Sherman, Texas

DATE: May 26, 2005

I do hereby certify that the foregoing pages, numbers 1 through 4, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Halina Gonzales before the Texas Department of Housing and Community Affairs.

05/26/2005  
\_\_\_\_\_  
(Transcriber) (Date)

On the Record Reporting, Inc.  
3307 Northland, Suite 315  
Austin, Texas 78731



[WWW.TDHCA.STATE.TX.US](http://WWW.TDHCA.STATE.TX.US)

## **MULTIFAMILY FINANCE PRODUCTION DIVISION**

### **2005 Private Activity Multifamily Revenue Bonds**

**St Augustine Estates Apartments  
2300 block of North St. Augustine Drive  
Dallas, Texas**

**St Augustine Estates Apartments, L.P.  
150 Units**

**Priority 2 – 100% of units at 60% AMFI**

**\$10,000,000 Tax Exempt – Series 2005**

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### **TABLE OF EXHIBITS**

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|              |   |
|--------------|---|
| <b>TAB 1</b> | <b>TDHCA Board Presentation</b>                                   |
| <b>TAB 2</b> | <b>Bond Resolution</b>  |
| <b>TAB 3</b> | <b>HTC Profile and Board Summary</b>                              |
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| <b>TAB 5</b> | <b>Department's Real Estate Analysis</b>                          |
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**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the St. Augustine Estates Apartments development.

**Summary of the St. Augustine Estates Apartments Transaction**

The pre-application was received on January 20, 2005. The application was reviewed for threshold then scored and ranked by staff. The application was induced at the February Board meeting and submitted to the Texas Bond Review Board for the 2005 Waiting List. The application received a Reservation of Allocation on April 4, 2005. This application was submitted under the Priority 2 category. There was one person in attendance at the public hearing held on May 25, 2005, from the Dallas Housing Finance Corporation. No one spoke for the record. A copy of the transcript is located in Tab 9 of this presentation. The proposed site is located in the Dallas Independent School District.

**Summary of the Financial Structure**

The applicant is requesting the Department's approval and issuance of variable rate demand tax exempt bonds in the amount not exceed of \$10,000,000. The bonds will be credit enhanced by JPMorgan Chase Bank, N.A., during the Construction Phase and by Fannie Mae during the Permanent Phase. The Bonds will carry a Aa3/VMIG1 rating. GMAC (Fannie Mae DUS Lender) will underwrite the transaction using a debt coverage ratio of 1.20 to 1 (Net Operating Income 1.2 times the debt service) amortized over 30 years. The term of the bonds will be for 33 years. The construction and lease up period will be for thirty months plus one 6 month optional extension with payment terms of interest only, followed by a 30 year term and amortization.

**Recommendation**

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the St. Augustine Estates Apartments development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the financial commitments from Fannie Mae, JPMorgan Chase Bank, N.A. and GMAC and the underwriting report by the Department's Real Estate Analysis division), the tenant and social services provided by the development and the demand for affordable units as demonstrated by the market area.



**MULTIFAMILY FINANCE PRODUCTION DIVISION**  
**BOARD MEMORANDUM**  
**July 14, 2005**

**DEVELOPMENT:** St. Augustine Estates Apartments, Dallas, Dallas County, Texas

**PROGRAM:** Texas Department of Housing & Community Affairs  
2005 Private-Activity Multifamily Revenue Bonds  
(Reservation received 01/25/2005)

**ACTION REQUESTED:** Approve the issuance of multifamily housing revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1372 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling Act (the "Act") which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

**PURPOSE:** The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to St. Augustine Estates Apartments, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 150-unit multifamily residential rental Development to be located at 2300 block of North St. Augustine Drive, Dallas County, Texas (the "Development"). The first series of Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental Development. *(The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas.)*

**BOND AMOUNT:** \$10,000,000 Series 2005 Tax Exempt bonds (\*)  
\$10,000,000 Total bonds

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

**ANTICIPATED CLOSING DATE:** The Department received a volume cap allocation for the Bonds on April 4, 2005, pursuant to the Texas Bond Review Board's 2005 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before September 2, 2005, the anticipated closing date is August 16, 2005.

**BORROWER:**

St. Augustine Estates Apartments, L.P., a Texas Limited Partnership, the general partner of which is St. Augustine Estate Apartments I, L.L.C. the members of which are John Mark Wolcott with 33.33% Ownership, J. Steve Ford with 33.33% Ownership, G.G. MacDonald and T. Justin MacDonald with 33.33% Ownership. Paramount Financial Group or an affiliate thereof will be providing the equity for the transaction by purchasing a 99.99% limited partnership interest in the Borrower.

**COMPLIANCE HISTORY:**

The Compliance Status Summary completed on May 31, 2005 reveals that the principals of the general partner above have a total of twenty-eight (28) properties being monitored by the Department. Nine (9) have received a compliance score of less than 30. The other nineteen (19) properties have not been monitored at this time.

**ISSUANCE TEAM:**

GMAC Commercial Mortgage Corporation. (FNMA DUS Lender/Servicer)  
JPMorgan Chase Bank, N.A. (Letter of Credit Provider)  
Fannie Mae (Credit Facility Provider)  
GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, a Division of GMAC Commercial Holding Capital Markets Corp. (Underwriter)  
Wachovia Bank, National Association (Trustee)  
Vinson & Elkins L.L.P. (Bond Counsel)  
Dain Rauscher, Inc. (Financial Advisor)  
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

**BOND PURCHASER:**

The Bonds will be publicly offered for sale on or about August 15, 2005 at which time the final pricing and Bond Purchaser(s) will be determined.

**DEVELOPMENT DESCRIPTION:**

The Development is a 150 unit apartment community to be constructed on approximately 6.4 acres located at 2300 block of North St. Augustine Drive, Dallas County, Texas. The Development will consist of two (2) three story buildings with a total of 127,692 net rentable square feet and an average unit size of approximately 851 square feet. The property will also have a community building consisting of a fitness center, business center, senior activity center with kitchen facilities and leasing office. The development will include a laundry room, a swimming pool, picnic area, playground and equipment, and perimeter fencing with access gates. The complex will have 230 open parking spaces.

| Units | Unit Type     | Sq Ft | Proposed | AMFI |
|-------|---------------|-------|----------|------|
| 75    | 1-Bed/1-Baths | 709   | \$645.00 | 60%  |
| 75    | 2-Bed/2-Baths | 983   | \$749.00 | 60%  |
| 150   | Total Units   |       |          |      |

**SET-ASIDE UNITS:**

For Bond covenant purposes, forty percent (40%) of the units in the Development will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in the Development will be set aside on a priority basis for persons with special needs. *(The Borrower has elected to set-aside 100% of the units for tax credit purposes)*

**RENT CAPS:**

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals sixty percent (60%) of the area median income which is a Priority 1C category of the private activity bond program.

**TENANT SERVICES:**

Tenant Services will be provided by Texas Inter-Faith Management Corporation, a Texas non-profit corporation, d.b.a. Good Neighbor, as outlined in the Department’s Land Use Restriction Agreement.

**DEPARTMENT ORIGINATION**

**FEES:**

\$1,000 Pre-Application Fee (Paid)  
 \$10,000 Application Fee (Paid)  
 \$38,250 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT ANNUAL FEES:**

\$7,650 Bond Administration (0.10% of first year bond amount)  
 \$3,750 Compliance (\$25/unit/year adjusted annually for CPI)

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

**ASSET OVERSIGHT**

**FEE:**

\$3,750 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI))

**TAX CREDITS:**

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$559,841 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising \$5,038,053 of equity for the transaction.

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

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

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

During the construction period (the "Construction Phase"), credit enhancement and liquidity support for the Bonds will be provided by the Bank pursuant to an irrevocable direct pay letter of credit (the "Letter of Credit"). If conversion ("Conversion") from the Construction Phase to the permanent mortgage period (the "Permanent Phase"), occurs, the Letter of Credit will be replaced by a credit enhancement and liquidity facility provided by Fannie Mae (the "Fannie Mae Credit Facility"). If Conversion does not occur, Fannie Mae will have no obligation to issue the Fannie Mae Credit Facility. If Conversion does not occur and the Bank has not extended the term of the Letter of Credit and there is no alternate credit facility in effect, the Bonds will be subject to mandatory tender.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consists of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate Fund, the Fees Account and the Cost of Issuance Fund) and any investment earnings thereon (see Funds and Accounts section, below).

**CREDIT**

**ENHANCEMENT:**

The credit enhancement by Fannie Mae allows for an anticipated rating by the Rating Agency of Aa3/VMIG1 and an anticipated variable interest rate of 3.75% per annum. Without the credit enhancement, the Bonds would not be investment grade and therefore command a higher interest rate from investors on similar maturity bonds.

**FORM OF BONDS:**

The Bonds will be issued in book entry form and will be in authorized denominations of, during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 or during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

**TERMS OF THE MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest following conversion to the Permanent Phase.

During the Construction Phase, the Borrower will be required to make payments on the Mortgage Loan directly to the Trustee (to the extent that capitalized interest funds deposited at closing into the Mortgage Loan Fund are insufficient to make the semi-annual interest payments on the Bonds) along with all other bond and credit enhancement fees. Upon Conversion, the Borrower will be required to pay mortgage payments on the Mortgage Loan to the Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee. The Borrower will continue to pay certain other fees, including the Department's fees, directly to the Trustee.

Effective on the Conversion Date, which is anticipated to occur thirty months from the closing date of the Bonds, with one six-month extension option, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase upon satisfaction or waiver the conversion requirements set forth in the Construction Phase Financing Agreement. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy thresholds.

**MATURITY/SOURCES**

**& METHODS OF  
REPAYMENT:**

The Bonds will bear interest at a variable rate until maturity, which is September 15, 2038.

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

The Credit Provider (initially the Bank) is obligated under its credit enhancement agreement to fund the payment of the Bonds, regardless of whether the Borrower makes the scheduled principal and interest payments on the Mortgage Loan. The Borrower is obligated to reimburse Fannie Mae for any moneys advanced by the Credit Provider for such payments

**REDEMPTION OF  
BONDS PRIOR TO  
MATURITY:**

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

**Optional Redemption:**

The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower:

- (1) On any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principle amount redeemed plus accrued interest to the Redemption Date.
- (2) On any date within a Reset Period at the respective redemption prices set forth in the Indenture as expressed as a percentage of the principal amount of the Bonds.
- (3) On any date within the Fixed Rate Period, at the respective redemption prices set forth in the Indenture as expressed as percentages of the principal amounts of the Bonds.

**Mandatory Redemption:**

- (1) The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property are applied in accordance with the Security Instrument to the prepayment of the Mortgage Loan.
- (2) The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to the Indenture following any Event of Default under the Reimbursement Agreement.
- (3) The Bonds shall be redeemed in whole or in part as follows:
  - a) On each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account.
  - b) On any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.
- (4) On and after the Transition Date, if any, the Bonds shall be redeemed at the times and in the amounts set forth in the Sinking Fund Schedule attached as Exhibit E to the Indenture.
- (5) The Bond shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule.
- (6) The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.
- (7) The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account.

**FUNDS AND**

**ACCOUNTS/FUNDS**  
**ADMINISTRATION:**

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

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

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

The Trust Indenture will create up to six (6) funds with the following general purposes:

1. Loan Fund – Consists of a Project Account and Capitalized Moneys Account, each of which has a Bond Proceeds Subaccount and a Borrower Equity Subaccount. Monies in the Loan Fund will be withdrawn to pay the costs of construction of the Development, interest on the Bonds and certain other fees during the Construction Phase.
2. Revenue Fund - General receipts and disbursement account for revenues to pay principal and interest on the Bonds. Subaccounts created within the Revenue Fund for redemption provisions, credit facility purposes, the payment of interest and certain ongoing fees.
3. Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee.
4. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.
5. Bond Purchase Fund - Moneys held uninvested and



exclusively for the payment of the purchase price of Tendered Bonds (subject to provisions in the Indenture allowing reimbursement of the amounts owed to the Credit Provider).

6. Principal Reserve Fund – Fund to collect payments received from the Borrower pursuant to the reimbursement agreement and used to pay principal on the Bonds.

Essentially, all of the bond proceeds will be deposited into the Loan Fund and disbursed during the Construction Phase (over 18 to 24 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

**DEPARTMENT  
ADVISORS:**

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

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003.
2. Bond Trustee – Wachovia Bank, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.
4. Underwriter – Newman and Associates Inc. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department May 2004.

**ATTORNEY GENERAL  
REVIEW OF BONDS:**

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

**RESOLUTION NO. 05-050**

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (ST. AUGUSTINE ESTATE) SERIES 2005; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (St. Augustine Estate) Series 2005 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wachovia Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to St. Augustine Estate Apartments, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on March 10, 2005, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Mortgage Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily note (the

“Note”) in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be provided for initially by a Letter of Credit issued by JPMorgan Chase Bank, N.A., a national banking association (the “Bank”), and upon conversion by a Credit Enhancement Instrument issued by Fannie Mae (“Fannie Mae”); and

WHEREAS, it is anticipated that the Note will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) (the “Mortgage”) from the Borrower for the benefit of the Department and, initially, the Bank; and

WHEREAS, the Department’s interest in the Mortgage Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and, initially, to the Bank, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the “Assignment”) among the Department, the Trustee and the Bank and acknowledged, accepted and agreed to by the Borrower; and

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

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

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the “Bond Purchase Agreement”) with the Borrower, GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the “Underwriter”), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

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

WHEREAS, the Board has examined proposed forms of the Indenture, the Financing Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement, the Official Statement, the Bond Purchase Agreement, (collectively, the “Issuer Documents”), all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.15, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Mortgage and the Note, and the taking of such other actions as may be necessary or convenient in connection therewith;

**NOW, THEREFORE,**

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1372, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.00%; (ii) the aggregate principal amount of the Bonds shall not exceed \$10,000,000; (iii) the final maturity of the Bonds shall occur not later than November 15, 2038; and (iv) the price at which the Bonds are sold to the initial purchasers thereof under the Bond Purchase Agreement shall not exceed 103% of the principal amount thereof.

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

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

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Johnson County, Texas.

Section 1.6--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Bonds to the Underwriter and any other party to the Bond Purchase Agreement is hereby approved, that the form and substance of the Bond Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Borrower, the Underwriter and any other party to the Bond Purchase Agreement as appropriate.

Section 1.7--Acceptance of the Mortgage and Note. That the Mortgage and the Note are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are authorized to endorse and deliver the Note to the order of the Trustee and the Bank, as their interests may appear, without recourse.

Section 1.8--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignment and to deliver the Assignment to the Borrower, the Trustee and the Bank.

Section 1.9--Approval, Execution, Use and Distribution of the Official Statement. That the form and substance of the Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair and Vice Chairman of the Governing Board and the Executive Director of the Department are hereby severally authorized to deem the Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Official Statement as may be required to provide a final Official Statement for the Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to accept the Official Statement, as required; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.10--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.11--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.12--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement

- Exhibit D - Regulatory Agreement
- Exhibit E - Bond Purchase Agreement
- Exhibit F - Mortgage
- Exhibit G - Note
- Exhibit H - Assignment
- Exhibit I - Official Statement
- Exhibit J - Asset Oversight Agreement

Section 1.13--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.14--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.15--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

## ARTICLE II

### APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

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

Section 2.5--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.6--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

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

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Financing Agreement.

Section 2.9--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

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

### ARTICLE III

#### CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the financing of the Project is a public purpose and will provide a public benefit, and

(iv) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Mortgage Loan in accordance with its terms, and

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

(c) Public Purpose and Benefits.

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

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

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

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Mortgage Loan established pursuant to the Financing Agreement



will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

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

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

#### ARTICLE IV

#### GENERAL PROVISIONS

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

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

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

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

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 14th day of July, 2005.

[SEAL]

By: \_\_\_\_\_  
Elizabeth Anderson, Chair

Attest: \_\_\_\_\_  
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Section 1. Project and Owner.

Owner: St. Augustine Estate Apartments, L.P., a Texas limited partnership

Project: The Project is a 150-unit multifamily facility to be known as St. Augustine Estate Apartments and to be located at 2222 North St. Augustine Drive, Dallas, Dallas County, Texas. It will consist of two three-story residential apartment buildings with approximately 127,692 net rentable square feet and an average unit size of approximately 851 square feet. The unit mix will consist of:

|           |                            |
|-----------|----------------------------|
| 75        | one-bedroom/one-bath units |
| <u>75</u> | two-bedroom/two-bath units |
| 150       | Total Units                |

Unit sizes will range from approximately 709 square feet to approximately 1115 square feet.

Common areas are expected to include a swimming pool, a clubhouse with a senior activity room, game room, business center, exercise room and laundry facilities. All units are expected to have a washer/dryer, carpeting and vinyl tile, miniblinds, ceiling fans, a dishwasher, a garbage disposal, a range and oven, a microwave, individual water heaters, and a patio area.

Section 2. Project Amenities.

Project Amenities shall include:

- € Washer/Dryer Connections
- € Microwave Ovens in each Unit
- € Storage Room (outside the Unit)
- € Ceiling Fans in living area and all bedrooms
- € 75% or Greater Masonry (includes rock, stone, brick, stucco and cementious board product; exclude efis)
- € Covered Community Porch
- € BBQ Grills and Tables (one each per 50 Units)
- € Full Perimeter Fencing and Gated Access
- € Computers with internet access/Business facilities
- € Games Room or TV Lounge
- € Workout Facilities

**Housing Tax Credit Program  
Board Action Request  
July 14, 2005**

**Action Item**

Request, review, and board determination of two (2) four percent (4%) tax credit applications with TDHCA as the Issuer.

**Recommendation**

Staff is recommending that the board review and approve the issuance of two (2) four percent (4%) Tax Credit Determination Notices with **TDHCA** as the Issuer for tax exempt bond transactions known as:

| <b>Development No.</b> | <b>Name</b>                 | <b>Location</b> | <b>Issuer</b> | <b>Total Units</b> | <b>LI Units</b> | <b>Total Development</b> | <b>Applicant Proposed Tax Exempt Bond Amount</b> | <b>Requested Credit Allocation</b> | <b>Recommended Credit Allocation</b> |
|------------------------|-----------------------------|-----------------|---------------|--------------------|-----------------|--------------------------|--|------------------------------------|--------------------------------------|
| 05609                  | St. Augustine Estates       | Dallas          | TDHCA         | 150                | 150             | \$13,915,652             | \$7,650,000                                      | \$569,843                          | \$559,841                            |
| 05612                  | Park Manor Senior Community | Sherman         | TDHCA         | 196                | 196             | \$15,422,600             | \$10,400,000                                     | \$492,922                          | \$492,922                            |



**HOUSING TAX CREDIT PROGRAM  
2005 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **St. Augustine Estates**

TDHCA#: 05609

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: Dallas QCT: Y DDA: N TTC: N  
 Development Owner: St. Augustine Estate Apartments, L.P.  
 General Partner(s): St. Augustine Estate Apartments I, LLC., 100%, Contact: G. Granger MacDonald  
 Construction Category: New Construction  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA  
 Development Type: Elderly

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$569,843 Eligible Basis Amt: \$559,841 Equity/Gap Amt.: \$696,254  
**Annual Tax Credit Allocation Recommendation: \$559,841**  
 Total Tax Credit Allocation Over Ten Years: \$ 5,598,410

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 150 HTC Units: 150 % of HTC Units: 100  
 Gross Square Footage: 130,748 Net Rentable Square Footage: 127,692  
 Average Square Footage/Unit: 851  
 Number of Buildings: 2  
 Currently Occupied: N

**Development Cost**

Total Cost: \$13,915,652 Total Cost/Net Rentable Sq. Ft.: \$108.98

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,260,405 Ttl. Expenses: \$626,956 Net Operating Inc.: \$633,449  
 Estimated 1st Year DCR: 1.15

**DEVELOPMENT TEAM**

|                 |                       |             |                                   |
|-----------------|-----------------------|-------------|-----------------------------------|
| Consultant:     | Not Utilized          | Manager:    | Alpha-Barnes Real Estate Services |
| Attorney:       | J. Michael Pruitt     | Architect:  | ARCHON Corporation                |
| Accountant:     | To Be Determined      | Engineer:   | Kadleck & Associates              |
| Market Analyst: | Butler Burgher, Inc.  | Lender:     | GMAC Commercial Mortgage          |
| Contractor:     | G. G. MacDonald, Inc. | Syndicator: | Paramount Financial Group, Inc.   |

**PUBLIC COMMENT<sup>2</sup>**

| From Citizens:         | From Legislators or Local Officials:                                  |
|------------------------|---|
| # in Support: 0        | Sen. Royce West, District 23 - NC                                     |
| # in Opposition: 0     | Rep. Terry Hodge, District 100 - NC                                   |
| <b>Public Hearing:</b> | Mayor Laura Miller - NC   |
| # in Support: 0        | Patricia Smith-Harrington, Community Development Manager The proposed |
| # in Opposition: 0     | development is consistent with the City of Dallas Consolidated Plan.  |
| # Neutral: 0           |   |

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

**CONDITION(S) TO COMMITMENT**

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. The bonds may be issued in an amount greater than \$7,650,000 based on interest rates at the time of pricing, however, this analysis reflects the likely redemption of bonds in excess of \$7,650,000.
3. Receipt, review, and acceptance of documentation from a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond.    Housing Type

Other Comments including discretionary factors (if applicable).

\_\_\_\_\_  
Robbye Meyer, Mgr. of Multifamily Finance Production      Date      Brooke Boston, Dir. of Multifamily Finance Production      Date

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond    Housing Type

Other Comments including discretionary factors (if applicable). \_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director      Date  
Chairman of Executive Award and Review Advisory Committee

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

\_\_\_\_\_  
Chairperson Signature: \_\_\_\_\_      Elizabeth Anderson,  
Chairman of the Board      Date

## St. Augustine Estates Apartments

### Estimated Sources & Uses of Funds

#### Sources of Funds

|                                      |                             |
|--------------------------------------|-----------------------------|
| Series 2005 Tax-Exempt Bond Proceeds | \$ 7,650,000                |
| Tax Credit Proceeds                  | 5,179,807                   |
| Deferred Developer's Fee             | 518,422                     |
| Estimated Interest Earning           | 533,697                     |
| <b>Total Sources</b>                 | <b><u>\$ 13,881,926</u></b> |

#### Uses of Funds

|  |                             |
|--|-----------------------------|
| Acquisition and Site Work Costs                              | \$ 1,837,500                |
| Direct Hard Construction Costs                               | 6,386,750                   |
| Other Construction Costs (General Require, Overhead, Profit) | 1,387,275                   |
| Indirect Construction Costs                                  | 1,049,290                   |
| Developer Fees   | 1,632,586                   |
| Direct Bond Related  | 233,550                     |
| Bond Purchaser Costs   | 491,890                     |
| Other Transaction Costs                                      | 863,085                     |
| Real Estate Closing Costs                                    | -                           |
| <b>Total Uses</b>  | <b><u>\$ 13,881,926</u></b> |

### Estimated Costs of Issuance of the Bonds

#### Direct Bond Related

|   |                          |
|---|--------------------------|
| TDHCA Issuance Fee (.50% of Issuance)                                   | \$ 38,250                |
| TDHCA Application Fee   | 11,000                   |
| TDHCA Bond Compliance Fee (\$25 per unit)                               | 3,750                    |
| Bond Administration Fee (2 years)                                       | 15,300                   |
| TDHCA Bond Counsel and Direct Expenses (Note 1)                         | 80,000                   |
| TDHCA Financial Advisor and Direct Expenses                             | 25,000                   |
| Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1) | 5,000                    |
| Borrower's Counsel  | 30,000                   |
| Trustee Fee   | 5,000                    |
| Trustee's Counsel (Note 1)  | 10,000                   |
| Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)  | 1,250                    |
| Texas Bond Review Board Application Fee                                 | 5,000                    |
| Texas Bond Review Board Issuance Fee (.025% of Reservation)             | 2,500                    |
| TEFRA Hearing Publication Expenses                                      | 1,500                    |
| <b>Total Direct Bond Related</b>  | <b><u>\$ 233,550</u></b> |

## St. Augustine Estates Apartments

| <b>Bond Purchase Costs</b>                         |                   |
|--|-------------------|
| Newman & Assc (Underwriter) & Counsel              | 106,500           |
| GMAC Commercial Mortgage (Lender) & Counsel & Fees | 123,500           |
| Fannie Mae's Counsel                               | 35,500            |
| JPMorgan Chase (LOC Provider) & Counsel            | 140,290           |
| Equity Provider (Paramount Financial)              | 25,000            |
| Bond Amortization Analysis                         | 15,000            |
| Rating Agency and Printing                         | 15,500            |
| Interest Rate Cap                                  | 30,600            |
| <b>Total Bond Purchase Costs</b>                   | <b>\$ 491,890</b> |

| <b>Other Transaction Costs</b>                |                   |
|---|-------------------|
| Tax Credit Application and Determination Fees | 130,000           |
| Financing and Reserves                        | 713,085           |
| Miscellaneous                                 | 20,000            |
| <b>Total Other Transaction Costs</b>          | <b>\$ 863,085</b> |

| <b>Real Estate Closing Costs</b>  |             |
|-----------------------------------|-------------|
| Title & Recording (Const.& Perm.) |             |
| Property Taxes                    |             |
| <b>Total Real Estate Costs</b>    | <b>\$ -</b> |

**Estimated Total Costs of Issuance** **\$ 1,588,525**

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

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





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REVENUE BONDS WITH A VARIABLE INTEREST RATE UNDERWRITTEN AT 6%, A REPAYMENT TERM OF 32.5 YEARS, AND A 30-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$559,841 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. The bonds may be issued in an amount greater than \$7,650,000 based on interest rates at the time of pricing, however, this analysis reflects the likely redemption of bonds in excess of \$7,650,000;
2. Receipt, review, and acceptance of documentation from a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property;
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |                |                           |            |                             |              |                       |                |             |              |                |            |        |
|-------------------------|----------------|---------------------------|------------|-----------------------------|--------------|-----------------------|----------------|-------------|--------------|----------------|------------|--------|
| <b>Total Units:</b>     | <u>150</u>     | <b># Rental Buildings</b> | <u>2</u>   | <b># Non-Res. Buildings</b> | <u>1</u>     | <b># of Floors</b>    | <u>3</u>       | <b>Age:</b> | <u>0</u> yrs | <b>Vacant:</b> | <u>N/A</u> | at / / |
| <b>Net Rentable SF:</b> | <u>127,692</u> | <b>Av Un SF:</b>          | <u>851</u> | <b>Common Area SF:</b>      | <u>3,056</u> | <b>Gross Bldg SF:</b> | <u>130,748</u> |             |              |                |            |        |

**STRUCTURAL MATERIALS**

The structures will be wood-framed on concrete slabs on grade. According to the plans provided in the application the exterior will be comprised of 50% stucco & 50% cement fiber siding. The interior wall surfaces will be drywall & the pitched roofs will be finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting and vinyl. Each unit will include: range and oven, hood and fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer and dryer (required by City of Dallas), ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, and 9-foot ceilings.

**ONSITE AMENITIES**

A 3,056-square foot community building will include activity rooms, management offices, computer/business center, fitness and maintenance facilities, a kitchen, restrooms, a library, and a covered entryway and porte cochere. The community building and swimming pool are to be located at the entrance to the property. In addition, perimeter fencing with a limited access gate is planned for the site.

**Uncovered Parking:** 280 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** St. Augustine Estates Apartments is a 23-unit per acre new construction development of 150 units of affordable elderly housing located in southeast Dallas. The development is comprised of two large, three-story, garden style, elevator-served residential buildings as follows:

- One building with 42 one-bedroom/one-bath units and 27 two-bedroom/two-bath units; and
- One building with 33 one-bedroom/one-bath units and 48 two-bedroom/two-bath units.

**Development Plan:** An unnamed creek borders the site on the northwest and the effects of this creek are discussed in the next section.

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to

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other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with adequate fenestration.

**SITE ISSUES**

**SITE DESCRIPTION**

|                |   |                     |                                |                                  |
|----------------|---|---------------------|--------------------------------|----------------------------------|
| <b>Size:</b>   | 6.4001 acres  | 278,788 square feet | <b>Flood Zone Designation:</b> | Zones AE (100-yr floodplain) & X |
| <b>Zoning:</b> | MF-2A, Multifamily and CR-D-1, Commercial (small portion), conforming use |                     |                                |                                  |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the southeastern area of Dallas, approximately ten miles from the central business district. The site is situated on the east side of St. Augustine Drive.

**Adjacent Land Uses:**

- **North:** single-family residential;
- **South:** vacant land and multifamily residential immediately adjacent and a small retail center (including two churches) and medical offices, Bruton Road, and a church beyond;
- **East:** multifamily residential; and
- **West:** St. Augustine Drive immediately adjacent and single- and multifamily residential beyond.

**Site Access:** Access to the property is from the north or south from St. Augustine Drive, from which the development is to have a single entry. Access to Interstate Highway 635 is 2.5 miles east, which provides connections to all other major roads serving the Metroplex area.

**Public Transportation:** Public transportation to the area is provided by the Dallas Area Rapid Transit system, with three bus lines serving the area and a stop adjacent to the site.

**Shopping & Services:** The site is within one mile of a grocery/pharmacy, and neighborhood shopping centers and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- **Floodplain:** The northwestern portion of the site lies within the 100-year floodplain associated with the unnamed creek traversing that area. Although no improvements are planned within this area, any flooding in excess of the 100-year level would impact the development.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 25, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated January 13, 2005 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations: “This assessment has revealed evidence of recognized environmental conditions (REC) in connection with the site. A significant volume of undocumented fill material appears to be located on the northern and central portions of the site. Additionally, based on proximity (~270 feet south) and the topographically up-gradient location, the Fleetwood Cleaners and Fabric Care Service are a REC to the site. An Environmental Site Investigation would be required to evaluate the presence of petroleum hydrocarbons, volatile organic compounds (VOCs), RCRA metals, and polynuclear aromatic hydrocarbons (PAHs) in association with the on-site soil and groundwater as a result of a potential release from the undocumented fill material and/or the former dry cleaning facilities located south of the site.” (p. 22)

An Environmental Site Investigation (ESI) report dated March 7, 2005 was also prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

**Soil:**

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- “Based on the results of the ESI, the on-site soil in the vicinity of soil boring TMW-1 does not appear to be affected by a release of petroleum hydrocarbons or VOCs.
- “Based on the results of the ESI, the on-site fill material in the vicinity of exploratory trenches TP-1, TP-2, and TP-3 do not appear to be affected by a release of petroleum hydrocarbons or VOCs; however, the on-site fill material in the vicinity of exploratory trenches TP-1, TP-2, and TP-3 do appear to be affected by a release of PAHs and elevated concentrations of metals. The identified concentrations of PAHs and metals do not exceed the applicable Residential Critical Soil PCLs (Protective Concentration Levels) established for the site...
- Based on the results of the ESI, the on-site native soil in the vicinity of exploratory trench TP-1 (below identified fill material) does not appear to be affected by a release of petroleum hydrocarbons or VOCs; however, on-site native soil in the vicinity of exploratory trench TP-1 does appear to be affected by a release of PAHs and elevated concentrations of metals. The identified concentrations of PAHs and metals do not exceed the applicable TRRP Tier 1 Residential Critical PCLs and/or the site-specific Tier 2 Residential Critical PCLs.
- Based on the results of the ESI, the lead concentration identified in the on-site fill material in the vicinity of exploratory trench TP-1 does not appear to be protective of an initial groundwater-bearing unit at the site.
- Based on the results of the ESI, the silver concentration identified in the on-site fill material in the vicinity of exploratory trench TP-2 appears to be protective of an initial groundwater-bearing unit at the site.” (p. 14-15)

**Groundwater:** “Based on the results of the ESI, no additional site investigation appears warranted at this time; however, monitor well TMW-1 should be monitored for the production of groundwater for an additional two to three months from the date of this report. If groundwater is identified to have recharged into monitor well TMW-1, a groundwater sample should be collected and submitted for laboratory analysis to evaluate the presence of petroleum hydrocarbons and VOCs in the on-site groundwater as a result of a potential release from the former adjacent and up-gradient dry cleaner facility.” (p. 16)

Receipt, review, and acceptance of documentation from third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property, 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, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All of the units will be reserved for low-income elderly tenants.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$27,960        | \$31,920         | \$35,940         | \$39,900         | \$43,080         | \$46,260         |

**MARKET HIGHLIGHTS**

A market feasibility study dated February 5, 2005 was prepared by Butler Burgher, Inc. (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “the primary market area is defined as the portions of the City of Dallas, Mesquite, and Balch Springs that are located south of IH-30, west and north of IH-635, and

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north and east of US 175 and Dowdy Ferry Road” (p. 53). This area encompasses approximately 31.4 square miles and is equivalent to a circle with a radius of 3.2 miles.

**Population:** The estimated total 2004 population of the PMA was 174,978 and is expected to increase by 0.7% to approximately 176,259 by 2009. The estimated 2004 age 55+ population of the PMA was 28,396 and is expected to increase by 12.4% to approximately 31,918 by 2009. Within the primary market area there were estimated to be 17,123 age 55+ households in 2004. The Market Analyst indicated that a PMA population in excess of the maximum TDHCA guideline of 100,000 persons was chosen as elderly tenants were likely to be drawn from a larger area than for family developments.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 532 qualified households in the PMA, based on the current estimate of 28,396 age 55+ households, the projected annual senior household growth rate of 1.6%, renter households estimated at 44.08% of the population, income-qualified households estimated at 20.67%, and an annual renter turnover rate of 30% (p. 73). The Market Analyst used an income band of \$21,300 to \$35,940.

| <b>ANNUAL* INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|---|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                   | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|   | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth*                                       | 64*                    | 12%                      | 32                     | 6%                       |
| Resident Turnover                                       | 468                    | 88%                      | 475                    | 94%                      |
| Other Sources:  | 0                      | 0%                       | 0                      | 0%                       |
| <b>TOTAL ANNUAL DEMAND</b>                              | <b>532</b>             | <b>100%</b>              | <b>507</b>             | <b>100%</b>              |

Ref: p. 73

\*Two years of growth demand used by Market Analyst

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 28.21% based upon 532 units of demand and 150 unstabilized affordable housing units in the PMA (the subject) (p. 74). The Underwriter calculated an inclusive capture rate of 29.6% based upon slightly lower demand estimate of 507 households.

**Local Housing Authority Waiting List Information:** “The Dallas Housing Authority reports an extended waiting list for Housing Choice Vouchers and public housing units.”(p. 63)

**Market Rent Comparables:** The Market Analyst surveyed seven comparable apartment properties totaling 1,962 units in the market area. Three of the comparable properties were elderly properties.

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                     |                     |
|--|-----------------|--------------------|---------------------|---------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market*</b> | <b>Differential</b> |
| <b>1-Bedroom (60%)</b>                       | \$645           | \$683              | -\$38               | \$680*              | -\$35               |
| <b>2-Bedroom (60%)</b>                       | \$749           | \$804              | -\$55               | \$900*              | -\$151              |

(NOTE 1: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

\* The Market Analyst concluded “encumbered market rents” of \$645 and \$749 for the one- and two-bedroom units, respectively, which appears to indicate that affordable units would be expected to be able to achieve lower rents than comparable conventional units. The Underwriter has used the Market Analyst’s “unencumbered” estimated market rents in this analysis.

**Primary Market Occupancy Rates:**

- “M/PF reflects 91% occupancy for 13,549 units in the Mesquite submarket and 84% occupancy for 11,035 units in the South Dallas submarket in the 3<sup>rd</sup> quarter 2004. These overall figures are similar to those indicated for the 1990+ product in those submarkets.” (p. 75)
- “The only senior, affordable community in the PMA is Villas of Hickory Estates which reports a waiting

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list for the one-bedroom units and minimal vacancy in the two-bedrooms as they are 98% occupied overall. This property has had an occupancy of 95% or greater since at least 2001, according to the on-site manager.” (p. 67)

- “The stabilized senior comparables indicated occupancy rates from 92% to 100% with the majority quoting occupancy levels in the high 90% range and no concessions.” (p. 3)

**Absorption Projections:** “An absorption rate of ten units/month is reasonable for the subject, as encumbered by LIHTC, considering the location on a primary roadway in southeastern Dallas.” (p. 75)

**Known Planned Development:** “No affordable senior units are on the TRB or TDHCA allocation lists or are under construction within the PMA, other than the subject.” (p. 74)

**Effect on Existing Housing Stock:** “The addition of the subject units is not expected to significantly impact the overall vacancy rate of the submarket since the subject is expected to quickly lease up to stabilization with occupancy in the low-to-mid 90%’s.” (p. 84)

**Market Study Analysis/Conclusions:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant used the Market Analyst’s “encumbered” estimated market rents (as discussed in the Market Highlights section above), which are \$38 and \$55 less than the maximum HTC program rents. The Underwriter used the lower of the maximum HTC rents or the Market Analyst’s “unencumbered” estimated market rents, resulting in an additional \$81K in potential gross rental income. The Applicant’s estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the difference in rents the Applicant’s effective gross income estimate is \$74,925 (5.9%) less than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of 3,850 per unit is 7.9% lower than the Underwriter’s database-derived estimate of \$4,180 per unit for comparably-sized developments in this area. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly payroll (\$20K lower) and utilities (\$15K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. The City of Dallas’ support resolution for this development was approved with a requirement that the annual social service expenditure be at least \$40,000, of which no more than 50% may be from in-kind contribution; the Applicant’s budget includes \$25,000 for supportive services and the Applicant stated that in-kind contributions of approximately \$15,000 in office space and computer equipment will fulfill the requirement.

**Conclusion:** The Applicant’s income and total operating expense estimates are inconsistent with the Underwriter’s expectations. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

|                              |           |                                    |                                   |
|------------------------------|-----------|------------------------------------|-----------------------------------|
| <b>Land: 12.8436 acres</b>   | \$139,870 | <b>Assessment for the Year of:</b> | 2004                              |
| <b>Buildings:</b>            | N/A       | <b>Valuation by:</b>               | Dallas Central Appraisal District |
| <b>Total Assessed Value:</b> | \$139,870 | <b>Tax Rate:</b>                   | 2.59846                           |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                                  |   |     |      |                                  |    |          |
|----------------------------------|---|-----|------|----------------------------------|----|----------|
| <b>Type of Site Control:</b>     | Contract for sale and purchase of unimproved real property (6.4001 acres) |     |      |                                  |    |          |
| <b>Contract Expiration Date:</b> | 8/  | 31/ | 2005 | <b>Anticipated Closing Date:</b> | 7/ | 30/ 2005 |

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|                          |                        |  |                        |
|--------------------------|------------------------|--|------------------------|
| <b>Acquisition Cost:</b> | \$426,607              | <b>Other Terms/Conditions:</b>             | \$10,000 earnest money |
| <b>Seller:</b>           | Texas Trees Foundation | <b>Related to Development Team Member:</b> | No                     |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$426,607 (\$1.53/SF, \$66,656/acre, or \$2,844/unit), although over six times 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 \$7,497 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**Direct Construction Cost:** The Applicant's costs are more than \$423K or 6.8% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$219,507 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate. The Underwriter used the Applicant's estimated construction period interest rate of 4.48% in estimating the maximum allowable eligible interest 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 fees were set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above the eligible basis portion of these fees now exceed the maximum by \$32,926 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$12,165,157 is used to determine a credit allocation of \$559,841 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

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| FINANCING STRUCTURE   |  |   |  |
|---|--|---|--|
| INTERIM TO PERMANENT BOND FINANCING   |  |   |  |
| <b>Source:</b>  | GMAC Commercial Mortgage   | <b>Contact:</b>                                       | Lloyd Griffin  |
| <b>Interim Amount:</b>  | \$7,650,000  | <b>Interest Rate:</b>                                 | Estimated & underwritten at BMA (3%) + stack (1.48%)   |
| <b>Permanent Amount:</b>  | \$7,650,000  | <b>Interest Rate:</b>                                 | Estimated & underwritten at 6%   |
| <b>Additional Information:</b>  | Commitment in amount of \$8,000,000, up to 3-year construction period                                      |   |  |
| <b>Amortization:</b>  | 30 yrs   | <b>Term:</b>  | 30 yrs   |
| <b>Annual Payment:</b>  | \$550,387  | <b>Commitment:</b>                                    | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
|   |  | <b>Lien Priority:</b>                                 | 1st  |
|   |  | <b>Date:</b>  | 3/ 28/ 2005  |
| TAX CREDIT SYNDICATION  |  |   |  |
| <b>Source:</b>  | Paramount Financial Group, Inc.  | <b>Contact:</b>                                       | Dale Cook  |
| <b>Net Proceeds:</b>  | \$5,128,074  | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 90¢  |
| <b>Commitment:</b>  | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional | <b>Date:</b>  | 4/ 27/ 2005  |
| <b>Additional Information:</b>  | Commitment in amount of \$5,072,425 based on allocation of \$563,660                                       |   |  |
| APPLICANT EQUITY  |  |   |  |
| <b>Amount:</b>  | \$601,165  | <b>Source:</b>  | Deferred developer fee   |
| FINANCING STRUCTURE ANALYSIS  |  |   |  |
| <p><b><u>Interim to Permanent Bond Financing:</u></b> The tax-exempt bonds are to be issued by TDHCA and purchased by GMAC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.</p> <p><b><u>HTC Syndication:</u></b> The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application, except that the net proceeds amount is based on a lower eligible basis than the Applicant's most recent development cost schedule.</p> <p><b><u>Deferred Developer's Fees:</u></b> The Applicant's proposed deferred developer's fees of \$601,165 amount to 37% of the total fees.</p> <p><b><u>Other Funding:</u></b> The applicant included \$438,072 in anticipated income during the construction period and \$98,321 from investment of the bond proceeds in a guaranteed investment contract; the Underwriter has included these in developer fee deferral in the recommended financing structure.</p> <p><b><u>Financing Conclusions:</u></b> Based on the Underwriter's net operating income estimate, sufficient NOI is anticipated to be available to service the full amount and terms of the requested bond amount of \$7,650,000. Using the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$559,841 annually for ten years, resulting in syndication proceeds of approximately \$5,038,053. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,227,599, which represents approximately 77% of the eligible fee and which should be repayable from cash flow within ten years.</p> |  |   |  |



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**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and General Contractor are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:**

- The Applicant, General Partner, and Developer are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- G.G. MacDonald, Inc., 33.33% owner of the General Partner, submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$14.6M and consisting of \$55K in cash, \$2.4M in receivables, \$11.5M in construction in progress, \$606K in machinery, equipment, and fixtures, and \$12K in unspecified investments. Liabilities totaled \$14.5M, resulting in a net worth of \$30K.
- Resolution Real Estate Services, LLC, 33.33% owner of the General Partner, submitted an unaudited financial statement as of February 28, 2005 reporting total assets of \$933K and consisting of \$175K in cash, \$700K in receivables, \$30K in stocks and securities, and \$28K in machinery, equipment, and fixtures. Liabilities totaled \$95K, resulting in a net worth of \$838K.
- WOLCO Development, LLC, 33.33% owner of the General Partner, is a recently formed entity and submitted an unaudited financial statement reflecting no significant financial activity or assets.
- The principals of the General Partner, G. Granger and T. Justin MacDonald, J. Steve Ford, and John Mark Wolcott, submitted unaudited financial statements and are anticipated to be guarantors of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- Significant environmental/location risks exist regarding potential soil and groundwater contamination associated with the adjacent dry cleaning facility and with the 100-year floodplain associated with the unnamed creek along the northwest property boundary.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** July 7, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** July 7, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**St. Augustine Estates Apartments, Dallas, MFB #2005-029/4% HTC #05609**

| Type of Unit  | Number     | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month   | Rent per SF   | Int-Pd Util    | Wtr, Swr, Trsh |
|---------------|------------|----------|-----------------|------------|-----------------|-------------------|------------------|---------------|----------------|----------------|
| TC 60%        | 75         | 1        | 1               | 709        | \$748           | \$680             | \$51,000         | \$0.96        | \$65.00        | \$62.00        |
| TC 60%        | 69         | 2        | 2               | 983        | 898             | \$804             | 55,476           | 0.82          | 94.00          | 75.00          |
| TC 60%        | 6          | 2        | 2               | 1,115      | 898             | \$804             | 4,824            | 0.72          | 94.00          | 75.00          |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
| <b>TOTAL:</b> | <b>150</b> |          | <b>AVERAGE:</b> | <b>851</b> | <b>\$823</b>    | <b>\$742</b>      | <b>\$111,300</b> | <b>\$0.87</b> | <b>\$79.50</b> | <b>\$68.50</b> |

| <b>INCOME</b>                                     |               |                              |               | <b>TOTAL Net Rentable Sq Ft: 127,692</b> |                 | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>Comptroller's Region 3</b> |                         |                 |
|---|---------------|------------------------------|---------------|--|-----------------|------------------|------------------|-------------------------------|-------------------------|-----------------|
| <b>POTENTIAL GROSS RENT</b>                       |               |                              |               |  |                 | \$1,335,600      | \$1,254,600      | <b>IREM Region Dallas</b>     |                         |                 |
| Secondary Income                                  |               | Per Unit Per Month:          | \$15.00       |  |                 | 27,000           | 27,000           | \$15.00                       | Per Unit Per Month      |                 |
| Other Support Income:                             |               |                              |               |  |                 | 0                | 0                |                               |                         |                 |
| <b>POTENTIAL GROSS INCOME</b>                     |               |                              |               |  |                 | \$1,362,600      | \$1,281,600      |                               |                         |                 |
| Vacancy & Collection Loss                         |               | % of Potential Gross Income: | -7.50%        |  |                 | (102,195)        | (96,120)         | -7.50%                        | of Potential Gross Rent |                 |
| Employee or Other Non-Rental Units or Concessions |               |                              |               |  |                 | 0                |                  |                               |                         |                 |
| <b>EFFECTIVE GROSS INCOME</b>                     |               |                              |               |  |                 | \$1,260,405      | \$1,185,480      |                               |                         |                 |
| <b>EXPENSES</b>                                   |               |                              |               | <b>% OF EGI</b>                          | <b>PER UNIT</b> | <b>PER SQ FT</b> |                  | <b>PER SQ FT</b>              | <b>PER UNIT</b>         | <b>% OF EGI</b> |
| General & Administrative                          | 4.58%         | \$385                        | 0.45          |  |                 | \$57,769         | \$48,550         | \$0.38                        | \$324                   | 4.10%           |
| Management  | 4.01%         | 337                          | 0.40          |  |                 | 50,487           | 47,420           | 0.37                          | 316                     | 4.00%           |
| Payroll & Payroll Tax                             | 11.35%        | 953                          | 1.12          |  |                 | 142,999          | 123,000          | 0.96                          | 820                     | 10.38%          |
| Repairs & Maintenance                             | 5.42%         | 456                          | 0.54          |  |                 | 68,361           | 71,400           | 0.56                          | 476                     | 6.02%           |
| Utilities   | 2.84%         | 239                          | 0.28          |  |                 | 35,775           | 20,800           | 0.16                          | 139                     | 1.75%           |
| Water, Sewer, & Trash                             | 4.77%         | 401                          | 0.47          |  |                 | 60,085           | 55,600           | 0.44                          | 371                     | 4.69%           |
| Property Insurance                                | 2.53%         | 213                          | 0.25          |  |                 | 31,923           | 33,000           | 0.26                          | 220                     | 2.78%           |
| Property Tax                                      | 8.87%         | 745                          | 0.88          |  |                 | 111,808          | 116,000          | 0.91                          | 773                     | 9.79%           |
| Reserve for Replacements                          | 2.38%         | 200                          | 0.23          |  |                 | 30,000           | 30,000           | 0.23                          | 200                     | 2.53%           |
| Spt svcs, compl fees, security                    | 3.00%         | 252                          | 0.30          |  |                 | 37,750           | 31,750           | 0.25                          | 212                     | 2.68%           |
| <b>TOTAL EXPENSES</b>                             | <b>49.74%</b> | <b>\$4,180</b>               | <b>\$4.91</b> |  |                 | <b>\$626,956</b> | <b>\$577,520</b> | <b>\$4.52</b>                 | <b>\$3,850</b>          | <b>48.72%</b>   |
| <b>NET OPERATING INC</b>                          | <b>50.26%</b> | <b>\$4,223</b>               | <b>\$4.96</b> |  |                 | <b>\$633,449</b> | <b>\$607,960</b> | <b>\$4.76</b>                 | <b>\$4,053</b>          | <b>51.28%</b>   |
| <b>DEBT SERVICE</b>                               |               |                              |               |  |                 |                  |                  |                               |                         |                 |
| First Lien Mortgage (GMAC)                        | 43.67%        | \$3,669                      | \$4.31        |  |                 | \$550,387        | \$550,800        | \$4.31                        | \$3,672                 | 46.46%          |
| Construction Period & GIC Income                  | 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%           |
| <b>NET CASH FLOW</b>                              | <b>6.59%</b>  | <b>\$554</b>                 | <b>\$0.65</b> |  |                 | <b>\$83,062</b>  | <b>\$57,160</b>  | <b>\$0.45</b>                 | <b>\$381</b>            | <b>4.82%</b>    |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |               |                              |               |  |                 | <b>1.15</b>      | <b>1.10</b>      |                               |                         |                 |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |               |                              |               |  |                 | <b>1.15</b>      |                  |                               |                         |                 |

| <b>CONSTRUCTION COST</b>             |                |                 |                 | <b>TDHCA</b>        | <b>APPLICANT</b>    | <b>PER SQ FT</b> | <b>PER UNIT</b> | <b>% of TOTAL</b> |
|--------------------------------------|----------------|-----------------|-----------------|---------------------|---------------------|------------------|-----------------|-------------------|
| ACQUISITION COST (site or bldg)      | 3.19%          | \$2,844         | \$3.34          | \$426,607           | \$426,607           | \$3.34           | \$2,844         | 3.07%             |
| Off-Sites                            | 0.00%          | 0               | 0.00            | 0                   | 0                   | 0.00             | 0               | 0.00%             |
| Sitework                             | 8.41%          | 7,497           | 8.81            | 1,124,500           | 1,124,500           | 8.81             | 7,497           | 8.08%             |
| Direct Construction                  | 46.50%         | 41,457          | 48.70           | 6,218,543           | 6,641,750           | 52.01            | 44,278          | 47.73%            |
| Contingency                          | 4.29%          | 2,100           | 2.47            | 315,000             | 315,000             | 2.47             | 2,100           | 2.26%             |
| General Req'ts                       | 6.00%          | 2,937           | 3.45            | 440,583             | 465,975             | 3.65             | 3,107           | 3.35%             |
| Contractor's G & A                   | 2.00%          | 979             | 1.15            | 146,861             | 155,325             | 1.22             | 1,036           | 1.12%             |
| Contractor's Profit                  | 6.00%          | 2,937           | 3.45            | 440,583             | 465,975             | 3.65             | 3,107           | 3.35%             |
| Indirect Construction                | 4.64%          | 4,133           | 4.86            | 620,000             | 620,000             | 4.86             | 4,133           | 4.46%             |
| Ineligible Costs                     | 8.01%          | 7,140           | 8.39            | 1,070,962           | 1,070,962           | 8.39             | 7,140           | 7.70%             |
| Developer's G & A                    | 2.00%          | 1,346           | 1.58            | 201,919             | 215,958             | 1.69             | 1,440           | 1.55%             |
| Developer's Profit                   | 13.00%         | 8,750           | 10.28           | 1,312,472           | 1,403,728           | 10.99            | 9,358           | 10.09%            |
| Interim Financing                    | 5.91%          | 5,266           | 6.19            | 789,872             | 789,872             | 6.19             | 5,266           | 5.68%             |
| Reserves                             | 1.98%          | 1,765           | 2.07            | 264,777             | 220,000             | 1.72             | 1,467           | 1.58%             |
| <b>TOTAL COST</b>                    | <b>100.00%</b> | <b>\$89,151</b> | <b>\$104.73</b> | <b>\$13,372,678</b> | <b>\$13,915,652</b> | <b>\$108.98</b>  | <b>\$92,771</b> | <b>100.00%</b>    |
| <b>Recap-Hard Construction Costs</b> | <b>64.95%</b>  | <b>\$57,907</b> | <b>\$68.02</b>  | <b>\$8,686,070</b>  | <b>\$9,168,525</b>  | <b>\$71.80</b>   | <b>\$61,124</b> | <b>65.89%</b>     |

| <b>SOURCES OF FUNDS</b>               |        |           |          | <b>TDHCA</b>        | <b>APPLICANT</b>    | <b>RECOMMENDED</b>  |                            |
|---------------------------------------|--------|-----------|----------|---------------------|---------------------|---------------------|----------------------------|
| First Lien Mortgage (GMAC)            | 57.21% | \$51,000  | \$59.91  | \$7,650,000         | \$7,650,000         | \$7,650,000         | Developer Fee Available    |
| Construction Period & GIC Income      | 4.01%  | \$3,576   | \$4.20   | 536,393             | 536,393             | 0                   | \$1,586,760                |
| HTC Syndication Proceeds (Boston Cap) | 38.35% | \$34,187  | \$40.16  | 5,128,074           | 5,128,074           | 5,038,053           | % of Dev. Fee Deferred     |
| Deferred Developer Fees               | 4.50%  | \$4,008   | \$4.71   | 601,185             | 601,185             | 1,227,599           | 77%                        |
| Additional (Excess) Funds Req'd       | -4.06% | (\$3,620) | (\$4.25) | (\$42,974)          | 0                   | (0)                 | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>                  |        |           |          | <b>\$13,372,678</b> | <b>\$13,915,652</b> | <b>\$13,915,652</b> | <b>\$2,634,433</b>         |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*St. Augustine Estates Apartments, Dallas, MFB #2005-029/4% HTC #05609*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR   | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|----------|-------------|----------------|--------------------|
| Base Cost                              |          |             | \$42.78        | \$5,463,119        |
| <b>Adjustments</b>                     |          |             |                |                    |
| Exterior Wall Finish                   | 0.00%    |             | \$0.00         | \$0                |
| Elderly & 9-Ft. Ceilings               | 6.00%    |             | 2.57           | 327,787            |
| Roofing                                |          |             | 0.00           | 0                  |
| Subfloor                               |          |             | (0.68)         | (86,405)           |
| Floor Cover                            |          |             | 2.00           | 255,384            |
| Porches/Balconies                      | \$16.71  | 11,535      | 1.51           | 192,750            |
| Plumbing                               | \$605    | 150         | 0.71           | 90,750             |
| Built-In Appliances                    | \$1,650  | 150         | 1.94           | 247,500            |
| Stairs                                 | \$1,475  | 12          | 0.14           | 17,700             |
| Enclosed Corridors                     | \$32.86  | 18,828      | 4.85           | 618,755            |
| Heating/Cooling                        |          |             | 1.53           | 195,369            |
| Garages/Carports                       |          | 0           | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$63.40  | 3,056       | 1.52           | 193,738            |
| Other: Elevators                       | \$46,500 | 3           | 1.09           | 139,500            |
| <b>SUBTOTAL</b>                        |          |             | <b>59.96</b>   | <b>7,655,948</b>   |
| Current Cost Multiplier                | 1.11     |             | 6.60           | 842,154            |
| Local Multiplier                       | 0.89     |             | (6.60)         | (842,154)          |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |          |             | <b>\$59.96</b> | <b>\$7,655,948</b> |
| Plans, specs, survy, bid prm           | 3.90%    |             | (2.34)         | (298,582)          |
| Interim Construction Interest          | 3.38%    |             | (2.02)         | (258,388)          |
| Contractor's OH & Profit               | 11.50%   |             | (6.89)         | (880,434)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |          |             | <b>\$48.70</b> | <b>\$6,218,543</b> |

**PAYMENT COMPUTATION**

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Primary</b>    | \$7,650,000 | Amort         | 360  |
| Int Rate          | 6.0000%     | DCR           | 1.15 |
| <b>Secondary</b>  | \$536,393   | Amort         |      |
| Int Rate          | 0.00%       | Subtotal DCR  | 1.15 |
| <b>Additional</b> | \$5,128,074 | Amort         |      |
| Int Rate          |             | Aggregate DCR | 1.15 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$550,387       |
| Secondary Debt Service  | 0               |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$83,062</b> |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Primary</b>    | \$7,650,000 | Amort         | 360  |
| Int Rate          | 6.00%       | DCR           | 1.15 |
| <b>Secondary</b>  | \$536,393   | Amort         | 0    |
| Int Rate          | 0.00%       | Subtotal DCR  | 1.15 |
| <b>Additional</b> | \$5,128,074 | Amort         | 0    |
| Int Rate          | 0.00%       | Aggregate DCR | 1.15 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%                | YEAR 1             | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 10            | YEAR 15            | YEAR 20            | YEAR 30            |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| POTENTIAL GROSS RENT           | \$1,335,600        | \$1,375,668        | \$1,416,938        | \$1,459,446        | \$1,503,230        | \$1,742,655        | \$2,020,215        | \$2,341,983        | \$3,147,429        |
| Secondary Income               | 27,000             | 27,810             | 28,644             | 29,504             | 30,389             | 35,229             | 40,840             | 47,345             | 63,627             |
| Other Support Income:          | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>POTENTIAL GROSS INCOME</b>  | <b>1,362,600</b>   | <b>1,403,478</b>   | <b>1,445,582</b>   | <b>1,488,950</b>   | <b>1,533,618</b>   | <b>1,777,884</b>   | <b>2,061,055</b>   | <b>2,389,327</b>   | <b>3,211,056</b>   |
| Vacancy & Collection Loss      | (102,195)          | (105,261)          | (108,419)          | (111,671)          | (115,021)          | (133,341)          | (154,579)          | (179,200)          | (240,829)          |
| Employee or Other Non-Rental I | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>EFFECTIVE GROSS INCOME</b>  | <b>\$1,260,405</b> | <b>\$1,298,217</b> | <b>\$1,337,164</b> | <b>\$1,377,279</b> | <b>\$1,418,597</b> | <b>\$1,644,543</b> | <b>\$1,906,476</b> | <b>\$2,210,128</b> | <b>\$2,970,227</b> |
| <b>EXPENSES at 4.00%</b>       |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| General & Administrative       | \$57,769           | \$60,079           | \$62,483           | \$64,982           | \$67,581           | \$82,223           | \$100,037          | \$121,710          | \$180,161          |
| Management                     | 50,487             | 52,002             | 53,562             | 55,169             | 56,824             | 65,874             | 76,366             | 88,529             | 118,976            |
| Payroll & Payroll Tax          | 142,999            | 148,718            | 154,667            | 160,854            | 167,288            | 203,532            | 247,627            | 301,276            | 445,963            |
| Repairs & Maintenance          | 68,361             | 71,096             | 73,939             | 76,897             | 79,973             | 97,299             | 118,379            | 144,026            | 213,194            |
| Utilities                      | 35,775             | 37,206             | 38,694             | 40,242             | 41,852             | 50,919             | 61,951             | 75,373             | 111,570            |
| Water, Sewer & Trash           | 60,085             | 62,488             | 64,987             | 67,587             | 70,290             | 85,519             | 104,047            | 126,589            | 187,383            |
| Insurance                      | 31,923             | 33,200             | 34,528             | 35,909             | 37,345             | 45,436             | 55,280             | 67,257             | 99,557             |
| Property Tax                   | 111,808            | 116,280            | 120,931            | 125,769            | 130,799            | 159,137            | 193,615            | 235,562            | 348,689            |
| Reserve for Replacements       | 30,000             | 31,200             | 32,448             | 33,746             | 35,096             | 42,699             | 51,950             | 63,205             | 93,560             |
| Other                          | 37,750             | 39,260             | 40,830             | 42,464             | 44,162             | 53,730             | 65,371             | 79,534             | 117,729            |
| <b>TOTAL EXPENSES</b>          | <b>\$626,956</b>   | <b>\$651,529</b>   | <b>\$677,070</b>   | <b>\$703,617</b>   | <b>\$731,210</b>   | <b>\$886,369</b>   | <b>\$1,074,623</b> | <b>\$1,303,062</b> | <b>\$1,916,781</b> |
| <b>NET OPERATING INCOME</b>    | <b>\$633,449</b>   | <b>\$646,688</b>   | <b>\$660,093</b>   | <b>\$673,661</b>   | <b>\$687,386</b>   | <b>\$758,174</b>   | <b>\$831,852</b>   | <b>\$907,066</b>   | <b>\$1,053,446</b> |
| <b>DEBT SERVICE</b>            |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| First Lien Financing           | \$550,387          | \$550,387          | \$550,387          | \$550,387          | \$550,387          | \$550,387          | \$550,387          | \$550,387          | \$550,387          |
| Second Lien                    | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| Other Financing                | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>NET CASH FLOW</b>           | <b>\$83,062</b>    | <b>\$96,301</b>    | <b>\$109,706</b>   | <b>\$123,274</b>   | <b>\$136,999</b>   | <b>\$207,786</b>   | <b>\$281,465</b>   | <b>\$356,678</b>   | <b>\$503,059</b>   |
| <b>DEBT COVERAGE RATIO</b>     | <b>1.15</b>        | <b>1.17</b>        | <b>1.20</b>        | <b>1.22</b>        | <b>1.25</b>        | <b>1.38</b>        | <b>1.51</b>        | <b>1.65</b>        | <b>1.91</b>        |

LIHTC Allocation Calculation - St. Augustine Estates Apartments, Dallas, MFB #2005-029/4% HT

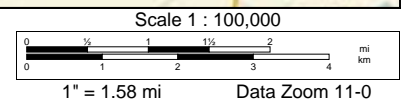
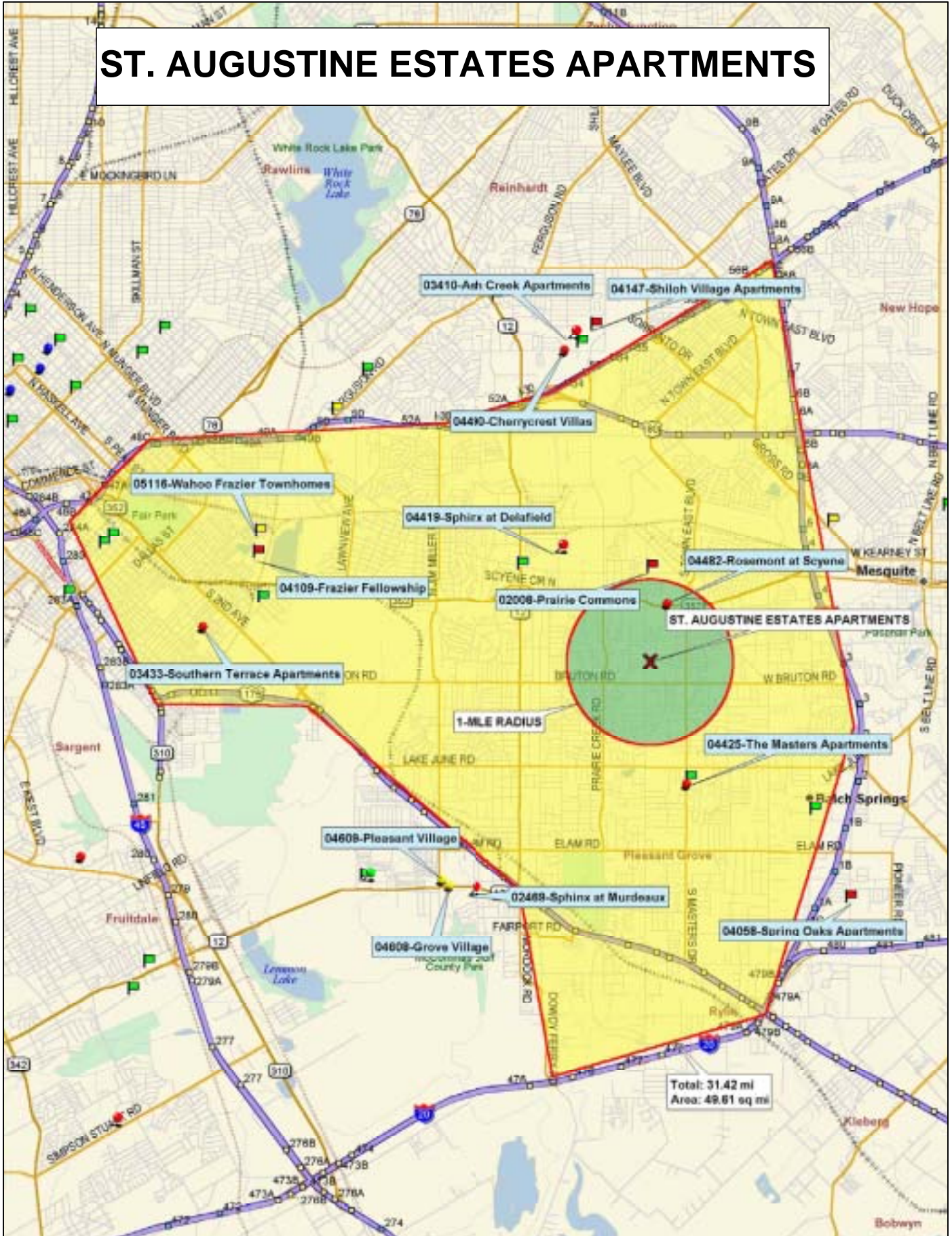
| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$426,607                       | \$426,607                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$1,124,500                     | \$1,124,500               | \$1,124,500                                | \$1,124,500                          |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$6,641,750                     | \$6,218,543               | \$6,641,750                                | \$6,218,543                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$155,325                       | \$146,861                 | \$155,325                                  | \$146,861                            |
| Contractor profit                                     | \$465,975                       | \$440,583                 | \$465,975                                  | \$440,583                            |
| General requirements                                  | \$465,975                       | \$440,583                 | \$465,975                                  | \$440,583                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$315,000                       | \$315,000                 | \$315,000                                  | \$315,000                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$620,000                       | \$620,000                 | \$620,000                                  | \$620,000                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$789,872                       | \$789,872                 | \$789,872                                  | \$789,872                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$1,070,962                     | \$1,070,962               |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
|   |                                 |                           | \$1,586,760                                |                                      |
| Developer overhead                                    | \$215,958                       | \$201,919                 |  | \$201,919                            |
| Developer fee   | \$1,403,728                     | \$1,312,472               |  | \$1,312,472                          |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$220,000                       | \$264,777                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$13,915,652</b>             | <b>\$13,372,678</b>       | <b>\$12,165,157</b>                        | <b>\$11,610,333</b>                  |

| <b>Deduct from Basis:</b>                                  |  |  |              |              |
|--|--|--|--------------|--------------|
| 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)             |  |  |              |              |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$12,165,157 | \$11,610,333 |
| High Cost Area Adjustment                                  |  |  | 130%         | 130%         |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$15,814,704 | \$15,093,433 |
| Applicable Fraction  |  |  | 100%         | 100%         |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$15,814,704 | \$15,093,433 |
| Applicable Percentage                                      |  |  | 3.54%        | 3.54%        |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$559,841    | \$534,308    |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.8999 | \$5,038,053        | \$4,808,279      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$559,841</b>   | <b>\$534,308</b> |
| Syndication Proceeds                         |        | \$5,038,053        | \$4,808,279      |
| Requested Credits                            |        | \$569,843          |                  |
| Syndication Proceeds                         |        | \$5,128,066        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$6,265,652</b> |                  |
| Credit Amount                                |        | \$696,254          |                  |



# ST. AUGUSTINE ESTATES APARTMENTS



## RENT CAP EXPLANATION Dallas MSA

### AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

**Rent Caps** are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

### MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

**MSA/County:** Dallas      **Area Median Family Income (Annual):** \$65,100

| ANNUALLY  |               |               |               | MONTHLY   |             |            |              |   |  |            |            |              |
|---|---------------|---------------|---------------|---|-------------|------------|--------------|---|--|------------|------------|--------------|
| Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules |               |               |               | Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities) |             |            |              | Utility Allowance by Unit Type<br>(provided by the local PHA) | Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap) |            |            |              |
| # of Persons  | At or Below   |               |               | Unit Type   | At or Below |            |              |   | At or Below  |            |            |              |
|   | 50%           | 60%           | 80%           |   | 50%         | 60%        | 80%          |   | 50%  | 60%        | 80%        |              |
| 1   | \$ 23,300     | \$ 27,960     | \$ 37,250     | Efficiency  | \$ 582      | \$ 699     | \$ 931       | 65.00   | \$ 582   | \$ 699     | \$ 931     |              |
| 2   | 26,600        | 31,920        | 42,550        | 1-Bedroom   | 623         | 748        | 997          |   | 558  | 683        | 932        |              |
| <b>3</b>  | <b>29,950</b> | <b>35,940</b> | <b>47,900</b> | <b>2-Bedroom</b>  | <b>748</b>  | <b>898</b> | <b>1,197</b> |   | <b>94.00</b>   | <b>654</b> | <b>804</b> | <b>1,103</b> |
| 4   | 33,250        | 39,900        | 53,200        | 3-Bedroom   | 864         | 1,037      | 1,383        |   | 864  | 1,037      | 1,383      |              |
| 5   | 35,900        | 43,080        | 57,450        | 4-Bedroom   | 963         | 1,156      | 1,542        |   | 963  | 1,156      | 1,542      |              |
| 6   | 38,550        | 46,260        | 61,700        | 5-Bedroom   | 1,064       | 1,277      | 1,701        |   | 1,064  | 1,277      | 1,701      |              |
| 7   | 41,250        | 49,500        | 65,950        |   |             |            |              |   |  |            |            |              |
| 8   | 43,900        | 52,680        | 70,200        |   |             |            |              |   |  |            |            |              |
| <b>FIGURE 1</b>   |               |               |               | <b>FIGURE 2</b>   |             |            |              | <b>FIGURE 3</b>   | <b>FIGURE 4</b>  |            |            |              |

*Figure 1* outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

*Figure 2* shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning \$29,950 could not pay more than \$748 for rent and utilities under the affordable definition.

- 1) \$29,950 divided by 12 = **\$2,496** monthly income; then,
- 2) **\$2,496** monthly income times 30% = **\$748** maximum total housing expense.

*Figure 4* displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in *Figure 3* from the maximum total housing expense for each unit type found in *Figure 2*.

*Figure 3* shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

## St Augustine Estate Apartments

### RESULTS & ANALYSIS: for 60% AMFI units

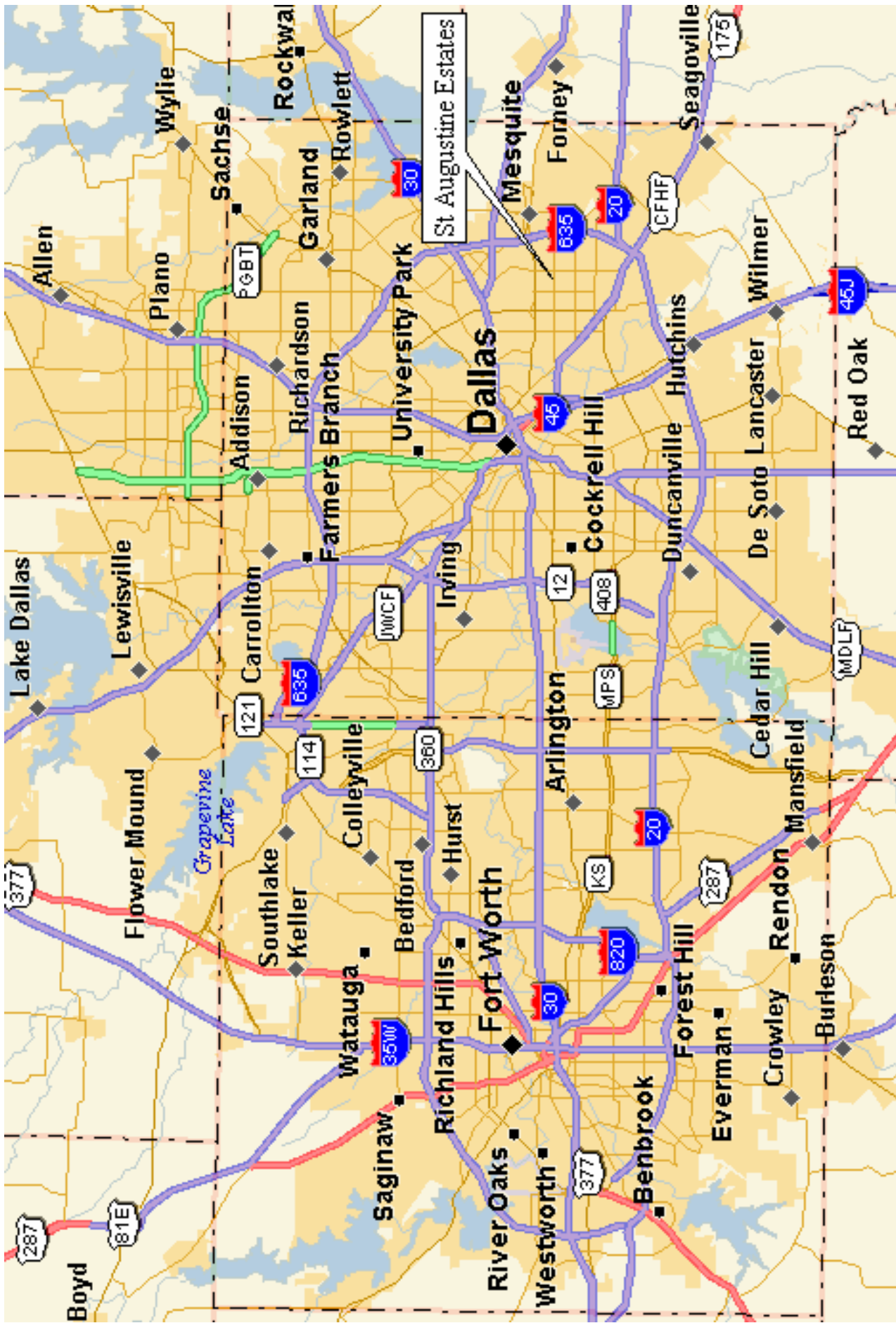
Tenants in the 60% AMFI bracket will save **\$36 to \$155** per month (leaving .3% to 5.2% more of their monthly income for food, child care and other living expenses).  
This is a monthly savings off the market rents of **5.2% to 17.2%**.

| <b>PROJECT INFORMATION</b>       |                 |           |
|----------------------------------|-----------------|-----------|
|                                  | <b>Unit Mix</b> |           |
| Unit Description                 | 1-Bedroom       | 2-Bedroom |
| Square Footage                   | 709             | 983       |
| Rents if Offered at Market Rates | \$681           | \$904     |
| Rent per Square Foot             | \$0.96          | \$0.92    |

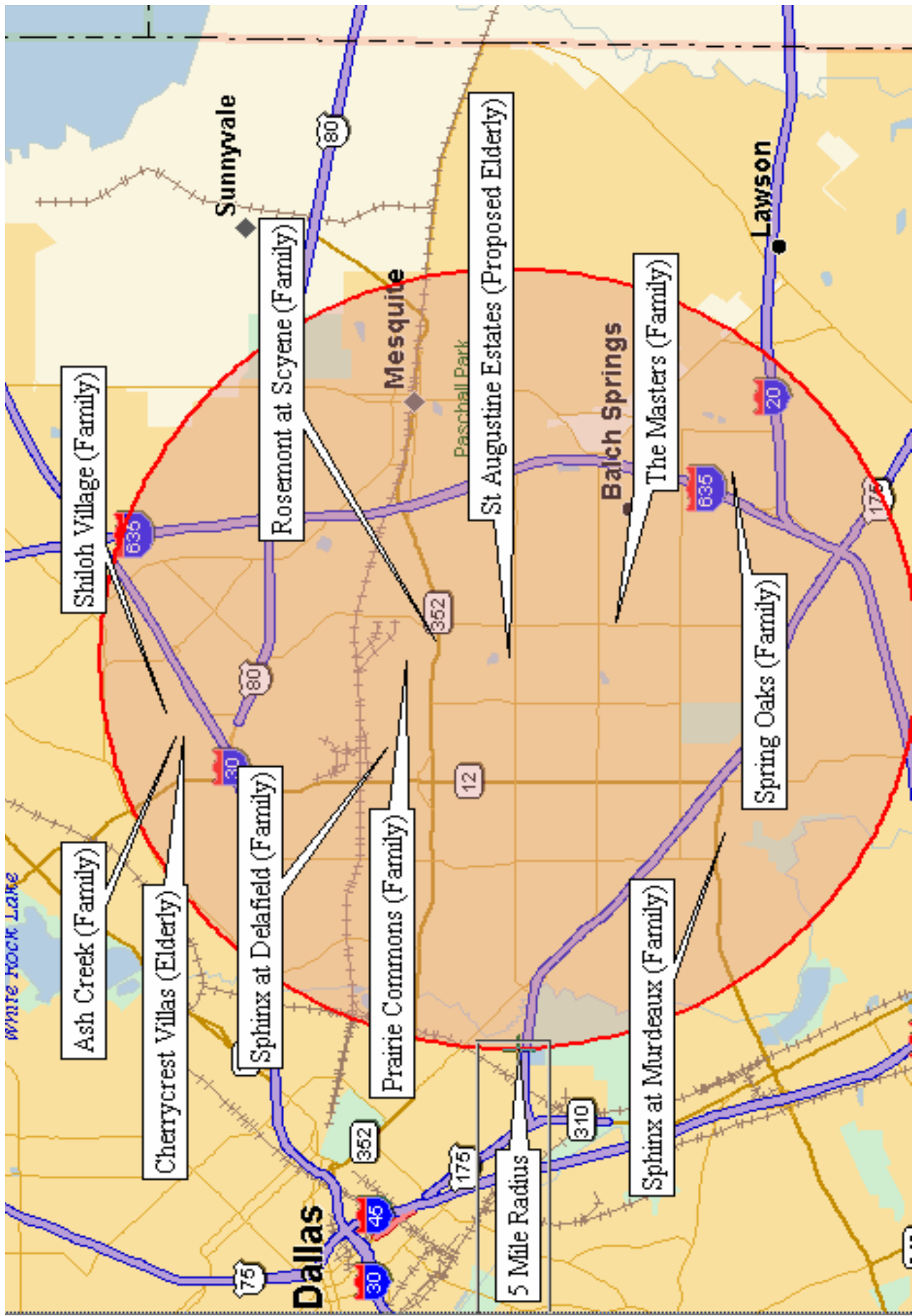
| <b>SAVINGS ANALYSIS FOR 60% AMFI GROUPING</b> |             |              |
|---|-------------|--------------|
| Rent Cap for 60% AMFI Set-Aside               | \$645       | \$749        |
| <b>Monthly Savings for Tenant</b>             | <b>\$36</b> | <b>\$155</b> |
| Rent per square foot                          | \$0.91      | \$0.76       |
| Maximum Monthly Income - 60% AMFI             | \$2,660     | \$2,995      |
| <b>Monthly Savings as % of Monthly Income</b> | <b>1.3%</b> | <b>5.2%</b>  |
| <b>% DISCOUNT OFF MONTHLY RENT</b>            | <b>5.2%</b> | <b>17.2%</b> |

**Information provided by:** Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated June 7, 2005.









# Applicant Evaluation

Project ID # **05609**

Name: **St. Augustine Estates**

City:

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

Total # of Projects monitored: 9

Projects zero to nine: 9  
 grouped ten to nineteen: 0  
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance

Yes  No

# in noncompliance: 0

# monitored with a score less than thirty: 9

Projects not reported Yes   
 in application No

# not yet monitored or pending review: 19

# of projects not reported 0

### Portfolio Monitoring

Not applicable   
 Review pending   
 No unresolved issues   
 Unresolved issues found   
 Unresolved issues found that warrant disqualification (Comments attached)

### Single Audit

Not applicable   
 Review pending   
 No unresolved issues   
 Issues found regarding late cert   
 Issues found regarding late audit   
 Unresolved issues found that warrant disqualification (Comments attached)

### Contract Administration

Not applicable   
 Review pending   
 No unresolved issues   
 Unresolved issues found   
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewed by Patricia Murphy

Date 5/31/2005

### Multifamily Finance Production

Not applicable   
 Review pending   
 No unresolved issues   
 Unresolved issues found   
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer S. Roth  
 Date 5/27/2005

### Single Family Finance Production

Not applicable   
 Review pending   
 No unresolved issues   
 Unresolved issues found   
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Paige McGilloway  
 Date 5/31/2005

### Real Estate Analysis (Cost Certification and Workout)

Not applicable   
 Review pending   
 No unresolved issues   
 Unresolved issues found   
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer \_\_\_\_\_  
 Date \_\_\_\_\_

### Community Affairs

No relationship   
 Review pending   
 No unresolved issues   
 Unresolved issues found   
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF  
 Date 6/1/2005

### Office of Colonia Initiatives

Not applicable   
 Review pending   
 No unresolved issues   
 Unresolved issues found   
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer \_\_\_\_\_  
 Date \_\_\_\_\_

### Financial Administration

No delinquencies found   
 Delinquencies found

Reviewer Stephanie A. D'Couto  
 Date 5/31/2005

**Executive Director:** Edwina Carrington

**Executed:** Monday, June 06, 2005

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

## Public Comment Summary

### St Augustine Estates

#### Public Hearing

|                                |   |
|--------------------------------|---|
| <i>Total Number Attended</i>   | 0 |
| <i>Total Number Opposed</i>    | 0 |
| <i>Total Number Supported</i>  | 0 |
| <i>Total Number Neutral</i>    | 0 |
| <i>Total Number that Spoke</i> | 0 |

#### Public Officials Letters Received

|                   |   |
|-------------------|---|
| <i>Opposition</i> | 0 |
| <i>Support</i>    | 0 |

#### General Public Letters and Emails Received

|                         |   |
|-------------------------|---|
| <i>Opposition Total</i> | 0 |
| <i>Support</i>          | 0 |

#### Summary of Public Comment

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS  
ST. AUGUSTINE ESTATES

PUBLIC HEARING

W.W. Samuell High School  
8928 Palisade Drive  
Dallas, Texas

May 25, 2005  
6:00 p.m.

BEFORE :

SHANNON ROTH, Housing Specialist

P R O C E E D I N G S

1  
2 MS. ROTH: Okay, we're at the hearing for St.  
3 Augustine Estates. I'm going to go ahead and read the  
4 speech.

5 Good evening. My name is Shannon Roth. I  
6 would like to proceed with the public hearing. Let the  
7 record show that it is 6:13 p.m. Wednesday, May 25. We  
8 are at the W.W. Samuell High School located at 8928  
9 Palisade Drive, Dallas, Texas.

10 I am here to conduct the public hearing on  
11 behalf of the Texas Department of Housing and Community  
12 Affairs with respect to an issue of tax exempt multifamily  
13 revenue bonds for a residential rental community. This  
14 hearing is required by the Internal Revenue Code.

15 The sole purpose of this hearing is to provide  
16 a reasonable opportunity for interested individuals to  
17 express their views regarding the development and the  
18 proposed bond issue. No decisions regarding the  
19 development will be made at this hearing.

20 The Department's board is scheduled to meet to  
21 consider this transaction on June 27, 2005. In addition  
22 to providing your comments at this hearing, the public is  
23 also invited to provide comment directly to the board at  
24 any of their meetings. The Department's staff will also

1 accept written comment from the public up to 5:00 p.m. on  
2 June 10, 2005.

3           The bonds will be issued as tax exempt  
4 multifamily revenue bonds in the aggregate principal  
5 amount not to exceed \$10 million, and taxable bonds, if  
6 necessary, in an amount to be determined and issued in one  
7 or more series by the Texas Department of Housing and  
8 Community Affairs, the issuer.

9           The proceeds of the bonds will be loaned to St.  
10 Augustine Estate Apartments, L.P., or a related person or  
11 affiliate entity thereof, to finance a portion of the cost  
12 of acquiring, constructing and equipping a multifamily  
13 rental housing community described as follows:

14           A 150-unit multifamily residential rental  
15 development to be constructed on approximately 12.8 acres  
16 of land located at approximately the 2300 block of North  
17 St. Augustine Drive, Dallas County, Texas. The proposed  
18 multifamily rental community will be initially owned and  
19 operated by the borrower, or a related person or affiliate  
20 thereof.

21           I would like to open the floor to public  
22 comment. Would either of you like to -- okay.

23           Since no one wants to speak, thank you for  
24 attending this hearing. Let the record show the meeting

1 is now adjourned, and it is 6:15 p.m.

2 (Whereupon, at 6:15 p.m., the hearing was  
3 concluded.)

4

C E R T I F I C A T E

1  
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10

IN RE:St. Augustine Estates

LOCATION:Dallas, Texas

DATE:May 25, 2005

I do hereby certify that the foregoing pages,  
numbers 1 through 5, inclusive, are the true, accurate,  
and complete transcript prepared from the verbal recording  
made by electronic recording by Barbara Wall before the  
Texas Department of Housing and Community Affairs.

05/31/2005  
\_\_\_\_\_  
(Transcriber) (Date)

On the Record Reporting  
3307 Northland, Suite 315  
Austin, Texas 78731



**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Clark Pointe Apartments.

**Summary of the Transaction**

The application was received on March 7, 2005. The Issuer for this transaction is San Antonio HFC. The development is to be located at 1318 Clark Avenue in San Antonio. The development will consist of 252 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

**Recommendation**

Staff recommends the Board approve the issuance of Housing Tax Credits for Clark Pointe Apartments.

**Housing Tax Credit Program  
Board Action Request  
July 14, 2005**

**Action Item**

Request review and board determination of one (1) four percent (4%) tax credit application with another issuer for tax exempt bond transaction.

**Recommendation**

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **another issuer** for the tax exempt bond transaction known as:

| <b>Development No.</b> | <b>Name</b>             | <b>Location</b> | <b>Issuer</b>   | <b>Total Units</b> | <b>LI Units</b> | <b>Total Development</b> | <b>Applicant Proposed Tax Exempt Bond Amount</b> | <b>Requested Credit Allocation</b> | <b>Recommended Credit Allocation</b> |
|------------------------|-------------------------|-----------------|-----------------|--------------------|-----------------|--------------------------|--|------------------------------------|--------------------------------------|
| 05414                  | Clark Pointe Apartments | San Antonio     | San Antonio HFC | 252                | 252             | \$22,384,231             | \$13,150,000                                     | \$955,191                          | \$955,191                            |



**HOUSING TAX CREDIT PROGRAM  
2005 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Clark Pointe**

TDHCA#: 05414

**DEVELOPMENT AND OWNER INFORMATION**

Development Location: San Antonio QCT: Y DDA: N TTC: N  
 Development Owner: Clark 05 Housing, L.P.  
 General Partner(s): Clark 05 Development, LLC., 100%, Contact: Deepak Sulakhe  
 Construction Category: New Construction  
 Set-Aside Category: Tax Exempt Bond Bond Issuer: San Antonio HFC  
 Development Type: General  
 Population

**Annual Tax Credit Allocation Calculation**

Applicant Request: \$955,191 Eligible Basis Amt: \$957,897 Equity/Gap Amt.: \$1,037,658

**Annual Tax Credit Allocation Recommendation: \$955,191**

Total Tax Credit Allocation Over Ten Years: \$ 9,551,910

**PROPERTY INFORMATION**

**Unit and Building Information**

Total Units: 252 HTC Units: 252 % of HTC Units: 100  
 Gross Square Footage: 246,097 Net Rentable Square Footage: 240,000  
 Average Square Footage/Unit: 952  
 Number of Buildings: 11  
 Currently Occupied: N

**Development Cost**

Total Cost: \$22,384,231 Total Cost/Net Rentable Sq. Ft.: \$93.27

**Income and Expenses**

Effective Gross Income:<sup>1</sup> \$1,804,860 Ttl. Expenses: \$769,331 Net Operating Inc.: \$1,035,529  
 Estimated 1st Year DCR: 1.13

**DEVELOPMENT TEAM**

Consultant: Not Utilized Manager: Southwest Housing Management Corp.  
 Attorney: Coats, Rose, Yale, Ryman & Lee PC Architect: Beeler Guest Owens Architects, LP  
 Accountant: Reznick, Fedder & Silverman Engineer: To Be Determined  
 Market Analyst: Apartment Market Data Lender: Newman Capital  
 Contractor: Affordable Housing Construction Syndicator: Wachovia Securities

**PUBLIC COMMENT<sup>2</sup>**

|                    |  |
|--------------------|--|
| From Citizens:     | From Legislators or Local Officials:   |
| # in Support: 0    | Sen. Frank Madla, District 19 - NC   |
| # in Opposition: 0 | Rep. Robert Puente, District 119 - NC  |
|                    | Mayor Ed Garza - NC  |
|                    | Andrew W. Cameron, Housing and Community Development Director; The proposed development is consistent with the Consolidated Plan of the City of San Antonio. |

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

**CONDITION(S) TO COMMITMENT**

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Board waiver of its QAP rule under Section 49.12(a)(2) regarding the submission of all documentation (including Environmental Site Inspection "ESA") at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
3. Receipt, review, and acceptance of evidence of a full property tax abatement, by cost certification.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.
- 5.
- 6.
- 7.
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- 12.
- 13.

**DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond.    Housing Type

Other Comments including discretionary factors (if applicable). Staff recommends approval of \$ of tax credits and waiver of 60 day rule for the late submission of ESA.

\_\_\_\_\_  
Robbye Meyer, Mgr. of Multifamily Finance Production      Date      Brooke Boston, Dir. of Multifamily Finance Production      Date

**DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

Score    Utilization of Set-Aside    Geographic Distrib.    Tax Exempt Bond    Housing Type

Other Comments including discretionary factors (if applicable). \_\_\_\_\_

\_\_\_\_\_  
Edwina P. Carrington, Executive Director      Date  
Chairman of Executive Award and Review Advisory Committee

**TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).**

\_\_\_\_\_  
Chairperson Signature: \_\_\_\_\_      Elizabeth Anderson,  
Chairman of the Board      Date

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

DATE: July 7, 2005

PROGRAM: 4% HTC

FILE NUMBER: 05414

**DEVELOPMENT NAME**

Clark Pointe Apartments

**APPLICANT**

**Name:** Clark 05 Housing, L.P. **Type:** For-profit  
**Address:** 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** TX  
**Zip:** 75206 **Contact:** Len Vilicic **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |   |             |             |               |   |
|--------------|---|-------------|-------------|---------------|---|
| <b>Name:</b> | <u>Clark 05 Development, L.L.C.</u>                     | <b>(%):</b> | <u>0.01</u> | <b>Title:</b> | <u>Managing General Partner</u>           |
| <b>Name:</b> | <u>San Antonio Housing Facility Corporation (SAHFC)</u> | <b>(%):</b> | <u>N/A</u>  | <b>Title:</b> | <u>Sole member of MGP; bond issuer</u>    |
| <b>Name:</b> | <u>San Antonio Housing Authority</u>                    | <b>(%):</b> | <u>N/A</u>  | <b>Title:</b> | <u>Parent entity of SAHFC</u>             |
| <b>Name:</b> | <u>Clark 05 SLP, L.L.C.</u>                             | <b>(%):</b> | <u>N/A</u>  | <b>Title:</b> | <u>Special Limited Partner</u>            |
| <b>Name:</b> | <u>Southwest Housing Development Company, Inc.</u>      | <b>(%):</b> | <u>N/A</u>  | <b>Title:</b> | <u>Developer</u>                          |
| <b>Name:</b> | <u>Brian Potashnik</u>                                  | <b>(%):</b> | <u>N/A</u>  | <b>Title:</b> | <u>Sole member of Developer &amp; SLP</u> |

**PROPERTY LOCATION**

**Location:** 1318 Clark Avenue  **QCT**  **DDA**  
**City:** San Antonio **County:** Bexar **Zip:** 78210

**REQUEST**

| <u>Amount</u>  | <u>Interest Rate</u> | <u>Amortization</u>                      | <u>Term</u> |
|--|----------------------|--|-------------|
| \$1,011,332  | N/A                  | N/A                                      | N/A         |
| <b>Other Requested Terms:</b> <u>Annual ten-year allocation of housing tax credits adjusted to \$955,191</u> |                      |  |             |
| <b>Proposed Use of Funds:</b> <u>New construction</u>  |                      | <b>Property Type:</b> <u>Multifamily</u> |             |
| <b>Special Purpose (s):</b> <u>General population</u>  |                      |  |             |

**RECOMMENDATION**

**RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$955,191 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.**

**CONDITIONS**

- Board waiver of its QAP rule under Section 49.12(a)(2) regarding the submission of all documentation (including the Environmental Site Inspection "ESA") at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
- Receipt, review, and acceptance of evidence of a full property tax abatement, by cost certification
- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 252    **# Rental Buildings:** 11    **# Non-Res. Buildings:** 2    **# of Floors:** 3    **Age:** 0 yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 240,000    **Av Un SF:** 952    **Common Area SF:** 6,097    **Gross Bldg SF:** 246,097

**STRUCTURAL MATERIALS**

The structures will be wood-framed on post-tensioned concrete slabs on grade. According to the plans provided in the application the exterior will be comprised as follows: 74% stucco/21% masonry veneer/5% cement fiber siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with laminated shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting and vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, and 9-foot ceilings.

**ONSITE AMENITIES**

A 5,484-square foot community building will include an activity room, management offices, fitness and maintenance facilities, a kitchen, restrooms, a computer/business center, and a children's activity center. A separate 613-square foot building will house laundry facilities and the central mailroom. The community and mail/laundry buildings and the swimming pool are to be located at the entrance to the property. In addition, perimeter fencing with limited access gates is planned for the site.

**Uncovered Parking:** 347 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Clarke Pointe Apartments is an 18.8-unit per acre new construction development of 252 units of affordable housing located in east San Antonio. The development is comprised of 11 evenly distributed, medium and large, garden style, walk-up residential buildings as follows:

- Two Building Type C with 12 each one-bedroom/one-bath units and three-bedroom/two-bath units;
- One Building Type D with 12 two-bedroom/one-bath units;
- Five Building Type G with 12 each two-bedroom/two-bath units and three-bedroom/two-bath; and
- Three Building Type J with 12 each one-bedroom/one-bath units and two-bedroom/two-bath units.

**Development Plan:** The site is comprised of three separate tracts owned by three private sellers and also incorporates portions of two street rights of way. The Applicant provided satisfactory documentation of site control for all of these tracts.

**Architectural Review:** The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 15.9173 acres    693,358 square feet    **Flood Zone Designation:** Zone X  
**Zoning:** MF-25, Multi-Family, conforming use

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the eastern area of the city, approximately

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three miles from the central business district. The site is situated on the east side of Clark Avenue and the north side of Rigsby Avenue.

**Adjacent Land Uses:**

- **North:** vacant land immediately adjacent and Interstate Highway 10 beyond;
- **South:** Rigsby Avenue immediately adjacent and a gas station and single-family residential beyond;
- **East:** vacant land and multifamily residential immediately adjacent and more vacant land beyond; and
- **West:** Clark Avenue immediately adjacent and single-family residential and a gas station beyond.

**Site Access:** Access to the property is from the east or west along Rigsby Avenue or the north or south from Clark Avenue. The development is to have a main entry from Rigsby Avenue and a secondary entry from Clark Avenue. Although Interstate Highway 10 is located approximately 100 feet north of the site, access is one-quarter mile to the northeast, providing connections to all other major roads serving the San Antonio area.

**Public Transportation:** Public transportation to the area is provided by the city bus system, with a stop located adjacent to the site.

**Shopping & Services:** The site is within 1.5 miles of a major grocery/pharmacy, and neighborhood shopping centers, and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on March 29, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated January 12, 2005 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations for only the westernmost 7.4 acres:

**Findings:** “This assessment has revealed evidence of recognized environmental conditions (REC) in connection with the site. Based on proximity, site geology, topographically up-gradient location, and age of the facilities, the west adjacent Quick Mart (UST [underground storage tank] system) and the south adjacent Stanley’s #3 Mart (UST system) are considered RECs for the site. Additionally, a former dry cleaners with an address of 1307 Rigsby Avenue was located on the site from approximately 1954 to 1982. This former on-site dry cleaners is also considered a REC for the site.”

**Recommendations:** “ALPHA recommends an Environmental Site Investigation (ESI) be performed to evaluate the presence of petroleum hydrocarbons and volatile organic compounds (VOCs) in the on-site soil and groundwater as a result of a potential release from the adjacent UST systems and/or the former on-site dry cleaners.” (p. 21)

An Environmental Site Investigation report dated March 15, 2005 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations for only the westernmost 7.4 acres:

**Findings:**

- **Soil:** “Based on the results of the ESI, the on-site soils in the vicinity of [the three test borings] appear to be affected by a release of petroleum hydrocarbons and VOCs; however, the identified petroleum hydrocarbon and VOC concentrations do not exceed the applicable Texas Risk Reduction Program Tier 1 Residential Soil Critical Protective Concentration Levels.”
- **Goundwater:** “Based on the results of the ESI, the on-site groundwater in the vicinity of [the three] monitor wells appears to be affected by a release of petroleum hydrocarbons and VOCs; however, the identified petroleum hydrocarbon and VOC concentrations do not exceed the applicable Texas Risk Reduction Program Tier 1 Residential Soil Critical Protective Concentration Levels.”

**Recommendations:** “Based on the results of the ESI, no additional assessment or remediation appears warranted at this time.” (p. 11)

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In response to the Underwriter's request for a Phase 1 ESA report covering the entire site, the Applicant on July 6 submitted a Phase I ESA report dated July 6, also prepared by Alpha Testing, Inc., which contained the same findings and recommendations as the January 12 report. The submission of this report is less than 60 days prior to the scheduled board meeting at which this application would be presented and as such may require a Board waiver of this rule (10TAC Section 49.12(a)(2)). The later report was identical to the earlier report except that acreage references were changed to reflect 13.293 acres and the site outline was changed on most of the maps. However, locational and site shape references in the revised report were not corrected and could suggest that the site identified in the revised report is the westernmost 7.4 acres. As the additional eastern acreage is vacant land contiguous to the western portion, with no adjacent unevaluated development and no issues of concern visible from the aerial photographs and maps identifying the entire site, the Underwriter regards the potential environmental risk to be low regarding the eastern portion.

**POPULATIONS TARGETED**

**Income Set-Aside:** [see HTC Application Supplement (Tab 1C), Sec. 1] The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$21,660        | \$24,720         | \$30,900         | \$33,360         | \$35,820         | \$38,340         |

**MARKET HIGHLIGHTS**

A market feasibility study dated April 27, 2005 was prepared by Apartment MarketData Research Services, LLC ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "For this analysis we utilized a primary market area comprising a two-mile radius encompassing 12.56 square miles in east San Antonio." (p. 27)

**Population:** The estimated 2004 population of the PMA was 54,498 and is expected to increase by 2.9% to approximately 56,076 by 2009. Within the primary market area there were estimated to be 19,235 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,315 qualified households in the PMA, based on the current estimate of 19,235 households, the projected annual household growth rate of 1.3%, renter households estimated at 42.3% of the population, income-qualified households estimated at 21.6%, and an annual renter turnover rate of 73.6 %. (p. 46). The Market Analyst used an income band of \$19,851 to \$33,360.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 23                     | 2%                       | 20                     | 2%                       |
| Resident Turnover                                      | 1,292                  | 98%                      | 1,160                  | 98%                      |
| Other Sources:   | 0                      | 0%                       | 0                      | 0%                       |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>1,315</b>           | <b>100%</b>              | <b>1,180</b>           | <b>100%</b>              |

Ref: p. 46

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 19.16% based upon 1,315 units of demand and 252 unstabilized affordable housing in the PMA (the subject) (p. 47). The Underwriter calculated an inclusive capture rate of 21.4% based upon a slightly lower demand estimate of



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1,180 households.

**Local Housing Authority Waiting List Information:** No information provided.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment properties totaling 707 units in the market area. “Clark Pointe, in comparison to its proposed competition, is well positioned in regards to unit types, sizes, and rental rates. The ‘base rent’ (street asking rate) for each unit type is comparable with other ‘affordable’ projects.” (p. 78)

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (60%)</b>                       | \$521           | \$522              | -\$1                | \$635              | -\$114              |
| <b>2-Bedroom (60%)</b>                       | \$625           | \$627              | -\$2                | \$764              | -\$139              |
| <b>3-Bedroom (60%)</b>                       | \$715           | \$715              | \$0                 | \$846              | -\$131              |

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

**Primary Market Occupancy Rates:**

- “The current occupancy of the market area is 97.5% as a result of higher demand.” (p. 80)
- “The occupancy rate for the market rate one bedrooms is 97.4%, for market rate two bedrooms it is 97.2%, the occupancy rate for the market rate three bedrooms is 100%, and the overall occupancy for market rate units is 97.6%.” (p. 85)

**Absorption Projections:** “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month absorption period].” (p. 78)

**Known Planned Development:** The Market Analyst indicated that no comparable properties were known to be in planning, under construction, or in lease-up. (p. 55)

**Effect on Existing Housing Stock:** “The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout east San Antonio, and especially at quality affordable housing communities.” (p. 79)

**Market Study Analysis/Conclusions:** 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 the maximum rents allowed under HTC program guidelines, and are achievable according to the Market Analyst. Minor rounding by the Applicant of tenant-paid utility allowances result in the Underwriter’s potential gross rental income estimate exceeding the Applicant’s by \$3,308. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the differences in utility allowances the Applicant’s effective gross income estimate is \$3,060 (0.2%) less than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,053 per unit compares favorably with (within 1% of) the Underwriter’s database-derived estimate of \$3,062 per unit for comparably-sized developments in this area. In addition, each of the Applicant’s specific expense line items compare well to the Underwriter’s estimates. The Applicant is anticipating a 100% property tax exemption based upon 100% ownership of the General Partner and the land by the San Antonio Housing Authority entity and a ground lease back to the Applicant. The Applicant indicated that the ground lease payment would be a one-time payment in the amount of the purchase price, and therefore no annual lease expense is included in the operating budget. Although the Applicant has not provided a legal opinion substantiating this tax exemption as of the date of this report, based on the proposed ownership structure and previous transactions with housing authorities that have used this type of an arrangement to gain a 100% exemption the Underwriter regards receipt of the 100%

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exemption as likely and has used such an exemption in this analysis. Receipt, review, and acceptance of evidence of a full property tax abatement, by cost certification, is a condition of this report.

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations, total operating expenses are within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

| ACQUISITION VALUATION INFORMATION    |  |                                  |  |    |  |
|--------------------------------------|--|----------------------------------|--|----|--|
| ASSESSED VALUE                       |  |                                  |  |    |  |
| Land: Tract I: 4.98 acres            | \$52,600   | Assessment for the Year of:      | 2004                                       |    |  |
| Land: Tract II: 2.3983 acres         | \$98,000   | Valuation by:                    | Bexar County Appraisal District            |    |  |
| Land: Tract III: 6 acres             | \$81,500   | Tax Rate:                        | 2.999074                                   |    |  |
| <b>Total Assessed Value:</b>         | <b>\$232,100</b>   | <b>Total Acres</b>               | <b>13.3783</b>                             |    |  |
| EVIDENCE of SITE or PROPERTY CONTROL |  |                                  |  |    |  |
| <b>Type of Site Control:</b>         | Commercial contract – unimproved property (+/- 5 acres)      |                                  |  |    |  |
| <b>Contract Expiration Date:</b>     | 8/ 2/ 2005   | <b>Anticipated Closing Date:</b> | 8/ 2/ 2005                                 |    |  |
| <b>Acquisition Cost:</b>             | \$125,000  | <b>Other Terms/Conditions:</b>   | 1,000 earnest money                        |    |  |
| <b>Seller:</b>                       | Victor R. & Bertha G. Saucedo                                |                                  | <b>Related to Development Team Member:</b> | No |  |
| <b>Type of Site Control:</b>         | Commercial contract – unimproved property (+/- 2.3983 acres) |                                  |  |    |  |
| <b>Contract Expiration Date:</b>     | 7/ 29/ 2005  | <b>Anticipated Closing Date:</b> | 7/ 29/ 2005                                |    |  |
| <b>Acquisition Cost:</b>             | \$102,000  | <b>Other Terms/Conditions:</b>   | \$1,500 earnest money                      |    |  |
| <b>Seller:</b>                       | Ricardo Elizondo   |                                  | <b>Related to Development Team Member:</b> | No |  |
| <b>Type of Site Control:</b>         | Commercial contract – unimproved property (+/- 6 acres)      |                                  |  |    |  |
| <b>Contract Expiration Date:</b>     | 11/ 30/ 2005   | <b>Anticipated Closing Date:</b> | 8/ 2/ 2005                                 |    |  |
| <b>Acquisition Cost:</b>             | \$167,500  | <b>Other Terms/Conditions:</b>   | \$1,000 earnest money                      |    |  |
| <b>Seller:</b>                       | James Uptmore  |                                  | <b>Related to Development Team Member:</b> | No |  |

| CONSTRUCTION COST ESTIMATE EVALUATION |   |
|---------------------------------------|---|
| <b>Acquisition Value:</b>             | The combined site cost of \$394,500 for the three tracts (\$0.68/SF, \$29,488/acre, or \$1,565/unit), although 170% of the combined tax assessed value, is assumed to be reasonable since the acquisitions are arm's-length transactions. |
| <b>Sitework Cost:</b>                 | The Applicant's claimed sitework costs of \$7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.   |
| <b>Direct Construction Cost:</b>      | The Applicant's revised direct construction cost estimate is \$465K or 4.3% higher than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate, and is therefore regarded as reasonable as submitted.      |
| <b>Interim Financing Fees:</b>        | While the Applicant's eligible interim financing cost estimate was initially significantly over one year of fully drawn interest, the most recent costs provided by the Applicant reflect eligible interest at just under this limit.     |
| <b>Fees:</b>                          | The Applicant's revised contractor's and developer's fees for general requirements, general and   |

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administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Reserves:** The Applicant included no rent-up, operating, or replacement reserves and informed the Underwriter that this was because the involvement of the San Antonio Housing Authority is anticipated to result in a rapid lease-up and active tenant referral.

**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 is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$20,814,801 is used to determine a credit allocation of \$857,897 from this method. This is \$2,706 more than most recently requested due to the Applicant's use of a lower applicable percentage of 3.53% rather than the 3.54% underwriting rate used for applications received in April 2005. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT BOND FINANCING**

**Source:** Newman Capital **Contact:** Jerry Wright  
**Interim Amount:** \$13,150,000 **Interest Rate:** Variable, underwritten at 6.4%  
**Permanent Amount:** \$13,150,000 **Interest Rate:** Fixed, 6.4%  
**Additional Information:**  
**Amortization:** 40 yrs **Term:** 32.5 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$912,632 **Lien Priority:** 1st **Date:** 7/ 6/ 2005

**TAX CREDIT SYNDICATION**

**Source:** Wachovia Securities **Contact:** Robert Klixbull  
**Net Proceeds:** \$9,152,550 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 89¢  
**Commitment:**  LOI  Firm  Conditional **Date:** 4/ 27/ 2005  
**Additional Information:** Commitment in amount of \$8,514,394 based on allocation of \$956,769

**APPLICANT EQUITY**

**Amount:** \$937,602 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by the San Antonio Housing Facility Corporation and privately purchased by GMAC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application, except that the commitment reflects a larger equity contribution based on a larger allocation.

**GIC Income:** The Applicant included \$211,997 in anticipated income from investment of the bond proceeds in a guaranteed investment contract (GIC) during the construction phase; the Underwriter has included this amount in deferred developer fee in the recommended financing structure.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$377,752 amount to 14% of the total fees.

**Financing Conclusions:** Based on the Applicant's revised request, the HTC allocation should not exceed \$955,191 annually for ten years, resulting in syndication proceeds of approximately \$8,500,350. The Applicant's deferred developer fee will be increased to include the GIC income included in the application going up to \$733,881, which represents approximately 27% of the eligible fee and which should be repayable from cash flow within five years. Should the Applicant's final direct construction cost exceed the

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cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

- The San Antonio Housing Facility Corporation is the issuer of the bonds as well as the sole member of the Managing General Partner.
- The Applicant, Developer, general contractor, property manager and supportive services provider are all related entities. These are common relationships for HTC-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 San Antonio Housing Facility Corporation, the bond issuer and the sole member of the General Partner, submitted an audited financial statement as of June 30, 2004 reporting total assets of \$23.9M and consisting of \$4.5M in cash, \$3.9M in receivables, \$24.8M in real property, \$1.2M in furniture, equipment and vehicles, and \$3M in other assets. Liabilities totaled \$13.3M, resulting in net assets of \$10.6M.
- The Developer, Southwest Housing Development, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$30.2M and consisting of \$2.7M in cash, \$17.8M in receivables, \$106K in property and equipment, and \$9.6M in other assets. Liabilities totaled \$17.6M, resulting in a net worth of \$12.6M.
- The principal of the Special Limited Partner and the Developer, Brian Potashnik, submitted an unaudited financial statement as of December 31, 2004 and is anticipated to be guarantor of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** July 7, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** July 7, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Clark Pointe Apartments, San Antonio, 4% HTC #05414**

| 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 60%        | 60         | 1        | 1               | 750        | \$579           | \$522             | \$31,304         | \$0.70        | \$57.26        | \$25.28        |
| TC 60%        | 108        | 2        | 2               | 950        | 696             | \$627             | 67,705           | 0.66          | 69.10          | 29.28          |
| TC 60%        | 84         | 3        | 2               | 1,100      | 803             | \$715             | 60,086           | 0.65          | 87.69          | 37.68          |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
| <b>TOTAL:</b> | <b>252</b> |          | <b>AVERAGE:</b> | <b>952</b> | <b>\$704</b>    | <b>\$631</b>      | <b>\$159,096</b> | <b>\$0.66</b> | <b>\$72.48</b> | <b>\$31.13</b> |

**INCOME**

Total Net Rentable Sq Ft: 240,000

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                             | % OF EGI      | PER UNIT       | PER SQ FT     |
|-----------------------------|---------------|----------------|---------------|
| General & Administrative    | 5.70%         | \$409          | 0.43          |
| Management                  | 5.00%         | 359            | 0.38          |
| Payroll & Payroll Tax       | 12.66%        | 908            | 0.95          |
| Repairs & Maintenance       | 5.22%         | 375            | 0.39          |
| Utilities                   | 2.44%         | 175            | 0.18          |
| Water, Sewer, & Trash       | 4.30%         | 308            | 0.32          |
| Property Insurance          | 3.32%         | 238            | 0.25          |
| Property Tax 2.999074       | 0.00%         | 0              | 0.00          |
| Reserve for Replacements    | 2.79%         | 200            | 0.21          |
| Other: security, compl fees | 1.25%         | 90             | 0.09          |
| <b>TOTAL EXPENSES</b>       | <b>42.68%</b> | <b>\$3,062</b> | <b>\$3.21</b> |
| <b>NET OPERATING INC</b>    | <b>57.32%</b> | <b>\$4,112</b> | <b>\$4.32</b> |

**DEBT SERVICE**

|                                     |              |              |               |
|-------------------------------------|--------------|--------------|---------------|
| First Lien Mortgage (Tax-Exempt Bor | 50.48%       | \$3,622      | \$3.80        |
| GIC Income                          | 0.00%        | \$0          | \$0.00        |
| Additional Financing                | 0.00%        | \$0          | \$0.00        |
| <b>NET CASH FLOW</b>                | <b>6.84%</b> | <b>\$491</b> | <b>\$0.52</b> |

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 1.78%          | \$1,565         | \$1.64         |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 8.54%          | 7,495           | 7.87           |
| Direct Construction                  |        | 49.03%         | 43,057          | 45.21          |
| Contingency                          | 5.00%  | 2.88%          | 2,528           | 2.65           |
| General Req'ts                       | 6.00%  | 3.45%          | 3,033           | 3.18           |
| Contractor's G & A                   | 2.00%  | 1.15%          | 1,011           | 1.06           |
| Contractor's Profit                  | 6.00%  | 3.45%          | 3,033           | 3.18           |
| Indirect Construction                |        | 4.45%          | 3,907           | 4.10           |
| Ineligible Costs                     |        | 5.31%          | 4,662           | 4.90           |
| Developer's G & A                    | 2.00%  | 1.59%          | 1,393           | 1.46           |
| Developer's Profit                   | 13.00% | 10.31%         | 9,052           | 9.50           |
| Interim Financing                    |        | 6.34%          | 5,565           | 5.84           |
| Reserves                             |        | 1.72%          | 1,509           | 1.58           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$87,809</b> | <b>\$92.20</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>68.51%</b>  | <b>\$60,157</b> | <b>\$63.16</b> |

**SOURCES OF FUNDS**

|                                       |        |           |          |
|---------------------------------------|--------|-----------|----------|
| First Lien Mortgage (Tax-Exempt Bonds | 59.43% | \$52,183  | \$54.79  |
| GIC Income                            | 0.96%  | \$841     | \$0.88   |
| HTC Syndication Proceeds              | 39.07% | \$34,303  | \$36.02  |
| Deferred Developer Fees               | 1.71%  | \$1,499   | \$1.57   |
| Additional (Excess) Funds Req'd       | -1.16% | (\$1,017) | (\$1.07) |
| <b>TOTAL SOURCES</b>                  |        |           |          |

|   | TDHCA       | APPLICANT   |
|---|-------------|-------------|
| POTENTIAL GROSS RENT                              | \$1,909,148 | \$1,905,840 |
| Secondary Income                                  | 45,360      | 45,360      |
| Other Support Income: (describe)                  | 0           | 0           |
| POTENTIAL GROSS INCOME                            | \$1,954,508 | \$1,951,200 |
| Vacancy & Collection Loss                         | (146,588)   | (146,340)   |
| Employee or Other Non-Rental Units or Concessions | 0           | 0           |
| EFFECTIVE GROSS INCOME                            | \$1,807,920 | \$1,804,860 |
| General & Administrative                          | \$103,100   | \$94,104    |
| Management  | 90,396      | 90,243      |
| Payroll & Payroll Tax                             | 228,816     | 223,201     |
| Repairs & Maintenance                             | 94,378      | 107,863     |
| Utilities   | 44,160      | 35,280      |
| Water, Sewer, & Trash                             | 77,670      | 87,600      |
| Property Insurance                                | 60,000      | 57,960      |
| Property Tax                                      | 0           | 0           |
| Reserve for Replacements                          | 50,400      | 50,400      |
| Other: security, compl fees                       | 22,680      | 22,680      |
| TOTAL EXPENSES                                    | \$771,600   | \$769,331   |
| NET OPERATING INC                                 | \$1,036,320 | \$1,035,529 |
| First Lien Mortgage (Tax-Exempt Bor               | \$912,632   | \$923,851   |
| GIC Income  | 0           | 0           |
| Additional Financing                              | 0           | 0           |
| NET CASH FLOW                                     | \$123,688   | \$111,678   |
| AGGREGATE DEBT COVERAGE RATIO                     | 1.14        | 1.12        |
| RECOMMENDED DEBT COVERAGE RATIO                   |             | 1.13        |

|   | PER SQ FT | PER UNIT | % OF EGI |
|---|-----------|----------|----------|
| POTENTIAL GROSS RENT                              | \$7.93    | \$7.93   | 13.8%    |
| Secondary Income                                  | \$0.19    | \$0.19   | 0.3%     |
| Other Support Income: (describe)                  | 0         | 0        | 0%       |
| POTENTIAL GROSS INCOME                            | \$8.12    | \$8.12   | 14.1%    |
| Vacancy & Collection Loss                         | (0.61)    | (0.61)   | -1.0%    |
| Employee or Other Non-Rental Units or Concessions | 0         | 0        | 0%       |
| EFFECTIVE GROSS INCOME                            | \$7.51    | \$7.51   | 13.1%    |
| General & Administrative                          | \$0.39    | \$373    | 5.21%    |
| Management  | 0.38      | 358      | 5.00%    |
| Payroll & Payroll Tax                             | 0.93      | 886      | 12.37%   |
| Repairs & Maintenance                             | 0.45      | 428      | 5.98%    |
| Utilities   | 0.15      | 140      | 1.95%    |
| Water, Sewer, & Trash                             | 0.37      | 348      | 4.85%    |
| Property Insurance                                | 0.24      | 230      | 3.21%    |
| Property Tax                                      | 0.00      | 0        | 0.00%    |
| Reserve for Replacements                          | 0.21      | 200      | 2.79%    |
| Other: security, compl fees                       | 0.09      | 90       | 1.26%    |
| TOTAL EXPENSES                                    | \$3.21    | \$3,053  | 42.63%   |
| NET OPERATING INC                                 | \$4.31    | \$4,109  | 57.37%   |
| First Lien Mortgage (Tax-Exempt Bor               | \$3.85    | \$3,666  | 51.19%   |
| GIC Income  | \$0.00    | \$0      | 0.00%    |
| Additional Financing                              | \$0.00    | \$0      | 0.00%    |
| NET CASH FLOW                                     | \$0.47    | \$443    | 6.19%    |

|                                       | TDHCA        | APPLICANT    |
|---------------------------------------|--------------|--------------|
| Acquisition Cost (site or bldg)       | \$394,500    | \$394,500    |
| Off-Sites                             | 0            | 0            |
| Sitework                              | 1,888,739    | 1,888,739    |
| Direct Construction                   | 10,850,328   | 11,315,403   |
| Contingency                           | 636,953      | 660,207      |
| General Req'ts                        | 764,344      | 792,248      |
| Contractor's G & A                    | 254,781      | 264,083      |
| Contractor's Profit                   | 764,344      | 792,248      |
| Indirect Construction                 | 984,505      | 984,505      |
| Ineligible Costs                      | 1,174,930    | 1,174,930    |
| Developer's G & A                     | 350,928      | 0            |
| Developer's Profit                    | 2,281,031    | 2,714,974    |
| Interim Financing                     | 1,402,394    | 1,402,394    |
| Reserves                              | 380,189      | 0            |
| TOTAL COST                            | \$22,127,966 | \$22,384,231 |
| Recap-Hard Construction Costs         | \$15,159,490 | \$15,712,928 |
| First Lien Mortgage (Tax-Exempt Bonds | \$13,150,000 | \$13,150,000 |
| GIC Income                            | 211,997      | 211,997      |
| HTC Syndication Proceeds              | 8,644,480    | 8,644,480    |
| Deferred Developer Fees               | 377,752      | 377,752      |
| Additional (Excess) Funds Req'd       | (256,263)    | 2            |
| TOTAL SOURCES                         | \$22,127,966 | \$22,384,231 |

|                                 | PER SQ FT    | PER UNIT    | % of TOTAL |
|---------------------------------|--------------|-------------|------------|
| Acquisition Cost (site or bldg) | \$1.64       | \$1,565     | 1.76%      |
| Off-Sites                       | 0.00         | 0           | 0.00%      |
| Sitework                        | 7.87         | 7,495       | 8.44%      |
| Direct Construction             | 47.15        | 44,902      | 50.55%     |
| Contingency                     | 2.75         | 2,620       | 2.95%      |
| General Req'ts                  | 3.30         | 3,144       | 3.54%      |
| Contractor's G & A              | 1.10         | 1,048       | 1.18%      |
| Contractor's Profit             | 3.30         | 3,144       | 3.54%      |
| Indirect Construction           | 4.10         | 3,907       | 4.40%      |
| Ineligible Costs                | 4.90         | 4,662       | 5.25%      |
| Developer's G & A               | 0.00         | 0           | 0.00%      |
| Developer's Profit              | 11.31        | 10,774      | 12.13%     |
| Interim Financing               | 5.84         | 5,565       | 6.27%      |
| Reserves                        | 0.00         | 0           | 0.00%      |
| TOTAL COST                      | \$93.27      | \$88,826    | 100.00%    |
| Recap-Hard Construction Costs   | \$65.47      | \$62,353    | 70.20%     |
| RECOMMENDED                     | \$13,150,000 |             |            |
| Developer Fee Available         | 0            | \$2,714,974 |            |
| % of Dev. Fee Deferred          | 8,500,350    | 27%         |            |
| 15-Yr Cumulative Cash Flow      | 733,881      |             |            |
| TOTAL SOURCES                   | \$22,384,231 | \$4,470,978 |            |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Clark Pointe Apartments, San Antonio, 4% HTC #05414**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT              |
|--|---------|-------------|----------------|---------------------|
| Base Cost                              |         |             | \$43.71        | \$10,490,865        |
| <b>Adjustments</b>                     |         |             |                |                     |
| Exterior Wall Finish                   | 1.60%   |             | \$0.70         | \$167,854           |
| 9-Ft. Ceilings                         | 3.20%   |             | 1.40           | 335,708             |
| Roofing                                |         |             | 0.00           | 0                   |
| Subfloor                               |         |             | (0.68)         | (162,400)           |
| Floor Cover                            |         |             | 2.59           | 620,800             |
| Porches/Balconies                      | \$16.71 | 57,333      | 3.99           | 958,034             |
| Plumbing                               | \$605   | 576         | 1.45           | 348,480             |
| Built-In Appliances                    | \$1,650 | 253         | 1.74           | 417,450             |
| Stairs                                 | \$1,625 | 84          | 0.57           | 136,500             |
| Enclosed Corridors                     |         |             | 0.00           | 0                   |
| Heating/Cooling                        |         |             | 1.53           | 367,200             |
| Garages/Carports                       |         |             | 0.00           | 0                   |
| Comm &/or Aux Bldgs                    | \$60.82 | 5,484       | 1.39           | 333,520             |
| Other:                                 | \$77.48 | 612         | 0.20           | 47,420              |
| <b>SUBTOTAL</b>                        |         |             | <b>58.59</b>   | <b>14,061,432</b>   |
| Current Cost Multiplier                | 1.11    |             | 6.44           | 1,546,758           |
| Local Multiplier                       | 0.84    |             | (9.37)         | (2,249,829)         |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$55.66</b> | <b>\$13,358,360</b> |
| Plans, specs, survy, bld prm           | 3.90%   |             | (\$2.17)       | (\$520,976)         |
| Interim Construction Interest          | 3.38%   |             | (1.88)         | (450,845)           |
| Contractor's OH & Profit               | 11.50%  |             | (6.40)         | (1,536,211)         |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$45.21</b> | <b>\$10,850,328</b> |

**PAYMENT COMPUTATION**

|                |              |       |      |
|----------------|--------------|-------|------|
| <b>Primary</b> | \$13,150,000 | Amort | 480  |
| Int Rate       | 6.40%        | DCR   | 1.14 |

|                  |       |              |      |
|------------------|-------|--------------|------|
| <b>Secondary</b> |       | Amort        |      |
| Int Rate         | 0.00% | Subtotal DCR | 1.14 |

|                   |  |               |      |
|-------------------|--|---------------|------|
| <b>Additional</b> |  | Amort         |      |
| Int Rate          |  | Aggregate DCR | 1.14 |

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI**

|                         |                  |
|-------------------------|------------------|
| Primary Debt Service    | \$912,632        |
| Secondary Debt Service  | 0                |
| Additional Debt Service | 0                |
| <b>NET CASH FLOW</b>    | <b>\$122,897</b> |

|                |              |       |      |
|----------------|--------------|-------|------|
| <b>Primary</b> | \$13,150,000 | Amort | 480  |
| Int Rate       | 6.40%        | DCR   | 1.13 |

|                  |       |              |      |
|------------------|-------|--------------|------|
| <b>Secondary</b> | \$0   | Amort        | 0    |
| Int Rate         | 0.00% | Subtotal DCR | 1.13 |

|                   |       |               |      |
|-------------------|-------|---------------|------|
| <b>Additional</b> | \$0   | Amort         | 0    |
| Int Rate          | 0.00% | Aggregate DCR | 1.13 |

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

| INCOME at 3.00%               | YEAR 1             | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 10            | YEAR 15            | YEAR 20            | YEAR 30            |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| POTENTIAL GROSS RENT          | \$1,905,840        | \$1,963,015        | \$2,021,906        | \$2,082,563        | \$2,145,040        | \$2,486,689        | \$2,882,754        | \$3,341,902        | \$4,491,237        |
| Secondary Income              | 45,360             | 46,721             | 48,122             | 49,566             | 51,053             | 59,185             | 68,611             | 79,539             | 106,894            |
| Contractor's Profit           | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| POTENTIAL GROSS INCOME        | 1,951,200          | 2,009,736          | 2,070,028          | 2,132,129          | 2,196,093          | 2,545,873          | 2,951,365          | 3,421,441          | 4,598,131          |
| Vacancy & Collection Loss     | (146,340)          | (150,730)          | (155,252)          | (159,910)          | (164,707)          | (190,941)          | (221,352)          | (256,608)          | (344,860)          |
| Developer's G & A             | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$1,804,860</b> | <b>\$1,859,006</b> | <b>\$1,914,776</b> | <b>\$1,972,219</b> | <b>\$2,031,386</b> | <b>\$2,354,933</b> | <b>\$2,730,013</b> | <b>\$3,164,833</b> | <b>\$4,253,271</b> |
| <b>EXPENSES at 4.00%</b>      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| General & Administrative      | \$94,104           | \$97,868           | \$101,783          | \$105,854          | \$110,088          | \$133,939          | \$162,958          | \$198,263          | \$293,478          |
| Management                    | 90,243             | 92,950.29          | 95,738.7987        | 98,610.96266       | 101,569.2915       | 117,746.6464       | 136,500.6345       | 158,241.6467       | 212,663.541        |
| Payroll & Payroll Tax         | 223,201            | 232,129            | 241,414            | 251,071            | 261,114            | 317,685            | 386,512            | 470,251            | 696,086            |
| Repairs & Maintenance         | 107,863            | 112,178            | 116,665            | 121,331            | 126,184            | 153,523            | 186,784            | 227,251            | 336,387            |
| Utilities                     | 35,280             | 36,691             | 38,159             | 39,685             | 41,273             | 50,214             | 61,094             | 74,330             | 110,026            |
| Water, Sewer & Trash          | 87,600             | 91,104             | 94,748             | 98,538             | 102,480            | 124,682            | 151,695            | 184,560            | 273,194            |
| Insurance                     | 57,960             | 60,278             | 62,690             | 65,197             | 67,805             | 82,495             | 100,368            | 122,113            | 180,757            |
| Property Tax                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| Reserve for Replacements      | 50,400             | 52,416             | 54,513             | 56,693             | 58,961             | 71,735             | 87,276             | 106,185            | 157,180            |
| Other                         | 22,680             | 23,587             | 24,531             | 25,512             | 26,532             | 32,281             | 39,274             | 47,783             | 70,731             |
| <b>TOTAL EXPENSES</b>         | <b>\$769,331</b>   | <b>\$799,202</b>   | <b>\$830,240</b>   | <b>\$862,493</b>   | <b>\$896,006</b>   | <b>\$1,084,301</b> | <b>\$1,312,461</b> | <b>\$1,588,978</b> | <b>\$2,330,502</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$1,035,529</b> | <b>\$1,059,804</b> | <b>\$1,084,536</b> | <b>\$1,109,727</b> | <b>\$1,135,380</b> | <b>\$1,270,632</b> | <b>\$1,417,551</b> | <b>\$1,575,855</b> | <b>\$1,922,769</b> |
| <b>DEBT SERVICE</b>           |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| First Lien Financing          | \$912,632          | \$912,632          | \$912,632          | \$912,632          | \$912,632          | \$912,632          | \$912,632          | \$912,632          | \$912,632          |
| Second Lien                   | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| Other Financing               | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>NET CASH FLOW</b>          | <b>\$122,897</b>   | <b>\$147,172</b>   | <b>\$171,903</b>   | <b>\$197,094</b>   | <b>\$222,747</b>   | <b>\$358,000</b>   | <b>\$504,919</b>   | <b>\$663,223</b>   | <b>\$1,010,136</b> |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.13</b>        | <b>1.16</b>        | <b>1.19</b>        | <b>1.22</b>        | <b>1.24</b>        | <b>1.39</b>        | <b>1.55</b>        | <b>1.73</b>        | <b>2.11</b>        |

**LIHTC Allocation Calculation - Clark Pointe Apartments, San Antonio, 4% HTC #05414**

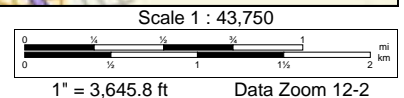
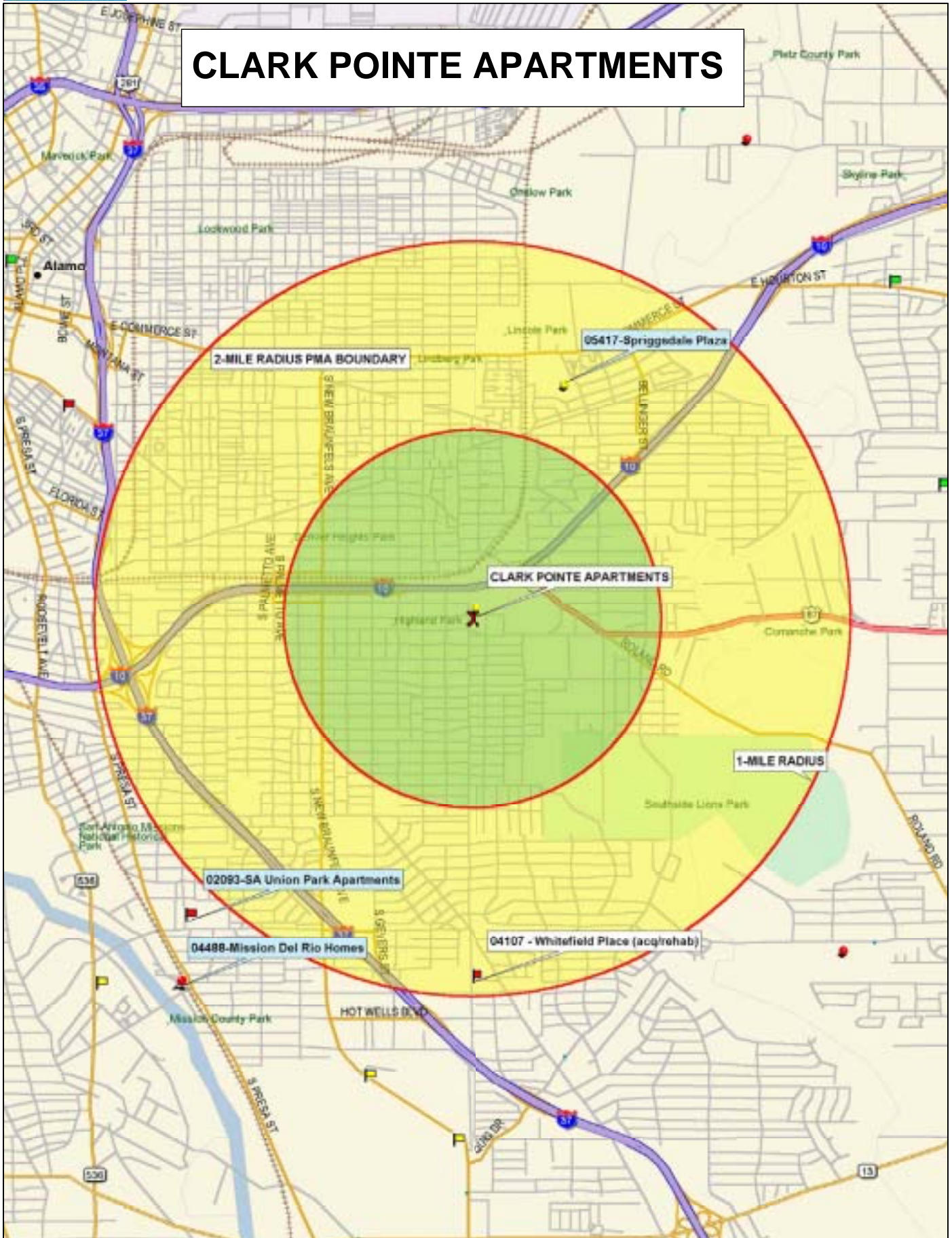
| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$394,500                       | \$394,500                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$1,888,739                     | \$1,888,739               | \$1,888,739                                | \$1,888,739                          |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$11,315,403                    | \$10,850,328              | \$11,315,403                               | \$10,850,328                         |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$264,083                       | \$254,781                 | \$264,083                                  | \$254,781                            |
| Contractor profit                                     | \$792,248                       | \$764,344                 | \$792,248                                  | \$764,344                            |
| General requirements                                  | \$792,248                       | \$764,344                 | \$792,248                                  | \$764,344                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$660,207                       | \$636,953                 | \$660,207                                  | \$636,953                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$984,505                       | \$984,505                 | \$984,505                                  | \$984,505                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$1,402,394                     | \$1,402,394               | \$1,402,394                                | \$1,402,394                          |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$1,174,930                     | \$1,174,930               |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
| Developer overhead                                    |                                 | \$350,928                 |  | \$350,928                            |
| Developer fee   | \$2,714,974                     | \$2,281,031               | \$2,714,974                                | \$2,281,031                          |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   |                                 | \$380,189                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$22,384,231</b>             | <b>\$22,127,966</b>       | <b>\$20,814,801</b>                        | <b>\$20,178,347</b>                  |

| <b>Deduct from Basis:</b>                                  |  |              |              |
|--|--|--------------|--------------|
| 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)             |  |              |              |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  | \$20,814,801 | \$20,178,347 |
| High Cost Area Adjustment                                  |  | 130%         | 130%         |
| <b>TOTAL ADJUSTED BASIS</b>                                |  | \$27,059,241 | \$26,231,851 |
| Applicable Fraction  |  | 100%         | 100%         |
| <b>TOTAL QUALIFIED BASIS</b>                               |  | \$27,059,241 | \$26,231,851 |
| Applicable Percentage                                      |  | 3.54%        | 3.54%        |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  | \$957,897    | \$928,608    |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.8899 | \$8,524,432        | \$8,263,781      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$957,897</b>   | <b>\$928,608</b> |
| Syndication Proceeds                         |        | \$8,524,432        | \$8,263,781      |
| Requested Credits                            |        | <b>\$955,191</b>   |                  |
| Syndication Proceeds                         |        | \$8,500,350        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$9,234,231</b> |                  |
| Credit Amount                                |        | \$1,037,658        |                  |



# CLARK POINTE APARTMENTS





THIS ITEM HAS BEEN PULLED  
FROM THE AGENDA

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Items**

Consideration of awards for the 2005 HOME Community Housing Development Organization (CHDO) Development program.

**Required Action**

Approve or deny awards for the 2005 HOME Community Housing Development Organization (CHDO) Development program.

**Background**

In January 2005 the Department released an Open Cycle Notice of Funding Availability (NOFA) for the HOME CHDO Development Program. The NOFA made available approximately \$13,000,000 in HOME CHDO set-aside funds for qualified applicants to develop either rental or single family homeownership affordable housing. The nature of the Open Cycle allows applications to be submitted at any time; applications are reviewed and processed in a first-come, first-served order and therefore, not all applications are in the same stage of review and not all are ready to be presented to the Board. The Department has received ten applications and is presenting three to the Board at this time. These three applications have passed the Department's CHDO certification and threshold criteria reviews. Of the remaining seven applications that were received, four were withdrawn by the Applicants, one is not being recommended for funding and the remaining two are currently being reviewed for threshold criteria. The Department will continue to accept applications for the program until all available funding has been awarded or until August 31, 2005, the end date posted in the NOFA. Attached are the following reports:

- 3 Report reflecting only those applications recommended for an award;
- 3 Report reflecting the status of all active applications; and
- 3 Individual report for each application being recommended.

**Recommendation**

Staff recommends that the three applications being presented today, totaling \$2,022,650 in activity funds and \$50,000 in CHDO operating funds, be awarded funding in accordance with, and conditioned upon, the recommendations made by the Real Estate Analysis Division. For applications that are jointly applying for Housing Tax Credits or other Department funding programs, these HOME recommendations are conditioned upon the successful award of those other Department funds. All applicants approved by the Board for an award will receive funding commitments that reflect all conditions based on the final underwriting report and any additional conditions deemed appropriate by the Department.

The total funding request from the two pending applications is \$2,500,000. Staff anticipates that these applications will be presented to the Board in September. After the action taken today, \$10,927,350 remains available in the NOFA.

To the extent any applications not funded due to a non-competitive housing tax credit application are recommended for an award of tax credits on July 27, a recommendation for HOME funds will also be made at that meeting.

**2005 HOME CHDO Development Program - Recommendations for Awards**  
**Sorted by Date and Time Received**  
**July 14, 2005**

| #                         | Region | Received By: |          | Development Name<br>City                        | Set-Asides <sup>(1)</sup> |                          |                                     | Layering <sup>(2)</sup>             |                          |                          | Requested                           | Recommendation                   | Status<br>Evaluation Comment* |  |
|---------------------------|--------|--------------|----------|---|---------------------------|--------------------------|-------------------------------------|-------------------------------------|--------------------------|--------------------------|-------------------------------------|----------------------------------|-------------------------------|--|
|                           |        | Date         | Time     |   | G                         | AR                       | C                                   | 9%                                  | RR                       | 4%                       | HTF                                 | Activity Funds<br>CHDO Operating |                               | Activity Funds<br>CHDO Operating   |
| 0514                      | 3      | 02/28/200    | 05:04 PM | Spring Garden V<br>Springtown                   | <input type="checkbox"/>  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$600,000<br>\$50,000            | \$600,000<br>\$50,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 0525                      | 7      | 03/01/200    | 03:52 PM | Hearthside<br>Austin                            | <input type="checkbox"/>  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$1,250,000<br>\$0               | \$1,250,000<br>\$0            | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final Real Estate Analysis report.                                  |
| 0524                      | 13     | 04/14/200    | 10:57 AM | Hacienda Santa Barbara<br>Apartments<br>Socorro | <input type="checkbox"/>  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$231,362<br>\$0                 | \$57,851<br>\$0               | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| <b>Application Status</b> |        |              |          |   | <b>Funds Requested</b>    |                          |                                     | <b>Funds Recommended</b>            |                          |                          | <b>CHDO Operating Funds</b>         |                                  |                               |  |
| Recommended for Funding   |        |              |          |   | \$2,081,362               |                          |                                     | \$1,907,851                         |                          |                          | \$50,000                            |                                  |                               |  |

1: Set-Aside Abbreviations: G=General, AR=At-Risk, C=CHDO

2: Layering of Other Department Applications: 9%= 9% Competitive Tax Credits, RR=Rural Rescue Program, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

\*: Because final underwriting reports and/or award recommendations for layered applicants have not been approved awards will be conditional. All applicants awarded by the board will be notified of the conditions of their award and receive conditional funding commitments based on the final underwriting report and any additional conditions placed on them by the Department.

**2005 HOME CHDO Development Program - Status Table**  
**Sorted by Date and Time Received**  
**July 14, 2005**

| #     | Region | Received By: |          | Development Name<br>City                        | Set-Asides(1)            |                          |                                     | Layering(2)                         |                          |                                     | Requested                           | Recommendation                   | Status                |  |
|-------|--------|--------------|----------|---|--------------------------|--------------------------|-------------------------------------|-------------------------------------|--------------------------|-------------------------------------|-------------------------------------|----------------------------------|-----------------------|--|
|       |        | Date         | Time     |   | G                        | AR                       | C                                   | 9%                                  | RR                       | 4%                                  | HTF                                 | Activity Funds<br>CHDO Operating |                       | Activity Funds<br>CHDO Operating   |
| 05146 | 3      | 02/28/2005   | 05:04 PM | Spring Garden V<br>Springtown                   | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | \$600,000<br>\$50,000            | \$600,000<br>\$50,000 | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 05189 | 3      | 03/01/2005   | 02:48 PM | Windvale Park<br>Corsicana                      | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | \$1,500,000<br>\$0               | \$0<br>\$0            | <b>Not Recommended</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.         |
| 05258 | 7      | 03/01/2005   | 03:52 PM | Hearthside<br>Austin                            | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | \$1,250,000<br>\$0               | \$1,250,000<br>\$0    | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final Real Estate Analysis report.                                  |
| 05262 | 7      | 03/17/2005   | 01:15 PM | Luling Senior Housing<br>Luling                 | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | \$1,500,000<br>\$0               | \$0<br>\$0            | <b>Under Review</b><br>Application is still pending final threshold and Real Estate Analysis review.                                     |
| 05247 | 13     | 04/14/2005   | 10:57 AM | Hacienda Santa Barbara<br>Apartments<br>Socorro | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | \$231,362<br>\$0                 | \$57,851<br>\$0       | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 05419 | 6      | 05/27/2005   | 12:00 PM | Sundance Apartments<br>Texas City               | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | \$1,000,000<br>\$0               | \$0<br>\$0            | <b>Under Review</b><br>Application is still pending final threshold and Real Estate Analysis review.                                     |

| Application Status      | Funds Requested | Funds Recommended | CHDO Operating Funds |
|-------------------------|-----------------|-------------------|----------------------|
| Not Recommended         | \$1,500,000     | \$0               | \$0                  |
| Recommended for Funding | \$2,081,362     | \$1,907,851       | \$50,000             |
| Under Review            | \$2,500,000     | \$0               | \$0                  |

1: Set-Aside Abbreviations: G=General, AR=At-Risk, C=CHDO

2: Layering of Other Department Applications: 9%= 9% Competitive Tax Credits, RR=Rural Rescue Program, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

\*: Because final underwriting reports and/or award recommendations for layered applicants have not been approved awards will be conditional. All applicants awarded by the board will be notified of the conditions of their award and receive conditional funding commitments based on the final underwriting report and any additional conditions placed on them by the Department.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Spring Garden V**

BASIC DEVELOPMENT INFORMATION

Site Address: 200 North Spring Branch Trail Development #: 05146  
 City: Springtown Region: 3 Population Served: Family  
 County: Parker Zip Code: 76082 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: NC  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: AHPC Spring Garden V, LP  
 A. G. Swan Phone (817) 220-5585  
 Developer: Affordable Housing of Parker County, Inc.  
 Housing General Contractor: Affordable Housing of Parker County, Inc.  
 Architect: L.P. Carter  
 Market Analyst: Integra Realty Resources  
 Syndicator: N/A  
 Supportive Services: Affordable Housing of Parker County, Inc.  
 Consultant: Diana McIver & Associates

UNIT/BUILDING INFORMATION

|                                  |            |                          |            |                         |             |
|----------------------------------|------------|--------------------------|------------|-------------------------|-------------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u>               | <u>60%</u> | Total Restricted Units: | 40          |
| 4                                | 0          | 16                       | 20         | Market Rate Units:      | 0           |
| Type of Building:                | Duplex     | Owner/Employee Units:    |            |                         | 0           |
| Number of Residential Buildings: | 20         | Total Development Units: |            |                         | 40          |
|                                  |            | Total Development Cost:  |            |                         | \$4,072,320 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$292,831                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$0                      | \$0                        | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$600,000                | \$600,000                  | 30           | 30          | 1%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Spring Garden V

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 30 [S] Points: N/A US Representative: Granger, District 12, S

TX Representative: King, District 61 [S] Points: N/A US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Wayne La Cava, Mayor Pro-Tem, S Resolution of Support from Local Government [ ]

Craig Estes, Senator, District 30, S

Individuals/Businesses: In Support: 1 In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Estes and Representative King expressed their support for the Development as one that will benefit the working class families of the city of Springtown. Mayor Pro-Tem La Cava expressed his support for the Development as the kind of housing that is needed in Springtown. Congresswoman Granger emphasized her support for the area's senior citizen population to receive affordable housing.

There was general support from a non-official.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment from TDHCA for HOME funds in the amount of at least \$600,000, or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.
3. Receipt, review, and acceptance of at least seven (7) units restricted by the HOME Program funding;
4. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report, prior to Board approval;
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted; and



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

**DATE:** June 17, 2005      **PROGRAM:** 9% HTC HOME CHDO      **FILE NUMBER:** 05146

**DEVELOPMENT NAME**

Spring Garden V Apartments

**APPLICANT**

**Name:** AHPC Spring Garden V      **Type:** For-profit  
**Address:** 101 Swan Court      **City:** Springtown      **State:** TX  
**Zip:** 76082      **Contact:** A. G. Swan      **Phone:** (817) 220-5585      **Fax:** (817) 220-7012

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** AHPC Gardens, LLC      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Affordable Housing of Parker County, Inc.      **(%):** N/A      **Title:** Developer and Non- Profit  
**Name:** Diana McIver & Associates, Inc.      **(%):** N/A      **Title:** Consultant

**PROPERTY LOCATION**

**Location:** 200 Spring Branch Trail       **QCT**       **DDA**  
**City:** Springtown      **County:** Parker      **Zip:** 76082

**REQUEST**

| <u>Amount</u>                 | <u>Interest Rate</u>   | <u>Amortization</u>   | <u>Term</u> |
|-------------------------------|--|-----------------------|-------------|
| 1) \$297,367                  | N/A  | N/A                   | N/A         |
| 2) \$600,000                  | 0%   | 40 yrs                | 40 yrs      |
| 3) \$50,000                   | N/A  | N/A                   | N/A         |
| <b>Other Requested Terms:</b> | 1) Annual ten-year allocation of housing tax credits<br>2) HOME Funds<br>3) CHDO Operating Expense Grant |                       |             |
| <b>Proposed Use of Funds:</b> | New construction   | <b>Property Type:</b> | Multifamily |
| <b>Special Purpose (s):</b>   | General population, Non-Profit, and Rural  |                       |             |

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$297,367 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$600,000, REPAYABLE OVER 30 YEARS AT ONE PERCENT INTEREST AND ALLOWABLE CHDO OPERATING EXPENSES SUBJECT TO THE FOLLOWING CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of at least seven (7) units restricted by the HOME Program funding;
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report, prior to Board approval;
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted; and



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4. Receipt, review, and acceptance that one additional unit has been designated a HOME unit making the total number of HOME units seven.

**REVIEW of PREVIOUS UNDERWRITING REPORTS OR ADDENDUM**

No previous reports. The Applicant or Affiliates have developed several prior properties under similar names nearby in Springtown. This is the first one to be developed with tax credit funds. Also, this development will have independent common areas and services from the existing developments.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 40    **# Rental Buildings:** 20    **# Non-Res. Buildings:** 1    **# of Floors:** 1    **Age:** N/A yrs  
**Net Rentable SF:** 40,892    **Av Un SF:** 1,022    **Common Area SF:** 1,296    **Gross Bldg SF:** 42,188

**STRUCTURAL MATERIALS**

The structure will be wood frame on a slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 100% brick veneer with wood trim. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be ceramic tile. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning.

**ONSITE AMENITIES**

A 1,296-square foot community building will include an activity room, management offices, restrooms, & a central mailroom. The community building, and equipped children's play area are located near the middle of the property. In addition, basketball court & picnic area are planned for the site.

**Uncovered Parking:** 109 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Spring Garden V is an 8.5-unit per acre new construction development of 40 units of affordable housing located in east Springtown. The development is comprised of 20 sporadically distributed duplex style residential buildings as follows:

- 6 Building Type A with 2 one-bedroom/one-bath units;
- 7 Building Type B with 2 two-bedroom/one-bath units;
- 7 Building Type C with 2 three-bedroom/two-bath units;

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 4.66 acres    202,990 square feet    **Zoning/ Permitted Uses:** Multifamily  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Springtown is located in the northeastern part of Parker County in north central Texas approximately 25 miles northwest of Fort Worth. The site is an irregularly-shaped parcel located in the eastern area of Springtown. The site is situated on the northeast corner of Walnut Creek Drive and North Spring Branch Trail.

**Adjacent Land Uses:**

- **North:** single-family homes immediately adjacent and vacant land beyond;

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MULTIFAMILY UNDERWRITING ANALYSIS**

- **South:** Walnut Creek Drive immediately adjacent and single-family homes beyond;
- **East:** single-family homes immediately adjacent and agricultural land beyond; and
- **West:** Spring Branch Trail immediately adjacent and single-family homes beyond.

**Site Access:** Access to the property is from the east or west along Walnut Creek Drive or from the north or south from Spring Branch Trail. The development is to have three entries, one from Walnut Creek Drive and two from Spring Branch Trail. Access to state highway 199 is several miles south, which provides connections to all other major roads serving the Springtown area.

**Public Transportation:** The availability of public transportation was not identified in the application materials.

**Shopping & Services:** The site is within several miles of a grocery store and other retail establishments. The nearest hospital is Harris Methodist Northwest which is located in the City of Azle, approximately 9.8 miles southeast of the subject site.

**Special Adverse Site Characteristics:**

The site inspection report has not been reviewed by the Underwriter, although an inspection by a TDHCA staff member. Receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated March, 2005 was prepared by DMG Associate, Inc. which indicated that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Forty of the units (100% of the total) will be reserved for low-income tenants. Four of the units (10%) will be reserved for households earning 30% or less of AMGI, sixteen units (40%) will be reserved for households earning 50% or less of AMGI, twenty units (50%) will be reserved for households earning 60% or less of AMGI. The Applicant indicated plans to restrict six units as low home units; however, a seventh unit will be required, as discussed below.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$26,340        | \$30,120         | \$33,840         | \$37,620         | \$40,620         | \$43,620         |

**MARKET HIGHLIGHTS**

A market feasibility study dated February 24, 2005 was prepared by Integra Realty Resources DFW ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "For this analysis, we consider the primary market area (PMA) for the subject to be the area within a 15-mile radius of the subject site." (p. 17) This area encompasses approximately 702 square miles.

**Population:** The estimated 2004 population of the PMA was 96,287 and is expected to increase by 2.5% annually to approximately 108,304 by 2009. Within the primary market area there were estimated to be 34,682 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 176 qualified households in the PMA, based on the current number of units in the area multiplied by the income qualified household percentage and turnover percentage. This methodology was described as a step-up/step-down demand. The Analyst estimated current households of 34,682, the projected annual growth rate of 2.5%, renter households estimated at 16.7% of the population, income-qualified households estimated at 29%, and an annual renter turnover rate of 60%. (p. 42-43). The Market Analyst used an income band of \$10,800 to \$39,100. The Underwriter derived demand from the total number of households in the area rather

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MULTIFAMILY UNDERWRITING ANALYSIS**

than the existing number of rental units in the PMA.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 41                     | 23%                      | 42                     | 4%                       |
| Resident Turnover                                      | 135                    | 77%                      | 1,033                  | 96%                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>176</b>             | <b>100%</b>              | <b>1,076</b>           | <b>100%</b>              |

Ref: p. 44

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 22.7% based upon 176 units of demand and 40 unstabilized affordable housing in the PMA (including the subject) (p. 44). The Underwriter calculated an inclusive capture rate of 3.7% based upon a revised demand of 1,076.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 498 units in the market area. (p. 45)

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (30%)</b>                       | \$300           | \$300              | \$0                 | \$520              | -\$220              |
| <b>1-Bedroom (40%)</b>                       | \$431           | \$536              | -\$105              | \$520              | -\$89               |
| <b>1-Bedroom (60%)</b>                       | \$520           | \$653              | -\$133              | \$520              | \$0                 |
| <b>2-Bedroom (30%)</b>                       | \$357           | \$357              | \$0                 | \$620              | -\$263              |
| <b>2-Bedroom (50%)</b>                       | \$514           | \$639              | -\$125              | \$620              | -\$106              |
| <b>2-Bedroom (60%)</b>                       | \$620           | \$780              | -\$160              | \$620              | \$0                 |
| <b>3-Bedroom (50%)</b>                       | \$622           | \$734              | -\$112              | \$750              | -\$128              |
| <b>3-Bedroom (60%)</b>                       | \$750           | \$897              | -\$147              | \$750              | \$0                 |

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

**Primary Market Occupancy Rates:** “Occupancy levels for multifamily properties within the PMA are 93%.” (p. 35)

**Absorption Projections:** “For the entire period examined, average annual absorption in the PMA was 11 units per year. However, this figure drastically understates potential absorption for the PMA. Since 2000 only one new property has been added to the supply. Based on our Demand Analysis, a new project, the size of the subject as proposed with 40 units, is likely to be absorbed within 4 months of opening, equating to an absorption pace of approximately 10 units per month.” (p. 38-39)

**Market Study Analysis/Conclusions:** 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 significantly lower than the maximum rents allowed under HTC/program guidelines, reflecting the state of the subject market and the Applicant’s desire to maintain the affordability of the units. There is the potential for additional income (approximately \$20K) if the Applicant chooses to increase rents to the market achievable level as established in the Market Study. An additional \$37K in income would be available if the maximum rent restricted rents could be achieved. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the differences in achievable market rent, the Applicant’s effective gross income estimate is \$18,532 less than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,800 per unit is within 2% of the Underwriter’s database-derived estimate of \$3,714 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 utilities (\$2.6K lower), and insurance (\$7.8K higher). The Applicant anticipates the receipt of a 50% property tax exemption based upon their status as a CHDO general partner and the Underwriter also used this assumption based on current State statute.

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MULTIFAMILY UNDERWRITING ANALYSIS**

**Conclusion:** The Applicant's effective gross income and the Applicant's net operating income (NOI) estimate 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 gross income, the Underwriter's estimated debt coverage ratio (DCR) of 1.42 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$9,000 annually.

| ACQUISITION VALUATION INFORMATION    |                              |                                     |                                  |
|--------------------------------------|------------------------------|-------------------------------------|----------------------------------|
| ASSESSED VALUE                       |                              |                                     |                                  |
| Land: (4.66) acres                   | \$18,320                     | Assessment for the Year of:         | 2005                             |
| Tax Rate:                            | 2.9221                       | Valuation by:                       | Parker County Appraisal District |
| EVIDENCE of SITE or PROPERTY CONTROL |                              |                                     |                                  |
| Type of Site Control:                | Purchase Option (4.66 acres) |                                     |                                  |
| Contract Expiration Date:            | 3/ 31/ 2005                  | Anticipated Closing Date:           | 9/ 27/ 2005                      |
| Acquisition Cost:                    | \$120,000                    | Other Terms/Conditions:             | Earnest Money - \$1,000          |
| Seller:                              | Charles and Glenda Luke      | Related to Development Team Member: | No                               |

| CONSTRUCTION COST ESTIMATE EVALUATION |  |
|---------------------------------------|--|
| <b>Acquisition Value:</b>             | The site cost of \$120,000 (\$0.59/SF, \$25,751/acre, or \$3,000/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.   |
| <b>Sitework Cost:</b>                 | The Applicant's claimed sitework costs of \$6,875 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.  |
| <b>Direct Construction Cost:</b>      | The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.   |
| <b>Fees:</b>                          | The Applicant's contingencies exceed the 5% maximums allowed by HTC guidelines by \$18,350 based on their own construction costs; however, contractor fees appear to be far below the maximum limits allowed. Consequently, the Applicant's eligible fees in these areas have been adjusted with the overage effectively spread to contractor fees.  |
| <b>Conclusion:</b>                    | 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 for contingencies, is used to size the award recommendation and calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$3,671,200 is used to determine a credit allocation of \$297,367 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of total funds needed using the Applicant's costs to determine the recommended credit amount. |

| FINANCING STRUCTURE            |  |
|--------------------------------|--|
| INTERIM CONSTRUCTION FINANCING |  |
| Source:                        | JPMorgan Chase Bank  |
| Contact:                       | Omar Chaudhry  |
| Principal Amount:              | \$1,991,000  |
| Interest Rate:                 | 6.5% underwriting rate   |
| Additional Information:        | Chase Prime Rate plus 1% - interest only during construction   |
| Amortization:                  | N/A yrs  |
| Term:                          | 2 yrs  |
| Commitment:                    | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
| PERMANENT FINANCING            |  |
| Source:                        | JPMorgan Chase Bank  |
| Contact:                       | Omar Chaudhry  |
| Principal Amount:              | \$900,000  |
| Interest Rate:                 | 7.25% underwriting rate  |

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

**Additional Information:** Fixed at a spread over the 10 year U.S. Treasury  
**Amortization:** 30 yrs    **Term:** 18 yrs    **Commitment:**  LOI     Firm     Conditional  
**Annual Payment:** \$73,675    **Lien Priority:** 1st    **Date:** 2/ 28/ 2005

**TAX CREDIT SYNDICATION**

**Source:** Guilford Capital Company    **Contact:** Mike Sugrue  
**Net Proceeds:** \$2,383,235    **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 80¢  
**Commitment:**  LOI     Firm     Conditional    **Date:** 2/ 28/ 2005  
**Additional Information:** Rate is based on 99.99% acquisition

**APPLICANT EQUITY**

**Amount:** \$68,613    **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.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The committed rate is on the lower end of rates seen at the present time. If the final committed rate exceeds 82.5 cents, an excess of funds would be calculated (all else being the same) and a gap reduction in credits would be required.

**HOME Funds:** The Applicant has requested \$600,000 in TDHCA HOME funds at zero percent for 40 years. The Applicant's total development cost estimate is not within the HUD 221(d) (3) HOME subsidy limit of \$93,343 per unit. In addition, the proportional cost of each unit would suggest that 6/40<sup>ths</sup> of the total cost would only allow \$592,777 in HOME funds with six HOME units. These limits would require the developer to designate one additional unit as a HOME unit, or a minimum total of seven HOME units.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$68,613 amount to 14% of the total fees.

**Financing Conclusions:** The development can support an additional \$9,000 in debt service; therefore, the HOME funds can have the term reduced from 40 years as requested to 30 years and the interest rate increased to one percent and still provide a debt coverage ratio 1.30. The HOME award amount will be below the 221(d) (3) limit for this project once seven units have been designated HOME units instead of the proposed six units. Applicant acceptance of these changes to the HOME funds is a condition of this report. Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$297,367 annually for ten years, resulting in syndication proceeds of approximately \$2,378,700. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$73,148, which represents approximately 15% of the eligible fee and which should be repayable from cash flow within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, and Property Manager firms are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Affordable Housing of Parker County, Inc. (AHPC), submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$2.8M and consisting of \$826K in cash, deposits and construction in process, \$1.9M in land, buildings, and fixtures. Liabilities totaled \$2.5M, resulting in a net worth of \$303K.

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

**Background & Experience:**

- Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- 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 anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** June 17, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 17, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Spring Garden V, Springtown, 9% HTC/HOME #05146**

| Type of Unit  | Number    | Bedrooms | No. of Baths    | Size in SF   | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Tnt-Pd Util    | Wtr, Swr, Trsh |
|---------------|-----------|----------|-----------------|--------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| TC 30%/LH     | 2         | 1        | 1               | 806          | \$352           | \$300             | \$600           | \$0.37        | \$52.00        | \$39.00        |
| TC 50%/LH     | 4         | 1        | 1               | 806          | 588             | \$520             | 2,080           | 0.65          | 52.00          | 39.00          |
| TC 60%        | 6         | 1        | 1               | 806          | 705             | \$520             | 3,120           | 0.65          | 52.00          | 39.00          |
| TC 30%/LH     | 1         | 2        | 1               | 977          | 423             | \$357             | 357             | 0.37          | 66.00          | 42.00          |
| TC 30%        | 1         | 2        | 1               | 977          | 423             | \$357             | 357             | 0.37          | 66.00          | 42.00          |
| TC 50%        | 5         | 2        | 1               | 977          | 705             | \$620             | 3,100           | 0.63          | 66.00          | 42.00          |
| TC 60%        | 7         | 2        | 1               | 977          | 846             | \$620             | 4,340           | 0.63          | 66.00          | 42.00          |
| TC 50%        | 7         | 3        | 2               | 1,253        | 815             | \$734             | 5,138           | 0.59          | 81.00          | 46.00          |
| TC 60%        | 7         | 3        | 2               | 1,253        | 978             | \$750             | 5,250           | 0.60          | 81.00          | 46.00          |
| <b>TOTAL:</b> | <b>40</b> |          | <b>AVERAGE:</b> | <b>1,022</b> | <b>\$753</b>    | <b>\$609</b>      | <b>\$24,342</b> | <b>\$0.60</b> | <b>\$67.05</b> | <b>\$42.50</b> |

**INCOME**

Total Net Rentable Sq Ft: **40,892**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
 Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                          | % OF EGI | PER UNIT | PER SQ FT |
|--------------------------|----------|----------|-----------|
| General & Administrative | 4.06%    | \$279    | 0.27      |
| Management               | 6.08%    | 418      | 0.41      |
| Payroll & Payroll Tax    | 15.38%   | 1,056    | 1.03      |
| Repairs & Maintenance    | 8.71%    | 598      | 0.58      |
| Utilities                | 1.76%    | 121      | 0.12      |
| Water, Sewer, & Trash    | 6.92%    | 475      | 0.46      |
| Property Insurance       | 3.72%    | 256      | 0.25      |
| Property Tax 2.9221      | 3.10%    | 213      | 0.21      |
| Reserve for Replacements | 2.91%    | 200      | 0.20      |
| Other: compl fees        | 1.46%    | 100      | 0.10      |

**TOTAL EXPENSES**

54.09% \$3,714 \$3.63

**NET OPERATING INC**

45.91% \$3,152 \$3.08

**DEBT SERVICE**

|                      |               |              |               |
|----------------------|---------------|--------------|---------------|
| JPMorgan Chase       | 26.83%        | \$1,842      | \$1.80        |
| HOME Funds           | 5.46%         | \$375        | \$0.37        |
| Additional Financing | 0.00%         | \$0          | \$0.00        |
| <b>NET CASH FLOW</b> | <b>13.62%</b> | <b>\$935</b> | <b>\$0.91</b> |

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**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)      |        | 3.09%          | \$3,150          | \$3.08         | \$126,000          | \$126,000          | \$3.08         | \$3,150         | 3.19%          |
| Off-Sites                            |        | 0.00%          | 0                | 0.00           | 0                  | 0                  | 0.00           | 0               | 0.00%          |
| Sitework                             |        | 6.75%          | 6,875            | 6.73           | 275,000            | 275,000            | 6.73           | 6,875           | 6.96%          |
| Direct Construction                  |        | 50.22%         | 51,132           | 50.02          | 2,045,278          | 1,918,000          | 46.90          | 47,950          | 48.53%         |
| Contingency                          | 4.70%  | 2.68%          | 2,725            | 2.67           | 109,000            | 109,000            | 2.67           | 2,725           | 2.76%          |
| General Req'ts                       | 5.50%  | 3.13%          | 3,188            | 3.12           | 127,500            | 127,500            | 3.12           | 3,188           | 3.23%          |
| Contractor's G & A                   | 1.70%  | 0.97%          | 988              | 0.97           | 39,500             | 39,500             | 0.97           | 988             | 1.00%          |
| Contractor's Profit                  | 5.54%  | 3.16%          | 3,213            | 3.14           | 128,500            | 128,500            | 3.14           | 3,213           | 3.25%          |
| Indirect Construction                |        | 8.56%          | 8,718            | 8.53           | 348,700            | 348,700            | 8.53           | 8,718           | 8.82%          |
| Ineligible Costs                     |        | 1.07%          | 1,090            | 1.07           | 43,580             | 43,580             | 1.07           | 1,090           | 1.10%          |
| Developer's G & A                    | 1.29%  | 1.05%          | 1,074            | 1.05           | 42,948             | 0                  | 0.00           | 0               | 0.00%          |
| Developer's Profit                   | 13.00% | 10.61%         | 10,801           | 10.57          | 432,052            | 475,000            | 11.62          | 11,875          | 12.02%         |
| Interim Financing                    |        | 6.14%          | 6,250            | 6.11           | 250,000            | 250,000            | 6.11           | 6,250           | 6.33%          |
| Reserves                             |        | 2.56%          | 2,607            | 2.55           | 104,262            | 111,068            | 2.72           | 2,777           | 2.81%          |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$101,808</b> | <b>\$99.59</b> | <b>\$4,072,320</b> | <b>\$3,951,848</b> | <b>\$96.64</b> | <b>\$98,796</b> | <b>100.00%</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>66.91%</b>  | <b>\$68,119</b>  | <b>\$66.63</b> | <b>\$2,724,778</b> | <b>\$2,597,500</b> | <b>\$63.52</b> | <b>\$64,938</b> | <b>65.73%</b>  |

**SOURCES OF FUNDS**

|                                 |        |          |         | TDHCA              | APPLICANT          | RECOMMENDED        |                            |
|---------------------------------|--------|----------|---------|--------------------|--------------------|--------------------|----------------------------|
| JPMorgan Chase                  | 22.10% | \$22,500 | \$22.01 | \$900,000          | \$900,000          | \$900,000          | Developer Fee Available    |
| HOME Funds                      | 14.73% | \$15,000 | \$14.67 | 600,000            | 600,000            | 600,000            | \$475,000                  |
| HTC Syndication Proceeds        | 58.52% | \$59,581 | \$58.28 | 2,383,235          | 2,383,235          | 2,378,700          | % of Dev. Fee Deferred     |
| Deferred Developer Fees         | 1.68%  | \$1,715  | \$1.68  | 68,613             | 68,613             | 73,148             | 15%                        |
| Additional (Excess) Funds Req'd | 2.96%  | \$3,012  | \$2.95  | 120,472            | 0                  | 0                  | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>            |        |          |         | <b>\$4,072,320</b> | <b>\$3,951,848</b> | <b>\$3,951,848</b> | <b>\$691,939</b>           |

**MULTIFAMILY COMPARATIVE ANALYSIS(continued)**  
**Spring Garden V, Springtown, 9% HTC/HOME #05146**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Duplex Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|---------|-------------|----------------|--------------------|
| Base Cost                              |         |             | \$45.47        | \$1,859,277        |
| <b>Adjustments</b>                     |         |             |                |                    |
| Exterior Wall Finish                   | 7.00%   |             | \$3.18         | \$130,149          |
| Elderly/9-Ft. Ceilings                 |         |             | 0.00           | 0                  |
| Roofing                                |         |             | 0.00           | 0                  |
| Subfloor                               |         |             | 1.99           | 81,375             |
| Floor Cover                            |         |             | 2.53           | 103,457            |
| Porches/Balconies                      | \$16.36 | 3296        | 1.32           | 53,923             |
| Plumbing                               | \$730   | 42          | 0.75           | 30,660             |
| Built-In Appliances                    | \$2,175 | 40          | 2.13           | 87,000             |
| Stairs/Fireplaces                      |         |             | 0.00           | 0                  |
| Enclosed Corridors                     | \$35.55 |             | 0.00           | 0                  |
| Heating/Cooling                        |         |             | 1.96           | 80,148             |
| Garages/Carports                       |         | 0           | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$71.03 | 1,296       | 2.25           | 92,051             |
| Other:                                 |         |             | 0.00           | 0                  |
| <b>SUBTOTAL</b>                        |         |             | <b>61.58</b>   | <b>2,518,040</b>   |
| Current Cost Multiplier                | 1.11    |             | 6.77           | 276,984            |
| Local Multiplier                       | 0.89    |             | (6.77)         | (276,984)          |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$61.58</b> | <b>\$2,518,040</b> |
| Plans, specs, survy, bld prm           | 3.90%   |             | (\$2.40)       | (\$98,204)         |
| Interim Construction Interest          | 3.38%   |             | (2.08)         | (84,984)           |
| Contractor's OH & Profit               | 11.50%  |             | (7.08)         | (289,575)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$50.02</b> | <b>\$2,045,278</b> |

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$900,000 | Amort | 360  |
| Int Rate       | 7.25%     | DCR   | 1.71 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$600,000 | Amort        | 480  |
| Int Rate         | 0.00%     | Subtotal DCR | 1.42 |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Additional</b> | \$2,383,235 | Amort         |      |
| Int Rate          |             | Aggregate DCR | 1.42 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$73,675        |
| Secondary Debt Service  | 23,158          |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$29,253</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$900,000 | Amort | 360  |
| Int Rate       | 7.25%     | DCR   | 1.71 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$600,000 | Amort        | 360  |
| Int Rate         | 1.00%     | Subtotal DCR | 1.30 |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Additional</b> | \$2,383,235 | Amort         | 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            | \$292,104 | \$300,867 | \$309,893 | \$319,190 | \$328,766 | \$381,129 | \$441,834 | \$512,206 | \$688,362 |
| Secondary Income                | 4,800     | 4,944     | 5,092     | 5,245     | 5,402     | 6,263     | 7,260     | 8,417     | 11,312    |
| Other Support Income: (describ) | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| POTENTIAL GROSS INCOME          | 296,904   | 305,811   | 314,985   | 324,435   | 334,168   | 387,392   | 449,094   | 520,623   | 699,674   |
| Vacancy & Collection Loss       | (22,268)  | (22,936)  | (23,624)  | (24,333)  | (25,063)  | (29,054)  | (33,682)  | (39,047)  | (52,476)  |
| Employee or Other Non-Rental    | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| EFFECTIVE GROSS INCOME          | \$274,636 | \$282,875 | \$291,362 | \$300,102 | \$309,105 | \$358,338 | \$415,412 | \$481,576 | \$647,198 |
| EXPENSES at 4.00%               |           |           |           |           |           |           |           |           |           |
| General & Administrative        | \$11,147  | \$11,593  | \$12,057  | \$12,539  | \$13,041  | \$15,866  | \$19,304  | \$23,486  | \$34,765  |
| Management                      | 16,701    | 17,202    | 17,718    | 18,249    | 18,797    | 21,791    | 25,261    | 29,285    | 39,356    |
| Payroll & Payroll Tax           | 42,233    | 43,922    | 45,679    | 47,506    | 49,407    | 60,111    | 73,134    | 88,978    | 131,710   |
| Repairs & Maintenance           | 23,909    | 24,866    | 25,860    | 26,895    | 27,970    | 34,030    | 41,403    | 50,373    | 74,565    |
| Utilities                       | 4,828     | 5,021     | 5,222     | 5,430     | 5,648     | 6,871     | 8,360     | 10,171    | 15,056    |
| Water, Sewer & Trash            | 19,009    | 19,769    | 20,560    | 21,383    | 22,238    | 27,056    | 32,918    | 40,049    | 59,283    |
| Insurance                       | 10,223    | 10,632    | 11,057    | 11,499    | 11,959    | 14,551    | 17,703    | 21,538    | 31,882    |
| Property Tax                    | 8,500     | 8,840     | 9,194     | 9,561     | 9,944     | 12,098    | 14,719    | 17,908    | 26,509    |
| Reserve for Replacements        | 8,000     | 8,320     | 8,653     | 8,999     | 9,359     | 11,386    | 13,853    | 16,855    | 24,949    |
| Other                           | 4,000     | 4,160     | 4,326     | 4,499     | 4,679     | 5,693     | 6,927     | 8,427     | 12,475    |
| TOTAL EXPENSES                  | \$148,550 | \$154,325 | \$160,326 | \$166,562 | \$173,042 | \$209,453 | \$253,582 | \$307,071 | \$450,548 |
| NET OPERATING INCOME            | \$126,086 | \$128,550 | \$131,036 | \$133,541 | \$136,064 | \$148,885 | \$161,830 | \$174,505 | \$196,650 |
| DEBT SERVICE                    |           |           |           |           |           |           |           |           |           |
| First Lien Financing            | \$73,675  | \$73,675  | \$73,675  | \$73,675  | \$73,675  | \$73,675  | \$73,675  | \$73,675  | \$73,675  |
| Second Lien                     | 23,158    | 23,158    | 23,158    | 23,158    | 23,158    | 23,158    | 23,158    | 23,158    | 23,158    |
| Other Financing                 | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| NET CASH FLOW                   | \$29,253  | \$31,717  | \$34,203  | \$36,708  | \$39,231  | \$52,052  | \$64,997  | \$77,672  | \$99,817  |
| DEBT COVERAGE RATIO             | 1.30      | 1.33      | 1.35      | 1.38      | 1.41      | 1.54      | 1.67      | 1.80      | 2.03      |



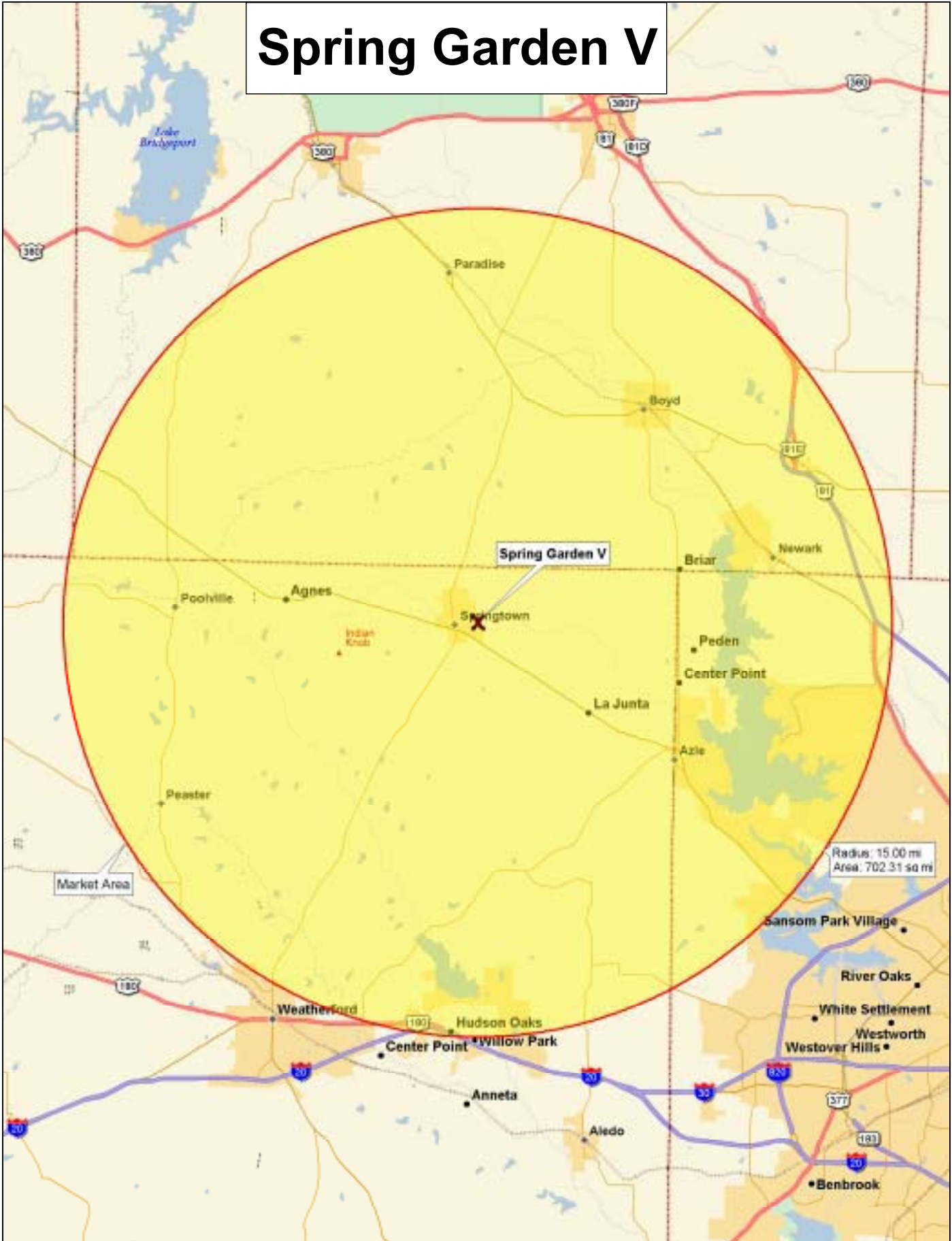
**LIHTC Allocation Calculation - Spring Garden V, Springtown, 9% HTC/HOME #05146**

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$126,000                       | \$126,000                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$275,000                       | \$275,000                 | \$275,000                                  | \$275,000                            |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$1,918,000                     | \$2,045,278               | \$1,918,000                                | \$2,045,278                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$39,500                        | \$39,500                  | \$39,500                                   | \$39,500                             |
| Contractor profit                                     | \$128,500                       | \$128,500                 | \$128,500                                  | \$128,500                            |
| General requirements                                  | \$127,500                       | \$127,500                 | \$127,500                                  | \$127,500                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$109,000                       | \$109,000                 | \$109,000                                  | \$109,000                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$348,700                       | \$348,700                 | \$348,700                                  | \$348,700                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$250,000                       | \$250,000                 | \$250,000                                  | \$250,000                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$43,580                        | \$43,580                  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
| Developer overhead                                    |                                 | \$42,948                  |  | \$42,948                             |
| Developer fee   | \$475,000                       | \$432,052                 | \$475,000                                  | \$432,052                            |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$111,068                       | \$104,262                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$3,951,848</b>              | <b>\$4,072,320</b>        | <b>\$3,671,200</b>                         | <b>\$3,798,478</b>                   |

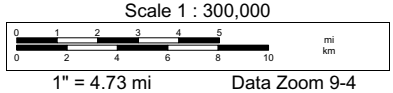
| <b>Deduct from Basis:</b>                                  |  |  |                    |                    |
|--|--|--|--------------------|--------------------|
| All grant proceeds used to finance costs in eligible basis |  |  |                    |                    |
| B.M.R. loans used to finance 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)             |  |  |                    |                    |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | <b>\$3,671,200</b> | <b>\$3,798,478</b> |
| High Cost Area Adjustment                                  |  |  | 100%               | 100%               |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | <b>\$3,671,200</b> | <b>\$3,798,478</b> |
| Applicable Fraction  |  |  | 100%               | 100%               |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | <b>\$3,671,200</b> | <b>\$3,798,478</b> |
| Applicable Percentage                                      |  |  | 8.10%              | 8.10%              |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | <b>\$297,367</b>   | <b>\$307,677</b>   |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.7999 | \$2,378,700        | \$2,461,168      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$297,367</b>   | <b>\$307,677</b> |
| Syndication Proceeds                         |        | \$2,378,700        | \$2,461,168      |
| Requested Credits                            |        | \$297,367          |                  |
| Syndication Proceeds                         |        | \$2,378,698        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$2,451,848</b> |                  |
| Credit Amount                                |        | \$306,512          |                  |

# Spring Garden V



Radius: 15.00 mi  
Area: 702.31 sq mi





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hacienda Santa Barbara Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 525 Three Missions Drive Development #: 05247  
 City: Socorro Region: 13 Population Served: Family  
 County: El Paso Zip Code: 79927 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: NC  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Hacienda Santa Barbara LP  
 Eddie L. Gallegos Phone (505) 541-0477  
 Developer: The J.L. Gray Company  
 Housing General Contractor: N/A  
 Architect: Jim Wall  
 Market Analyst: N/A  
 Syndicator: Enterprise Social Investment Corporation  
 Supportive Services: N/A  
 Consultant: The J.L. Gray Company

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |             |
|----------------------------------|-----------------|------------|------------|--------------------------|-------------|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 40          |
| 4                                | 6               | 30         | 0          | Market Rate Units:       | 0           |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0           |
| Number of Residential Buildings: | 5               |            |            | Total Development Units: | 40          |
|                                  |                 |            |            | Total Development Cost:  | \$3,210,114 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$120,529                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$206,539                | \$0                        | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$231,362                | \$172,650                  | 30           | 30          | 1%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Hacienda Santa Barbara Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Madla, District 19

N

Points: N/A

US Representative: Reyes, District 16, NC

TX Representative: Quintanilla, District 75

NC

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals/Businesses: In Support: 5

In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Local officials and community organizations expressed their support for the Development.

There was general support from non-officials.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.

2. All three of the HOME units should be restricted as LOW HOME (50%) units. 3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hacienda Santa Barbara Apartments**

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

9% HTC Competitive Cycle:  Score: **125**  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$172,650

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

Housing Trust Fund Loan: Loan Amount: \$0

Recommendation: Application is not being recommended at this time due to Real Estate Analysis report.

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A



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

- HTF AWARD NOT RECOMMENDED DUE TO LACK OF SUPPORT FOR HARD CONSTRUCTION COSTS IN EXCESS OF \$66.69 PER SQUARE FOOT.

**CONDITIONS**

1. All three of the HOME units should be restricted as Low HOME (50%) units.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**ADDENDUM**

Subsequent to the Department's posting the underwriting report to the web, the Applicant submitted additional cost information reflecting adjustments that should have been made to the Underwriter's Marshall and Swift cost estimate thereby affecting the Underwriter's original Direct Construction cost estimate. The adjustments included: adding 2,320 square feet of porches and balconies that were reflected in the building plans but not accounted for in the Applicant's original square footage calculation; adding the cost of kitchen appliances and HVAC to the cost of the community room building; adjusting the sub-floor and floor cover costs to account for the lightweight concrete on the second floor; and, adjusting the base cost to accurately reflect the inclusion of the cost of the employee occupied unit which is connected to the clubhouse building rather than a residential building. These adjustments result in an increase in the Underwriter's direct construction costs of \$118,061 from \$1,610,728 to \$1,728,789. The Applicant's draft appeal request/analysis concluded a slightly higher final direct construction cost of \$1,732,951. The Applicant's calculation however, overstated the roof adjustment for balconies and porches by including it at 100% rather than 50% given that the porches have a ceiling but share a roof with the balconies above them.

In addition as a result of the overall increases the associated line items such as Contingency, General Requirements, Contractors G & A, and Contractors Profit have also increased by their respective percentages. Therefore, the Underwriter's total estimated cost of the project has increased \$161,566 from \$3,210,114 to \$3,371,680. Based on this increase, the need for additional gap financing from the Housing Tax Credit allocation and HOME funds has increased from the original recommended amounts. The annual HTC request has been increased from \$101,495 to \$107,199, based on a revised eligible basis of \$3,036,791 and resulting in an increase in anticipated syndication proceeds of \$46,767. The HOME funds can then be increased to fill the remaining gap of \$114,799 by increasing the recommend loan award from \$57,851 to \$172,650. These amounts are still considerably less than the original application request, but the Underwriter has confirmed by phone that these reconciled levels of funding are now acceptable to the Applicant.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- ⊘ The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- ⊘ The significant financing structure changes being proposed have not been reviewed or accepted by the lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

\_\_\_\_\_  
*Bert Murray*

**Date:** July 7, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** July 7, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Hacienda Santa Barbara Apartments, Socorro, 4%, 05247 ADDENDUM**

| 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 |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|-----------------|----------------|
| >30%TC /HTF   | 2         | 1        | 1               | 649        | \$238           | \$444             | \$888           | \$0.68        | \$91.00         | \$44.00        |
| >TC40%        | 2         | 1        | 1               | 649        | 318             | \$444             | 888             | 0.68          | 91.00           | \$44.00        |
| >TC 50%       | 3         | 1        | 1               | 649        | 397             | \$444             | 1,332           | 0.68          | 91.00           | \$44.00        |
| >TC 50%/LH    | 1         | 1        | 1               | 649        | 397             | \$444             | 444             | 0.68          | 91.00           | \$44.00        |
| >30%TC /HTF   | 1         | 2        | 1               | 837        | 286             | \$593             | 593             | 0.71          | 108.00          | \$45.00        |
| >TC40%        | 3         | 2        | 1               | 837        | 382             | \$593             | 1,779           | 0.71          | 108.00          | \$45.00        |
| >TC 50%       | 13        | 2        | 1               | 837        | 477             | \$593             | 7,709           | 0.71          | 108.00          | \$45.00        |
| >TC 50%/LH    | 1         | 2        | 1               | 837        | 477             | \$593             | 593             | 0.71          | 108.00          | \$45.00        |
| >30%TC        | 1         | 3        | 1               | 1,047      | 330             | \$710             | 710             | 0.68          | 125.00          | \$53.00        |
| >TC40%        | 1         | 3        | 1               | 1,047      | 441             | \$710             | 710             | 0.68          | 125.00          | \$53.00        |
| >TC 50%       | 11        | 3        | 1               | 1,047      | 551             | \$710             | 7,810           | 0.68          | 125.00          | \$53.00        |
| >TC 50%/LH    | 1         | 3        | 1               | 1,047      | 551             | 710               | 710             | 0.68          | 125.00          | \$53.00        |
| EO            | 1         | 3        | 1               | 1,047      | 551             | 0                 | 0               | 0.00          | 125.00          | \$53.00        |
| <b>TOTAL:</b> | <b>41</b> |          | <b>AVERAGE:</b> | <b>877</b> | <b>\$444</b>    | <b>\$589</b>      | <b>\$24,166</b> | <b>\$0.67</b> | <b>\$110.90</b> | <b>\$46.44</b> |

| <b>INCOME</b>                                     |          |                              |         | <b>Total Net Rentable Sq Ft: 35,963</b> |                 | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>Comptroller's Region 13</b> |                         |                 |               |
|---|----------|------------------------------|---------|---|-----------------|------------------|------------------|--------------------------------|-------------------------|-----------------|---------------|
| <b>POTENTIAL GROSS RENT</b>                       |          |                              |         |   |                 | \$289,992        | \$165,252        | IREM Region El Paso            |                         |                 |               |
| Secondary Income                                  |          | Per Unit Per Month:          | \$15.00 |   |                 | 7,380            | 135,300          | \$275.00                       | Per Unit Per Month      |                 |               |
| Other Support Income: (describe)                  |          |                              |         |   |                 | 0                |                  |                                |                         |                 |               |
| <b>POTENTIAL GROSS INCOME</b>                     |          |                              |         |   |                 | \$297,372        | \$300,552        |                                |                         |                 |               |
| Vacancy & Collection Loss                         |          | % of Potential Gross Income: | -7.50%  |   |                 | (22,303)         | (15,024)         | -5.00%                         | of Potential Gross Rent |                 |               |
| Employee or Other Non-Rental Units or Concessions |          |                              |         |   |                 | 0                |                  |                                |                         |                 |               |
| <b>EFFECTIVE GROSS INCOME</b>                     |          |                              |         |   |                 | \$275,069        | \$285,528        |                                |                         |                 |               |
| <b>EXPENSES</b>                                   |          |                              |         | <b>% OF EGI</b>                         | <b>PER UNIT</b> | <b>PER SQ FT</b> |                  | <b>PER SQ FT</b>               | <b>PER UNIT</b>         | <b>% OF EGI</b> |               |
| General & Administrative                          |          |                              |         | 6.06%                                   | \$406           | 0.46             | \$16,664         | \$16,548                       | \$0.46                  | \$404           | 5.80%         |
| Management  |          |                              |         | 5.74%                                   | 385             | 0.44             | 15,794           | 13,900                         | 0.39                    | 339             | 4.87%         |
| Payroll & Payroll Tax                             |          |                              |         | 7.71%                                   | 517             | 0.59             | 21,199           | 27,200                         | 0.76                    | 663             | 9.53%         |
| Repairs & Maintenance                             |          |                              |         | 7.41%                                   | 497             | 0.57             | 20,375           | 18,700                         | 0.52                    | 456             | 6.55%         |
| Utilities   |          |                              |         | 2.28%                                   | 153             | 0.17             | 6,285            | 4,560                          | 0.13                    | 111             | 1.60%         |
| Water, Sewer, & Trash                             |          |                              |         | 8.31%                                   | 557             | 0.64             | 22,848           | 15,300                         | 0.43                    | 373             | 5.36%         |
| Property Insurance                                |          |                              |         | 3.85%                                   | 258             | 0.29             | 10,598           | 12,650                         | 0.35                    | 309             | 4.43%         |
| Property Tax                                      | 3.247923 |                              |         | 8.87%                                   | 595             | 0.68             | 24,385           | 31,250                         | 0.87                    | 762             | 10.94%        |
| Reserve for Replacements                          |          |                              |         | 10.65%                                  | 715             | 0.81             | 29,302           | 29,302                         | 0.81                    | 715             | 10.26%        |
| Other: compl fees                                 |          |                              |         | 0.60%                                   | 40              | 0.05             | 1,640            |                                | 0.00                    | 0               | 0.00%         |
| <b>TOTAL EXPENSES</b>                             |          |                              |         | <b>61.47%</b>                           | <b>\$4,124</b>  | <b>\$4.70</b>    | <b>\$169,090</b> | <b>\$169,410</b>               | <b>\$4.71</b>           | <b>\$4,132</b>  | <b>59.33%</b> |
| <b>NET OPERATING INC</b>                          |          |                              |         | <b>38.53%</b>                           | <b>\$2,585</b>  | <b>\$2.95</b>    | <b>\$105,979</b> | <b>\$116,118</b>               | <b>\$3.23</b>           | <b>\$2,832</b>  | <b>40.67%</b> |
| <b>DEBT SERVICE</b>                               |          |                              |         |   |                 |                  |                  |                                |                         |                 |               |
| First Lien Mortgage                               |          |                              |         | 30.02%                                  | \$2,014         | \$2.30           | \$82,569         | \$83,509                       | \$2.32                  | \$2,037         | 29.25%        |
| Housing Trust Fund                                |          |                              |         | 0.00%                                   | \$0             | \$0.00           | 0                |                                | \$0.00                  | \$0             | 0.00%         |
| HOME Funds  |          |                              |         | 2.99%                                   | \$201           | \$0.23           | 8,234            |                                | \$0.00                  | \$0             | 0.00%         |
| <b>NET CASH FLOW</b>                              |          |                              |         | <b>5.52%</b>                            | <b>\$370</b>    | <b>\$0.42</b>    | <b>\$15,176</b>  | <b>\$32,609</b>                | <b>\$0.91</b>           | <b>\$795</b>    | <b>11.42%</b> |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |          |                              |         |   |                 |                  | 1.17             | 1.39                           |                         |                 |               |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |          |                              |         |   |                 |                  | 1.25             |                                |                         |                 |               |

| <b>CONSTRUCTION COST</b>             |        |                |                 | <b>TDHCA</b>   | <b>APPLICANT</b>   |                    |                 |                 |                |
|--------------------------------------|--------|----------------|-----------------|----------------|--------------------|--------------------|-----------------|-----------------|----------------|
| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |                    |                    | PER SQ FT       | PER UNIT        | % of TOTAL     |
| Acquisition Cost (site or bldg)      |        | 6.69%          | \$5,505         | \$6.28         | \$225,701          | \$225,701          | \$6.28          | \$5,505         | 6.02%          |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           | 0                  |                    | 0.00            | 0               | 0.00%          |
| Sitework                             |        | 8.50%          | 6,994           | 7.97           | 286,739            | 153,892            | 4.28            | 3,753           | 4.11%          |
| Direct Construction                  |        | 51.27%         | 42,166          | 48.07          | 1,728,789          | 2,135,000          | 59.37           | 52,073          | 56.99%         |
| Contingency                          | 5.00%  | 2.99%          | 2,458           | 2.80           | 100,776            | 114,444            | 3.18            | 2,791           | 3.05%          |
| General Req'ts                       | 6.00%  | 3.59%          | 2,950           | 3.36           | 120,932            | 137,334            | 3.82            | 3,350           | 3.67%          |
| Contractor's G & A                   | 2.00%  | 1.20%          | 983             | 1.12           | 40,311             | 45,778             | 1.27            | 1,117           | 1.22%          |
| Contractor's Profit                  | 6.00%  | 3.59%          | 2,950           | 3.36           | 120,932            | 137,334            | 3.82            | 3,350           | 3.67%          |
| Indirect Construction                |        | 3.40%          | 2,793           | 3.18           | 114,512            | 114,512            | 3.18            | 2,793           | 3.06%          |
| Ineligible Costs                     |        | 1.50%          | 1,234           | 1.41           | 50,584             | 50,584             | 1.41            | 1,234           | 1.35%          |
| Developer's G & A                    | 2.00%  | 1.57%          | 1,288           | 1.47           | 52,814             |                    | 0.00            | 0               | 0.00%          |
| Developer's Profit                   | 13.00% | 10.18%         | 8,373           | 9.55           | 343,289            | 445,358            | 12.38           | 10,862          | 11.89%         |
| Interim Financing                    |        | 3.79%          | 3,115           | 3.55           | 127,698            | 127,698            | 3.55            | 3,115           | 3.41%          |
| Reserves                             |        | 1.74%          | 1,429           | 1.63           | 58,604             | 58,604             | 1.63            | 1,429           | 1.56%          |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$82,236</b> | <b>\$93.75</b> | <b>\$3,371,680</b> | <b>\$3,746,239</b> | <b>\$104.17</b> | <b>\$91,372</b> | <b>100.00%</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>71.14%</b>  | <b>\$58,499</b> | <b>\$66.69</b> | <b>\$2,398,478</b> | <b>\$2,723,782</b> | <b>\$75.74</b>  | <b>\$66,434</b> | <b>72.71%</b>  |

| <b>SOURCES OF FUNDS</b>         |         |           |           | <b>TDHCA</b>       | <b>APPLICANT</b>   | <b>RECOMMENDED</b> |                            |
|---------------------------------|---------|-----------|-----------|--------------------|--------------------|--------------------|----------------------------|
| First Lien Mortgage             | 68.81%  | \$56,585  | \$64.51   | \$2,320,000        | \$2,320,000        | \$2,320,000        | Developer Fee Available    |
| HOME Funds                      | 6.86%   | \$5,643   | \$6.43    | 231,362            | 231,362            | 172,650            | \$396,103                  |
| Housing Trust Fund              | 6.13%   | \$5,038   | \$5.74    | 206,539            | 206,539            | 0                  |                            |
| HTC Syndication Proceeds        | 29.31%  | \$24,106  | \$27.48   | 988,337            | 988,337            | 879,030            | % of Dev. Fee Deferred     |
| Deferred Developer Fees         | 0.00%   | \$0       | \$0.00    | 0                  | 0                  | 0                  | 0%                         |
| Additional (Excess) Funds Req'd | -11.11% | (\$9,136) | (\$10.42) | (374,558)          | 1                  | 0                  | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>            |         |           |           | <b>\$3,371,680</b> | <b>\$3,746,239</b> | <b>\$3,371,680</b> | <b>\$349,221</b>           |



**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

**Hacienda Santa Barbara Apartments, Socorro, 4%, 05247 ADDENDUM**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|---------|-------------|----------------|--------------------|
| Base Cost                              |         |             | \$45.28        | \$1,628,479        |
| <b>Adjustments</b>                     |         |             |                |                    |
| Exterior Wall Finish                   | 0.00%   |             | \$0.00         | \$0                |
| 8-Ft. Ceilings                         | 0.00%   |             | 0.00           | 0                  |
| Roofing                                |         |             | 0.00           | 0                  |
| Subfloor                               |         |             | (1.02)         | (36,502)           |
| Floor Cover                            |         |             | 2.44           | 87,750             |
| Porches/Balconies                      | \$33.16 | 2320        | 2.14           | 76,931             |
| Plumbing                               | \$605   |             | 0.00           | 0                  |
| Built-In Appliances                    | \$1,650 | 42          | 1.93           | 69,300             |
| Stairs                                 | \$1,625 | 20          | 0.90           | 32,500             |
| Enclosed Corridors                     | \$35.36 |             | 0.00           | 0                  |
| Heating/Cooling                        |         |             | 1.53           | 55,023             |
| Garages/Carports                       |         | 0           | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$64.93 | 3,059       | 5.39           | 193,841            |
| Other:                                 |         |             | 0.00           | 0                  |
| <b>SUBTOTAL</b>                        |         |             | <b>58.60</b>   | <b>2,107,321</b>   |
| Current Cost Multiplier                | 1.11    |             | 6.45           | 231,805            |
| Local Multiplier                       | 0.90    |             | (5.86)         | (210,732)          |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$59.18</b> | <b>\$2,128,395</b> |
| Plans, specs, survy, bid prm           | 3.90%   |             | (\$2.31)       | (\$83,007)         |
| Interim Construction Interest          | 3.38%   |             | (2.00)         | (71,833)           |
| Contractor's OH & Profit               | 11.50%  |             | (6.81)         | (244,765)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$48.07</b> | <b>\$1,728,789</b> |

**PAYMENT COMPUTATION**

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$2,320,000 | Amort | 396  |
| Int Rate       | 1.00%       | DCR   | 1.28 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$206,539 | Amort        |      |
| Int Rate         | 0.00%     | Subtotal DCR | 1.28 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$231,362 | Amort         | 396  |
| Int Rate          | 1.00%     | Aggregate DCR | 1.17 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$82,569        |
| Secondary Debt Service  | 2,233           |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$21,177</b> |

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$2,320,000 | Amort | 396  |
| Int Rate       | 1.00%       | DCR   | 1.28 |

|                  |          |              |      |
|------------------|----------|--------------|------|
| <b>Secondary</b> | \$57,851 | Amort        | 360  |
| Int Rate         | 1.00%    | Subtotal DCR | 1.25 |

|                   |       |               |      |
|-------------------|-------|---------------|------|
| <b>Additional</b> | \$0   | Amort         | 396  |
| Int Rate          | 1.00% | Aggregate DCR | 1.25 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%                 | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | YEAR 10          | YEAR 15          | YEAR 20          | YEAR 30          |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT            | \$289,992        | \$298,692        | \$307,653        | \$316,882        | \$326,389        | \$378,374        | \$438,639        | \$508,503        | \$683,385        |
| Secondary Income                | 7,380            | 7,601            | 7,829            | 8,064            | 8,306            | 9,629            | 11,163           | 12,941           | 17,391           |
| Other Support Income: (describ) | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME          | 297,372          | 306,293          | 315,482          | 324,946          | 334,695          | 388,003          | 449,802          | 521,444          | 700,777          |
| Vacancy & Collection Loss       | (22,303)         | (22,972)         | (23,661)         | (24,371)         | (25,102)         | (29,100)         | (33,735)         | (39,108)         | (52,558)         |
| Employee or Other Non-Rental    | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b>   | <b>\$275,069</b> | <b>\$283,321</b> | <b>\$291,821</b> | <b>\$300,575</b> | <b>\$309,593</b> | <b>\$358,903</b> | <b>\$416,067</b> | <b>\$482,335</b> | <b>\$648,218</b> |
| <b>EXPENSES at 4.00%</b>        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| General & Administrative        | \$16,664         | \$17,331         | \$18,024         | \$18,745         | \$19,495         | \$23,718         | \$28,857         | \$35,109         | \$51,969         |
| Management                      | 15,794           | 16,268           | 16,756           | 17,259           | 17,776           | 20,608           | 23,890           | 27,695           | 37,220           |
| Payroll & Payroll Tax           | 21,199           | 22,047           | 22,929           | 23,846           | 24,800           | 30,173           | 36,710           | 44,663           | 66,112           |
| Repairs & Maintenance           | 20,375           | 21,190           | 22,037           | 22,919           | 23,835           | 28,999           | 35,282           | 42,926           | 63,541           |
| Utilities                       | 6,285            | 6,536            | 6,798            | 7,070            | 7,352            | 8,945            | 10,883           | 13,241           | 19,600           |
| Water, Sewer & Trash            | 22,848           | 23,762           | 24,712           | 25,701           | 26,729           | 32,520           | 39,565           | 48,137           | 71,255           |
| Insurance                       | 10,598           | 11,022           | 11,463           | 11,922           | 12,398           | 15,085           | 18,353           | 22,329           | 33,052           |
| Property Tax                    | 24,385           | 25,361           | 26,375           | 27,430           | 28,528           | 34,708           | 42,228           | 51,377           | 76,050           |
| Reserve for Replacements        | 29,302           | 30,474           | 31,693           | 32,960           | 34,279           | 41,706           | 50,741           | 61,734           | 91,382           |
| Other                           | 1,640            | 1,706            | 1,774            | 1,845            | 1,919            | 2,334            | 2,840            | 3,455            | 5,115            |
| <b>TOTAL EXPENSES</b>           | <b>\$169,090</b> | <b>\$175,696</b> | <b>\$182,561</b> | <b>\$189,696</b> | <b>\$197,111</b> | <b>\$238,796</b> | <b>\$289,349</b> | <b>\$350,666</b> | <b>\$515,296</b> |
| <b>NET OPERATING INCOME</b>     | <b>\$105,979</b> | <b>\$107,625</b> | <b>\$109,260</b> | <b>\$110,880</b> | <b>\$112,482</b> | <b>\$120,107</b> | <b>\$126,718</b> | <b>\$131,669</b> | <b>\$132,922</b> |
| <b>DEBT SERVICE</b>             |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| First Lien Financing            | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         |
| Second Lien                     | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            |
| Other Financing                 | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            |
| <b>NET CASH FLOW</b>            | <b>\$12,943</b>  | <b>\$14,590</b>  | <b>\$16,224</b>  | <b>\$17,844</b>  | <b>\$19,446</b>  | <b>\$27,071</b>  | <b>\$33,682</b>  | <b>\$38,633</b>  | <b>\$39,886</b>  |
| <b>DEBT COVERAGE RATIO</b>      | <b>1.14</b>      | <b>1.16</b>      | <b>1.17</b>      | <b>1.19</b>      | <b>1.21</b>      | <b>1.29</b>      | <b>1.36</b>      | <b>1.42</b>      | <b>1.43</b>      |

**LIHTC Allocation Calculation - Hacienda Santa Barbara Apartments, Socorro,4%,05247 ADDENDUM**

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$225,701                       | \$225,701                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$153,892                       | \$286,739                 | \$153,892                                  | \$286,739                            |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$2,135,000                     | \$1,728,789               | \$2,135,000                                | \$1,728,789                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$45,778                        | \$40,311                  | \$45,778                                   | \$40,311                             |
| Contractor profit                                     | \$137,334                       | \$120,932                 | \$137,334                                  | \$120,932                            |
| General requirements                                  | \$137,334                       | \$120,932                 | \$137,334                                  | \$120,932                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$114,444                       | \$100,776                 | \$114,444                                  | \$100,776                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$114,512                       | \$114,512                 | \$114,512                                  | \$114,512                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$127,698                       | \$127,698                 | \$127,698                                  | \$127,698                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$50,584                        | \$50,584                  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
|   |                                 |                           | \$444,899                                  |                                      |
| Developer overhead                                    |                                 | \$52,814                  |  | \$52,814                             |
| Developer fee   | \$445,358                       | \$343,289                 |  | \$343,289                            |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$58,604                        | \$58,604                  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$3,746,239</b>              | <b>\$3,371,680</b>        | <b>\$3,410,890</b>                         | <b>\$3,036,791</b>                   |

| <b>Deduct from Basis:</b>                                  |  |             |             |
|--|--|-------------|-------------|
| 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)             |  |             |             |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  | \$3,410,890 | \$3,036,791 |
| High Cost Area Adjustment                                  |  | 100%        | 100%        |
| <b>TOTAL ADJUSTED BASIS</b>                                |  | \$3,410,890 | \$3,036,791 |
| Applicable Fraction  |  | 100%        | 100%        |
| <b>TOTAL QUALIFIED BASIS</b>                               |  | \$3,410,890 | \$3,036,791 |
| Applicable Percentage                                      |  | 3.53%       | 3.53%       |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  | \$120,404   | \$107,199   |

|  |        |                  |                  |
|--|--------|------------------|------------------|
| Syndication Proceeds                         | 0.8200 | \$987,316        | \$879,030        |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$120,404</b> | <b>\$107,199</b> |
| Syndication Proceeds                         |        | \$987,316        | \$879,030        |
| Requested Credits                            |        | \$121,444        |                  |
| Syndication Proceeds                         |        | \$995,841        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        |                  | <b>\$879,030</b> |
| Credit Amount                                |        |                  | \$107,199        |

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

DATE: June 17, 2005      PROGRAM: 9% HTC HOME HTF      FILE NUMBER: 05247

**DEVELOPMENT NAME**

Hacienda Santa Barbara Apartments

**APPLICANT**

**Name:** Hacienda Santa Barbara Apartments Limited Partnership      **Type:** For-profit  
**Address:** 2407 W. Picacho, Suite A1      **City:** Las Cruces      **State:** NM  
**Zip:** 88007      **Contact:** Eddie L. Gallegos      **Phone:** 505 541-0477      **Fax:** (505) 541-0476

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |   |             |     |               |                          |
|--------------|---|-------------|-----|---------------|--------------------------|
| <b>Name:</b> | Housing and Economic Rural Opportunity Inc. | <b>(%):</b> | .01 | <b>Title:</b> | Managing General Partner |
| <b>Name:</b> | Housing and Economic Rural Opportunity Inc. | <b>(%):</b> | N/A | <b>Title:</b> | Co - Developer           |
| <b>Name:</b> | The JL Gray Company                         | <b>(%):</b> | N/A | <b>Title:</b> | Co - Developer           |
| <b>Name:</b> | Jack L. Curry                               | <b>(%):</b> | N/A | <b>Title:</b> | 50% Owner of J. L. Gray  |
| <b>Name:</b> | J. Scott Fishburn                           | <b>(%):</b> | N/A | <b>Title:</b> | 50% Owner of J. L. Gray  |

**PROPERTY LOCATION**

**Location:** 525 Three Missions Drive       QCT       DDA  
**City:** Socorro      **County:** El Paso      **Zip:** 79927

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| 1) \$121,444  | N/A                  | N/A                 | N/A         |
| 2) \$231,362  | 1%                   | 33 yrs              | 33 yrs      |
| 3) \$206,539  | Grant                | Grant               | Grant       |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits  
2) HOME Funds  
3) Housing Trust Fund

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

**Special Purpose (s):** General population, Non-Profit, Rural, USDA-RD, CHDO

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$101,495 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$57,851, STRUCTURED AS A 33-YEAR LOAN, FULLY AMORTIZING OVER 30 YEARS AFTER COMPLETION AT 1% INTEREST, SUBJECT TO CONDITIONS.

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

- HTF AWARD NOT RECOMMENDED DUE TO LACK OF SUPPORT FOR HARD CONSTRUCTION COSTS IN EXCESS OF \$62.79 PER SQUARE FOOT.

**CONDITIONS**

1. All three of the HOME units should be restricted as Low HOME (50%) units.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |              |                       |               |             |                |                |            |        |
|-------------------------|---------------|---------------------------|------------|-----------------------------|--------------|-----------------------|---------------|-------------|----------------|----------------|------------|--------|
| <b>Total Units:</b>     | <u>41</u>     | <b># Rental Buildings</b> | <u>5</u>   | <b># Non-Res. Buildings</b> | <u>1</u>     | <b># of Floors</b>    | <u>2</u>      | <b>Age:</b> | <u>N/A</u> yrs | <b>Vacant:</b> | <u>N/A</u> | at / / |
| <b>Net Rentable SF:</b> | <u>35,973</u> | <b>Av Un SF:</b>          | <u>877</u> | <b>Common Area SF:</b>      | <u>3,041</u> | <b>Gross Bldg SF:</b> | <u>39,014</u> |             |                |                |            |        |

**STRUCTURAL MATERIALS**

The structure will be wood frame on a concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 100% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be vinyl flooring. Each unit will include: range & oven, hood & fan, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, individual heating and air conditioning, and cable

**ONSITE AMENITIES**

A 3,041-square foot community building will include an activity room, management offices, maintenance, & laundry facilities, a kitchen, restrooms, The community building, and equipped children's play area are located at the entrance of the property. In addition, perimeter fencing is planned for the site.

**Uncovered Parking:** 82 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The subject is a 13-unit per acre new construction development of 41 units of affordable housing located in east Socorro. The development is comprised of 5 evenly distributed medium garden style, walk-up, low-rise residential buildings as follows:

- One Building Type A with 1 three-bedroom unit and the community facilities;
- One Building Type B with 8 one-bedroom/one-bath units;
- One Building Type C with 8 three-bedroom/one bath units;
- One Building Type D with 2 two-bedroom/one-bath units, 6 three-bedroom/one-bath units;
- One Building Type E with 8 two-bedroom/one-bath units;
- One Building Type F with 8 two-bedroom/one-bath units;

**Existing Subsidies:** The property will be operating under a USDA-RD project-based Housing Assistance Payment contract for 40 units. The USDA-RD Form 1930-7, Multiple Family Housing Project Budget dated May 10, 2005 was reviewed and approved by the USDA.

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect modest buildings with simple fenestration.

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

| SITE ISSUES                           |   |
|---------------------------------------|---|
| SITE DESCRIPTION                      |   |
| <b>Size:</b> 3.051 acres              | 132,902 square feet <b>Zoning/ Permitted Uses:</b> C-2 General Commercial |
| <b>Flood Zone Designation:</b> Zone X | <b>Status of Off-Sites:</b> Fully improved                                |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Socorro is located in region 13, approximately 17 miles southeast from El Paso in El Paso County. The site is an irregularly-shaped parcel located in the eastern area of Socorro, approximately 2 miles from the central business district. The site is situated on the north side of Three Missions Drive.

**Adjacent Land Uses:**

- **North:** Three Missions Drive immediately adjacent and an Apartment Complex beyond;
- **South:** Vacant Property immediately adjacent;
- **East:** Three Missions Drive immediately adjacent and an Apartment Complex beyond;
- **West:** A single family subdivision immediately adjacent

**Site Access:** Access to the property is from the northwest or southeast from Three Missions Dr. The development is to have one main entry, from the northwest or southeast from Three Missions Dr. Access to Interstate Highway 10 is approximately 2.5 miles east, which provides connections to all other major roads serving the area.

**Public Transportation:** Public transportation to the area is not provided in the area.

**Shopping & Services:** The site is within 1.5 miles of major grocery/pharmacies, shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 9, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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. 40 of the units (97.6% of the total) will be reserved for low-income tenants and the remaining unit will be employee occupied. 4 of the units (10%) will be reserved for households earning 30% or less of AMGI, 6 units (15%) will be reserved for households earning 40% or less of AMGI, 30 units (75%) will be reserved for households earning 50% or less of AMGI. In addition to the above Set-Aside the USDA-RA will provide rental assistance for these 40 units. The rental amounts and utility allowances will be governed by USDA-RD. The Applicant initially intended to restrict three additional units under the HOME program and three units under the Housing Trust Fund program. The Applicant has indicated that the HOME units would all be Low HOME restricted and that the HTF units would be extremely low-income (30%) units. Moreover, High HOME rents currently conflict with the proposed project-based rental assistance rates in that the rental assistance rents are higher. While Low HOME rents are allowed to exceed the Low HOME rent limit with rental assistance, High HOME rents are not, therefore all of the HOME units must be Low HOME restricted.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$17,820        | \$20,340         | \$22,920         | \$25,440         | \$27,480         | \$29,520         |

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

**MARKET HIGHLIGHTS**

A housing market analysis, prepared for and in accordance with USDA-RD (acceptable under current TDHCA requirements) was submitted and is dated March 2003, by Donald F. Robinson with The Waverly Research Group, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "...The effective geographic market area for the project is defined as the entire El Paso County area, which encompasses a broad expanse of cultivated agricultural land (both field crops and livestock) in the east and south, one major metropolitan population center (El Paso), several small rural communities in the lower Valley southeast of Socorro." (p. 4). This area encompasses approximately 1,017 square miles and is equivalent to a circle with a radius of 18 miles.

**Population:** The estimated 2003 population of 28,125 is expected to increase by 2.4% to approximately 28,800 by 2005. Within the primary market area there were estimated to be 222,604 households in 2005.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 1,329 qualified households in the PMA, based on the current estimate of 2,660 farm worker households, the projected annual growth rate of 3.2%, renter households estimated at 4.7% of the population, income-qualified households estimated at 33.1%. The Market Analyst did not calculate an inclusive capture rate; however, the rate allowed in rural areas is 100% and this is the Department's first tax credit transaction explicitly targeting farm labor households. The implied capture rate is less than two percent if all current households are assumed to turn over annually.

**Market Rent Comparables:** The Market Analyst surveyed three comparable apartment projects totaling 861 units in the market area. (p. 6 of 10).

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>USDA-RA Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (30%)</b>                       | \$444           | \$444              | \$0                 | \$470              | -\$26               |
| <b>1-Bedroom (40%)</b>                       | \$444           | \$444              | \$0                 | \$470              | -\$26               |
| <b>1-Bedroom (50%)</b>                       | \$444           | \$444              | \$0                 | \$470              | -\$26               |
| <b>2-Bedroom (30%)</b>                       | \$593           | \$593              | \$0                 | \$545              | +\$48               |
| <b>2-Bedroom (40%)</b>                       | \$593           | \$593              | \$0                 | \$545              | +\$48               |
| <b>2-Bedroom (50%)</b>                       | \$593           | \$593              | \$0                 | \$545              | +\$48               |
| <b>3-Bedroom (30%)</b>                       | \$710           | \$710              | \$0                 | \$655              | +\$55               |
| <b>3-Bedroom (40%)</b>                       | \$710           | \$710              | \$0                 | \$655              | +\$55               |
| <b>3-Bedroom (50%)</b>                       | \$710           | \$710              | \$0                 | \$655              | +\$55               |
| <b>3-Bedroom (MR)</b>                        | \$655           | N/A                |                     | \$655              | \$0                 |

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

**Primary Market Occupancy Rates:** "Current vacancies in the area range from 1% to 10%, on properties that are well managed and maintained. Since the subject is a special use property providing housing for agriculture labors, the vacancy rate would be higher than a typical rental unit because of the seasonable nature of the tenants." (p. 6 of 10).

**Absorption Projections:** "The very low penetration rates for an RA project indicate that this project would likely be absorbed very quickly, probably within 3 to 6 months of completion or less, depending on the season when leasing is initiated." (Housing Market Analysis p. 74).

**Market Study Analysis/Conclusions:** The Market study was done in accordance with USDA Rural Development Section 514. The Market study does not comply with TDHCA market study guidelines but provides enough information to substantiate sufficient demand and market rent.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are above the maximum rents allowed under HTC program guidelines, due to the USDA rental assistance rents provided. The Applicant used the area normally reserved for estimates of secondary income for an area to show the rental assistance from USDA. The Applicant's estimate of vacancy and collection loss is less than the 7.5% allowed under TDHCA underwriting guidelines

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without further substantiation.

The Applicant's effective gross income estimate is \$10,459 greater than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$4,132 per unit compares favorably with and is within 5% of the Underwriter's estimate of \$4,124 per unit based significantly upon the approved USDA budget and other USDA and small HTC properties in the area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the Underwriter's estimates, particularly payroll (\$6K higher), water, sewer, and trash (\$7.5K lower), property tax (\$6.7K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further. As a non-profit owner General Partner, the development may be eligible for a 50% property tax exemption under State law. This potential exemption was not addressed in the Application and should it be received, the USDA rental subsidy would likely be adjusted or replacement reserves funded in lieu of additional cash flow returning to the owner.

**Conclusion:** The Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Applicant's NOI supports the proposed debt at a greater than 1.30 DCR. As will be discussed below, the recommended reduction in HOME funds still provides a DCR within the 1.10 to 1.30 Department's requirement based on the Underwriter's NOI.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

|   |                        |                           |       |      |      |
|---|------------------------|---------------------------|-------|------|------|
| <b>Land Only:</b> 3.051 acres               | \$133,000              | <b>Date of Valuation:</b> | 02/   | 18/  | 2005 |
| <b>Appraiser:</b> Jerry Sherrill, SRPA, SRA | <b>City:</b> Arlington | <b>Phone:</b>             | (817) | 557- | 1791 |

**APPRAISAL ANALYSIS/CONCLUSIONS**

An appraisal, provided by the purchaser, was performed by Jerry Sherrill, SRPA, SRA and dated July 7, 2003, with an update letter dated February 18, 2005. The appraisal provides three "as completed" values: Cost Approach \$1,929,000 (including land value), Market Approach \$2,000,000 and Income Approach 1,760,000. The appraiser also valued the tax credits. The following is the indicated value of the "as completed" property subject to the special financing: Market value \$1,900,000, plus Value of Special Financing \$1,021,015, plus the Value of Tax Credit Contribution \$1,074,555 for a rounded total of \$3,996,000. For the overall property valuation, all three approaches were regarded equal and the value was determined to be \$1,900,000. In this case the land value and purchase price are different, however, the appraised value of \$133,000 and the tax value of \$105,324 appear reasonable. Based upon the comparable land sales which were located in El Paso approximately 17 miles northwest of the subject the value of the underlying land was valued at \$133,000 or 7% of the total appraised value. Due to the quality of the comparable sales the appraisal provides a reasonable estimation of land value.

**ASSESSED VALUE**

|                              |           |                                    |                                   |
|------------------------------|-----------|------------------------------------|-----------------------------------|
| <b>Land: (3.051) acres</b>   | \$105,324 | <b>Assessment for the Year of:</b> | 2004                              |
| <b>Building:</b>             | N/A       | <b>Valuation by:</b>               | El Paso County Appraisal District |
| <b>Total Assessed Value:</b> | \$105,324 | <b>Tax Rate:</b>                   | \$3.247923                        |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                                  |                                    |  |              |
|----------------------------------|------------------------------------|--|--------------|
| <b>Type of Site Control:</b>     | Settlement Statement (3.051 acres) |  |              |
| <b>Contract Expiration Date:</b> | 02/ 23/ 2007                       | <b>Closing Date:</b>                       | 04/ 08/ 2004 |
| <b>Acquisition Cost:</b>         | \$199,353                          | <b>Other Terms/Conditions:</b>             |              |
| <b>Seller:</b> Tierra SII, LP    |                                    | <b>Related to Development Team Member:</b> | No           |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$199,353 (\$1.50/SF, \$65,340/acre, or \$4,862/unit) is substantiated by

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the appraisal value of \$133,000. The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,994 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

**Direct Construction Cost:** The Applicant's costs are more than 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. The Underwriter's estimated hard costs are \$62.79, while the Applicant's costs are \$75.74 per square foot. This would suggest that the Applicant's direct construction costs are overstated. The Underwriter surveyed all current and recent cost certified HTC transactions in the El Paso market and found the following:

- Four similar transactions provided cost certification information in the last 12 months with actual hard costs ranging from \$48.70 to \$57.53 per net rentable square foot (\$51.10 average).
- After adjusting these costs for time since completion, the range increases to \$55.28 to \$65.30 with an average of \$58.00.
- The four other current tax credit applications proposed for the El Paso area have applicant estimated hard costs that range from \$60.38 to \$64.48 with an average of \$62.77.
- The hard costs presented in the USDA application, which was approved last year, totaled \$64.26 per net rentable square foot.

**Fees:** The Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$460 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

**Conclusion:** Due to the Applicant's higher direct construction and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to recommendation/calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$2,875,225 is used to determine a credit allocation of \$101,495 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount. The \$536,124 difference in total development cost eliminates the need for Housing Trust funds and drastically reduces the gap need for HOME funds.

| FINANCING STRUCTURE                     |                        |     |              |                       |  |                    |                              |            |  |
|---|------------------------|-----|--------------|-----------------------|--|--------------------|------------------------------|------------|--|
| INTERIM CONSTRUCTION FINANCING          |                        |     |              |                       |  |                    |                              |            |  |
| <b>Source:</b>                          | Bank of the Rio Grande |     |              |                       | <b>Contact:</b>                              | Mr. Richard Flamm  |                              |            |  |
| <b>Principal Amount:</b>                | \$2,526,539            |     |              | <b>Interest Rate:</b> | Chase Manhattan Prime plus 1% adjusted daily |                    |                              |            |  |
| <b>Additional Information:</b>          |                        |     |              |                       |  |                    |                              |            |  |
| <b>Amortization:</b>                    | N/A                    | Yrs | <b>Term:</b> | 1                     | yrs  | <b>Commitment:</b> | X                            | LOI        | <input type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| PERMANENT FINANCING - USDA-RD           |                        |     |              |                       |  |                    |                              |            |  |
| <b>Source:</b>                          | USDA Rural Development |     |              |                       | <b>Contact:</b>                              | Anita Sprankle     |                              |            |  |
| <b>Principal Amount:</b>                | \$2,320,000            |     |              | <b>Interest Rate:</b> | 1%   |                    |                              |            |  |
| <b>Additional Information:</b>          |                        |     |              |                       |  |                    |                              |            |  |
| <b>Amortization:</b>                    | 33                     | yrs | <b>Term:</b> | 33                    | yrs  | <b>Commitment:</b> | <input type="checkbox"/> LOI | X          | Firm <input type="checkbox"/> Conditional                          |
| <b>Annual Payment:</b>                  | \$82,572               |     |              | <b>Lien Priority:</b> | 1 <sup>st</sup>                              |                    | <b>Date:</b>                 | 9 23/ 2003 |  |
| TDHCA - HOME FUNDS                      |                        |     |              |                       |  |                    |                              |            |  |
| <b>Source:</b>                          | TDHCA                  |     |              |                       | <b>Contact:</b>                              |                    |                              |            |  |
| <b>Principal Amount:</b>                | 231,362                |     |              | <b>Interest Rate:</b> | 1%   |                    |                              |            |  |
| <b>Additional Information:</b> Proposed |                        |     |              |                       |  |                    |                              |            |  |



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**Amortization:** 30 yrs    **Term:** 33 yrs    **Commitment:**     LOI     Firm     Conditional  
**Annual Payment:**    \$8,234    **Lien Priority:**    1<sup>st</sup>    **Date:**    /

**TDHCA GRANT – HOUSING TRUST FUND**

**Source:**    TDHCA    **Contact:** \_\_\_\_\_  
**Principal Amount:**    \$206,539    **Commitment:**     LOI     Firm     Conditional  
**Additional Information:**    GRANT Proposed    **Commitment Date**    /    /

**TAX CREDIT SYNDICATION**

**Source:**    Enterprise Social Investment Corp    **Contact:**    Joe Fusco  
**Net Proceeds:**    \$988,337    **Net Syndication Rate (per \$1.00 of 10-yr HTC)**    82¢  
**Commitment:**        LOI     Firm     Conditional    **Date:**    02/ 23/ 2005  
**Additional Information:**    based on credits totaling \$120,528

**APPLICANT EQUITY**

**Amount:**    None Needed    **Source:**    Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Construction Financing:** The construction financing will be done by a local bank, Bank of the Rio Grande, at an interest rate of Chase Manhattan Prime plus 1% adjusted daily for a period of one year.

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The permanent financing will be issued by USDA-RD for a period of 33 years.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The proposed syndication price is at the low end of the current market which has been steadily rising over the last year. If the final credit price is higher than the current projected rate, the sources of funds available will exceed the anticipated funds needed and either the HOME funds or tax credit (or both) will need to be reduced.

**HOME Funds Award:** The Applicant has requested a HOME award in the amount of \$231,362. This award is well below the 221(d)(3) limit for this project. However, based on the Underwriter's estimate of total development cost, only a portion of these funds are needed to fund 100% of the total development cost. Therefore, the HOME funds have been reduced to \$57,851.

**Housing Trust Fund:** The Applicant has requested a Housing Trust Fund award in the amount of \$206,539. However, based on the Underwriter's estimate of total development cost, these funds will not be required to fund 100% of the cost of construction. Therefore, the Housing Trust Fund is not recommended.

**Financing Conclusions:** Since the Applicant's total development costs were approximately 17% more than the Underwriter's estimate, the Underwriter's development costs were used to determine eligible basis and total need for funds. Based on the Underwriter's estimate of eligible basis, the HTC allocation should not exceed \$101,495 annually for ten years, resulting in syndication proceeds of approximately \$832,263. The remaining gap of \$57,851 can be filled with HOME funds which can be repaid over 30 years after an up to three year interim period at 1% interest. Based on the Underwriter's analysis, it is anticipated there will not be a need to defer a portion of the developer fee. In the event of a cost overrun, there will be developer fee available to defer; however, since this is a USDA development, repayment of such deferral out of cash flow may be limited.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments.

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

- **Financial Highlights:**
- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Housing and Economic Rural Opportunity Inc., submitted an unaudited financial statement as of September 30, 2004 reporting total assets of \$816,254 and consisting of \$134,232 in cash, \$73,494 in receivables, \$471,869 in investments, partnership interest and real property, \$13,027 in machinery, equipment, and fixtures, and \$122,900 in other assets. Liabilities totaled \$489,967, resulting in a net worth of \$326,287.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- 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:**

\_\_\_\_\_  
*Bert Murray*

**Date:** June 17, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 17, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Hacienda Santa Barbara Apartments, Socorro, 4%, 05247**

| 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 |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|-----------------|----------------|
| >30%TC /HTF   | 2         | 1        | 1               | 649        | \$238           | \$444             | \$888           | \$0.68        | \$91.00         | \$44.00        |
| >TC40%        | 2         | 1        | 1               | 649        | 318             | \$444             | 888             | 0.68          | 91.00           | \$44.00        |
| >TC 50%       | 3         | 1        | 1               | 649        | 397             | \$444             | 1,332           | 0.68          | 91.00           | \$44.00        |
| >TC 50%/LH    | 1         | 1        | 1               | 649        | 397             | \$444             | 444             | 0.68          | 91.00           | \$44.00        |
| >30%TC /HTF   | 1         | 2        | 1               | 837        | 286             | \$593             | 593             | 0.71          | 108.00          | \$45.00        |
| >TC40%        | 3         | 2        | 1               | 837        | 382             | \$593             | 1,779           | 0.71          | 108.00          | \$45.00        |
| >TC 50%       | 13        | 2        | 1               | 837        | 477             | \$593             | 7,709           | 0.71          | 108.00          | \$45.00        |
| >TC 50%/LH    | 1         | 2        | 1               | 837        | 477             | \$593             | 593             | 0.71          | 108.00          | \$45.00        |
| >30%TC        | 1         | 3        | 1               | 1,047      | 330             | \$710             | 710             | 0.68          | 125.00          | \$53.00        |
| >TC40%        | 1         | 3        | 1               | 1,047      | 441             | \$710             | 710             | 0.68          | 125.00          | \$53.00        |
| >TC 50%       | 11        | 3        | 1               | 1,047      | 551             | \$710             | 7,810           | 0.68          | 125.00          | \$53.00        |
| >TC 50%/LH    | 1         | 3        | 1               | 1,047      | 551             | 710               | 710             | 0.68          | 125.00          | \$53.00        |
| EO            | 1         | 3        | 1               | 1,047      | 551             | 0                 | 0               | 0.00          | 125.00          | \$53.00        |
| <b>TOTAL:</b> | <b>41</b> |          | <b>AVERAGE:</b> | <b>877</b> | <b>\$444</b>    | <b>\$589</b>      | <b>\$24,166</b> | <b>\$0.67</b> | <b>\$110.90</b> | <b>\$46.44</b> |

| <b>INCOME</b>                                     |          |                              |         | <b>Total Net Rentable Sq Ft: 35,963</b> |                 | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>Comptroller's Region 13</b> |                         |                 |                 |
|---|----------|------------------------------|---------|---|-----------------|------------------|------------------|--------------------------------|-------------------------|-----------------|-----------------|
| <b>POTENTIAL GROSS RENT</b>                       |          |                              |         |   |                 | \$289,992        | \$165,252        | IREM Region El Paso            |                         |                 |                 |
| Secondary Income                                  |          | Per Unit Per Month:          | \$15.00 |   |                 | 7,380            | 135,300          | \$275.00                       | Per Unit Per Month      |                 |                 |
| Other Support Income: (describe)                  |          |                              |         |   |                 | 0                |                  |                                |                         |                 |                 |
| <b>POTENTIAL GROSS INCOME</b>                     |          |                              |         |   |                 | \$297,372        | \$300,552        |                                |                         |                 |                 |
| Vacancy & Collection Loss                         |          | % of Potential Gross Income: | -7.50%  |   |                 | (22,303)         | (15,024)         | -5.00%                         | of Potential Gross Rent |                 |                 |
| Employee or Other Non-Rental Units or Concessions |          |                              |         |   |                 | 0                |                  |                                |                         |                 |                 |
| <b>EFFECTIVE GROSS INCOME</b>                     |          |                              |         |   |                 | \$275,069        | \$285,528        |                                |                         |                 |                 |
| <b>EXPENSES</b>                                   |          |                              |         | <b>% OF EGI</b>                         | <b>PER UNIT</b> | <b>PER SQ FT</b> | <b>TDHCA</b>     | <b>APPLICANT</b>               | <b>PER SQ FT</b>        | <b>PER UNIT</b> | <b>% OF EGI</b> |
| General & Administrative                          |          |                              |         | 6.06%                                   | \$406           | 0.46             | \$16,664         | \$16,548                       | \$0.46                  | \$404           | 5.80%           |
| Management  |          |                              |         | 5.74%                                   | 385             | 0.44             | 15,794           | 13,900                         | 0.39                    | 339             | 4.87%           |
| Payroll & Payroll Tax                             |          |                              |         | 7.71%                                   | 517             | 0.59             | 21,199           | 27,200                         | 0.76                    | 663             | 9.53%           |
| Repairs & Maintenance                             |          |                              |         | 7.41%                                   | 497             | 0.57             | 20,375           | 18,700                         | 0.52                    | 456             | 6.55%           |
| Utilities   |          |                              |         | 2.28%                                   | 153             | 0.17             | 6,285            | 4,560                          | 0.13                    | 111             | 1.60%           |
| Water, Sewer, & Trash                             |          |                              |         | 8.31%                                   | 557             | 0.64             | 22,848           | 15,300                         | 0.43                    | 373             | 5.36%           |
| Property Insurance                                |          |                              |         | 3.85%                                   | 258             | 0.29             | 10,598           | 12,650                         | 0.35                    | 309             | 4.43%           |
| Property Tax                                      | 3.247923 |                              |         | 8.87%                                   | 595             | 0.68             | 24,385           | 31,250                         | 0.87                    | 762             | 10.94%          |
| Reserve for Replacements                          |          |                              |         | 10.65%                                  | 715             | 0.81             | 29,302           | 29,302                         | 0.81                    | 715             | 10.26%          |
| Other: compl fees                                 |          |                              |         | 0.60%                                   | 40              | 0.05             | 1,640            |                                | 0.00                    | 0               | 0.00%           |
| <b>TOTAL EXPENSES</b>                             |          |                              |         | 61.47%                                  | \$4,124         | \$4.70           | \$169,090        | \$169,410                      | \$4.71                  | \$4,132         | 59.33%          |
| <b>NET OPERATING INC</b>                          |          |                              |         | 38.53%                                  | \$2,585         | \$2.95           | \$105,979        | \$116,118                      | \$3.23                  | \$2,832         | 40.67%          |
| <b>DEBT SERVICE</b>                               |          |                              |         |   |                 |                  |                  |                                |                         |                 |                 |
| First Lien Mortgage                               |          |                              |         | 30.02%                                  | \$2,014         | \$2.30           | \$82,569         | \$83,509                       | \$2.32                  | \$2,037         | 29.25%          |
| Housing Trust Fund                                |          |                              |         | 0.00%                                   | \$0             | \$0.00           | 0                |                                | \$0.00                  | \$0             | 0.00%           |
| HOME Funds  |          |                              |         | 2.99%                                   | \$201           | \$0.23           | 8,234            |                                | \$0.00                  | \$0             | 0.00%           |
| <b>NET CASH FLOW</b>                              |          |                              |         | 5.52%                                   | \$370           | \$0.42           | \$15,176         | \$32,609                       | \$0.91                  | \$795           | 11.42%          |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |          |                              |         |   |                 |                  | 1.17             | 1.39                           |                         |                 |                 |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |          |                              |         |   |                 |                  | 1.25             |                                |                         |                 |                 |

| <b>CONSTRUCTION COST</b>             |        |            |          | <b>TDHCA</b> | <b>APPLICANT</b> | <b>PER SQ FT</b> | <b>PER UNIT</b> | <b>% of TOTAL</b> |          |          |         |
|--------------------------------------|--------|------------|----------|--------------|------------------|------------------|-----------------|-------------------|----------|----------|---------|
| Description                          | Factor | % of TOTAL | PER UNIT | PER SQ FT    |                  |                  |                 |                   |          |          |         |
| Acquisition Cost (site or bldg)      |        | 7.03%      | \$5,505  | \$6.28       | \$225,701        | \$225,701        | \$6.28          | \$5,505           | 6.02%    |          |         |
| Off-Sites                            |        | 0.00%      | 0        | 0.00         | 0                |                  | 0.00            | 0                 | 0.00%    |          |         |
| Sitework                             |        | 8.93%      | 6,994    | 7.97         | 286,739          | 153,892          | 4.28            | 3,753             | 4.11%    |          |         |
| Direct Construction                  |        | 50.18%     | 39,286   | 44.79        | 1,610,728        | 2,135,000        | 59.37           | 52,073            | 56.99%   |          |         |
| Contingency                          | 5.00%  | 2.96%      | 2,314    | 2.64         | 94,873           | 114,444          | 3.18            | 2,791             | 3.05%    |          |         |
| General Req'ts                       | 6.00%  | 3.55%      | 2,777    | 3.17         | 113,848          | 137,334          | 3.82            | 3,350             | 3.67%    |          |         |
| Contractor's G & A                   | 2.00%  | 1.18%      | 926      | 1.06         | 37,949           | 45,778           | 1.27            | 1,117             | 1.22%    |          |         |
| Contractor's Profit                  | 6.00%  | 3.55%      | 2,777    | 3.17         | 113,848          | 137,334          | 3.82            | 3,350             | 3.67%    |          |         |
| Indirect Construction                |        | 3.57%      | 2,793    | 3.18         | 114,512          | 114,512          | 3.18            | 2,793             | 3.06%    |          |         |
| Ineligible Costs                     |        | 1.58%      | 1,234    | 1.41         | 50,584           | 50,584           | 1.41            | 1,234             | 1.35%    |          |         |
| Developer's G & A                    | 2.00%  | 1.56%      | 1,220    | 1.39         | 50,004           |                  | 0.00            | 0                 | 0.00%    |          |         |
| Developer's Profit                   | 13.00% | 10.13%     | 7,927    | 9.04         | 325,025          | 445,358          | 12.38           | 10,862            | 11.89%   |          |         |
| Interim Financing                    |        | 3.98%      | 3,115    | 3.55         | 127,698          | 127,698          | 3.55            | 3,115             | 3.41%    |          |         |
| Reserves                             |        | 1.83%      | 1,429    | 1.63         | 58,604           | 58,604           | 1.63            | 1,429             | 1.56%    |          |         |
| <b>TOTAL COST</b>                    |        |            |          | 100.00%      | \$78,295         | \$89.26          | \$3,210,114     | \$3,746,239       | \$104.17 | \$91,372 | 100.00% |
| <b>Recap-Hard Construction Costs</b> |        |            |          | 70.34%       | \$55,073         | \$62.79          | \$2,257,985     | \$2,723,782       | \$75.74  | \$66,434 | 72.71%  |

| <b>SOURCES OF FUNDS</b>         |  |         |            | <b>TDHCA</b> | <b>APPLICANT</b> | <b>RECOMMENDED</b> |             |                            |
|---------------------------------|--|---------|------------|--------------|------------------|--------------------|-------------|----------------------------|
| First Lien Mortgage             |  | 72.27%  | \$56,585   | \$64.51      | \$2,320,000      | \$2,320,000        | \$2,320,000 | Developer Fee Available    |
| HOME Funds                      |  | 7.21%   | \$5,643    | \$6.43       | 231,362          | 231,362            | 57,851      | \$375,029                  |
| Housing Trust Fund              |  | 6.43%   | \$5,038    | \$5.74       | 206,539          | 206,539            |             |                            |
| HTC Syndication Proceeds        |  | 30.79%  | \$24,106   | \$27.48      | 988,337          | 988,337            | 832,263     | % of Dev. Fee Deferred     |
| Deferred Developer Fees         |  | 0.00%   | \$0        | \$0.00       | 0                |                    | 0           | 0%                         |
| Additional (Excess) Funds Req'd |  | -16.70% | (\$13,076) | (\$14.91)    | (536,124)        | 1                  | 0           | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>            |  |         |            |              | \$3,210,114      | \$3,746,239        | \$3,210,114 | \$349,221                  |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Hacienda Santa Barbara Apartments, Socorro, 4%, 05247**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
 Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|---------|-------------|----------------|--------------------|
| Base Cost                              |         |             | \$43.74        | \$1,573,090        |
| <b>Adjustments</b>                     |         |             |                |                    |
| Exterior Wall Finish                   | 0.00%   |             | \$0.00         | \$0                |
| 8-Ft. Ceilings                         | 0.00%   |             | 0.00           | 0                  |
| Roofing                                |         |             | 0.00           | 0                  |
| Subfloor                               |         |             | (2.03)         | (73,005)           |
| Floor Cover                            |         |             | 2.00           | 71,926             |
| Porches/Balconies                      | \$16.71 |             | 0.00           | 0                  |
| Plumbing                               | \$605   |             | 0.00           | 0                  |
| Built-In Appliances                    | \$1,650 | 41          | 1.88           | 67,650             |
| Stairs                                 | \$1,450 | 20          | 0.81           | 29,000             |
| Enclosed Corridors                     | \$33.82 |             | 0.00           | 0                  |
| Heating/Cooling                        |         |             | 1.53           | 55,023             |
| Garages/Carports                       |         | 0           | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$63.40 | 3,059       | 5.39           | 193,928            |
| Other: Mgr's Apartment                 | \$43.74 | 1,047       | 1.27           | 45,798             |
| <b>SUBTOTAL</b>                        |         |             | <b>54.60</b>   | <b>1,963,410</b>   |
| Current Cost Multiplier                | 1.11    |             | 6.01           | 215,975            |
| Local Multiplier                       | 0.90    |             | (5.46)         | (196,341)          |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$55.14</b> | <b>\$1,983,044</b> |
| Plans, specs, survy, bld prm           | 3.90%   |             | (2.15)         | (77,339)           |
| Interim Construction Interest          | 3.38%   |             | (1.86)         | (66,928)           |
| Contractor's OH & Profit               | 11.50%  |             | (6.34)         | (228,050)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$44.79</b> | <b>\$1,610,728</b> |

**PAYMENT COMPUTATION**

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$2,320,000 | Amort | 396  |
| Int Rate       | 1.00%       | DCR   | 1.28 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$206,539 | Amort        |      |
| Int Rate         | 0.00%     | Subtotal DCR | 1.28 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$231,362 | Amort         | 396  |
| Int Rate          | 1.00%     | Aggregate DCR | 1.17 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$82,569        |
| Secondary Debt Service  | 2,233           |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$21,177</b> |

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$2,320,000 | Amort | 396  |
| Int Rate       | 1.00%       | DCR   | 1.28 |

|                  |          |              |      |
|------------------|----------|--------------|------|
| <b>Secondary</b> | \$57,851 | Amort        | 360  |
| Int Rate         | 1.00%    | Subtotal DCR | 1.25 |

|                   |       |               |      |
|-------------------|-------|---------------|------|
| <b>Additional</b> | \$0   | Amort         | 396  |
| Int Rate          | 1.00% | Aggregate DCR | 1.25 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%                | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | YEAR 10          | YEAR 15          | YEAR 20          | YEAR 30          |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT           | \$289,992        | \$298,692        | \$307,653        | \$316,882        | \$326,389        | \$378,374        | \$438,639        | \$508,603        | \$683,385        |
| Secondary Income               | 7,380            | 7,601            | 7,829            | 8,064            | 8,306            | 9,629            | 11,163           | 12,941           | 17,391           |
| Other Support Income: (describ | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME         | 297,372          | 306,293          | 315,482          | 324,946          | 334,695          | 388,003          | 449,802          | 521,444          | 700,777          |
| Vacancy & Collection Loss      | (22,303)         | (22,972)         | (23,661)         | (24,371)         | (25,102)         | (29,100)         | (33,735)         | (39,108)         | (52,558)         |
| Employee or Other Non-Rental   | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b>  | <b>\$275,069</b> | <b>\$283,321</b> | <b>\$291,821</b> | <b>\$300,575</b> | <b>\$309,593</b> | <b>\$358,903</b> | <b>\$416,067</b> | <b>\$482,335</b> | <b>\$648,218</b> |
| <b>EXPENSES at 4.00%</b>       |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| General & Administrative       | \$16,664         | \$17,331         | \$18,024         | \$18,745         | \$19,495         | \$23,718         | \$28,857         | \$35,109         | \$51,969         |
| Management                     | 15,794           | 16,268           | 16,756           | 17,259           | 17,776           | 20,608           | 23,890           | 27,695           | 37,220           |
| Payroll & Payroll Tax          | 21,199           | 22,047           | 22,929           | 23,846           | 24,800           | 30,173           | 36,710           | 44,663           | 66,112           |
| Repairs & Maintenance          | 20,375           | 21,190           | 22,037           | 22,919           | 23,835           | 28,999           | 35,282           | 42,926           | 63,541           |
| Utilities                      | 6,285            | 6,536            | 6,798            | 7,070            | 7,352            | 8,945            | 10,883           | 13,241           | 19,600           |
| Water, Sewer & Trash           | 22,848           | 23,762           | 24,712           | 25,701           | 26,729           | 32,520           | 39,565           | 48,137           | 71,255           |
| Insurance                      | 10,598           | 11,022           | 11,463           | 11,922           | 12,398           | 15,085           | 18,353           | 22,329           | 33,052           |
| Property Tax                   | 24,385           | 25,361           | 26,375           | 27,430           | 28,528           | 34,708           | 42,228           | 51,377           | 76,050           |
| Reserve for Replacements       | 29,302           | 30,474           | 31,693           | 32,960           | 34,279           | 41,706           | 50,741           | 61,734           | 91,382           |
| Other                          | 1,640            | 1,706            | 1,774            | 1,845            | 1,919            | 2,334            | 2,840            | 3,455            | 5,115            |
| <b>TOTAL EXPENSES</b>          | <b>\$169,090</b> | <b>\$175,696</b> | <b>\$182,561</b> | <b>\$189,696</b> | <b>\$197,111</b> | <b>\$238,796</b> | <b>\$289,349</b> | <b>\$350,666</b> | <b>\$515,296</b> |
| <b>NET OPERATING INCOME</b>    | <b>\$105,979</b> | <b>\$107,625</b> | <b>\$109,260</b> | <b>\$110,880</b> | <b>\$112,482</b> | <b>\$120,107</b> | <b>\$126,718</b> | <b>\$131,669</b> | <b>\$132,922</b> |
| <b>DEBT SERVICE</b>            |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| First Lien Financing           | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         | \$82,569         |
| Second Lien                    | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            | 2,233            |
| Other Financing                | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            | 8,234            |
| <b>NET CASH FLOW</b>           | <b>\$12,943</b>  | <b>\$14,590</b>  | <b>\$16,224</b>  | <b>\$17,844</b>  | <b>\$19,446</b>  | <b>\$27,071</b>  | <b>\$33,682</b>  | <b>\$38,633</b>  | <b>\$39,886</b>  |
| <b>DEBT COVERAGE RATIO</b>     | <b>1.14</b>      | <b>1.16</b>      | <b>1.17</b>      | <b>1.19</b>      | <b>1.21</b>      | <b>1.29</b>      | <b>1.36</b>      | <b>1.42</b>      | <b>1.43</b>      |

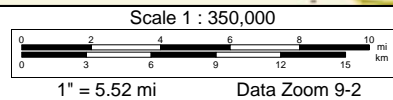
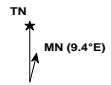
**LIHTC Allocation Calculation - Hacienda Santa Barbara Apartments, Socorro, 4%, 05247**

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$225,701                       | \$225,701                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$153,892                       | \$286,739                 | \$153,892                                  | \$286,739                            |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$2,135,000                     | \$1,610,728               | \$2,135,000                                | \$1,610,728                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$45,778                        | \$37,949                  | \$45,778                                   | \$37,949                             |
| Contractor profit                                     | \$137,334                       | \$113,848                 | \$137,334                                  | \$113,848                            |
| General requirements                                  | \$137,334                       | \$113,848                 | \$137,334                                  | \$113,848                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$114,444                       | \$94,873                  | \$114,444                                  | \$94,873                             |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$114,512                       | \$114,512                 | \$114,512                                  | \$114,512                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$127,698                       | \$127,698                 | \$127,698                                  | \$127,698                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$50,584                        | \$50,584                  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
|   |                                 |                           | \$444,899                                  |                                      |
| Developer overhead                                    |                                 | \$50,004                  |  | \$50,004                             |
| Developer fee   | \$445,358                       | \$325,025                 |  | \$325,025                            |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$58,604                        | \$58,604                  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$3,746,239</b>              | <b>\$3,210,114</b>        | <b>\$3,410,890</b>                         | <b>\$2,875,225</b>                   |

| <b>Deduct from Basis:</b>                                  |  |                    |                    |
|--|--|--------------------|--------------------|
| 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)             |  |                    |                    |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  | <b>\$3,410,890</b> | <b>\$2,875,225</b> |
| High Cost Area Adjustment                                  |  | 100%               | 100%               |
| <b>TOTAL ADJUSTED BASIS</b>                                |  | <b>\$3,410,890</b> | <b>\$2,875,225</b> |
| Applicable Fraction  |  | 100%               | 100%               |
| <b>TOTAL QUALIFIED BASIS</b>                               |  | <b>\$3,410,890</b> | <b>\$2,875,225</b> |
| Applicable Percentage                                      |  | 3.53%              | 3.53%              |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  | <b>\$120,404</b>   | <b>\$101,495</b>   |

|  |               |                  |                  |
|--|---------------|------------------|------------------|
| <b>Syndication Proceeds</b>                  | <b>0.8200</b> | <b>\$987,316</b> | <b>\$832,263</b> |
| <b>Total Credits (Eligible Basis Method)</b> |               | <b>\$120,404</b> | <b>\$101,495</b> |
| <b>Syndication Proceeds</b>                  |               | <b>\$987,316</b> | <b>\$832,263</b> |
| <b>Requested Credits</b>                     |               | <b>\$121,444</b> |                  |
| <b>Syndication Proceeds</b>                  |               | <b>\$995,841</b> |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |               |                  | <b>\$832,263</b> |
| <b>Credit Amount</b>                         |               |                  | <b>\$101,495</b> |

# Hacienda Santa Barbara Apts





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hearthside**

BASIC DEVELOPMENT INFORMATION

Site Address: 7101 I-35 N Development #: 05258  
 City: Austin Region: 7 Population Served: Transitional  
 County: Travis Zip Code: 78752 Allocation: Urban/Exurban  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A  
 HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Foundation Communities, Inc.  
 Jennifer Daughtrey Phone (512) 447-2026  
 Developer: Foundation Communities, Inc.  
 Housing General Contractor: N/A  
 Architect: Foundation Communities  
 Market Analyst: Butler Burgher, Inc.  
 Syndicator: N/A  
 Supportive Services: Caritas  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |             |
|----------------------------------|-----------------|------------|------------|--------------------------|-------------|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 140         |
| 14                               | 0               | 5          | 121        | Market Rate Units:       | 0           |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0           |
| Number of Residential Buildings: | 1               |            |            | Total Development Units: | 140         |
|                                  |                 |            |            | Total Development Cost:  | \$4,236,399 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$0                      | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$218,457                | \$218,457                  | 5            | 5           | 0%          |
| HOME Fund Loan Amount:          | \$1,250,000              | \$1,250,000                | 5            | 5           | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Hearthside

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Barrientos, District 14 [NC] Points: N/A US Representative: McCaul, District 10, NC
TX Representative: Strama, District 50 [NC] Points: N/A US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government [ ]

Individuals/Businesses: In Support: [0] In Opposition: [0]

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

No letters of support or opposition were received for this Development.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hearthside**

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

|   |   |                |             |
|---|---|----------------|-------------|
| 9% HTC Competitive Cycle: <input checked="" type="checkbox"/> Score:                  | <input type="checkbox"/> Meeting a Required Set-Aside | Credit Amount: | N/A         |
| Recommendation: N/A   |   |                |             |
| HOME Loan:  |   | Loan Amount:   | \$1,250,000 |
| Recommendation: Recommendation is conditioned upon final Real Estate Analysis report. |   |                |             |
| Housing Trust Fund Loan:  |   | Loan Amount:   | \$218,457   |
| Recommendation: Recommendation is conditioned upon final Real Estate Analysis report. |   |                |             |
| 4% Housing Tax Credits with Bond Issuance:  |   | Credit Amount: | \$0         |
| Recommendation: N/A   |   |                |             |
| Private Activity Bond Issuance with TDHCA:  |   | Bond Amount:   | \$0         |
| Recommendation: N/A   |   |                |             |

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

**DATE:** July 6, 2005

**PROGRAM:** HOME/HTF

**FILE NUMBER:** 05258

**DEVELOPMENT NAME**

Hearthside Single Room Occupancy (SRO)

**APPLICANT**

|                 |  |                 |                    |
|-----------------|--|-----------------|--------------------|
| <b>Name:</b>    | Foundation Communities, Inc.                 | <b>Type:</b>    | Non-Profit         |
| <b>Address:</b> | 3036 South 1 <sup>st</sup> Street, Suite 200 | <b>City:</b>    | Austin             |
| <b>State:</b>   |  | <b>State:</b>   | TX                 |
| <b>Zip:</b>     | 78704  | <b>Contact:</b> | Jennifer Daughtrey |
| <b>Phone:</b>   | (512) 447-2026                               | <b>Fax:</b>     | (512) 447-0288     |

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |                                   |             |     |               |   |
|--------------|-----------------------------------|-------------|-----|---------------|---|
| <b>Name:</b> | Hearthside Housing Corporation    | <b>(%):</b> | N/A | <b>Title:</b> | Non-Profit Affiliate of FC  |
| <b>Name:</b> | Foundation Communities, Inc. (FC) | <b>(%):</b> | N/A | <b>Title:</b> | Applicant, Developer, 100% Owner of<br>Hearthside Housing Corporation |

**PROPERTY LOCATION**

**Location:** 7101 IH-35 North  **QCT**  **DDA**  
**City:** Austin **County:** Travis **Zip:** 78752

**REQUEST**

| <u>Amount</u>  | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|----------------|----------------------|---------------------|-------------|
| 1) \$1,250,000 | N/A                  | N/A                 | N/A         |
| 2) \$218,457   | N/A                  | N/A                 | N/A         |

**Other Requested Terms:**  
 1) HOME grant or non-performing loan  
 2) Housing Trust Fund grant or non-performing loan

**Proposed Use of Funds:** Acquisition **Property Type:** Single Room Occupancy

**Special Purpose (s):** General Population, Urban/Exurban

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$1,250,000, STRUCTURED AS A 5-YEAR TERM, NON-AMORTIZING LOAN, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$218,457, STRUCTURED AS A 5-YEAR TERM, NON-AMORTIZING LOAN, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Any excess cash flow from the operations of the property should be placed in a restricted reserve account to fund future extraordinary repairs and potential operations losses. At the end of the 5-year loan term, the performance of the project should be reviewed and the potential for repayment and need for reserves should be re-evaluated.
2. Review, receipt, and acceptance of proof of appropriate zoning.
3. Receipt, review, and acceptance of final commitments and documentation of sufficient financing to rehabilitate and operate the development.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |               |                       |               |             |              |                |            |           |          |          |          |
|-------------------------|---------------|---------------------------|------------|-----------------------------|---------------|-----------------------|---------------|-------------|--------------|----------------|------------|-----------|----------|----------|----------|
| <b>Total Units:</b>     | <u>140</u>    | <b># Rental Buildings</b> | <u>1</u>   | <b># Non-Res. Buildings</b> | <u>0</u>      | <b># of Floors</b>    | <u>3</u>      | <b>Age:</b> | <u>6</u> yrs | <b>Vacant:</b> | <u>N/A</u> | <b>at</b> | <u>/</u> | <b>/</b> | <u>/</u> |
| <b>Net Rentable SF:</b> | <u>42,419</u> | <b>Av Un SF:</b>          | <u>303</u> | <b>Common Area SF:</b>      | <u>28,186</u> | <b>Gross Bldg SF:</b> | <u>70,605</u> |             |              |                |            |           |          |          |          |

**STRUCTURAL MATERIALS**

The structure is wood frame on slab on grade. According to the plans provided in the application the exterior is comprised as follows: 30% masonry/brick veneer/70% cement fiber siding, and wood trim. The interior wall surfaces are drywall and the pitched roof is finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & ceramic tile. Each unit will include: refrigerator, microwave oven, fiberglass tub/shower, laminated counter tops, hot water heaters, individual heat pumps and cable.

**ONSITE AMENITIES**

The building will include management offices, maintenance, laundry facilities, fitness room, community room, a kitchen, restrooms, a computer/business center.

**Uncovered Parking:** 154 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Hearthside is an acquisition and rehabilitation project proposing single room occupancy housing located in central Austin. The existing three-story structure was built in 1999 and is currently a 145-unit extended stay hotel. Rehabilitation work will include converting the hotel rooms to 140 units at an average of 303 square feet each.

**Development Plan:** The building will continue to function as an extended stay hotel until all financing for the acquisition and rehabilitation is committed. The Applicant intends to perform the following rehabilitation work in order to convert the property into a single room occupancy supportive housing development for individuals transitioning from homelessness:

- Exterior: demolition, paving and landscaping
- Interior: electrical, plumbing, HVAC, drywall, appliances, painting, carpeting, countertop repair, kitchen and bathrooms, and doors and cabinetry replacement.

**Supportive Services:** Several local service agencies (Front Steps, Caritas, and Goodwill Industries) will provide the following supportive services to tenants: case management, job services, education programs, health services, and training program. These services will be provided at no cost to tenants.

**Architectural Review:** The building and unit plans are of sufficient size and appear to provide acceptable access and storage. The elevations reflect a modest building.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 2.5 acres    108,900 square feet    **Flood Zone Designation:** Zone X  
**Zoning:** Light Industrial and General Commercial Service

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is a rectangular parcel located in the central area of Austin, approximately five miles from the central business district. The site is situated on the east side of IH 35 North.

**Adjacent Land Uses:**

- **North:** East St. Johns Avenue immediately adjacent and retail beyond;

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- **South:** office immediately adjacent;
- **East:** industrial immediately adjacent; and
- **West:** IH-35 North immediately adjacent and retail beyond.

**Site Access:** Access to the property is from the east or west along St. Johns Avenue or the north or south from IH 35 North. Access to Interstate Highway immediately to the west of the subject, which provides connections to all other major roads serving the Austin area.

**Public Transportation:** Public transportation to the area is provided by Capital Metro. The location of the nearest stop is in front of the subject.

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

**Special Adverse Site Characteristics:** The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The site is currently zoned Light Industrial and General Commercial Service. The Applicant is seeking a zoning change to General Commercial Services-Mixed Use combined zoning. This zoning will allow for the renovation of the subject and conversion to permanent supportive housing. Receipt, review and acceptance of proof of appropriate zoning is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 11, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated April 9, 2004 was prepared by MACTEC Engineering & Consulting, Inc. and contained the following findings and recommendations:

**Findings:** (p. 21)

- “Review of historical information did not indicate environmental concerns to the subject property from former activities on the subject property.”
- “Review of the regulatory agency information and area reconnaissance did not indicate sources of environmental concern to the subject property.”
- “Previous Phase I ESAs, performed in 1997 and 2002, for the Central Freight Terminal, which is hydrologically in a downgradient position relative to the subject property addressed in this report, did not identify recognized environmental conditions associated with the subject property.”

**Recommendations:** “Based on available information from this assessment, no evidence of recognized environmental conditions has been identified in connection with the subject property. No further environmental assessment is recommended at this time” (p. 21).

**POPULATIONS TARGETED**

**Income Set-Aside:** According to the application, 100% of the units will be reserved for low-income single adults. Fourteen (10% of the total) will be HTF units reserved for households earning 30% or less of AMGI, five HTF and Low HOME units (4%) will be reserved for households earning 50% or less of AMGI, 20 HTF and High HOME units will be at 60% or less of AMGI, and 101 HTF units (86%) will be reserved for households earning 60% or less of AMGI.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$29,880        | \$34,140         | \$38,400         | \$42,660         | \$46,080         | \$49,500         |

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**MARKET HIGHLIGHTS**

A market feasibility study dated April 1, 2005 was prepared by Butler Burgher, Inc. (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “For the purpose of the demand and capture rate analysis of the market study, the Primary Market Area is defined as the Austin-Round Rock MSA. According to TDHCA’s guidelines, the population range is suggested to be no more than 100,000 persons. However, these guidelines are primarily designed to accommodate patterns for residents who typically lease traditional affordable units. As the subject will be for homeless persons and very low-income persons, the entire Austin-Round Rock MSA was considered reasonable” (p.29). “Although the overall population falls outside the demographic parameters set by TDHCA, the residents being served will typically move greater distances to locate affordable housing than a traditional household; thus, the PMA represents a reasonable draw area” (p. 41). The area encompasses approximately 4,224 square miles and is equivalent to a circle with a radius of 37 miles.

**Population:** The estimated 2004 population of the primary market area was 1,413,673 and is expected to increase by 14.4% to approximately 1,617,267 by 2009. Within the primary market area there were estimated to be 530,399 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 18,741 qualified households in the PMA, based on the current estimate of 530,399 households, renter households estimated at 40.13% of the population, income-qualified households estimated at 12.06%, and an annual renter turnover rate of 67.3% (p. 40). The Market Analyst used an income band of \$10,800 to \$24,900.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 0                      | N/A                      | 190                    | 4%                       |
| Resident Turnover                                      | 17,281                 | 92%                      | 5,085                  | 96%                      |
| Other Sources: 2 years future demand                   | 1,460                  | 8%                       | 0                      | N/A                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>18,741</b>          | <b>100%</b>              | <b>5,275</b>           | <b>100%</b>              |

Ref: p. 40

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 0.75% based upon 18,741 units of demand and 140 unstabilized affordable housing in the PMA (including the subject) (p. 40). The Underwriter calculated an inclusive capture rate of 2.65% based upon a supply of unstabilized comparable affordable units of 140 (the subject) divided by a revised demand of 5,275.

**Local Housing Authority Waiting List Information:** “...the Housing Authority of the City of Austin, which administers public housing units and vouchers, has a waiting list of over 4,500 families seeking housing as of March 1, 2005” (p. 35).

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 215 units in the market area (p. 42).

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>Efficiency (30%/256 SF)</b>               | \$315           | \$373              | -\$58               | \$395              | -\$80               |
| <b>Efficiency (LH/256 SF)</b>                | \$315           | \$622              | -\$307              | \$395              | -\$80               |
| <b>Efficiency (60%/256 SF)</b>               | \$315           | \$747              | -\$432              | \$395              | -\$80               |
| <b>Efficiency (60%/315 SF)</b>               | \$315           | \$747              | -\$432              | \$400              | -\$85               |
| <b>Efficiency (60%/377 and 393 SF)</b>       | \$315           | \$747              | -\$432              | \$405              | -\$90               |
| <b>Efficiency (60%/435 SF)</b>               | \$315           | \$747              | -\$432              | \$410              | -\$95               |

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

**Primary Market Occupancy Rates:** “The comparable transitional housing units had a weighted average

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occupancy of 93%. However, Rent 1 is the most comparable property due to age and supportive services provided. This property is 100% occupied with a waiting list of 95 applicants. The Austin multifamily market was averaging 90.5% occupancy, while the NC submarket was averaging 92.8%, in December 2004” (p. 46).

**Absorption Projections:** “...up until 2001, absorption of multifamily units had been sufficient to keep pace with increases in supply. From 2001 through 2003, however, additions to supply outpaced absorption by a significant margin. However, absorption during 2004 totaled 4,133, which was 1,819 units more than the number of completions...absorption, remains positive, averaging 310 units per month in the last half of 2004...” (p. 28).

**Known Planned Development:** “Currently there are no other similar type transitional housing projects under construction or planned in the Austin-Round Rock area” (p. 41).

**Market Study Analysis/Conclusions:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant has indicated that 25 of the 140 units will be restricted under HOME program limits, and all of the units will be restricted under HTF program limits. The Applicant’s rent projections (\$315/unit) are lower than both the maximum rents allowed under program guidelines and the market rents, reflecting the Applicant’s desire to maintain the affordability of the units. According to a letter from the Applicant dated June 7, 2005, the subject development will target three general populations: “1) Persons, homeless and housed, who are working in low-wage jobs and unable to afford market rate housing. 2) Persons with disabilities who are receiving SSI and unable to locate affordable housing within their budget. 3) Homeless persons who have shown significant commitment to addressing long-term issues related to their homelessness, such as substance abuse, mental health treatment, job training/education, etc. through case management and other programs.” According to the Applicant, the proposed subject rents are comparable to the unsubsidized rents charged at Garden Terrace (HOME #2001-0189), a similar single room occupancy development also located in Austin. The slightly smaller units at Garden Terrace rent for \$300/unit.

There is the potential for additional income (approximately \$137K) if the Applicant chooses to increase rents to the market rents, and the Market Study information suggests that the market could support rents higher than those proposed by the Applicant but still within the HOME and HTF program rent restrictions.

Estimates of secondary income are in line with TDHCA underwriting guidelines. The Applicant utilized a higher vacancy rate of 8.23% rather than the typical underwriting guideline of 7.5%. As a result of these differences the Applicant’s effective gross income estimate is \$130K less than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,401 per unit 6% less than the Underwriter’s database-derived estimate of \$3,618 per unit, adjusted for actual operating expense information received from the Applicant for Garden Terrace (HOME #2001-0189). The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative (\$6K lower), repairs and maintenance (\$7K lower), and utilities (\$7K lower). The Applicant anticipates an approximately 50% property tax reduction due to the supportive housing nature of the development. Information from the Texas County Appraisal District indicates that the square footage valuation for the development will be similar to a US Housing and Urban Development (HUD) housing project (\$20-25 per square foot rather than \$30 per square foot for housing tax credit developments).

**Conclusion:** The higher income estimates of the Underwriter are somewhat mitigated by the slightly higher expense estimates; overall however, the Applicant’s estimated operating proforma is inconsistent with the Underwriter’s expectations. The Underwriter projects a greater amount of net operating income than the Applicant, suggesting the ability of the project to support debt service. Under the Applicant’s proposed financing structure, there will be no debt to service. The Applicant has expressed a strong desire to maximize the potential for success by creating a debt free or at least a debt service free project. This would appear to be a prudent course of action for the short term until an operating history for the project can be established. Moreover, any net income from this property should be restricted in a reserve account for future repairs and

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potential operating losses.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

|                              |             |                                    |                                  |
|------------------------------|-------------|------------------------------------|----------------------------------|
| <b>Land: 2.529 acres</b>     | \$881,648   | <b>Assessment for the Year of:</b> | 2004                             |
| <b>Building:</b>             | \$2,018,352 | <b>Valuation by:</b>               | Travis County Appraisal District |
| <b>Total Assessed Value:</b> | \$2,900,000 | <b>Tax Rate:</b>                   | 2.7211                           |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                                  |   |     |      |                                  |                                       |          |
|----------------------------------|---|-----|------|----------------------------------|---------------------------------------|----------|
| <b>Type of Site Control:</b>     | Earnest Money Contract (2.53 acres)                               |     |      |                                  |                                       |          |
| <b>Contract Expiration Date:</b> | 5/  | 13/ | 2005 | <b>Anticipated Closing Date:</b> | 5/                                    | 13/ 2005 |
| <b>Acquisition Cost:</b>         | \$2,850,000   |     |      | <b>Other Terms/Conditions:</b>   | N/A                                   |          |
| <b>Seller:</b>                   | Austin CSAI, LP sold to affiliate of Foundation Communities, Inc. |     |      |                                  | <b>Related to Devel. Team Member:</b> | No       |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition cost of \$2.85M (\$40.36/SF) is substantiated by the appraisal/tax assessed value of \$2.9M. An affiliate of Foundation Communities, Inc., FC Ashford Mutual Housing Corporation, purchased the property from Austin CSAI, LP for an acquisition cost of \$2.85M. The Applicant provided a copy of the settlement statement dated May 13, 2005 showing an acquisition cost of \$2.85M. According to the Applicant, a non-profit CHDO affiliate of Foundation Communities, Inc. yet to be created, will purchase the property. A draft of the Earnest Money Contract between FC Ashford Mutual Housing Corporation and Foundation Communities, Inc. and/or assigns indicating a sale price of \$2.85M was provided by the Applicant. The total acquisition cost of \$2.99M indicated in the development cost schedule includes the sales price, \$40K in closing costs and legal fees, and \$100K in holding costs. The holding costs consist of \$189K for 12 months of loan payment minus an estimated cash flow from the current interim hotel operations of the subject property of \$96K.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$279 per unit.

**Direct Construction Cost:** The Applicant is requesting funding for acquisition and therefore was not required to submit a property condition assessment. Therefore, the Applicant's direct construction cost estimate of \$381K is considered reasonable as submitted. Moreover, the planned renovations are minor as the property is in good physical shape and will not require significant renovation work to operate as transitional housing.

**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 fees exceed the maximum 15% allowed by TDHCA guidelines and have been adjusted. The Underwriter excluded land costs from the calculation of developer fees and, in order to partially offset the overstated fees, adjusted the contingency amount to the 10% maximum Department guideline.

**Conclusion:** The Applicant's total project cost estimate is within 5% of the Underwriter's total costs, though few of the Applicant's costs could be independently verified by the Underwriter.

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| FINANCING STRUCTURE            |   |                               |   |
|--------------------------------|---|-------------------------------|---|
| INTERIM CONSTRUCTION FINANCING |   |                               |   |
| <b>Source:</b>                 | Neighborhood Housing Services of America  | <b>Contact:</b>               | Barry Black                                     |
| <b>Principal Amount:</b>       | \$2,850,000   | <b>Interest Rate:</b>         | 6.5%  |
| <b>Additional Information:</b> | Used to acquire property and hold in operation until funds for SRO project raised |                               |   |
| <b>Amortization:</b>           | N/A yrs   | <b>Term:</b>                  | 1 yrs   |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI  | <input type="checkbox"/> Firm | <input checked="" type="checkbox"/> Conditional |

| PERMANENT FINANCING            |   |                               |   |
|--------------------------------|---|-------------------------------|---|
| <b>Source:</b>                 | Austin Housing Finance Corporation  | <b>Contact:</b>               | Paul Hilgers                                    |
| <b>Principal Amount:</b>       | \$1,000,000   | <b>Interest Rate:</b>         |   |
| <b>Additional Information:</b> | Grant / Forgivable Loan from Rental Housing Development Assistance (RHDA) program |                               |   |
| <b>Amortization:</b>           | _____ yrs   | <b>Term:</b>                  | _____ yrs                                       |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI  | <input type="checkbox"/> Firm | <input checked="" type="checkbox"/> Conditional |
| <b>Addl Information:</b>       | Notification Date: August 2005  |                               |   |
| <b>Disbursement Date:</b>      | November 2005   | <b>Commitment Date</b>        | 4/ 28/ 2005                                     |

| GRANT                          |                             |                         |  |
|--------------------------------|-----------------------------|-------------------------|--|
| <b>Source:</b>                 | FHLB Atlanta – Compass Bank | <b>Contact:</b>         | Toni Koonce  |
| <b>Principal Amount:</b>       | \$500,000                   | <b>Commitment:</b>      | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
| <b>Additional Information:</b> | AHP Program / Application   |                         |  |
| <b>Notification Date:</b>      | June 2005                   |                         |  |
| <b>Disbursement Date:</b>      | September 2005              | <b>Application Date</b> | 3/ / 2005  |

| GRANT                          |                              |                    |  |
|--------------------------------|------------------------------|--------------------|--|
| <b>Source:</b>                 | NeighborWorks America        | <b>Contact:</b>    | Mickey Landy   |
| <b>Principal Amount:</b>       | \$358,000                    | <b>Commitment:</b> | <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Disbursement Date: July 2005 |                    |  |
| <b>Commitment Date</b>         | 2/ 28/ 2005                  |                    |  |

| GRANT                          |                                |                         |  |
|--------------------------------|--------------------------------|-------------------------|--|
| <b>Source:</b>                 | Enterprise Green Communities   | <b>Contact:</b>         |  |
| <b>Principal Amount:</b>       | \$50,000                       | <b>Commitment:</b>      | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Notification Date: August 2005 |                         |  |
| <b>Disbursement Date:</b>      | October 2005                   | <b>Application Date</b> | 3/ / 2005  |

| GRANT                          |                                  |                    |  |
|--------------------------------|----------------------------------|--------------------|--|
| <b>Source:</b>                 | Austin CDC/Enterprise Foundation | <b>Contact:</b>    | Rory M. O'Malley   |
| <b>Principal Amount:</b>       | \$30,000                         | <b>Commitment:</b> | <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Disbursement Date: June 2005     |                    |  |
| <b>Commitment Date</b>         | 4/ 11/ 2005                      |                    |  |

| GRANT                          |                                     |                    |  |
|--------------------------------|-------------------------------------|--------------------|--|
| <b>Source:</b>                 | NeighborWorks Home Depot Foundation | <b>Contact:</b>    |  |
| <b>Principal Amount:</b>       | \$37,500                            | <b>Commitment:</b> | <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Disbursement Date: July 2005        |                    |  |
| <b>Application Date</b>        | 3/ / 2005                           |                    |  |



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| GRANT   |   |  |  |
|---|---|--|--|
| <b>Source:</b> <u>Topfer Family Foundation</u>                        | <b>Contact:</b> _____                       |  |  |
| <b>Principal Amount:</b> \$100,000                                    | <b>Commitment:</b> <input type="checkbox"/> | LOI <input checked="" type="checkbox"/>  | Firm <input type="checkbox"/> Conditional <input type="checkbox"/> |
| <b>Additional Information:</b> <u>Disbursement Date: October 2005</u> |   | <b>Application Date</b> <u>3/ / 2005</u> |  |

| GRANT  |   |                                   |  |
|--|---|-----------------------------------|--|
| <b>Source:</b> <u>Other Fundraising</u>                    | <b>Contact:</b> <u>N/A</u>                  |                                   |  |
| <b>Principal Amount:</b> \$555,000                         | <b>Commitment:</b> <input type="checkbox"/> | LOI <input type="checkbox"/>      | Firm <input type="checkbox"/> Conditional <input type="checkbox"/> |
| <b>Additional Information:</b> <u>Fundraising Campaign</u> |   | <b>Commitment Date</b> <u>N/A</u> |  |

| APPLICANT EQUITY                |   |
|---------------------------------|---|
| <b>Amount:</b> <u>\$270,000</u> | <b>Source:</b> <u>Deferred Developer Fee (\$70K) and Cash Equity (\$200K)</u> |

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development from several sources: TDHCA HOME, TDHCA Housing Trust Fund, an Affordable Housing Program grant from the Federal Reserve Bank of Atlanta, a Rental Housing Development Assistance (RHDA) forgivable loan from the Austin Housing Finance Corporation, other fundraising, and equity provided by the Applicant.

**HOME:** The Applicant is requesting funds from the TDHCA HOME Program in the form of a grant or non-performing loan in the amount of \$1.25M to provide the majority of acquisition funding.

The Multifamily Production Division has informed the Applicant that the maximum amount of HOME funding available to this application is limited to 18% of the total Development Costs, or \$786,446.28. This restricted amount is based on the Department’s limitations on HOME funds in Participating Jurisdictions; Section 2306.111 (c) of the Texas Government Code; and maximum funding requirements under federal HOME rules clarified in notice CPD 94-01. The maximum subsidy is calculated based on the number of HOME-assisted units in the structure times the allowable per unit subsidy amount. In addition, the maximum subsidy may not exceed the actual development cost of the HOME-assisted units based on their proportionate share of the total development cost.

The Applicant has requested that, due to the unique and dramatic need for the development, the Department consider using unsubscribed HOME CHDO Rental Development Funds or Housing Trust Funds to comprise the full HOME CHDO Rental Development Funds requested (\$1.25M).

Because of the uniqueness of this project it is recommended that an award be structured as a loan at zero percent interest with a five year maturity. Any cash flow from the property should be accumulated in a restricted reserve account for future capital repair needs and/or operating losses. Prior to maturity, the loan and project should be re-evaluated based upon actual performance and a loan repayment structure and or proposed amount of debt forgiveness be established. It should be noted that this represents a very speculative transaction and there is potential that the entire loan amount will need to be forgiven at some time in the future.

**Housing Trust Fund:** The Applicant is requesting \$218,457 from TDHCA’s Housing Trust Fund in the form of a grant or non-performing loan. Similar to the HOME award, zero percent interest rate loan with a five year maturity is recommended. The development should be re-evaluated based upon actual performance and the loan structure revisited before the end of the five-year term.

**Other Sources:** The Applicant has applied for a \$1M grant or forgivable loan from the Austin Housing Finance Corporation’s Rental Housing Development Assistance program and a forgivable loan of \$500K from the Federal Reserve Bank of Atlanta. An application for \$50K from Enterprise Green Communities is under consideration. The Applicant has received \$358K in grant funds from the Neighborhood Reinvestment Corporation (NRC); \$30K from the Enterprise Foundation; \$38K from NeighborWorks Home Depot Foundation; and \$100K from the Topfer Family Foundation.

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**Fundraising:** The Applicant is conducting a campaign to raise \$555K with foundations, corporations, and individuals. A previous fundraising campaign for a similar development (Garden Terrace) raised \$475K.

**Applicant Equity:** The Applicant is donating \$200,000 in cash equity to the project to fund any gaps in rent-up and operating reserves with this project. The Applicant has provided a letter dated May 9, 2005 from Maxwell Lock & Ritter, LLP, Accountants and Consultants, verifying that the Applicant has the capacity to provide \$200,000 in financing. The Applicant provided a letter dated May 6, 2005 from Compass Bank indicated that \$200,000 has been deposited in a separate account for operating reserves for the subject.

**Deferred Developer's Fees:** The Applicant's proposes to defer total developer's fees of \$70,000.

**Financing Conclusions:** Although only a few of the permanent financing options are firm at this time, the Applicant has committed to provide some funds from its own cash reserves to complete the project. As noted in the Financial Highlights section below, the Applicant's cash reserves of \$2.58M would appear sufficient to accomplish the project and, therefore, mitigate the risk associated with the unconfirmed funding sources. In addition, due to the limit on developer fee the need for funds is reduced by \$133K. The \$1,250,000 HOME award and the \$218,475 HTF award are recommended to be in the form of non-amortizing zero percent loans with a maturity of five years. Receipt, review, and acceptance of final commitments and documentation of sufficient firm financing commitments to rehabilitate and operate the development is a condition of this report.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, Architect, and Property Manager are all related entities. These are common relationships for rental housing developments.

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

**Financial Highlights:**

- The Applicant, Foundation Communities, Inc. and Affiliates, submitted an unaudited financial statement as of December 31, 2004. The financial statement reports total assets of \$41.1M, consisting of \$2.58M in cash, \$5.49M in receivables, \$26K in deposits, \$27.7 in long term assets, \$1.1M in partnership investments, \$356K in other current assets, \$1.5M in restricted assets, and \$2.28M in reserves. Liabilities total \$23.1M, resulting in net assets of \$17.9M.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The majority of the anticipated funding sources are unconfirmed.
- The Applicant's operating proforma is 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 program rents can be achieved in this market.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

**Underwriter:**

*Brenda Hull*

**Date:** July 6, 2005

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** July 6, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Hearthside SRO, Austin, HOME and HTF, #05258**

| Type of Unit  | Number     | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Utility        | Wtr, Swr, Trash |
|---------------|------------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|-----------------|
| HTF (30%)     | 14         | 0        | 1               | 256        | \$373           | \$373             | \$5,222         | \$1.46        | \$45.00        | \$31.00         |
| LH/HTF (50%)  | 5          | 0        | 1               | 256        | 622             | \$395             | 1,975           | 1.54          | 45.00          | 31.00           |
| HH/HTF (60%)  | 20         | 0        | 1               | 256        | 656             | \$395             | 7,900           | 1.54          | 45.00          | 31.00           |
| HTF (60%)     | 38         | 0        | 1               | 256        | 747             | \$395             | 15,010          | 1.54          | 45.00          | 31.00           |
| HTF (60%)     | 24         | 0        | 1               | 315        | 747             | 400               | 9,600           | 1.27          | 45.00          | 31.00           |
| HTF (60%)     | 27         | 0        | 1               | 377        | 747             | 405               | 10,935          | 1.07          | 45.00          | 31.00           |
| HTF (60%)     | 6          | 0        | 1               | 393        | 747             | 405               | 2,430           | 1.03          | 45.00          | 31.00           |
| HTF (60%)     | 6          | 0        | 1               | 435        | 747             | 410               | 2,460           | 0.94          | 45.00          | 31.00           |
| <b>TOTAL:</b> | <b>140</b> |          | <b>AVERAGE:</b> | <b>303</b> | <b>\$692</b>    | <b>\$397</b>      | <b>\$55,532</b> | <b>\$1.31</b> | <b>\$45.00</b> | <b>\$31.00</b>  |

**INCOME**

Total Net Rentable Sq Ft: 42,419

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$5.75  
Other Support Income: none

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                                  | % OF EGI      | PER UNIT       | PER SQ FT      |
|----------------------------------|---------------|----------------|----------------|
| General & Administrative         | 5.36%         | \$240          | 0.79           |
| Management                       | 5.00%         | 223            | 0.74           |
| Payroll & Payroll Tax            | 21.09%        | 942            | 3.11           |
| Repairs & Maintenance            | 5.14%         | 230            | 0.76           |
| Utilities                        | 12.09%        | 540            | 1.78           |
| Water, Sewer, & Trash            | 6.18%         | 276            | 0.91           |
| Property Insurance               | 4.22%         | 189            | 0.62           |
| Property Tax 2.7211              | 6.31%         | 282            | 0.93           |
| Reserve for Replacements         | 6.72%         | 300            | 0.99           |
| Other: compl, cable tv, security | 8.89%         | 397            | 1.31           |
| <b>TOTAL EXPENSES</b>            | <b>81.01%</b> | <b>\$3,618</b> | <b>\$11.94</b> |
| <b>NET OPERATING INC</b>         | <b>18.99%</b> | <b>\$848</b>   | <b>\$2.80</b>  |

**DEBT SERVICE**

| TDHCA HOME               | 0.00%         | \$0          | \$0.00        |
|--------------------------|---------------|--------------|---------------|
| TDHCA Housing Trust Fund | 0.00%         | \$0          | \$0.00        |
| Additional Financing     | 0.00%         | \$0          | \$0.00        |
| <b>NET CASH FLOW</b>     | <b>18.99%</b> | <b>\$848</b> | <b>\$2.80</b> |

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 70.58%         | \$21,357        | \$70.49        |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 0.92%          | 279             | 0.92           |
| Direct Construction                  |        | 8.99%          | 2,721           | 8.98           |
| Contingency                          | 10.00% | 0.99%          | 300             | 0.99           |
| General Req'ts                       | 6.00%  | 0.59%          | 180             | 0.59           |
| Contractor's G & A                   | 2.00%  | 0.20%          | 60              | 0.20           |
| Contractor's Profit                  | 6.00%  | 0.59%          | 180             | 0.59           |
| Indirect Construction                |        | 1.64%          | 496             | 1.64           |
| Ineligible Costs                     |        | 0.35%          | 107             | 0.35           |
| Developer's G & A                    | 15.00% | 9.42%          | 2,852           | 9.41           |
| Developer's Profit                   | 0.00%  | 0.00%          | 0               | 0.00           |
| Interim Financing                    |        | 1.25%          | 379             | 1.25           |
| Reserves                             |        | 4.46%          | 1,349           | 4.45           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$30,260</b> | <b>\$99.87</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>12.29%</b>  | <b>\$3,720</b>  | <b>\$12.28</b> |

**SOURCES OF FUNDS**

| TDHCA HOME                      | 29.51% | \$8,929  | \$29.47  |
|---------------------------------|--------|----------|----------|
| TDHCA Housing Trust Fund        | 5.16%  | \$1,560  | \$5.15   |
| Fundraising Proceeds            | 62.10% | \$18,791 | \$62.02  |
| Cash Equity                     | 4.72%  | \$1,429  | \$4.71   |
| Deferred Developer Fee          | 1.65%  | \$500    | \$1.65   |
| Additional (Excess) Funds Req'd | -3.13% | (\$948)  | (\$3.13) |
| <b>TOTAL SOURCES</b>            |        |          |          |

| TDHCA     | APPLICANT |
|-----------|-----------|
| \$666,384 | \$529,200 |
| 9,660     | 9,660     |
| 0         |           |
| \$676,044 | \$538,860 |
| (50,703)  | (44,328)  |
| 0         |           |
| \$625,341 | \$494,532 |
| \$33,541  | \$27,322  |
| 31,267    | 27,355    |
| 131,880   | 133,458   |
| 32,153    | 25,217    |
| 75,600    | 68,817    |
| 38,668    | 41,766    |
| 26,404    | 26,814    |
| 39,456    | 38,327    |
| 42,000    | 35,000    |
| 55,619    | 52,119    |
| \$506,588 | \$476,195 |
| \$118,753 | \$18,337  |
| \$0       | \$0       |
| 0         | 0         |
| 0         | 0         |
| \$118,753 | \$18,337  |
| N/A       | N/A       |
| N/A       | N/A       |

| PER SQ FT | PER UNIT | % OF EGI |
|-----------|----------|----------|
| \$0.64    | \$195    | 5.52%    |
| 0.64      | 195      | 5.53%    |
| 3.15      | 953      | 26.99%   |
| 0.59      | 180      | 5.10%    |
| 1.62      | 492      | 13.92%   |
| 0.98      | 298      | 8.45%    |
| 0.63      | 192      | 5.42%    |
| 0.90      | 274      | 7.75%    |
| 0.83      | 250      | 7.08%    |
| 1.23      | 372      | 10.54%   |
| \$11.23   | \$3,401  | 96.29%   |
| \$0.43    | \$131    | 3.71%    |
| \$0.00    | \$0      | 0.00%    |
| \$0.00    | \$0      | 0.00%    |
| \$0.00    | \$0      | 0.00%    |
| \$0.43    | \$131    | 3.71%    |
| N/A       | N/A      |          |
| N/A       | N/A      |          |

| TDHCA       | APPLICANT   |
|-------------|-------------|
| \$2,990,000 | \$2,990,000 |
| 0           | 0           |
| 39,000      | 39,000      |
| 381,000     | 381,000     |
| 42,000      | 21,000      |
| 25,200      | 25,200      |
| 8,400       | 8,400       |
| 25,200      | 25,200      |
| 69,500      | 69,500      |
| 15,000      | 15,000      |
| 399,248     | 541,845     |
| 0           | 0           |
| 53,000      | 53,000      |
| 188,851     | 200,000     |
| \$4,236,399 | \$4,369,145 |

| PER SQ FT   | PER UNIT    | % of TOTAL |
|-------------|-------------|------------|
| \$70.49     | \$21,357    | 68.43%     |
| 0.00        | 0           | 0.00%      |
| 0.92        | 279         | 0.89%      |
| 8.98        | 2,721       | 8.72%      |
| 0.50        | 150         | 0.48%      |
| 0.59        | 180         | 0.58%      |
| 0.20        | 60          | 0.19%      |
| 0.59        | 180         | 0.58%      |
| 1.64        | 496         | 1.59%      |
| 0.35        | 107         | 0.34%      |
| 12.77       | 3,870       | 12.40%     |
| 0.00        | 0           | 0.00%      |
| 1.25        | 379         | 1.21%      |
| 4.71        | 1,429       | 4.58%      |
| \$103.00    | \$31,208    | 100.00%    |
| \$11.78     | \$3,570     | 11.44%     |
| \$1,250,000 | \$1,250,000 |            |
| 218,457     | 218,457     |            |
| 2,630,688   | 2,630,688   |            |
| 200,000     | 200,000     |            |
| 70,000      | 70,000      |            |
| (132,746)   | 0           |            |
| \$4,236,399 | \$4,369,145 |            |
| \$1,250,000 |             |            |
| 218,457     |             |            |
| 2,567,942   |             |            |
| 200,000     |             |            |
| 0           |             |            |
| \$4,236,399 | \$1,542,699 |            |

**RECOMMENDED**

|             |             |
|-------------|-------------|
| \$1,250,000 |             |
| 218,457     |             |
| 2,567,942   |             |
| 200,000     |             |
| 0           |             |
| \$4,236,399 | \$1,542,699 |

15-Yr Cumulative Cash Flow

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)  
**Hearthside SRO, Austin, HOME and HTF, #05258**

**PAYMENT COMPUTATION**

|                   |             |               |     |
|-------------------|-------------|---------------|-----|
| <b>Primary</b>    | \$1,250,000 | Amort         |     |
| Int Rate          |             | DCR           | N/A |
| <b>Secondary</b>  | \$218,457   | Amort         |     |
| Int Rate          |             | Subtotal DCR  | N/A |
| <b>Additional</b> | \$2,630,688 | Amort         |     |
| Int Rate          |             | Aggregate DCR | N/A |

**RECOMMENDED FINANCING STRUCTURE:**

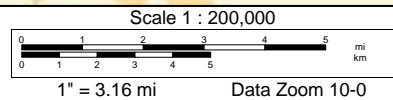
|                         |                  |
|-------------------------|------------------|
| Primary Debt Service    | \$0              |
| Secondary Debt Service  | 0                |
| Additional Debt Service | 0                |
| <b>NET CASH FLOW</b>    | <b>\$118,753</b> |

|                   |             |               |     |
|-------------------|-------------|---------------|-----|
| <b>Primary</b>    | \$1,250,000 | Amort         | 0   |
| Int Rate          | 0.00%       | DCR           | N/A |
| <b>Secondary</b>  | \$218,457   | Amort         | 0   |
| Int Rate          | 0.00%       | Subtotal DCR  | N/A |
| <b>Additional</b> | \$2,630,688 | Amort         | 0   |
| Int Rate          | 0.00%       | Aggregate DCR | N/A |

**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            | \$666,384        | \$686,376        | \$706,967        | \$728,176        | \$750,021        | \$869,480        | \$1,007,966      | \$1,168,508        | \$1,570,378        |
| Secondary Income                | 9,660            | 9,950            | 10,248           | 10,556           | 10,872           | 12,604           | 14,612           | 16,939             | 22,764             |
| Other Support Income: none      | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| POTENTIAL GROSS INCOME          | 676,044          | 696,325          | 717,215          | 738,732          | 760,893          | 882,084          | 1,022,577        | 1,185,447          | 1,593,142          |
| Vacancy & Collection Loss       | (50,703)         | (52,224)         | (53,791)         | (55,405)         | (57,067)         | (66,156)         | (76,693)         | (88,909)           | (119,486)          |
| Employee or Other Non-Rental Un | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| <b>EFFECTIVE GROSS INCOME</b>   | <b>\$625,341</b> | <b>\$644,101</b> | <b>\$663,424</b> | <b>\$683,327</b> | <b>\$703,826</b> | <b>\$815,928</b> | <b>\$945,884</b> | <b>\$1,096,539</b> | <b>\$1,473,656</b> |
| EXPENSES at 4.00%               |                  |                  |                  |                  |                  |                  |                  |                    |                    |
| General & Administrative        | \$33,541         | \$34,882         | \$36,277         | \$37,729         | \$39,238         | \$47,739         | \$58,081         | \$70,665           | \$104,601          |
| Management                      | 31,267           | 32,205           | 33,171           | 34,166           | 35,191           | 40,796           | 47,294           | 54,827             | 73,683             |
| Payroll & Payroll Tax           | 131,880          | 137,155          | 142,641          | 148,347          | 154,281          | 187,706          | 228,373          | 277,851            | 411,288            |
| Repairs & Maintenance           | 32,153           | 33,439           | 34,777           | 36,168           | 37,615           | 45,764           | 55,679           | 67,742             | 100,275            |
| Utilities                       | 75,600           | 78,624           | 81,769           | 85,040           | 88,441           | 107,602          | 130,915          | 159,278            | 235,770            |
| Water, Sewer & Trash            | 38,668           | 40,215           | 41,823           | 43,496           | 45,236           | 55,037           | 66,960           | 81,468             | 120,592            |
| Insurance                       | 26,404           | 27,460           | 28,559           | 29,701           | 30,889           | 37,581           | 45,723           | 55,629             | 82,345             |
| Property Tax                    | 39,456           | 41,034           | 42,676           | 44,383           | 46,158           | 56,158           | 68,325           | 83,128             | 123,049            |
| Reserve for Replacements        | 42,000           | 43,680           | 45,427           | 47,244           | 49,134           | 59,779           | 72,730           | 88,488             | 130,983            |
| Other                           | 55,619           | 57,844           | 60,158           | 62,564           | 65,066           | 79,163           | 96,314           | 117,181            | 173,456            |
| <b>TOTAL EXPENSES</b>           | <b>\$506,588</b> | <b>\$526,539</b> | <b>\$547,278</b> | <b>\$568,837</b> | <b>\$591,249</b> | <b>\$717,326</b> | <b>\$870,396</b> | <b>\$1,056,256</b> | <b>\$1,556,042</b> |
| <b>NET OPERATING INCOME</b>     | <b>\$118,753</b> | <b>\$117,562</b> | <b>\$116,146</b> | <b>\$114,489</b> | <b>\$112,577</b> | <b>\$98,602</b>  | <b>\$75,488</b>  | <b>\$40,283</b>    | <b>(\$82,386)</b>  |
| <b>DEBT SERVICE</b>             |                  |                  |                  |                  |                  |                  |                  |                    |                    |
| First Lien Financing            | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0                | \$0                |
| Second Lien                     | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| Other Financing                 | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| <b>NET CASH FLOW</b>            | <b>\$118,753</b> | <b>\$117,562</b> | <b>\$116,146</b> | <b>\$114,489</b> | <b>\$112,577</b> | <b>\$98,602</b>  | <b>\$75,488</b>  | <b>\$40,283</b>    | <b>(\$82,386)</b>  |
| DEBT COVERAGE RATIO             | N/A              | N/A              | N/A              | N/A              | N/A              | N/A              | N/A              | N/A                | N/A                |

# Hearthside SRO



**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Items**

Consideration of awards for the 2005 HOME Rental Development program.

**Required Action**

Approve or deny awards for the 2005 HOME Rental Development program.

**Background**

In January 2005 the Department released an Open Cycle Notice of Funding Availability (NOFA) for the HOME Rental Development Program. The NOFA made available approximately \$5,000,000 in HOME funds for qualified applicants to develop affordable rental housing. The NOFA also included a set-aside for At-Risk Preservation developments of approximately \$2,000,000. The nature of the Open Cycle allows applications to be submitted at any time; applications are reviewed and processed in a first-come, first-served order and therefore, not all applications are in the same stage of review and not all are ready to be presented to the Board. To date the Department has received fifteen applications and is presenting eleven to the Board at this time. These eleven applications have passed the Department's threshold criteria reviews process. Of the remaining four applications that were received, two were withdrawn by the Applicants and the remaining two are currently being reviewed for threshold criteria as they are the most recent applications received. The Department will continue to accept applications for the program until all available funding has been awarded or until August 31, 2005, the end date posted in the NOFA. A report reflecting the status of all applications is included with this write-up. Attached are the following reports:

- ③ Report reflecting only those applications recommended for an award;
- ③ Report reflecting the status of all active applications; and
- ③ Individual report for each application being recommended.

**Recommendation**

Staff recommends that eight of the eleven applications being presented today, totaling \$3,091,609, be awarded funding in accordance with, and conditioned upon, the recommendations made by the Real Estate Analysis Division. For applications that are jointly applying for Housing Tax Credits or other Department funding programs, these HOME recommendations are conditioned upon the successful award of those other Department funds. All applicants approved by the Board for an award will receive funding commitments that reflect all conditions based on the final Real Estate Analysis report and any additional conditions deemed appropriate by the Department.

The total amount of HOME applications recommended for At-Risk Preservation set-aside funds is \$899,435, leaving \$1,100,565 for pending and future applications. The Department has one pending application for preservation funds requesting \$435,000. The total amount of HOME applications recommended for General set-aside funds is \$2,192,174, leaving \$807,826 for pending and future applications. The Department has one pending application for general set-aside funds requesting a total of \$921,513.

To the extent any applications not funded due to a non-competitive housing tax credit application are recommended for an award of tax credits on July 27, a recommendation for HOME funds will also be made at that meeting.



**2005 HOME Preservation and Rental Development Program - Recommendations for Award**  
**Sorted by Date and Time Received**  
**July 14, 2005**

| #     | Region | Received By: |          | Development Name<br>City                        | Set-Asides (1)                      |                                     |                          | Layering (2)                        |                          |                          | Requested Funds                     | Recommended Funds | Status<br>Evaluation Comment* |  |
|-------|--------|--------------|----------|---|-------------------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|-------------------------------------|-------------------|-------------------------------|--|
|       |        | Date         | Time     |   | G                                   | AR                                  | C                        | 9%                                  | RR                       | 4%                       |                                     |                   |                               | HTF  |
| 05261 | 5      | 02/25/2005   | 04:21 PM | East Texas Apartments<br>Garrison               | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$502,366         | \$502,366                     | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final Real Estate Analysis report.                                      |
| 05239 | 6      | 03/01/2005   | 10:27am  | Bayshore Manor Apartments<br>Palacios           | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$385,000         | \$385,000                     | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.     |
| 05235 | 4      | 03/01/2005   | 10:28am  | Country Square Apartments<br>Lone Star          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$385,000         | \$385,000                     | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.     |
| 05234 | 6      | 03/01/2005   | 10:28am  | Park Place Apartments<br>Bellville              | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$225,000         | \$225,000                     | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.     |
| 05084 | 6      | 03/01/2005   | 10:29am  | University Place Apartments<br>Wharton          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$375,000         | \$375,000                     | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.     |
| 05237 | 12     | 03/01/2005   | 10:36am  | Bel Aire Manor Apartments<br>Brady              | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$319,808         | \$285,664                     | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.     |
| 05238 | 8      | 03/01/2005   | 10:37am  | Hamilton Manor Apartments<br>Hamilton           | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$296,869         | \$255,517                     | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.     |
| 05236 | 8      | 03/01/2005   | 10:38am  | Clifton Manor Apartments I<br>and II<br>Clifton | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$602,566         | \$515,566                     | <b>Recommended for Funding</b><br><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |

1: Set-Aside Abbreviations: G=General, AR=At-Risk, C=CHDO

2: Layering of Other Department Applications: 9%= 9% Competitive Tax Credits, RR=Rural Rescue Program, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

\*: Because final underwriting reports and/or award recommendations for layered applicants have not been approved awards will be conditional. All applicants awarded by the board will be notified of the conditions of their award and receive conditional funding commitments based on the final underwriting report and any additional conditions placed on them by the Department.

| # | Region | Received By: |      | Development Name | Set-Asides (1)                      |                                     |                         |    | Layering (2) |                     |     | Status          |                   |                     |  |
|---|--------|--------------|------|------------------|-------------------------------------|-------------------------------------|-------------------------|----|--------------|---------------------|-----|-----------------|-------------------|---------------------|--|
|   |        | Date         | Time |                  | G                                   | AR                                  | C                       | 9% | RR           | 4%                  | HTF | Requested Funds | Recommended Funds | Evaluation Comment* |  |
|   |        |              |      |                  | Set-Aside                           |                                     |                         |    |              |                     |     |                 |                   |                     |  |
|   |        |              |      |                  | G                                   | AR                                  | Application Status      |    |              | HOME Activity Funds |     |                 |                   |                     |  |
|   |        |              |      |                  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | Recommended for Funding |    |              | \$899,435           |     |                 |                   |                     |  |
|   |        |              |      |                  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Recommended for Funding |    |              | \$2,192,174         |     |                 |                   |                     |  |

1: Set-Aside Abbreviations: G=General, AR=At-Risk, C=CHDO

2: Layering of Other Department Applications: 9%= 9% Competitive Tax Credits, RR=Rural Rescue Program, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

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**2005 HOME Preservation and Rental Development Program - Status Table**  
**Sorted by Date and Time Received**  
**July 14, 2005**

| #     | Region | Received By: |          | Development Name<br>City                     | Set-Asides (1)                      |                          |                          | Layering (2)                        |                          |                                     | Requested Funds | Recommended Funds | Status<br>Evaluation Comment*  |
|-------|--------|--------------|----------|--|-------------------------------------|--------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|-----------------|-------------------|--|
|       |        | Date         | Time     |  | G                                   | AR                       | C                        | 9%                                  | RR                       | 4%                                  |                 |                   |  |
| 05261 | 5      | 02/25/2005   | 04:21 PM | East Texas Apartments<br>Garrison            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | \$502,366       | \$502,366         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final Real Estate Analysis report.                                  |
| 05135 | 9      | 02/25/2005   | 04:42 PM | Villas at German Spring<br>New Braunfels     | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$500,000       | \$0               | <b>Not Recommended</b><br>Application is not being recommended at this time due to status of Housing Tax Credit award.                   |
| 05224 | 10     | 02/25/2005   | 12:37pm  | Brookwood Retirement Apartments<br>Victoria  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$950,000       | \$0               | <b>Not Recommended</b><br>Application is not being recommended at this time due to status of Housing Tax Credit award.                   |
| 05249 | 9      | 03/01/2005   | 02:14 PM | Floresville Square Apartments<br>Floresville | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$733,638       | \$0               | <b>Not Recommended</b><br>Application is not being recommended at this time due to status of Housing Tax Credit award.                   |
| 05239 | 6      | 03/01/2005   | 10:27am  | Bayshore Manor Apartments<br>Palacios        | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$385,000       | \$385,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 05235 | 4      | 03/01/2005   | 10:28am  | Country Square Apartments<br>Lone Star       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$385,000       | \$385,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 05234 | 6      | 03/01/2005   | 10:28am  | Park Place Apartments<br>Bellville           | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$225,000       | \$225,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 05084 | 6      | 03/01/2005   | 10:29am  | University Place Apartments<br>Wharton       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$375,000       | \$375,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 05237 | 12     | 03/01/2005   | 10:36am  | Bel Aire Manor Apartments<br>Brady           | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$319,808       | \$285,664         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |

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| #     | Region | Received By: |          | Development Name  | Set-Asides (1)                      |                                     |                          | Layering (2)                        |                                     |                          | Requested Funds                     | Recommended Funds | Status    | Evaluation Comment*  |
|-------|--------|--------------|----------|---|-------------------------------------|-------------------------------------|--------------------------|-------------------------------------|-------------------------------------|--------------------------|-------------------------------------|-------------------|-----------|--|
|       |        | Date         | Time     |   | City                                | G                                   | AR                       | C                                   | 9%                                  | RR                       |                                     |                   |           |  |
| 05238 | 8      | 03/01/2005   | 10:37am  | Hamilton Manor Apartments<br>Hamilton                           | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$296,869         | \$255,517 | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.     |
| 05236 | 8      | 03/01/2005   | 10:38am  | Clifton Manor Apartments I<br>and II<br>Clifton                 | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | \$602,566         | \$515,566 | <b>Recommended for Funding</b><br><br>Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report. |
| 06001 | 4      | 03/17/2005   | 09:45 PM | Laneville Place Apartments<br>Henderson                         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | \$435,000         | \$0       | <b>Under Review</b><br>Application is still pending final threshold and Real Estate Analysis review.   |
| 05263 | 8      | 03/30/2005   | 01:04 PM | Belton Housing Authority Rural<br>Development Housing<br>Belton | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | \$921,513         | \$0       | <b>Under Review</b><br><br>Application is still pending final threshold and Real Estate Analysis review.                                     |

| Set-Aside                           |                                     | Application Status      | HOME Activity Funds |
|-------------------------------------|-------------------------------------|-------------------------|---------------------|
| G                                   | AR                                  |                         |                     |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | Recommended for Funding | \$899,435           |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | Under Review            | \$435,000           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Recommended for Funding | \$2,192,174         |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Under Review            | \$921,513           |

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MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

University Place Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Armbrister, District 18 [S] Points: N/A US Representative: Paul, District 14, NC

TX Representative: Hegar, District 28 [S] Points: N/A US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Bryce D. Kocian, Mayor, S Resolution of Support from Local Government [ ]

Individuals/Businesses: In Support: 0 In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Armbrister expressed his support for the Development as filling the critical need for quality and affordable housing for low income citizens. Representative Hegar expressed his support for the Development as one that will improve the community and would be a welcome addition. One local official expressed his support for the Development as one that will provide decent housing in the City of Wharton.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. The applicant applied for \$375,000.00 TDHCA HOME funds. In the event that the Department does not award HOME funds to this application, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.
2. The Department will not require that the PHA have gone through the whole competitive bid process by submission of the commitment notice. However, the applicant must provide final evidence of approval due at Carryover.



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

**DATE:** June 30, 2005      **PROGRAM:** 9% HTC HOME      **FILE NUMBER:** 05084

**DEVELOPMENT NAME**

University Place Apartments

**APPLICANT**

|                 |                                     |                 |                |
|-----------------|-------------------------------------|-----------------|----------------|
| <b>Name:</b>    | FDI-University Place, LTD.          | <b>Type:</b>    | For-profit     |
| <b>Address:</b> | 16360 Park Ten Boulevard, Suite 301 | <b>City:</b>    | Houston        |
| <b>State:</b>   |                                     | <b>State:</b>   | TX             |
| <b>Zip:</b>     | 77084                               | <b>Contact:</b> | James Fieser   |
| <b>Phone:</b>   | (281) 599-8684                      | <b>Fax:</b>     | (281) 599-8189 |

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |                          |             |      |               |                               |
|--------------|--------------------------|-------------|------|---------------|-------------------------------|
| <b>Name:</b> | Fieser Holdings, Inc.    | <b>(%):</b> | 0.01 | <b>Title:</b> | Managing General Partner      |
| <b>Name:</b> | Fieser Development, Inc. | <b>(%):</b> | N/A  | <b>Title:</b> | Developer                     |
| <b>Name:</b> | James Fieser             | <b>(%):</b> | N/A  | <b>Title:</b> | Sole owner of MGP & Developer |

**PROPERTY LOCATION**

**Location:** 310 University Street       **QCT**       **DDA**

**City:** Wharton      **County:** Wharton      **Zip:** 77488

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| 1) \$200,633  | N/A                  | N/A                 | N/A         |
| 2) \$375,000  | 1%                   | 30 yrs              | 30 yrs      |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits. Subsequently revised to \$186,356.  
2) HOME Program loan

**Proposed Use of Funds:** Acquisition & rehabilitation      **Property Type:** Multifamily

**Special Purpose (s):** Elderly, At-Risk, Rural

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$186,356 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$375,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from the Section 8 administrator verifying the approval of the Underwriter's proposed increase in rental rates, prior to substantiation of the HTC 10% test;
2. Receipt, review, and acceptance of documentation from a third party environmental engineer which

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

indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis in particular regarding the elevator, asbestos and noise, prior to the initial closing on the property;

3. Receipt, review and acceptance of a revised population served application form reflecting 40% of the units restricted to households earning 50% or less of the area medium income and all units restricted as Low HOME units; and
4. Should the terms and rates of the proposed debt or syndication change or HAP rents are different than the market rents used in this analysis, the transaction should be re-evaluated and an adjustment to the credit/allocation amount or HOME loan terms may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |               |                       |               |             |               |                |            |    |           |            |             |
|-------------------------|---------------|---------------------------|------------|-----------------------------|---------------|-----------------------|---------------|-------------|---------------|----------------|------------|----|-----------|------------|-------------|
| <b>Total Units:</b>     | <u>82</u>     | <b># Rental Buildings</b> | <u>1</u>   | <b># Non-Res. Buildings</b> | <u>0</u>      | <b># of Floors</b>    | <u>3</u>      | <b>Age:</b> | <u>26</u> yrs | <b>Vacant:</b> | <u>15%</u> | at | <u>3/</u> | <u>15/</u> | <u>2005</u> |
| <b>Net Rentable SF:</b> | <u>43,516</u> | <b>Av Un SF:</b>          | <u>531</u> | <b>Common Area SF:</b>      | <u>20,258</u> | <b>Gross Bldg SF:</b> | <u>63,774</u> |             |               |                |            |    |           |            |             |

**STRUCTURAL MATERIALS**

The structure is wood-framed on a post-tensioned concrete slab on grade foundation. The exterior wall finish is comprised of approximately 64% brick veneer, 30% asphalt shingles (from the mansard roof), & 6% vinyl siding. The interior wall surfaces are drywall & the pitched mansard-style roof is finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning.

**ONSITE AMENITIES**

The building includes activity rooms, management offices, two lobbies, a kitchen, public restrooms, a central mailroom, & storage, mail, & laundry facilities on the first floor & other lobbies & laundry & storage facilities on the second & third floors.

|                           |           |        |                   |          |        |                 |          |        |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>63</u> | spaces | <b>Carpports:</b> | <u>0</u> | spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** University Place Apartments is a 27.3-unit per acre acquisition and rehabilitation development of 82 units of affordable elderly housing located in southeast Wharton. The development was built in 1979 and is comprised of a single three-story, garden style, elevator-served building which includes 81 one-bedroom/one-bath units and one two-bedroom/one-bath unit. The two-bedroom unit is currently employee-occupied and will remain so following the rehabilitation. The current amount of parking is less than one space per unit; however, as an existing development it likely has received local permit to provide such limited parking.

**Existing Subsidies:** The property currently operates under a HUD Section 8 project-based Housing Assistance Payment (HAP) contract for 80 units, and the Applicant intends to continue the HAP contract for all 80 units. The Applicant's proposed rental rates are approximately 11% increases in the current HAP rents, and the Applicant will be requesting an increase in the current rental rates. This change has not been approved by the Section 8 administrator as of the date of this report, therefore receipt, review, and acceptance of documentation verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** The property was approximately 85% occupied and in "average [condition], with nominal deferred maintenance noted" at the time of the Appraiser's inspection in March 2005. The Applicant's scope of rehabilitation work includes: accessibility improvements, flatwork repair, new

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

construction of a covered entrance and dumpster enclosures, resurfacing of existing composition shingle mansard walls with standing seam metal material, replacement of existing vinyl siding, fascias and soffits with cement fiber products, repair of walls and ceilings, repair or replacement of stairs and railings, replacement of all windows, repair or replacement of interior and exterior doors, repair or replacement of cabinets and countertops, replacement of floor coverings, add GFI electrical outlets, smoke detectors, and ceiling fans; replacement of individual unit HVAC systems with 12 SEER-rated equipment. The Applicant anticipates that the rehabilitation will be accomplished without any displacement of current residents.

**Architectural Review:** The building and unit plans are of acceptable design, sufficient size and are comparable to other apartment properties of a similar age.

**SITE ISSUES**

**SITE DESCRIPTION**

|                |                      |                     |                                |        |
|----------------|----------------------|---------------------|--------------------------------|--------|
| <b>Size:</b>   | 2.99918 acres        | 130,644 square feet | <b>Flood Zone Designation:</b> | Zone X |
| <b>Zoning:</b> | No zoning in Wharton |                     |                                |        |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Wharton is located in southeast Texas, approximately 45 miles southwest of Houston in Wharton County. The site is a rectangularly-shaped parcel located in the northern area of the city, approximately one mile from the central business district. The site is situated on the south side of University Street and the west side of Carter Street.

**Adjacent Land Uses:**

- **North:** University Street immediately adjacent and Wharton Junior College facilities, Wharton Public Library, and the Wharton Civic Center beyond;
- **South:** retail strip center immediately adjacent and East Boling Highway and vacant land and single-family residential beyond;
- **East:** Carter Street immediately adjacent and single-family residential beyond; and
- **West:** vacant land immediately adjacent and North Fulton Street and single-family residential beyond beyond.

**Site Access:** Access to the property is from the east or west along University Street or the north or south from Carter Street. The development has two entries from University Street and one from Carter Street. Access to U.S. Highway 59R is one-quarter mile west, which provides connections to all other major roads serving the Wharton area as well as surrounding communities.

**Public Transportation:** “The city of Wharton does have limited public transportation for shopping and medical facilities in the area.” (market study, p. 6)

**Shopping & Services:** The site is within one-half mile of a major grocery/pharmacy, and a neighborhood shopping centers is adjacent to the property on the south side. A variety of other retail establishments and restaurants as well as churches, hospitals, and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- **Environmental Hazards:** The environmental analyst identified potential environmental issues associated with the elevator, asbestos-containing building materials, and road and railroad noise as discussed below. Receipt, review, and acceptance of documentation verifying the resolution of these issues is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 21, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated March 18, 2005 was prepared by HBC/Terracon and contained the following findings and recommendations:

**Findings:**



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

- **Elevator:** “According to Ms. Linda Musemeche, the management company representative, the elevator system was installed in 1979 during the construction of the building and is serviced by Tejas Elevator Service on a quarterly basis. According to Ms. Musemeche, a shaft replacement or other service activities have not occurred that might suggest a potential release of hydraulic fluid. Terracon was unable to gain access to the elevator pit. Based on the age of the elevator and absence of maintenance history, the elevator appears to constitute a recognized environmental condition to the site.”
- **Asbestos-Containing Materials (ACM):** “Limited asbestos sampling was performed that included the collection and analysis of 15 bulk samples of suspect ACM. The four samples of 12” X 12” beige/brown floor tile contained asbestos through PLM analysis. Please note that this limited sampling event was not sufficient to constitute an asbestos survey, and all suspect building materials are required to be assumed ACM.” (p. 21)
- **Noise:** “At the client’s request, Terracon completed the TDHCA NEPA Checklist which included an evaluation of evaluated noise-causing agents. This included railroads (within 3,000 feet), heavily traveled roadways (within 1,000 feet), and a commercial or military airport (within 15 miles). Based on Terracon’s site reconnaissance, the site is located within 3,000 feet of a railroad and 1,000 feet of a heavily traveled roadway; therefore, a noise assessment is required to assess the noise impact on the site.” (p. 21)

**Recommendations:**

- “Based on the findings of this assessment, Terracon recommends that additional investigation be conducted to evaluate if the site has been affected by potential releases from the on-site elevator.
- Terracon recommends that the identified on-site ACM and any suspect ACM be maintained in a site-specific operations and maintenance (O&M) program. It is important to note that state and federal regulations require notification, and additional sampling requirements must be adhered to prior to any demolition or renovation activities that may impact the condition of ACM in a building that affords public access or occupancy. Additionally, it should be noted that if any ACM or suspect ACM becomes damaged, additional samples should be collected and/or the materials should be ablated in accordance with applicable regulations.
- Based on the review of the TDHCA NEPA Checklist, HBC/Terracon recommends that a noise assessment be performed” (p. 24)

Receipt, review, and acceptance of a documentation from a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property, 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All 82 of the units will be reserved for low-income tenants. The Applicant proposes that eight of the units (10% of the total) will be reserved for households earning 30% or less of AMGI, nine units (11%) units will be reserved for households earning 50% or less of AMGI, and the remaining 65 units (79%) will be reserved for households earning 60% or less of AMGI. This rent mix creates several problems for the development that are discussed in the Operating Proforma Analysis Section below.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$19,740        | \$22,560         | \$25,380         | \$28,200         | \$30,480         | \$32,700         |

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 20, 2005 was prepared by The Gerald A. Teel Company, Inc. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The primary market area for the subject property is considered to be an approximate five-mile radius of the subject property... This includes areas outside of the Wharton city limits and the smaller communities of Burr, Dinsmore, and Hungerford" (p. 6). This area encompasses approximately 79 square miles.

**Population:** The estimated 2004 total population of the PMA was 12,616 and is expected to *decrease* slightly by -0.62% to approximately 12,538 by 2009. Within the primary market area there were estimated to be 4,827 total households in 2004. The estimated 2004 age 55+ population was 3,291 or 26.1%.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 92 qualified households in the PMA, based on the current estimate of 4,827 households, the projected annual household growth rate of 0.1%, renter households estimated at 36.9% of the population, income-qualified households estimated at 18.8%, and an annual renter turnover rate of 25% (p. 55). The Market Analyst used an income band of \$13,800 to \$25,400 (p. 52). The Market Analyst appeared to use all 70 households on the Wharton Housing Authority's Section 8 waiting list as an additional source of demand, which would be an overestimation as only a fraction of these households would be age-eligible.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 1                      | 1%                       | 0                      | 0%                       |
| Resident Turnover                                      | 21                     | 23%                      | 57                     | 40%                      |
| Other Sources: public housing & other sectors          | 70                     | 76%                      | 0                      | 0%                       |
| Existing Tenants                                       | 0                      | 0%                       | 68                     | 60%                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>92</b>              | <b>100%</b>              | <b>125</b>             | <b>100%</b>              |

Ref: p. 55

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 89.5% based upon 92 units of demand and no unstabilized affordable housing units in the PMA (p. 55). The Underwriter calculated an inclusive capture rate of 66% based upon a higher demand estimate of 125 households (as the subject development is currently +/-85% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property).

**Local Housing Authority Waiting List Information:** "As of March 9, 2005 there were 35 Section 8 participants with vouchers in the program and about 70 on the waiting list in Wharton." (p. 20).

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment properties totaling 576 units in the market area. "The subject property is one of three seniors properties in the vicinity, with the others operating at stabilized occupancy levels of 93% to 98% (100% leased)... To compete at the higher occupancy levels, the subject property will require rehab as the other two properties are more modern... Based on our analysis, it is imperative that the Section 8 sector remain a significant part of the tenancy, and that the property receive rehab to more effectively compete." (p. 56)

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (30%)</b>                       | \$476           | \$264 (HTC)        | <b>+\$196</b>       | \$460              | <b>+\$16</b>        |
| <b>1-Bedroom (50%)</b>                       | \$476           | \$410 (HOME)       | <b>+\$50</b>        | \$460              | <b>+\$16</b>        |
| <b>1-Bedroom (60%)</b>                       | \$476           | \$264 (HOME)       | <b>+\$50</b>        | \$460              | <b>+\$16</b>        |
| <b>2-Bedroom (60%)</b>                       | \$612           | \$455 (HOME)       | <b>+\$105</b>       | \$560              | <b>+\$52</b>        |

(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)

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**Primary Market Occupancy Rates:** “The five comparables further detailed in this report contain a total of 576 units with 537 occupied for a current weighted occupancy rate of 96% versus 94% noted in June 2003. Although the rates have changed individually per project, the overall rate has increased somewhat over the last several years...The overall market appears to have an average occupancy of about 95%, which is considered stabilized.” (p. 20)

**Known Planned Development:** “According to representatives in the Public Works Department of Wharton (which handles planning and permits) no new apartments have been permitted to date, other than small projects as small as six units or less. Additionally, no new apartments are reportedly rumored for the area.” (p. 19).

**Effect on Existing Housing Stock:** “The subject property will have virtually no effect on the market, as it has already been absorbed.” (p. 56)

**Market Study Analysis/Conclusions:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s original rent mix included eight 30% AMI units and 74 Low HOME/HTC 60% units, but the Applicant revised this rent mix to comply with the HOME program requirement that at least 20% of the HOME-assisted units be reserved for households earning at or below 50% of AMFI. The Applicant’s revised rent mix included eight 30% AMI units, nine Low HOME/50% HTC units, and 65 High HOME/60% HTC units, but the Applicant revised the rent mix to comply with the Internal Revenue Code requirement that at least 40% of the units be restricted to households earning 50% or less of AMI for the development to qualify for the 9% credit and to avoid reduction of eligible basis by the amount of the below market rate HOME loan. The Applicant’s current rent schedule has designated all units as Low HOME units; however, the population served profile continues to reflect the prior schedule restrictions. In addition, the HOME rents for the area are driven by the Fair Market Rent published by HUD and thus the High HOME rent and Low HOME rent are the same. The proposed rents exceed the Fair Market Rent for this market and, according to the Final HOME Rule, only Low HOME units can exceed the HOME rent limit if there is project-based rental assistance and the tenant pays no more than the rent limit rent. Thus, all of the units must be restricted as Low HOME units.

As discussed above, the Applicant’s current rent projections are approximately 11% above the current HAP rents and will require approval by the HUD Section 8 administrator prior to implementation. The Applicant’s rent projection of \$476 for the one-bedroom units is a \$48 increase from the current HAP rent, and also exceeds the maximum Low HOME rent limit by \$66. The single two-bedroom unit has been used as an employee-occupied unit, and although the Applicant has indicated that this will continue it has been included as an income-generating unit. The Applicant’s projected rent of \$612 for the two-bedroom unit exceeds the Low HOME rent limit by \$157. Although the Low HOME rent can be exceeded with a project-based subsidy such as the subject’s HAP contract, the proposed rents also exceed the Market Analyst’s estimated market rents of \$460 and \$560 for the one- and two-bedroom units, respectively. Therefore, the Underwriter has used the Market Analyst’s estimated market rents in this analysis. The Applicant stated that the property has and will continue to pay all utilities, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the difference in estimated achievable rents, the Applicant’s effective gross income estimate is \$15,135 (3.6%) greater than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,382 per unit is less than 1% lower than the Underwriter’s database- and historically-derived estimate of \$3,407 per unit for comparably-sized developments in this area. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$7.5K lower), payroll (\$5.3K higher), and repairs and maintenance (\$3.7K lower).

**Conclusion:** Due to the significant difference in estimated achievable rental income, the Applicant’s income

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and net operating income (NOI) estimates are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.0 is less than the program minimum standard of 1.10, therefore the maximum total debt service for this development should be limited to no more than \$131,892 by a reduction of the first lien loan amount and/or a reduction in the interest rate and/or an extension of the term. This will be discussed in the Financing Conclusions Section below.

| ACQUISITION VALUATION INFORMATION  |   |                             |                                     |                           |      |
|--|---|-----------------------------|-------------------------------------|---------------------------|------|
| APPRAISED VALUE  |   |                             |                                     |                           |      |
| Land Only: 3.0017 acres  | \$180,000   | Date of Valuation:          | 3/                                  | 10/                       | 2005 |
| Existing Buildings: "as is"  | \$1,520,000   | Date of Valuation:          | 3/                                  | 10/                       | 2005 |
| Total Development: "as is"   | \$1,700,000   | Date of Valuation:          | 3/                                  | 10/                       | 2005 |
| Appraiser: The Gerald A. Teel Co., Inc.  | City: Houston   | Phone:                      | (713)                               | 467-5858                  |      |
| APPRAISAL ANALYSIS/CONCLUSIONS   |   |                             |                                     |                           |      |
| <p>The Appraiser used six comparable land sales in and around Wharton since April of 1997 to derive the underlying land valuation of \$60K/acre. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.</p> <p>The Appraiser used only the income capitalization approach in estimating the "as is" value of the improvements. No valuation estimate was given for the USDA favorable financing.</p> |   |                             |                                     |                           |      |
| ASSESSED VALUE   |   |                             |                                     |                           |      |
| Land:  | \$62,780  | Assessment for the Year of: | 2004                                |                           |      |
| Building:  | \$1,000,099   | Valuation by:               | Wharton County Appraisal District   |                           |      |
| Total Assessed Value:  | \$1,062,879   | Tax Rate:                   | 2.99337                             |                           |      |
| EVIDENCE of SITE or PROPERTY CONTROL   |   |                             |                                     |                           |      |
| Type of Site Control:  | Improved property commercial contract (2.99918 acres) |                             |                                     |                           |      |
| Contract Expiration Date:  | 12/   | 15/                         | 2005                                | Anticipated Closing Date: | 12   |
|  |   |                             |                                     |                           | 15/  |
|  |   |                             |                                     |                           | 2005 |
| Acquisition Cost:  | \$1,800,000   | Other Terms/Conditions:     | \$15,000 earnest money              |                           |      |
| Seller:  | Wharton Housing Partnership                           |                             | Related to Development Team Member: | No                        |      |

| CONSTRUCTION COST ESTIMATE EVALUATION   |
|---|
| <p><b>Acquisition Value:</b> The purchase price of \$1.8M is reasonably substantiated by the appraisal value of \$1.7M, and the acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. The appraisal concluded the "as-is" market value of the land to be \$180K or 11% of the total appraised value. When this percentage is applied to the arm's length sales price a prorata land value of \$191K is calculated. This value is greater than the assessed value for the land. Thus, the Underwriter has used the most conservative building value approach of using prorata appraised value for the land and subtracted the sales price to conclude a value for the existing buildings of \$1,609,000, or 89% of the total value of the subject property.</p> <p><b>Sitework &amp; Direct Construction Cost:</b> The Applicant's sitework and direct construction cost estimate is substantiated by the cost estimate in the property condition assessment report, and is therefore regarded as reasonable as submitted. The Applicant's cost estimate of \$10K/unit satisfies the TDHCA minimum per unit expenditure requirement of \$6K/unit.</p> <p><b>Fees:</b> The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.</p> <p><b>Conclusion:</b> Due to the Underwriter's use of the Applicant's construction cost estimates and the Applicant's compliance with TDHCA underwriting guidelines, the Underwriter's total development cost estimate is comparable to the Applicant's estimate. Since the Underwriter has been able to verify the Applicant's</p> |

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projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$3,344,649 is used to determine a credit allocation of \$186,356 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of \$64,492 per unit.

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT FINANCING**

**Source:** Mitchell Mortgage Company, L.L.C. **Contact:** Sara Hutchinson  
**Principal Amount:** \$1,600,000 **Interest Rate:** Fixed, estimated & underwritten at 7.25%  
**Additional Information:**  
**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$130,978 **Lien Priority:** 1st **Date:** 2/ 24/ 2005

**TAX CREDIT SYNDICATION**

**Source:** WNC & Associates, Inc. **Contact:** Wilfred Cooper, Jr.  
**Net Proceeds:** \$1,603,459 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 93¢  
**Commitment:**  LOI  Firm  Conditional **Date:** 5/ 10/ 2005  
**Additional Information:** Commitment in amount of \$1,796,467 based on allocation of \$193,168

**APPLICANT EQUITY**

**Amount:** \$553 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

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

**HTC Syndication:** The application originally contained a syndication commitment from The Paramount Financial Group indicating a credit price of \$0.80 and syndication proceeds of \$1,603,459. In response to underwriting concerns regarding the sufficiency of funding the Applicant subsequently provided a commitment from WNC & Associates indicating a credit price of \$0.93 and syndication proceeds of \$1,796,467. The WNC tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application except it reflects a larger anticipated allocation.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$553 amount to less than 1% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed \$186,356 annually for ten years, resulting in syndication proceeds of approximately \$1,732,933. Based on the Underwriter's proforma, insufficient net operating income is projected to be available to service the entire amount of the first lien mortgage debt and the TDHCA HOME loan at the requested terms. Adjusting the HOME loan to 0% interest allows \$119,392 in debt service for the first lien, resulting in a loan amount of \$1,458,468 at the stated terms. The requested \$375,000 in TDHCA HOME funds should be awarded as a 30-year term loan at 0% interest and with a 30-year amortization schedule. Due to the anticipated reduction in first lien debt, the Applicant's deferred developer fee will be increased to \$140,526, which represents approximately 32% of the eligible fee and which should be repayable from cash flow within approximately six years.

**Return on Equity:** The Underwriter's projected cash flow of \$17,110 represents a 12.2% rate of return on the Applicant's recommended deferred developer fee.

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MULTIFAMILY UNDERWRITING ANALYSIS**

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant, Developer, and property manager are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:** The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.

- The General Partner, Fieser Holdings, Inc., submitted an unaudited financial statement as of April 1, 2005 reporting total assets of \$2,500 and consisting entirely of receivables. No liabilities were reported.
- The Developer, Fieser Development, Inc., submitted an unaudited financial statement as of December 1, 2004 reporting total assets of \$3.4M and consisting of \$90K in cash, \$3.3M in receivables, and \$15K in equipment. Liabilities totaled \$15K, resulting in a net worth of \$3.4M.
- The principal of the General Partner and the Developer, James Fieser, submitted an unaudited financial statement as of December 1, 2004 and is anticipated to be guarantor of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Underwriter's proposed rent increases may not be approved by the Section 8 administrator.
- Significant environmental/location risks exist regarding the elevator, asbestos-containing building materials, and road and railroad noise.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

|  |                     |              |               |
|--|---------------------|--------------|---------------|
| <b>Underwriter:</b>                      | _____               | <b>Date:</b> | June 30, 2005 |
|  | <i>Jim Anderson</i> |              |               |
| <b>Director of Real Estate Analysis:</b> | _____               | <b>Date:</b> | June 30, 2005 |
|  | <i>Tom Gouris</i>   |              |               |

**MULTIFAMILY COMPARATIVE ANALYSIS**

**University Place Apartments, Wharton, 9% HTCIHOME #05084**

| Type of Unit  | Number    | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Util Allow     | Wtr, Swr, Trsh |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| TC30%/LH      | 8         | 1        | 1               | 528        | \$264           | \$460             | \$3,680         | \$0.87        | \$73.00        | \$43.00        |
| TC50%/LH      | 25        | 1        | 1               | 528        | 410             | 460               | 11,500          | 0.87          | 73.00          | 43.00          |
| TC60%/LH      | 48        | 1        | 1               | 528        | 410             | 460               | 22,080          | 0.87          | 73.00          | 43.00          |
| TC60%/LH      | 1         | 2        | 1               | 748        | 455             | 560               | 560             | 0.75          | 100.00         | 45.00          |
| <b>TOTAL:</b> | <b>82</b> |          | <b>AVERAGE:</b> | <b>531</b> | <b>\$396</b>    | <b>\$461</b>      | <b>\$37,820</b> | <b>\$0.87</b> | <b>\$73.33</b> | <b>\$43.02</b> |

| <b>INCOME</b>                                     |         |                              |        | <b>TOTAL Net Rentable Sq Ft: 43,516</b> |                 | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>Comptroller's Region 6</b> |                         |                 |               |
|---|---------|------------------------------|--------|---|-----------------|------------------|------------------|-------------------------------|-------------------------|-----------------|---------------|
| <b>POTENTIAL GROSS RENT</b>                       |         |                              |        |   |                 | <b>\$453,840</b> | <b>\$470,196</b> | <b>IREM Region</b>            |                         |                 |               |
| Secondary Income                                  |         | Per Unit Per Month:          | \$5.00 |   |                 | 4,920            | 4,920            | \$5.00                        | Per Unit Per Month      |                 |               |
| Other Support Income:                             |         |                              |        |   |                 | 0                | 0                |                               |                         |                 |               |
| <b>POTENTIAL GROSS INCOME</b>                     |         |                              |        |   |                 | <b>\$458,760</b> | <b>\$475,116</b> |                               |                         |                 |               |
| Vacancy & Collection Loss                         |         | % of Potential Gross Income: | -7.50% |   |                 | (34,407)         | (35,628)         | -7.50%                        | of Potential Gross Rent |                 |               |
| Employee or Other Non-Rental Units or Concessions |         |                              |        |   |                 | 0                | 0                |                               |                         |                 |               |
| <b>EFFECTIVE GROSS INCOME</b>                     |         |                              |        |   |                 | <b>\$424,353</b> | <b>\$439,488</b> |                               |                         |                 |               |
| <b>EXPENSES</b>                                   |         |                              |        | <b>% OF EGI</b>                         | <b>PER UNIT</b> | <b>PER SQ FT</b> |                  | <b>PER SQ FT</b>              | <b>PER UNIT</b>         | <b>% OF EGI</b> |               |
| General & Administrative                          |         |                              |        | 5.46%                                   | \$282           | 0.53             | \$23,160         | \$15,700                      | \$0.36                  | \$191           | 3.57%         |
| Management  |         |                              |        | 5.00%                                   | 259             | 0.49             | \$21,218         | 23,756                        | 0.55                    | 290             | 5.41%         |
| Payroll & Payroll Tax                             |         |                              |        | 10.52%                                  | 545             | 1.03             | \$44,654         | 50,000                        | 1.15                    | 610             | 11.38%        |
| Repairs & Maintenance                             |         |                              |        | 6.75%                                   | 349             | 0.66             | 28,636           | 24,900                        | 0.57                    | 304             | 5.67%         |
| Utilities   |         |                              |        | 11.75%                                  | 608             | 1.15             | 49,847           | 38,000                        | 0.87                    | 463             | 8.65%         |
| Water, Sewer, & Trash                             |         |                              |        | 5.49%                                   | 284             | 0.53             | 23,279           | 36,100                        | 0.83                    | 440             | 8.21%         |
| Property Insurance                                |         |                              |        | 6.53%                                   | 338             | 0.64             | 27,715           | 28,000                        | 0.64                    | 341             | 6.37%         |
| Property Tax                                      | 2.99337 |                              |        | 7.77%                                   | 402             | 0.76             | 32,962           | 33,000                        | 0.76                    | 402             | 7.51%         |
| Reserve for Replacements                          |         |                              |        | 5.80%                                   | 300             | 0.57             | 24,600           | 24,600                        | 0.57                    | 300             | 5.60%         |
| Other: compliance fees                            |         |                              |        | 0.77%                                   | 40              | 0.08             | 3,280            | 3,280                         | 0.08                    | 40              | 0.75%         |
| <b>TOTAL EXPENSES</b>                             |         |                              |        | <b>65.83%</b>                           | <b>\$3,407</b>  | <b>\$6.42</b>    | <b>\$279,351</b> | <b>\$277,336</b>              | <b>\$6.37</b>           | <b>\$3,382</b>  | <b>63.10%</b> |
| <b>NET OPERATING INC</b>                          |         |                              |        | <b>34.17%</b>                           | <b>\$1,768</b>  | <b>\$3.33</b>    | <b>\$145,002</b> | <b>\$162,152</b>              | <b>\$3.73</b>           | <b>\$1,977</b>  | <b>36.90%</b> |
| <b>DEBT SERVICE</b>                               |         |                              |        |   |                 |                  |                  |                               |                         |                 |               |
| First Lien Mortgage (Mitchell Mortgage)           |         |                              |        | 30.87%                                  | \$1,597         | \$3.01           | \$130,978        | \$130,978                     | \$3.01                  | \$1,597         | 29.80%        |
| TDHCA HOME Loan                                   |         |                              |        | 3.41%                                   | \$177           | \$0.33           | 14,474           | 14,474                        | \$0.33                  | \$177           | 3.29%         |
| Additional Financing                              |         |                              |        | 0.00%                                   | \$0             | \$0.00           | 0                | 0                             | \$0.00                  | \$0             | 0.00%         |
| <b>NET CASH FLOW</b>                              |         |                              |        | <b>-0.11%</b>                           | <b>(\$5)</b>    | <b>(\$0.01)</b>  | <b>(\$450)</b>   | <b>\$16,700</b>               | <b>\$0.38</b>           | <b>\$204</b>    | <b>3.80%</b>  |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |         |                              |        |   |                 |                  | 1.00             | 1.11                          |                         |                 |               |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |         |                              |        |   |                 |                  | 1.10             |                               |                         |                 |               |

| <b>CONSTRUCTION COST</b>             |        |        |                |                 | <b>TDHCA</b>   | <b>APPLICANT</b>   | <b>PER SQ FT</b>   | <b>PER UNIT</b> | <b>% of TOTAL</b> |                |
|--------------------------------------|--------|--------|----------------|-----------------|----------------|--------------------|--------------------|-----------------|-------------------|----------------|
| Acquisition Cost (site or bldg)      |        | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      | \$1,800,000        | \$1,800,000        | \$41.36         | \$21,951          | 48.56%         |
| Off-Sites                            |        |        | 0.00%          | 0               | 0.00           | 0                  | 0                  | 0.00            | 0                 | 0.00%          |
| Sitework                             |        |        | 5.20%          | 2,351           | 4.43           | 192,762            | 192,762            | 4.43            | 2,351             | 5.20%          |
| Direct Construction                  |        |        | 16.92%         | 7,649           | 14.41          | 627,238            | 627,238            | 14.41           | 7,649             | 16.92%         |
| Contingency                          | 10.00% |        | 2.21%          | 1,000           | 1.88           | 82,000             | 82,000             | 1.88            | 1,000             | 2.21%          |
| General Req'ts                       | 6.00%  |        | 1.33%          | 600             | 1.13           | 49,200             | 49,200             | 1.13            | 600               | 1.33%          |
| Contractor's G & A                   | 2.00%  |        | 0.44%          | 200             | 0.38           | 16,400             | 16,400             | 0.38            | 200               | 0.44%          |
| Contractor's Profit                  | 6.00%  |        | 1.33%          | 600             | 1.13           | 49,200             | 49,200             | 1.13            | 600               | 1.33%          |
| Indirect Construction                |        |        | 3.37%          | 1,522           | 2.87           | 124,840            | 124,840            | 2.87            | 1,522             | 3.37%          |
| Ineligible Costs                     |        |        | 0.49%          | 223             | 0.42           | 18,278             | 18,278             | 0.42            | 223               | 0.49%          |
| Developer's G & A                    | 2.00%  |        | 1.57%          | 709             | 1.34           | 58,168             | 0                  | 0.00            | 0                 | 0.00%          |
| Developer's Profit                   | 13.00% |        | 10.20%         | 4,611           | 8.69           | 378,091            | 436,259            | 10.03           | 5,320             | 11.77%         |
| Interim Financing                    |        |        | 4.26%          | 1,924           | 3.63           | 157,750            | 157,750            | 3.63            | 1,924             | 4.26%          |
| Reserves                             |        |        | 4.13%          | 1,866           | 3.52           | 153,000            | 153,000            | 3.52            | 1,866             | 4.13%          |
| <b>TOTAL COST</b>                    |        |        | <b>100.00%</b> | <b>\$45,206</b> | <b>\$85.19</b> | <b>\$3,706,927</b> | <b>\$3,706,927</b> | <b>\$85.19</b>  | <b>\$45,206</b>   | <b>100.00%</b> |
| <b>Recap-Hard Construction Costs</b> |        |        | <b>27.43%</b>  | <b>\$12,400</b> | <b>\$23.37</b> | <b>\$1,016,800</b> | <b>\$1,016,800</b> | <b>\$23.37</b>  | <b>\$12,400</b>   | <b>27.43%</b>  |

| <b>SOURCES OF FUNDS</b>                 |        |          |         |                    | <b>RECOMMENDED</b> |                    |                            |
|---|--------|----------|---------|--------------------|--------------------|--------------------|----------------------------|
| First Lien Mortgage (Mitchell Mortgage) | 43.16% | \$19,512 | \$36.77 | \$1,600,000        | \$1,600,000        | \$1,458,468        | Developer Fee Available    |
| TDHCA HOME Loan                         | 10.12% | \$4,573  | \$8.62  | 375,000            | 375,000            | 375,000            | \$436,259                  |
| HTC Syndication Proceeds (Paramo)       | 46.71% | \$21,114 | \$39.79 | 1,731,373          | 1,731,373          | 1,732,933          | % of Dev. Fee Deferred     |
| Deferred Developer Fees                 | 0.01%  | \$7      | \$0.01  | 553                | 553                | 140,526            | 32%                        |
| Additional (Excess) Funds Req'd         | 0.00%  | \$0      | \$0.00  | 1                  | 1                  | 0                  | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>                    |        |          |         | <b>\$3,706,927</b> | <b>\$3,706,927</b> | <b>\$3,706,927</b> | <b>\$343,088</b>           |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**University Place Apartments, Wharton, 9% HTC/HOME #05084**

**PAYMENT COMPUTATION**

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$1,600,000 | Amort | 360  |
| Int Rate       | 7.250%      | DCR   | 1.11 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$375,000 | Amort        | 360  |
| Int Rate         | 1.00%     | Subtotal DCR | 1.00 |

|                   |  |               |      |
|-------------------|--|---------------|------|
| <b>Additional</b> |  | Amort         |      |
| Int Rate          |  | Aggregate DCR | 1.00 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$119,392       |
| Secondary Debt Service  | 12,500          |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$13,110</b> |

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$1,458,468 | Amort | 360  |
| Int Rate       | 7.25%       | DCR   | 1.21 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$375,000 | Amort        | 360  |
| Int Rate         | 0.00%     | Subtotal DCR | 1.10 |

|                   |       |               |      |
|-------------------|-------|---------------|------|
| <b>Additional</b> | \$0   | Amort         | 0    |
| Int Rate          | 0.00% | Aggregate DCR | 1.10 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%               | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | YEAR 10          | YEAR 15          | YEAR 20          | YEAR 30            |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| POTENTIAL GROSS RENT          | \$453,840        | \$467,455        | \$481,479        | \$495,923        | \$510,801        | \$592,158        | \$686,474        | \$795,811        | \$1,069,504        |
| Secondary Income              | 4,920            | 5,068            | 5,220            | 5,376            | 5,538            | 6,419            | 7,442            | 8,627            | 11,594             |
| Other Support Income:         | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  |
| POTENTIAL GROSS INCOME        | 458,760          | 472,523          | 486,698          | 501,299          | 516,338          | 598,578          | 693,916          | 804,438          | 1,081,098          |
| Vacancy & Collection Loss     | (34,407)         | (35,439)         | (36,502)         | (37,597)         | (38,725)         | (44,893)         | (52,044)         | (60,333)         | (81,082)           |
| Employee or Other Non-Rental  | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$424,353</b> | <b>\$437,084</b> | <b>\$450,196</b> | <b>\$463,702</b> | <b>\$477,613</b> | <b>\$553,684</b> | <b>\$641,872</b> | <b>\$744,106</b> | <b>\$1,000,016</b> |
| <b>EXPENSES at 4.00%</b>      |                  |                  |                  |                  |                  |                  |                  |                  |                    |
| General & Administrative      | \$23,160         | \$24,086         | \$25,050         | \$26,052         | \$27,094         | \$32,964         | \$40,106         | \$48,795         | \$72,228           |
| Management                    | 21,218           | 21,854           | 22,510           | 23,185           | 23,881           | 27,684           | 32,094           | 37,205           | 50,001             |
| Payroll & Payroll Tax         | 44,654           | 46,440           | 48,298           | 50,230           | 52,239           | 63,557           | 77,326           | 94,079           | 139,260            |
| Repairs & Maintenance         | 28,636           | 29,782           | 30,973           | 32,212           | 33,500           | 40,758           | 49,589           | 60,332           | 89,307             |
| Utilities                     | 49,847           | 51,841           | 53,915           | 56,071           | 58,314           | 70,948           | 86,319           | 105,021          | 155,456            |
| Water, Sewer & Trash          | 23,279           | 24,210           | 25,178           | 26,185           | 27,233           | 33,133           | 40,311           | 49,045           | 72,598             |
| Insurance                     | 27,715           | 28,824           | 29,977           | 31,176           | 32,423           | 39,447           | 47,993           | 58,391           | 86,433             |
| Property Tax                  | 32,962           | 34,280           | 35,652           | 37,078           | 38,561           | 46,915           | 57,080           | 69,446           | 102,797            |
| Reserve for Replacements      | 24,600           | 25,584           | 26,607           | 27,672           | 28,779           | 35,013           | 42,599           | 51,828           | 76,719             |
| Other                         | 3,280            | 3,411            | 3,548            | 3,690            | 3,837            | 4,668            | 5,680            | 6,910            | 10,229             |
| <b>TOTAL EXPENSES</b>         | <b>\$279,351</b> | <b>\$290,313</b> | <b>\$301,707</b> | <b>\$313,550</b> | <b>\$325,860</b> | <b>\$395,088</b> | <b>\$479,097</b> | <b>\$581,053</b> | <b>\$855,029</b>   |
| <b>NET OPERATING INCOME</b>   | <b>\$145,002</b> | <b>\$146,771</b> | <b>\$148,489</b> | <b>\$150,152</b> | <b>\$151,753</b> | <b>\$158,596</b> | <b>\$162,775</b> | <b>\$163,052</b> | <b>\$144,987</b>   |
| <b>DEBT SERVICE</b>           |                  |                  |                  |                  |                  |                  |                  |                  |                    |
| First Lien Financing          | \$119,392        | \$119,392        | \$119,392        | \$119,392        | \$119,392        | \$119,392        | \$119,392        | \$119,392        | \$119,392          |
| Second Lien                   | 12,500           | 12,500           | 12,500           | 12,500           | 12,500           | 12,500           | 12,500           | 12,500           | 12,500             |
| Other Financing               | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  |
| <b>NET CASH FLOW</b>          | <b>\$13,110</b>  | <b>\$14,879</b>  | <b>\$16,597</b>  | <b>\$18,260</b>  | <b>\$19,861</b>  | <b>\$26,704</b>  | <b>\$30,883</b>  | <b>\$31,160</b>  | <b>\$13,095</b>    |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.10</b>      | <b>1.11</b>      | <b>1.13</b>      | <b>1.14</b>      | <b>1.15</b>      | <b>1.20</b>      | <b>1.23</b>      | <b>1.24</b>      | <b>1.10</b>        |



LIHTC Allocation Calculation - University Place Apartments, Wharton, 9% HTC/HOME #05084

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$191,000                       | \$191,000                 |  |  |  |                                      |
| Purchase of buildings                                 | \$1,609,000                     | \$1,609,000               | \$1,609,000                                  | \$1,609,000                            |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$192,762                       | \$192,762                 |  |  | \$192,762                                  | \$192,762                            |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$627,238                       | \$627,238                 |  |  | \$627,238                                  | \$627,238                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$16,400                        | \$16,400                  |  |  | \$16,400                                   | \$16,400                             |
| Contractor profit                                     | \$49,200                        | \$49,200                  |  |  | \$49,200                                   | \$49,200                             |
| General requirements                                  | \$49,200                        | \$49,200                  |  |  | \$49,200                                   | \$49,200                             |
| <b>(5) Contingencies</b>                              |                                 |                           |  |  |  |                                      |
|   | \$82,000                        | \$82,000                  |  |  | \$82,000                                   | \$82,000                             |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |  |  |                                      |
|   | \$124,840                       | \$124,840                 |  |  | \$124,840                                  | \$124,840                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |  |  |                                      |
|   | \$157,750                       | \$157,750                 |  |  | \$157,750                                  | \$157,750                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |  |  |                                      |
|   | \$18,278                        | \$18,278                  |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
| Developer overhead                                    |                                 | \$58,168                  | \$241,350                                    | \$241,350                              | \$194,909                                  | \$194,909                            |
| Developer fee   | \$436,259                       | \$378,091                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   | \$153,000                       | \$153,000                 |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$3,706,927</b>              | <b>\$3,706,927</b>        | <b>\$1,850,350</b>                           | <b>\$1,850,350</b>                     | <b>\$1,494,299</b>                         | <b>\$1,494,299</b>                   |

| <b>Deduct from Basis:</b>                                  |  |  |                    |                    |                    |                    |
|--|--|--|--------------------|--------------------|--------------------|--------------------|
| 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)             |  |  |                    |                    |                    |                    |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | <b>\$1,850,350</b> | <b>\$1,850,350</b> | <b>\$1,494,299</b> | <b>\$1,494,299</b> |
| High Cost Area Adjustment                                  |  |  |                    |                    | 100%               | 100%               |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | <b>\$1,850,350</b> | <b>\$1,850,350</b> | <b>\$1,494,299</b> | <b>\$1,494,299</b> |
| Applicable Fraction  |  |  | 100%               | 100%               | 100%               | 100%               |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | <b>\$1,850,350</b> | <b>\$1,850,350</b> | <b>\$1,494,299</b> | <b>\$1,494,299</b> |
| Applicable Percentage                                      |  |  | 3.53%              | 3.53%              | 8.10%              | 8.10%              |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | <b>\$65,317</b>    | <b>\$65,317</b>    | <b>\$121,038</b>   | <b>\$121,038</b>   |

|  |        |           |           |                    |                  |
|--|--------|-----------|-----------|--------------------|------------------|
| Syndication Proceeds                         | 0.9299 | \$607,391 | \$607,391 | \$1,125,542        | \$1,125,542      |
| <b>Total Credits (Eligible Basis Method)</b> |        |           |           | <b>\$186,356</b>   | <b>\$186,356</b> |
| Syndication Proceeds                         |        |           |           | \$1,732,933        | \$1,732,933      |
| Requested Credits                            |        |           |           | \$186,356          |                  |
| Syndication Proceeds                         |        |           |           | \$1,732,937        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        |           |           | <b>\$1,873,459</b> |                  |
| Credit Amount                                |        |           |           | \$201,467          |                  |





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Park Place Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 20 S. Mechanic Development #: 05234  
 City: Bellville Region: 6 Population Served: Family  
 County: Austin Zip Code: 77418 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Park Place, Ltd.  
 James W. Fieser Phone (281) 599-8684  
 Developer: Fieser Development, Inc.  
 Housing General Contractor: LCJ Construction  
 Architect: David J. Albright  
 Market Analyst: NA  
 Syndicator: WNC & Associates, Inc.  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |             |
|----------------------------------|-----------------|------------|------------|--------------------------|-------------|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 40          |
| 0                                | 0               | 0          | 40         | Market Rate Units:       | 0           |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0           |
| Number of Residential Buildings: | 5               |            |            | Total Development Units: | 40          |
|                                  |                 |            |            | Total Development Cost:  | \$2,158,475 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$123,580                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$0                      | \$0                        | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$225,000                | \$225,000                  | 30           | 30          | 1%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Park Place Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Brimer, District 10

NC

Points: N/A

US Representative: McCaul, District 10, NC

TX Representative: Kolkhorst, District 13

NC

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Philip B. Harrison, Mayor, S

Resolution of Support from Local Government

Individuals/Businesses:

In Support:

0

In Opposition:

0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

The City of Beeville expressed its support for the Development as one that will help its need for affordable housing.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment of HOME funds from TDHCA in the amount of at least \$225,000 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.





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

3. The property's existing reserve fund shall not exit the transaction but shall be used to fund the rehabilitation and/or be retained as reserves; and
4. Should the terms, rates, or amounts of the permanent loan or syndication change, this transaction should be re-evaluated and an adjustment to the credit reconciliation may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 40    **# Rental Buildings:** 5    **# Non-Res. Buildings:** 1    **# of Floors:** 2    **Age:** 21 yrs    **Vacant:** 20% at 3/ 28/ 2005  
**Net Rentable SF:** 32,296    **Av Un SF:** 807    **Common Area SF:** 946    **Gross Bldg SF:** 33,242

**STRUCTURAL MATERIALS**

The structures are wood framed on concrete slabs on grade. The exteriors are comprised of approximately 95% brick veneer and 5% painted wood siding and trim. The interior wall surfaces are drywall and the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting and vinyl. Each unit will include: range and oven, hood and fan, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, and individual heating and air conditioning.

**ONSITE AMENITIES**

A 946-square foot community building includes management offices, a restroom, laundry and storage facilities, and is located at the southern end of the property. In addition, perimeter fencing with limited access gates is planned for the site.

**Uncovered Parking:** 59 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Park Place Apartments is an 18-unit per acre acquisition and rehabilitation development of 40 units of affordable housing located in eastern Bellville. The development was built in 1984 and is comprised of five evenly distributed, two-story, medium-size, garden style, walk-up residential buildings as follows:

- One Building Type A with eight one-bedroom/one-bath units; and
- Four Building Type B with eight two-bedroom/one-bath units.

**Existing Subsidies:** The property currently operates under a USDA-RD project-based Rental Assistance Agreement for 29 units, and the Applicant intends to continue the rental assistance contract for all 29 units. The current rental rates as reflected in the income and expense summary are approximately 9% increases in the current rents, and the Applicant will be requesting an increase in the current rental rates. This change has not been approved by USDA-RD as of the date of this report, therefore receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** The buildings were 80% occupied as of March 28, 2005 and in "fair to poor condition for its age" according to the property condition assessment report. The Applicant provided a property condition assessment prepared by the project architect, David J. Albright, which identified immediate repairs of \$258,900, deferred repairs of \$201,800, and included \$110,570 in contingency allowance and contractor fees. Mr. Albright also analyzed the reserve account and recommended setting aside \$153 per unit, per year escalated by 3% per annum to satisfy future needs. The Applicant's scope of work includes:

- **Immediate Repairs:** Repair sidewalks, perform accessibility repairs and modifications, stabilize and repair foundations, repoint and seal brick veneer, install safety equipment (GFI receptacles, smoke alarms, etc.), replace HVAC systems, replace roofs and install attic insulation, replace water heaters, install ceiling fans, and repair balconies and second floor subfloors as required.

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

- **Deferred Repairs:** Restripe and repair parking surfaces, clean sewers, install new gutters and downspouts, upgrade landscaping, replace wood siding, fascia, eaves, and soffits, repair or replace interior drywall, floor coverings, fixtures, and windows and screens, replace refrigerators and stoves.
- **New Construction:** Perimeter fencing with limited access gates and dumpster enclosures.

The rehabilitation will be phased to minimize displacement of current residents.

**Architectural Review:** The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of a similar age. They appear to provide acceptable access and storage.

| SITE ISSUES   |        |       |                             |                |                                |                        |
|---|--------|-------|-----------------------------|----------------|--------------------------------|------------------------|
| SITE DESCRIPTION  |        |       |                             |                |                                |                        |
| <b>Size:</b>  | 2.207  | acres | 96,137                      | square feet    | <b>Zoning/ Permitted Uses:</b> | No zoning in Bellville |
| <b>Flood Zone Designation:</b>  | Zone X |       | <b>Status of Off-Sites:</b> | Fully improved |                                |                        |
| SITE and NEIGHBORHOOD CHARACTERISTICS   |        |       |                             |                |                                |                        |
| <b>Location:</b> Bellville is located in southeast Texas, approximately 50 miles west of Houston in Austin County. The site is a trapezoidally-shaped parcel located in the eastern area of the city, approximately one-half mile from the central business district. The site is situated on the west side of Mechanic Street.                                 |        |       |                             |                |                                |                        |
| <b>Adjacent Land Uses:</b> “Surrounding land uses are varied in nature. There is a cemetery, and an older single-family residence to the east. The remaining surrounding property is vacant land. A railroad track is located adjacent to and parallel to the west boundary of the subject site.” (appraisal, p. 20)  |        |       |                             |                |                                |                        |
| <b>Site Access:</b> Access to the property is from the northeast or southwest along Mechanic Street, from which the development has two entries. Access to State Highway 36 is one block west, which provides connections to all other roads in the Bellville area as well as Brenham and U.S, Highway 290 to the north and Interstate Highway 10 to the south. |        |       |                             |                |                                |                        |
| <b>Public Transportation:</b> Public transportation is not available in Bellville.  |        |       |                             |                |                                |                        |
| <b>Shopping and Services:</b> The site is within two miles of all of the facilities and amenities located in Bellville.   |        |       |                             |                |                                |                        |
| <b>Site Inspection Findings:</b> TDHCA staff performed a site inspection on April 13, 2005 and found the location to be acceptable for the proposed development. The inspector noted the site “requires quite a bit of rehab”.  |        |       |                             |                |                                |                        |
| HIGHLIGHTS of SOILS and HAZARDOUS MATERIALS REPORT(S)   |        |       |                             |                |                                |                        |
| A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All 40 of the units will be reserved for low-income tenants. From a tax credit perspective, eight of the units (20% of the total) will be reserved for households earning 50% or less of AMGI and the remaining 32 units (80%) will be reserved for households earning 60% or less of AMGI. The Applicant has indicated that all of the units will be Low HOME units, thereby allowing the project-based rental assistance to exceed the Low HOME rent limits.

| MAXIMUM ELIGIBLE INCOMES |          |           |           |           |           |           |
|--------------------------|----------|-----------|-----------|-----------|-----------|-----------|
|                          | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| <b>60% of AMI</b>        | \$23,580 | \$27,000  | \$30,360  | \$33,720  | \$36,420  | \$39,120  |



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

**MARKET HIGHLIGHTS**

A Market Study report was not included, as USDA-RD financed projects are not required to submit this report, but an “As Is” appraisal dated March 30, 2005 prepared by The Gerald A. Teel Company, Inc. (“Appraiser”) was provided.

**Definition of Primary Market Area (PMA):** “The primary market area (PMA) for the subject is considered to be the city of Bellville” (p. 15). This area encompasses approximately 13 square miles and is equivalent to a circle with a radius of two miles.

**Population:** The estimated 2004 population of the PMA was 3,620 and is expected to *decrease* by 0.52% to approximately 3,601 by 2009. Within the primary market area there were estimated to be 1,341 households in 2004.

**Market Rent Comparables:** The Market Analyst surveyed three comparable apartment projects totaling 226 units in the market area. (p. 28)

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |          |              |              |             |              |
|--|----------|--------------|--------------|-------------|--------------|
| Unit Type (% AMI)                            | Proposed | Program Max  | Differential | Est. Market | Differential |
| <b>1-Bedroom (50%)</b>                       | \$316    | \$399 (HOME) | -\$83        | \$380       | -\$64        |
| <b>2-Bedroom (50%)</b>                       | \$354    | \$471 (HOME) | -\$117       | \$450       | -\$96        |

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

**Primary Market Occupancy Rates:** The three market rent comparable properties surveyed by the Appraiser had a combined occupancy of 96%. (p. 28)

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, rent-restricted development that is currently +/-80% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** As discussed above, the Applicant’s rent projections are approximately 9% above the current USDA-RD-approved Basic Rents and will require approval by USDA-RD prior to implementation. The proposed one- and two-bedroom rents are \$83 and \$117, respectively, lower than the maximum Low HOME rent limits, and there is the potential for additional income (approximately \$10K) if the Applicant is able to increase rents to the Appraiser’s estimated market rents. The Applicant stated that tenants pay for trash collection in this property, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant’s effective gross income estimate is comparable to the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,010 per unit is 4.3% higher than the Underwriter’s database- and historically-derived estimate of \$2,885 per unit for comparably-sized developments in this area. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$1.4K higher), payroll (\$2.2K higher), and utilities (\$3.4K lower). The Applicant used the TDHCA replacement reserve requirement of \$300/unit/year for rehabilitation developments, whereas the Underwriter used the lower current USDA-RD requirement of \$255/unit as specified in the USDA loan agreement plus 1% of the additional TDHCA HOME debt for a total of \$311/unit.

**Conclusion:** Although the Applicant’s income and total operating expense estimates are consistent with the Underwriter’s expectations, the Applicant’s net operating income (NOI) estimate 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

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MULTIFAMILY UNDERWRITING ANALYSIS**

income to service the proposed first lien permanent mortgage at a debt coverage ratio (DCR) that is within the TDHCA underwriting guidelines of 1.10 to 1.30. The Underwriter's proforma indicates a DCR falling below 1.10 between years 20 and 30, but this property will be monitored by USDA-RD and rents will be adjusted to ensure viability.

| ACQUISITION VALUATION INFORMATION   |   |                             |                                  |                           |  |     |      |
|---|---|-----------------------------|----------------------------------|---------------------------|--|-----|------|
| APPRAISED VALUE   |   |                             |                                  |                           |  |     |      |
| Land Only: 2.207 acres  | \$50,000  | Date of Valuation:          | 3/                               | 28/                       | 2005                                   |     |      |
| Existing Buildings: "as is"   | \$1,310,000   | Date of Valuation:          | 3/                               | 28/                       | 2005                                   |     |      |
| Total Development: "as is"  | \$1,360,000   | Date of Valuation:          | 3/                               | 28/                       | 2005                                   |     |      |
| Appraiser: The Gerald A. Teel Co., Inc.   | City: Houston                                       | Phone:                      | (713)                            | 467-5858                  |  |     |      |
| APPRAISAL ANALYSIS/CONCLUSIONS  |   |                             |                                  |                           |  |     |      |
| <p>The Appraiser used three comparable land sales in and around Bellville since January 2003 to derive the underlying land valuation of \$0.55/square foot. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.</p> <p>The Appraiser used only the income capitalization approach in estimating the "as is" value of the improvements. No valuation estimate was given for the USDA favorable financing.</p> |   |                             |                                  |                           |  |     |      |
| ASSESSED VALUE  |   |                             |                                  |                           |  |     |      |
| Land: 2.207 acres   | \$18,080  | Assessment for the Year of: | 2005                             |                           |  |     |      |
| Improvements:   | \$581,580   | Valuation by:               | Austin County Appraisal District |                           |  |     |      |
| Total Assessed Value:   | \$599,660   | Tax Rate:                   | 2.27001                          |                           |  |     |      |
| EVIDENCE of SITE or PROPERTY CONTROL  |   |                             |                                  |                           |  |     |      |
| Type of Site Control:   | Improved property commercial contract (2.207 acres) |                             |                                  |                           |  |     |      |
| Contract Expiration Date:   | 12/   | 15/                         | 2005                             | Anticipated Closing Date: | 12/                                    | 15/ | 2005 |
| Acquisition Cost:   | \$1,130,000   | Other Terms/Conditions:     |                                  | \$200 earnest money       |  |     |      |
| Seller: Park Place Apartments, Ltd.   |   |                             |                                  |                           | Related to Development Team Member: No |     |      |

| CONSTRUCTION COST ESTIMATE EVALUATION  |  |
|--|--|
| <p><b>Acquisition Value:</b> The acquisition price of \$1,130,000 is based on assumption of the outstanding balance on the existing USDA loan, accrued interest and property taxes through the proposed closing date, and the remainder in cash to the current owner. The sales price is \$230K lower than the appraised value of \$1.36M. The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.</p> <p>The Applicant's claimed acquisition eligible basis is based upon the appraisal's land/improvements ratio. The Underwriter has used the most conservative building value approach of using the appraised value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$1,080,000, or 96% of the total value of the subject property.</p> <p><b>Sitework Cost:</b> Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,648 per unit, which is consistent with the estimate in the proposed work writeup/physical condition assessment.</p> <p><b>Direct Construction Cost:</b> The Applicant's direct construction cost estimate is substantiated by the cost estimate in the property condition assessment report, and is therefore regarded as reasonable as submitted.</p> <p><b>Fees:</b> The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.</p> <p><b>Reserves:</b> The Applicant included \$10K in operating reserves; the Underwriter has included an amount of \$71,450 which is the fully-funded "authorized level" replacement reserve amount as required by the USDA-</p> |  |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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RD loan agreement. As the December 2004 the balance of this account was \$7,375, which should be included as a source of funds and is a condition of this report.

**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$2,020,171 is used to estimate a credit allocation of \$106,874 from this method. This amount is \$6,200 less than the Applicant's request due to the Applicant's over-allocation of developer fee to the rehabilitation portion. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is within the HUD 221(d)(3) HOME subsidy limit of \$64,492 per unit.

**PERMANENT FINANCING**

**Source:** USDA-RD (existing) **Contact:** Mario Mendoza  
**Original Amount:** \$1,020,000 **Interest Rate:** 10.75% note rate, subsidized to 1%  
**Estimated Current Balance:** \$979,149  
**Additional Information:**  
**Amortization:** 50 yrs **Term:** 50 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$25,932 **Lien Priority:** 1st **Date:** 1/ 17/ 1984

**TAX CREDIT SYNDICATION**

**Source:** WNC and Associates, Inc. **Contact:** Mike Gaber  
**Net Proceeds:** \$925,927 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 75¢  
**Commitment:**  LOI  Firm  Conditional **Date:** 2/ 18/ 2005  
**Additional Information:** Commitment in amount of \$926,757 based on allocation of \$123,568, 1.15 DCR required

**APPLICANT EQUITY**

**Amount:** \$48,315 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Existing USDA-RD Financing:** The Applicant intends to assume the USDA-RD loan at the existing rates and terms, although this transfer has not been approved by USDA-RD as of the date of this report. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan is a condition of this report.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The proposed syndication rate is very low compared to syndication rates for other current transactions. Any final rate above 80 cents per dollar of tax credits will result in an excess source of funds and will, all else held constant, result in a reduction in tax credits based upon the gap of funds needed.

**Financing Conclusions:** Based on the Underwriter's estimate of eligible basis, the HTC allocation should not exceed \$106,874 annually for ten years, resulting in syndication proceeds of approximately \$801,478. Sufficient net operating income is projected to be available to service the requested HOME loan at the requested terms. Due to the Underwriter's higher funding requirement caused by the replacement reserve funding, the Applicant will need to defer \$145,473 in developer fee, which represents approximately 55% of the eligible fee and which should be repayable from cash flow within 15 years.

**Return on Equity:** The Underwriter's projected cash flow of \$9,733 represents a 6.7% rate of return on the Applicant's recommended deferred developer fee.

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

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant and Developer firm are related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:** The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.

- The General Partner, Fieser Holdings, Inc., submitted an unaudited financial statement as of April 1, 2005 reporting total assets of \$2,500 and consisting entirely of receivables. No liabilities were reported.
- The Developer, Fieser Development, Inc., submitted an unaudited financial statement as of December 1, 2004 reporting total assets of \$3.4M and consisting of \$90K in cash, \$3.3M in receivables, and \$15K in equipment. Liabilities totaled \$15K, resulting in a net worth of \$3.4M.
- The principal of the General Partner and the Developer, James Fieser, submitted an unaudited financial statement as of December 1, 2004 and is anticipated to be guarantor of the development.

**Background and Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The proposed transfer has not been approved by USDA-RD.
- A Phase I Environmental Site Assessment report was not available for review, and significant environmental issues may exist which could affect the feasibility of the transaction as proposed.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum HOME or tax credit rents can be achieved in this market.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

**Underwriter:**

*Jim Anderson*

**Date:** June 28, 2005

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 28, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Park Place Apartments, Bellville, 9% HTC/HOME #05234**

| 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      |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| LH/TC 60%     | 8         | 1        | 1               | 693        | \$468           | \$316             | \$2,528         | \$0.46        | \$69.00        | \$21.00        |
| LH/TC 60%     | 32        | 2        | 1               | 836        | 563             | \$354             | 11,328          | 0.42          | 92.00          | 25.00          |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
| <b>TOTAL:</b> | <b>40</b> |          | <b>AVERAGE:</b> | <b>807</b> | <b>\$544</b>    | <b>\$346</b>      | <b>\$13,856</b> | <b>\$0.43</b> | <b>\$87.40</b> | <b>\$24.20</b> |

| <b>INCOME</b>                                     |               |                              |               | Total Net Rentable Sq Ft: | 32,296          | <b>TDHCA</b>     |                  | <b>APPLICANT</b> |                  | Comptroller's Region 6  |                 |
|---|---------------|------------------------------|---------------|---------------------------|-----------------|------------------|------------------|------------------|------------------|-------------------------|-----------------|
| <b>POTENTIAL GROSS RENT</b>                       |               |                              |               |                           |                 | \$166,272        | \$166,272        |                  |                  | IREM Region Houston     |                 |
| Secondary Income                                  |               | Per Unit Per Month:          | \$15.00       |                           |                 | 7,200            | 7,200            | \$15.00          |                  | Per Unit Per Month      |                 |
| Other Support Income:                             |               |                              |               |                           |                 | 0                | 0                |                  |                  |                         |                 |
| <b>POTENTIAL GROSS INCOME</b>                     |               |                              |               |                           |                 | \$173,472        | \$173,472        |                  |                  |                         |                 |
| Vacancy & Collection Loss                         |               | % of Potential Gross Income: | -7.50%        |                           |                 | (13,010)         | (13,008)         | -7.50%           |                  | of Potential Gross Rent |                 |
| Employee or Other Non-Rental Units or Concessions |               |                              |               |                           |                 | 0                | 0                |                  |                  |                         |                 |
| <b>EFFECTIVE GROSS INCOME</b>                     |               |                              |               |                           |                 | \$160,462        | \$160,464        |                  |                  |                         |                 |
| <b>EXPENSES</b>                                   |               |                              |               | <b>% OF EGI</b>           | <b>PER UNIT</b> | <b>PER SQ FT</b> |                  |                  | <b>PER SQ FT</b> | <b>PER UNIT</b>         | <b>% OF EGI</b> |
| General & Administrative                          | 4.30%         | \$172                        | 0.21          |                           |                 | \$6,892          | \$8,300          | \$0.26           | \$208            | 5.17%                   |                 |
| Management  | 5.62%         | 226                          | 0.28          |                           |                 | 9,025            | 9,000            | 0.28             | 225              | 5.61%                   |                 |
| Payroll & Payroll Tax                             | 6.95%         | 279                          | 0.35          |                           |                 | 11,150           | 13,300           | 0.41             | 333              | 8.29%                   |                 |
| Repairs & Maintenance                             | 13.77%        | 553                          | 0.68          |                           |                 | 22,102           | 24,000           | 0.74             | 600              | 14.96%                  |                 |
| Utilities   | 2.41%         | 97                           | 0.12          |                           |                 | 3,869            | 2,000            | 0.06             | 50               | 1.25%                   |                 |
| Water, Sewer, & Trash                             | 14.14%        | 567                          | 0.70          |                           |                 | 22,692           | 24,200           | 0.75             | 605              | 15.08%                  |                 |
| Property Insurance                                | 6.18%         | 248                          | 0.31          |                           |                 | 9,921            | 10,000           | 0.31             | 250              | 6.23%                   |                 |
| Property Tax                                      | 2.27001       | 393                          | 0.49          |                           |                 | 15,700           | 16,000           | 0.50             | 400              | 9.97%                   |                 |
| Reserve for Replacements                          | 7.76%         | 311                          | 0.39          |                           |                 | 12,450           | 12,000           | 0.37             | 300              | 7.48%                   |                 |
| Other: compl fees                                 | 1.00%         | 40                           | 0.05          |                           |                 | 1,600            | 1,600            | 0.05             | 40               | 1.00%                   |                 |
| <b>TOTAL EXPENSES</b>                             | <b>71.92%</b> | <b>\$2,885</b>               | <b>\$3.57</b> |                           |                 | <b>\$115,401</b> | <b>\$120,400</b> | <b>\$3.73</b>    | <b>\$3,010</b>   | <b>75.03%</b>           |                 |
| <b>NET OPERATING INC</b>                          | <b>28.08%</b> | <b>\$1,127</b>               | <b>\$1.40</b> |                           |                 | <b>\$45,061</b>  | <b>\$40,064</b>  | <b>\$1.24</b>    | <b>\$1,002</b>   | <b>24.97%</b>           |                 |
| <b>DEBT SERVICE</b>                               |               |                              |               |                           |                 |                  |                  |                  |                  |                         |                 |
| First Lien Mortgage (USDA)                        | 16.16%        | \$648                        | \$0.80        |                           |                 | \$25,932         | \$25,932         | \$0.80           | \$648            | 16.16%                  |                 |
| TDHCA HOME Loan                                   | 5.41%         | \$217                        | \$0.27        |                           |                 | 8,684            | 8,684            | \$0.27           | \$217            | 5.41%                   |                 |
| Additional Financing                              | 0.00%         | \$0                          | \$0.00        |                           |                 | 0                | 0                | \$0.00           | \$0              | 0.00%                   |                 |
| <b>NET CASH FLOW</b>                              | <b>6.51%</b>  | <b>\$261</b>                 | <b>\$0.32</b> |                           |                 | <b>\$10,445</b>  | <b>\$5,448</b>   | <b>\$0.17</b>    | <b>\$136</b>     | <b>3.40%</b>            |                 |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |               |                              |               |                           |                 | <b>1.30</b>      | <b>1.16</b>      |                  |                  |                         |                 |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |               |                              |               |                           |                 | <b>1.30</b>      |                  |                  |                  |                         |                 |

| <b>CONSTRUCTION COST</b>             |        |                |                 |                | <b>TDHCA</b>       |                    | <b>APPLICANT</b> |                 |                |  |  |
|--------------------------------------|--------|----------------|-----------------|----------------|--------------------|--------------------|------------------|-----------------|----------------|--|--|
| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |                    |                    | PER SQ FT        | PER UNIT        | % of TOTAL     |  |  |
| Acquisition Cost (site or bldg)      |        | 52.35%         | \$28,250        | \$34.99        | \$1,130,000        | \$1,130,000        | \$34.99          | \$28,250        | 53.88%         |  |  |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           | 0                  | 0                  | 0.00             | 0               | 0.00%          |  |  |
| Sitework                             |        | 3.05%          | 1,648           | 2.04           | 65,936             | 65,936             | 2.04             | 1,648           | 3.14%          |  |  |
| Direct Construction                  |        | 18.26%         | 9,852           | 12.20          | 394,064            | 394,064            | 12.20            | 9,852           | 18.79%         |  |  |
| Contingency                          | 10.00% | 2.13%          | 1,150           | 1.42           | 46,000             | 46,000             | 1.42             | 1,150           | 2.19%          |  |  |
| General Req'ts                       | 6.00%  | 1.28%          | 690             | 0.85           | 27,600             | 27,600             | 0.85             | 690             | 1.32%          |  |  |
| Contractor's G & A                   | 2.00%  | 0.43%          | 230             | 0.28           | 9,200              | 9,200              | 0.28             | 230             | 0.44%          |  |  |
| Contractor's Profit                  | 6.00%  | 1.28%          | 690             | 0.85           | 27,600             | 27,600             | 0.85             | 690             | 1.32%          |  |  |
| Indirect Construction                |        | 3.92%          | 2,113           | 2.62           | 84,520             | 84,520             | 2.62             | 2,113           | 4.03%          |  |  |
| Ineligible Costs                     |        | 0.78%          | 421             | 0.52           | 16,854             | 16,854             | 0.52             | 421             | 0.80%          |  |  |
| Developer's G & A                    | 2.00%  | 1.63%          | 878             | 1.09           | 35,133             | 0                  | 0.00             | 0               | 0.00%          |  |  |
| Developer's Profit                   | 13.00% | 10.58%         | 5,709           | 7.07           | 228,367            | 263,501            | 8.16             | 6,588           | 12.56%         |  |  |
| Interim Financing                    |        | 1.01%          | 544             | 0.67           | 21,750             | 21,750             | 0.67             | 544             | 1.04%          |  |  |
| Reserves                             |        | 3.31%          | 1,786           | 2.21           | 71,450             | 10,376             | 0.32             | 259             | 0.49%          |  |  |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$53,962</b> | <b>\$66.83</b> | <b>\$2,158,475</b> | <b>\$2,097,401</b> | <b>\$64.94</b>   | <b>\$52,435</b> | <b>100.00%</b> |  |  |
| <b>Recap-Hard Construction Costs</b> |        | <b>26.43%</b>  | <b>\$14,260</b> | <b>\$17.66</b> | <b>\$570,400</b>   | <b>\$570,400</b>   | <b>\$17.66</b>   | <b>\$14,260</b> | <b>27.20%</b>  |  |  |

|                                 |        |          |         |  | <b>RECOMMENDED</b> |                    |                    |                            |  |
|---------------------------------|--------|----------|---------|--|--------------------|--------------------|--------------------|----------------------------|--|
| First Lien Mortgage (USDA)      | 45.26% | \$24,422 | \$30.25 |  | \$976,882          | \$976,882          | \$979,149          | Developer Fee Available    |  |
| TDHCA HOME Loan                 | 10.42% | \$5,625  | \$6.97  |  | 225,000            | 225,000            | 225,000            | \$263,501                  |  |
| Existing Reserves               |        |          |         |  | 0                  | 0                  | 7,375              |                            |  |
| HTC Syndication Proceeds (WNC)  | 39.25% | \$21,180 | \$26.23 |  | 847,204            | 847,204            | 801,478            | % of Dev. Fee Deferred     |  |
| Deferred Developer Fees         | 2.24%  | \$1,208  | \$1.50  |  | 48,315             | 48,315             | 145,473            | 55%                        |  |
| Additional (Excess) Funds Req'd | 2.83%  | \$1,527  | \$1.89  |  | 61,074             | 0                  | (0)                | 15-Yr Cumulative Cash Flow |  |
| <b>TOTAL SOURCES</b>            |        |          |         |  | <b>\$2,158,475</b> | <b>\$2,097,401</b> | <b>\$2,158,475</b> | <b>\$166,642</b>           |  |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Park Place Apartments, Bellville, 9% HTC/HOME #05234**

**PAYMENT COMPUTATION**

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$1,020,000 | Amort | 600  |
| Int Rate       | 1.00%       | DCR   | 1.74 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$225,000 | Amort        | 360  |
| Int Rate         | 1.00%     | Subtotal DCR | 1.30 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$847,204 | Amort         |      |
| Int Rate          |           | Aggregate DCR | 1.30 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$25,932        |
| Secondary Debt Service  | 8,684           |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$10,445</b> |

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$1,020,000 | Amort | 600  |
| Int Rate       | 1.00%       | DCR   | 1.74 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$225,000 | Amort        | 360  |
| Int Rate         | 1.00%     | Subtotal DCR | 1.30 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$847,204 | Amort         | 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          | \$166,272        | \$171,260        | \$176,398        | \$181,690        | \$187,141        | \$216,947        | \$251,501        | \$291,559        | \$391,831        |
| Secondary Income              | 7,200            | 7,416            | 7,638            | 7,868            | 8,104            | 9,394            | 10,891           | 12,625           | 16,967           |
| Other Support Income:         | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME        | 173,472          | 178,676          | 184,036          | 189,558          | 195,244          | 226,342          | 262,392          | 304,184          | 408,798          |
| Vacancy & Collection Loss     | (13,010)         | (13,401)         | (13,803)         | (14,217)         | (14,643)         | (16,976)         | (19,679)         | (22,814)         | (30,660)         |
| Employee or Other Non-Rental  | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$160,462</b> | <b>\$165,275</b> | <b>\$170,234</b> | <b>\$175,341</b> | <b>\$180,601</b> | <b>\$209,366</b> | <b>\$242,713</b> | <b>\$281,370</b> | <b>\$378,138</b> |
| <b>EXPENSES at 4.00%</b>      |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| General & Administrative      | \$6,892          | \$7,168          | \$7,454          | \$7,753          | \$8,063          | \$9,809          | \$11,935         | \$14,520         | \$21,494         |
| Management                    | 9,025            | 9,296            | 9,575            | 9,862            | 10,158           | 11,776           | 13,651           | 15,825           | 21,268           |
| Payroll & Payroll Tax         | 11,150           | 11,596           | 12,060           | 12,542           | 13,044           | 15,870           | 19,308           | 23,491           | 34,773           |
| Repairs & Maintenance         | 22,102           | 22,987           | 23,906           | 24,862           | 25,857           | 31,459           | 38,274           | 46,567           | 68,930           |
| Utilities                     | 3,869            | 4,023            | 4,184            | 4,352            | 4,526            | 5,506            | 6,699            | 8,150            | 12,065           |
| Water, Sewer & Trash          | 22,692           | 23,600           | 24,544           | 25,525           | 26,546           | 32,298           | 39,295           | 47,809           | 70,768           |
| Insurance                     | 9,921            | 10,318           | 10,731           | 11,160           | 11,606           | 14,121           | 17,180           | 20,902           | 30,940           |
| Property Tax                  | 15,700           | 16,328           | 16,981           | 17,660           | 18,367           | 22,346           | 27,187           | 33,078           | 48,963           |
| Reserve for Replacements      | 12,450           | 12,948           | 13,466           | 14,005           | 14,565           | 17,720           | 21,559           | 26,230           | 38,827           |
| Other                         | 1,600            | 1,664            | 1,731            | 1,800            | 1,872            | 2,277            | 2,771            | 3,371            | 4,990            |
| <b>TOTAL EXPENSES</b>         | <b>\$115,401</b> | <b>\$119,927</b> | <b>\$124,631</b> | <b>\$129,520</b> | <b>\$134,603</b> | <b>\$163,182</b> | <b>\$197,860</b> | <b>\$239,944</b> | <b>\$353,018</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$45,061</b>  | <b>\$45,349</b>  | <b>\$45,603</b>  | <b>\$45,820</b>  | <b>\$45,998</b>  | <b>\$46,184</b>  | <b>\$44,853</b>  | <b>\$41,427</b>  | <b>\$25,121</b>  |
| <b>DEBT SERVICE</b>           |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| First Lien Financing          | \$25,932         | \$25,932         | \$25,932         | \$25,932         | \$25,932         | \$25,932         | \$25,932         | \$25,932         | \$25,932         |
| Second Lien                   | 8,684            | 8,684            | 8,684            | 8,684            | 8,684            | 8,684            | 8,684            | 8,684            | 8,684            |
| Other Financing               | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>NET CASH FLOW</b>          | <b>\$10,445</b>  | <b>\$10,733</b>  | <b>\$10,987</b>  | <b>\$11,205</b>  | <b>\$11,383</b>  | <b>\$11,568</b>  | <b>\$10,237</b>  | <b>\$6,811</b>   | <b>(\$9,495)</b> |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.30</b>      | <b>1.31</b>      | <b>1.32</b>      | <b>1.32</b>      | <b>1.33</b>      | <b>1.33</b>      | <b>1.30</b>      | <b>1.20</b>      | <b>0.73</b>      |

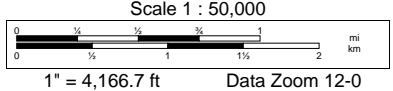
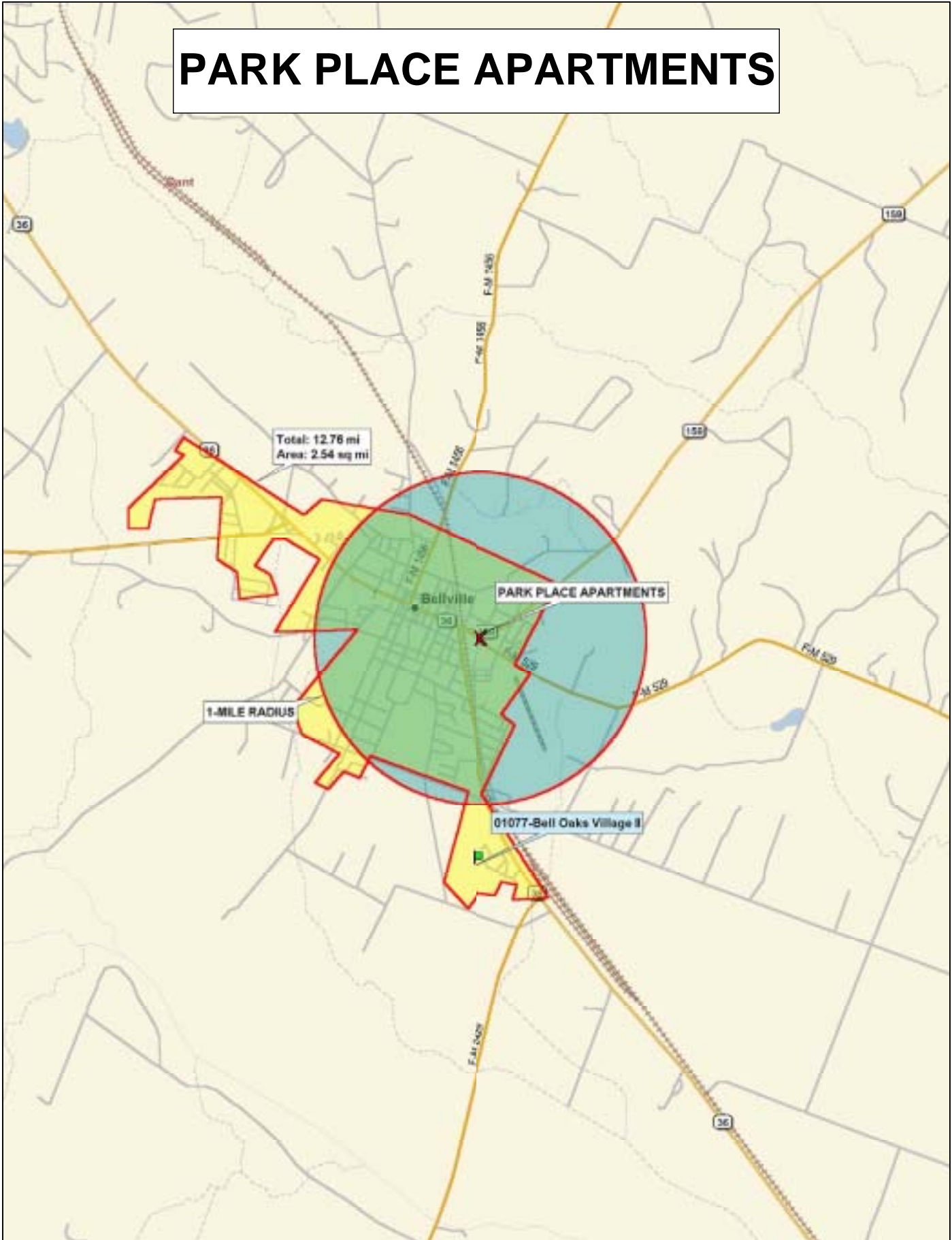
LIHTC Allocation Calculation - Park Place Apartments, Bellville, 9% HTC/HOME #05234

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$50,000                        | \$50,000                  |  |  |  |                                      |
| Purchase of buildings                                 | \$1,080,000                     | \$1,080,000               | \$1,080,000                                  | \$1,080,000                            |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$65,936                        | \$65,936                  |  |  | \$65,936                                   | \$65,936                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$394,064                       | \$394,064                 |  |  | \$394,064                                  | \$394,064                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$9,200                         | \$9,200                   |  |  | \$9,200                                    | \$9,200                              |
| Contractor profit                                     | \$27,600                        | \$27,600                  |  |  | \$27,600                                   | \$27,600                             |
| General requirements                                  | \$27,600                        | \$27,600                  |  |  | \$27,600                                   | \$27,600                             |
| <b>(5) Contingencies</b>                              | \$46,000                        | \$46,000                  |  |  | \$46,000                                   | \$46,000                             |
| <b>(6) Eligible Indirect Fees</b>                     | \$84,520                        | \$84,520                  |  |  | \$84,520                                   | \$84,520                             |
| <b>(7) Eligible Financing Fees</b>                    | \$21,750                        | \$21,750                  |  |  | \$21,750                                   | \$21,750                             |
| <b>(8) All Ineligible Costs</b>                       | \$16,854                        | \$16,854                  |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           | \$162,000                                    | \$162,000                              | \$101,501                                  | \$101,501                            |
| Developer overhead                                    |                                 | \$35,133                  |  |  |  |                                      |
| Developer fee   | \$263,501                       | \$228,367                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      | \$10,376                        | \$71,450                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$2,097,401</b>              | <b>\$2,158,475</b>        | <b>\$1,242,000</b>                           | <b>\$1,242,000</b>                     | <b>\$778,171</b>                           | <b>\$778,171</b>                     |

| <b>Deduct from Basis:</b>                                  |  |  |             |             |           |           |
|--|--|--|-------------|-------------|-----------|-----------|
| 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)             |  |  |             |             |           |           |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$1,242,000 | \$1,242,000 | \$778,171 | \$778,171 |
| High Cost Area Adjustment                                  |  |  |             |             | 100%      | 100%      |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$1,242,000 | \$1,242,000 | \$778,171 | \$778,171 |
| Applicable Fraction  |  |  | 100%        | 100%        | 100%      | 100%      |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$1,242,000 | \$1,242,000 | \$778,171 | \$778,171 |
| Applicable Percentage                                      |  |  | 3.53%       | 3.53%       | 8.10%     | 8.10%     |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$43,843    | \$43,843    | \$63,032  | \$63,032  |

|  |        |           |           |                  |                  |
|--|--------|-----------|-----------|------------------|------------------|
| Syndication Proceeds                         | 0.7499 | \$328,787 | \$328,787 | \$472,691        | \$472,691        |
| <b>Total Credits (Eligible Basis Method)</b> |        |           |           | <b>\$106,874</b> | <b>\$106,874</b> |
| Syndication Proceeds                         |        |           |           | \$801,478        | \$801,478        |
| Requested Credits                            |        |           |           | \$113,074        |                  |
| Syndication Proceeds                         |        |           |           | \$847,970        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        |           |           | <b>\$893,252</b> |                  |
| Credit Amount                                |        |           |           | \$119,112        |                  |

# PARK PLACE APARTMENTS







MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Country Square Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 1001 Lakeview Development #: 05235  
 City: Lone Star Region: 4 Population Served: Family  
 County: Morris Zip Code: 75668 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Country Square, Ltd.  
 James W. Fieser Phone (281) 599-8684  
 Developer: Fieser Development, Inc.  
 Housing General Contractor: LCJ Construction  
 Architect: David J. Albright  
 Market Analyst: NA  
 Syndicator: WNC & Associates  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                    |            |            |            |                          |             |
|------------------------------------|------------|------------|------------|--------------------------|-------------|
| <u>30%</u>                         | <u>40%</u> | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 24          |
| 0                                  | 0          | 0          | 24         | Market Rate Units:       | 0           |
| Type of Building: Duplex/Fourplex  |            |            |            | Owner/Employee Units:    | 0           |
| Number of Residential Buildings: 8 |            |            |            | Total Development Units: | 24          |
|                                    |            |            |            | Total Development Cost:  | \$1,443,889 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$85,394                 | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$0                      | \$0                        | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$385,000                | \$385,000                  | 30           | 30          | 1%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Country Square Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1

NC

Points: N/A

US Representative: Hall, District 4, NC

TX Representative: Frost, District 1

NC

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals/Businesses:

In Support: 0

In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

No letters of support or opposition were received for this Development.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment in HOME funds from TDHCA in the amount of at least \$385,000 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.





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

- amount as a use of funds;
3. Receipt, review and acceptance of at least 10 units set aside at rents and to tenants at or below 50% of the area median income; and
  4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |            |                       |               |             |               |                |            |    |           |            |             |
|-------------------------|---------------|---------------------------|------------|-----------------------------|------------|-----------------------|---------------|-------------|---------------|----------------|------------|----|-----------|------------|-------------|
| <b>Total Units:</b>     | <u>24</u>     | <b># Rental Buildings</b> | <u>8</u>   | <b># Non-Res. Buildings</b> | <u>1</u>   | <b># of Floors</b>    | <u>1</u>      | <b>Age:</b> | <u>24</u> yrs | <b>Vacant:</b> | <u>26%</u> | at | <u>4/</u> | <u>18/</u> | <u>2005</u> |
| <b>Net Rentable SF:</b> | <u>19,200</u> | <b>Av Un SF:</b>          | <u>800</u> | <b>Common Area SF:</b>      | <u>950</u> | <b>Gross Bldg SF:</b> | <u>20,015</u> |             |               |                |            |    |           |            |             |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior is comprised of 30% brick veneer & 70% wood siding (to be replaced with cement fiber siding). The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning.

**ONSITE AMENITIES**

The Applicant proposes to build a new 950-square foot community building which is to include an activity room, management offices, laundry & storage facilities, a restroom, & a central mail kiosk in front. The community building is to be located at the western portion of the site facing Bluebonnet Avenue. An equipped children's play area is located at the eastern edge of the property. In addition, perimeter fencing & individual outside storage units are also planned as new construction.

|                           |           |        |                   |          |        |                 |          |        |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>30</u> | spaces | <b>Carpports:</b> | <u>0</u> | spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Country Square Apartments is a 12-unit per acre acquisition and rehabilitation development of 24 units of affordable housing located in eastern Lone Star. The development was built in 1981 and is comprised of eight evenly distributed, one-story, small, garden style, duplex and fourplex residential buildings as follows:

- Four duplex buildings with two-bedroom/one-bath units; and
- Four fourplex buildings with four two-bedroom/one-bath units.

**Existing Subsidies:** The property currently operates under a USDA-RD project-based Rental Assistance agreement for 18 of the 24 units, and the Applicant intends to continue the rental assistance contract for the 18 units. The rental rates as reflected in the income and expense summary are the current approved rents.

**Development Plan:** The buildings were 75% occupied in May 2005 and in "fair to poor condition for its age" according to the property condition assessor. The rehabilitation scope of work as outlined in the property condition assessment includes:

- **Immediate Repairs:** Perform accessibility repairs and modifications, correct site grading and drainage, repair brick veneer and replace install safety equipment (GFI receptacles, smoke alarms, etc.), replace HVAC systems, replace roofs and install attic insulation, install new perimeter fencing, replace water heaters, install ceiling fans, and rebuild retaining wall.
- **Deferred Repairs:** Restripe or replace parking surfaces, clean sewers, install new gutters and downspouts, upgrade landscaping, replace wood siding, fascia, eaves, and soffits, repair or replace interior

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

drywall, floor coverings, fixtures, and windows and screens, replace refrigerators and stoves.

- **New Construction:** Community building and mail kiosk, outside storage closets, and dumpster enclosures.

The rehabilitation will be phased to minimize displacement of current residents.

**Architectural Review:** The buildings and units are of good design and sufficient size and are comparable to other apartment developments of a similar age.

| SITE ISSUES                    |        |       |                             |                |   |
|--------------------------------|--------|-------|-----------------------------|----------------|---|
| SITE DESCRIPTION               |        |       |                             |                |   |
| <b>Size:</b>                   | 2.033  | acres | 88,557                      | square feet    | <b>Zoning/ Permitted Uses:</b> Residential, multifamily permitted |
| <b>Flood Zone Designation:</b> | Zone X |       | <b>Status of Off-Sites:</b> | Fully improved |   |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Lone Star is located in northeast Texas, approximately 110 miles east of Dallas in Morris County. The site is an irregularly-shaped parcel located in the eastern area of the city, approximately one-half mile from the central business district. The site is bounded by Lakeview Drive on the south, Hillcrest Avenue on the north, and Bluebonnet Avenue on the west.

**Site Access:** Access to the property is from the east or west along Lakeview Drive or Hillcrest Avenue or the south from Bluebonnet Avenue. The development has entries (parking fronting) all three of these streets. Access to U.S. Highway 259 is one-half mile west, which provides connections to all other major roads serving the area as well as Longview to the south.

**Public Transportation:** Public transportation is not available in Lone Star.

**Shopping & Services:** The site is within one mile of all the facilities and amenities available in Lone Star.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 20, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. Additionally, at least 40% of the units must be designated as Low HOME units for the Applicant to be able to claim 9% credits on the rehabilitation eligible basis, and the Applicant initially designated all 24 of the units as Low HOME/60% HTC units which will be reserved for households earning 50% or less of AMGI, although rents above the Low HOME and HTC maximum can be charged with the USDA-RD project-based Rental Assistance subsidy and the approval of USDA-RD. The Applicant subsequently provided an inconsistent "population served" application page which suggested only five units would be Low HOME 50% HTC units and 19 High HOME/60% HTC units. This mix would not adequately address the 40% at 50% minimum requirement described above. The Underwriter recommends that at least 10 units be set aside as Low HOME/50% units as a condition of this report. It should further be noted that the High HOME unit rents cannot exceed High HOME rent limits if at some future point the USDA rental assistance increases above the High HOME rent unit.

| MAXIMUM ELIGIBLE INCOMES |          |           |           |           |           |           |
|--------------------------|----------|-----------|-----------|-----------|-----------|-----------|
|                          | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| <b>60% of AMI</b>        | \$18,060 | \$20,640  | \$23,220  | \$25,800  | \$27,840  | \$29,940  |

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

**MARKET HIGHLIGHTS**

A Market Study report was not included, as USDA-RD financed projects are not required to submit this report, but an “as-is” appraisal dated February 22, 2005 prepared by Keri R. Dickerson Appraisal Services (“Appraiser”) was provided.

**Definition of Primary Market Area (PMA):** The Appraiser used the City of Lone Star for demographic data (p. 18).

**Population:** According to the Appraiser the estimated 2000 population of the city was 521 per the 2000 census and is expected to remain stable (the 2004-2005 Texas Almanac lists the estimated 2002 population as 1,624).

**Market Rent Comparables:** The Market Analyst surveyed three comparable apartment projects totaling 44 units in the market area.

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |          |              |              |              |              |
|--|----------|--------------|--------------|--------------|--------------|
| Unit Type (% AMI)                            | Proposed | Program Max  | Differential | Est. Market  | Differential |
| <b>2-Bedroom (50%)</b>                       | \$342    | \$368 (HOME) | -\$26        | <b>\$315</b> | <b>+\$27</b> |

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

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, rent-restricted development that is currently +/-80% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projection of \$342 is the current USDA-RD approved Basic Rent, which is \$26 less than the maximum Low HOME rent of \$368 and \$123 less than the maximum 60% HTC rent of \$465. There is the potential for approximately \$7.5K in additional income if USDA-RD were to approve increasing the rents to the maximum HOME rents, and \$35.4K in additional income if the maximum 60% HTC rents were to be achievable. The Applicant stated that tenants will pay water, sewer, and trash in this property, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant’s effective gross income estimate is comparable to the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$2,443 per unit is 3.1% lower than the Underwriter’s database- and historically-derived estimate of \$2,521 per unit for comparably-sized developments in this area. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$2K lower), utilities (\$1.3K higher), and insurance (\$1.5K higher). The Applicant used the TDHCA replacement reserve requirement of \$300/unit/year for rehabilitation developments, whereas the Underwriter used the lower current USDA-RD requirement of \$226/unit as specified in the USDA loan agreement plus 1% of the additional TDHCA HOME debt for a total of \$386/unit.

**Conclusion:** Although the Applicant’s income and total operating expense estimates are consistent with the Underwriter’s expectations, the Applicant’s net operating income (NOI) estimate 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 (DCR) that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

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

| ACQUISITION VALUATION INFORMATION   |   |                                    |                                  |                                  |              |
|---|---|------------------------------------|----------------------------------|----------------------------------|--------------|
| APPRAISED VALUE   |   |                                    |                                  |                                  |              |
| <b>Land Only: 2.033acres</b>  | \$17,500  | <b>Date of Valuation:</b>          | 2/                               | 22/                              | 2005         |
| <b>Existing Buildings: "as is"</b>  | \$540,500   | <b>Date of Valuation:</b>          | 2/                               | 22/                              | 2005         |
| <b>Total Development: "as is"</b>   | \$558,000   | <b>Date of Valuation:</b>          | 2/                               | 22/                              | 2005         |
| <b>Appraiser:</b> Keri R. Dickerson Appraisal Services  | <b>City:</b> Lufkin                                 | <b>Phone:</b>                      | (936)                            | 637-7628                         |              |
| APPRAISAL ANALYSIS/CONCLUSIONS  |   |                                    |                                  |                                  |              |
| Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.  |   |                                    |                                  |                                  |              |
| The Appraiser used only the income capitalization approach in estimating the "as is" value of the improvements. No valuation estimate was given for the USDA favorable financing. |   |                                    |                                  |                                  |              |
| ASSESSED VALUE  |   |                                    |                                  |                                  |              |
| <b>Land:</b>  | \$18,110  | <b>Assessment for the Year of:</b> | 2004                             |                                  |              |
| <b>Buildings:</b>   | \$214,910   | <b>Valuation by:</b>               | Morris County Appraisal District |                                  |              |
| <b>Total Assessed Value:</b>  | \$233,020   | <b>Tax Rate:</b>                   | 2.44786                          |                                  |              |
| EVIDENCE of SITE or PROPERTY CONTROL  |   |                                    |                                  |                                  |              |
| <b>Type of Site Control:</b>  | Improved property commercial contract (2.033 acres) |                                    |                                  |                                  |              |
| <b>Contract Expiration Date:</b>  | 12/   | 15/                                | 2005                             | <b>Anticipated Closing Date:</b> | 12/ 15/ 2005 |
| <b>Acquisition Cost:</b>  | \$543,000   | <b>Other Terms/Conditions:</b>     | \$200 earnest money              |                                  |              |
| <b>Seller:</b> Anderson/Sullivan Properties, Winston Sullivan (Country Square)  | <b>Related to Development Team Member:</b>          |                                    |                                  |                                  | No           |

| CONSTRUCTION COST ESTIMATE EVALUATION  |  |
|--|--|
| <p><b>Acquisition Value:</b> The acquisition price of \$543,000 is based on assumption of the outstanding balance on the existing USDA loan, accrued interest and property taxes through the proposed closing date, and the remainder in cash to the current owner, and is reasonably substantiated by the appraised value of \$558K. The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.</p> <p>The Applicant appears to have claimed acquisition eligible basis based roughly upon the appraisal's land/improvements ratio. The Underwriter has used the most conservative building value approach of using the Applicant's value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$519K, or 96% of the total value of the subject property.</p> <p><b>Sitework &amp; Direct Construction Cost:</b> The Applicant's sitework and direct construction cost estimate is substantiated by the cost estimate in the property condition assessment report, and is therefore regarded as reasonable as submitted.</p> <p><b>Fees:</b> The Applicant's contractor profit exceeds the 6% maximum allowed by HTC guidelines by \$2,189 based on their own construction costs, and the Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by \$329. Consequently the Applicant's eligible fees in these areas have been reduced by the same amounts with the overage effectively moved to ineligible costs.</p> <p><b>Reserves:</b> The Applicant included \$17,685 in reserves; the Underwriter has included an amount of \$38,685 which is the fully-funded "authorized level" replacement reserve amount as required by the USDA-RD loan agreement. As the December 2004 balance of this account was \$6,852, which should be included as a source of funds. Receipt, review, and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and also reflects fully funding the USDA-required reserve amount as a use of funds is a condition of this report.</p> |  |



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

**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$1,375,142 is used to estimate a credit allocation of \$84,110 from this method. This amount is \$1,284 less than the Applicant's request due to the Applicant's contractor and developer fee overstatements and the Applicant's use of different applicable rates than the TDHCA underwriting rates. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of \$64,692 per unit.

| FINANCING STRUCTURE  |                              |   |   |
|--|------------------------------|---|---|
| PERMANENT FINANCING  |                              |   |   |
| <b>Source:</b>   | USDA-RD (existing)           | <b>Contact:</b>                                       | Robert Woo                                      |
| <b>Original Amount:</b>  | \$541,500                    | <b>Interest Rate:</b>                                 | 10.75% note rate, subsidized to 1%              |
| <b>Estimated Current Balance:</b>  | \$343,000                    |   |   |
| <b>Additional Information:</b>   |                              |   |   |
| <b>Amortization:</b>   | 50 yrs                       | <b>Term:</b>  | 50 yrs  |
| <b>Commitment:</b>   | <input type="checkbox"/> LOI | <input type="checkbox"/> Firm                         | <input checked="" type="checkbox"/> Conditional |
| <b>Annual Payment:</b>   | \$13,767                     | <b>Lien Priority:</b>                                 | 1st   |
|  |                              | <b>Date:</b>  | 8/ 4/ 1980                                      |
| TAX CREDIT SYNDICATION   |                              |   |   |
| <b>Source:</b>   | WNC & Associates, Inc.       | <b>Contact:</b>                                       | Mike Gaber                                      |
| <b>Net Proceeds:</b>   | \$657,024                    | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 75¢   |
| <b>Commitment:</b>   | <input type="checkbox"/> LOI | <input type="checkbox"/> Firm                         | <input checked="" type="checkbox"/> Conditional |
| <b>Date:</b>   |                              |   | 2/ 18/ 2005                                     |
| <b>Additional Information:</b> Commitment in amount of \$640,391 based on allocation of \$85,385 |                              |   |   |
| APPLICANT EQUITY   |                              |   |   |
| <b>Amount:</b>   | \$40,382                     | <b>Source:</b>  | Deferred developer fee                          |

**FINANCING STRUCTURE ANALYSIS**

**Existing USDA-RD Financing:** The Applicant intends to assume the USDA-RD loan at the existing rates and terms, although this transfer has not been approved by USDA-RD as of the date of this report. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan is a condition of this report.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application, except that it is in a lesser amount based on an earlier, lower eligible basis estimate. The proposed syndication rate is very low compared to syndication rates for other current transactions. Any final rate above 87.5 cents per dollar of tax credits will result in an excess source of funds and will, all else held constant, result in a reduction in tax credits based upon the gap of funds needed.

**Financing Conclusions:** Based on the Underwriter's estimate of eligible basis, the HTC allocation should not exceed \$84,110 annually for ten years, resulting in syndication proceeds of approximately \$630,766. Sufficient net operating income is projected to be available to service the requested HOME loan at the requested terms. Due to the Underwriter's higher funding requirement caused by the replacement reserve funding, the Applicant will need to defer \$103,530 in developer fee, which represents approximately 58% of the eligible fee and which is marginally repayable from cash flow within 15 years.

**Return on Equity:** The Underwriter's projected cash flow of \$4,118 represents a 4.0% rate of return on the Applicant's deferred developer fee.

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

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Fieser Holdings, Inc., submitted an unaudited financial statement as of April 1, 2005 reporting total assets of \$2,500 and consisting entirely of receivables. No liabilities were reported.
- The Developer, Fieser Development, Inc., submitted an unaudited financial statement as of December 1, 2004 reporting total assets of \$3.4M and consisting of \$90K in cash, \$3.3M in receivables, and \$15K in equipment. Liabilities totaled \$15K, resulting in a net worth of \$3.4M.
- The principal of the General Partner and the Developer, James Fieser, submitted an unaudited financial statement as of December 1, 2004 and is anticipated to be guarantor of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The proposed transfer has not been approved by USDA-RD.
- A Phase I Environmental Site Assessment report was not available for review, and significant environmental issues may exist which could affect the feasibility of the transaction as proposed.
- 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 recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

**Underwriter:**

*Jim Anderson*

**Date:** June 30, 2005

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 30, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Country Square Apartments, Lone Star, 9% HTC & HOME #05235**

| 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     | No WST        |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|----------------|---------------|-----------------|---------------|
| LH/TC 50%     | 10        | 2        | 1               | 800        | \$483           | \$342             | \$3,420        | \$0.43        | \$115.00        |               |
| HH/TC 60%     | 14        | 2        | 1               | 800        | 483             | \$342             | 4,788          | 0.43          | 115.00          |               |
|               |           |          |                 |            |                 |                   |                |               |                 |               |
|               |           |          |                 |            |                 |                   |                |               |                 |               |
|               |           |          |                 |            |                 |                   |                |               |                 |               |
|               |           |          |                 |            |                 |                   |                |               |                 |               |
| <b>TOTAL:</b> | <b>24</b> |          | <b>AVERAGE:</b> | <b>800</b> | <b>\$483</b>    | <b>\$342</b>      | <b>\$8,208</b> | <b>\$0.43</b> | <b>\$115.00</b> | <b>\$0.00</b> |

| <b>INCOME</b>                                     |         |                              |                | Total Net Rentable Sq Ft: | 19,200   | <b>TDHCA</b>    |                 | <b>APPLICANT</b> |                         | Comptroller's Region 4 |           |          |          |
|---|---------|------------------------------|----------------|---------------------------|----------|-----------------|-----------------|------------------|-------------------------|------------------------|-----------|----------|----------|
| <b>POTENTIAL GROSS RENT</b>                       |         |                              |                |                           |          | \$98,496        | \$98,496        | IREM Region      |                         |                        |           |          |          |
| Secondary Income                                  |         | Per Unit Per Month:          | \$8.00         |                           |          | 2,304           | 2,304           | \$8.00           | Per Unit Per Month      |                        |           |          |          |
| Other Support Income:                             |         |                              |                |                           |          | 0               | 0               |                  |                         |                        |           |          |          |
| <b>POTENTIAL GROSS INCOME</b>                     |         |                              |                |                           |          | \$100,800       | \$100,800       |                  |                         |                        |           |          |          |
| Vacancy & Collection Loss                         |         | % of Potential Gross Income: | -7.50%         |                           |          | (7,560)         | (7,560)         | -7.50%           | of Potential Gross Rent |                        |           |          |          |
| Employee or Other Non-Rental Units or Concessions |         |                              |                |                           |          | 0               | 0               |                  |                         |                        |           |          |          |
| <b>EFFECTIVE GROSS INCOME</b>                     |         |                              |                |                           |          | \$93,240        | \$93,240        |                  |                         |                        |           |          |          |
| <b>EXPENSES</b>                                   |         |                              |                | % OF EGI                  | PER UNIT | PER SQ FT       | <b>TDHCA</b>    |                  | <b>APPLICANT</b>        |                        | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative                          |         | 6.25%                        | \$243          | 0.30                      |          | \$5,826         | \$3,800         | \$0.20           | \$158                   | 4.08%                  |           |          |          |
| Management  |         | 9.26%                        | 360            | 0.45                      |          | 8,635           | 8,640           | 0.45             | 360                     | 9.27%                  |           |          |          |
| Payroll & Payroll Tax                             |         | 9.65%                        | 375            | 0.47                      |          | 8,995           | 9,900           | 0.52             | 413                     | 10.62%                 |           |          |          |
| Repairs & Maintenance                             |         | 15.90%                       | 618            | 0.77                      |          | 14,826          | 15,100          | 0.79             | 629                     | 16.19%                 |           |          |          |
| Utilities   |         | 1.73%                        | 67             | 0.08                      |          | 1,616           | 2,900           | 0.15             | 121                     | 3.11%                  |           |          |          |
| Water, Sewer, & Trash                             |         | 0.43%                        | 17             | 0.02                      |          | 403             | 700             | 0.04             | 29                      | 0.75%                  |           |          |          |
| Property Insurance                                |         | 3.52%                        | 137            | 0.17                      |          | 3,282           | 4,800           | 0.25             | 200                     | 5.15%                  |           |          |          |
| Property Tax                                      | 2.44786 | 7.17%                        | 279            | 0.35                      |          | 6,689           | 5,000           | 0.26             | 208                     | 5.36%                  |           |          |          |
| Reserve for Replacements                          |         | 9.94%                        | 386            | 0.48                      |          | 9,265           | 7,200           | 0.38             | 300                     | 7.72%                  |           |          |          |
| Other: compliance fees                            |         | 1.03%                        | 40             | 0.05                      |          | 960             | 600             | 0.03             | 25                      | 0.64%                  |           |          |          |
| <b>TOTAL EXPENSES</b>                             |         | <b>64.88%</b>                | <b>\$2,521</b> | <b>\$3.15</b>             |          | <b>\$60,495</b> | <b>\$58,640</b> | <b>\$3.05</b>    | <b>\$2,443</b>          | <b>62.89%</b>          |           |          |          |
| <b>NET OPERATING INC</b>                          |         | <b>35.12%</b>                | <b>\$1,364</b> | <b>\$1.71</b>             |          | <b>\$32,745</b> | <b>\$34,600</b> | <b>\$1.80</b>    | <b>\$1,442</b>          | <b>37.11%</b>          |           |          |          |
| <b>DEBT SERVICE</b>                               |         |                              |                |                           |          | <b>TDHCA</b>    |                 | <b>APPLICANT</b> |                         | PER SQ FT              | PER UNIT  | % OF EGI |          |
| First Lien Mortgage (USDA)                        |         | 14.76%                       | \$574          | \$0.72                    |          | \$13,767        | \$13,776        | \$0.72           | \$574                   | 14.77%                 |           |          |          |
| TDHCA HOME Loan                                   |         | 15.94%                       | \$619          | \$0.77                    |          | 14,860          | 14,860          | \$0.77           | \$619                   | 15.94%                 |           |          |          |
| Additional Financing                              |         | 0.00%                        | \$0            | \$0.00                    |          | 0               | 0               | \$0.00           | \$0                     | 0.00%                  |           |          |          |
| <b>NET CASH FLOW</b>                              |         | <b>4.42%</b>                 | <b>\$172</b>   | <b>\$0.21</b>             |          | <b>\$4,118</b>  | <b>\$5,964</b>  | <b>\$0.31</b>    | <b>\$249</b>            | <b>6.40%</b>           |           |          |          |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |         |                              |                |                           |          | 1.14            | 1.21            |                  |                         |                        |           |          |          |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |         |                              |                |                           |          | 1.14            |                 |                  |                         |                        |           |          |          |

| <b>CONSTRUCTION COST</b>             |        |                |                 |                |  | <b>TDHCA</b>     |                  | <b>APPLICANT</b> |                 | PER SQ FT     | PER UNIT | % OF TOTAL |
|--------------------------------------|--------|----------------|-----------------|----------------|--|------------------|------------------|------------------|-----------------|---------------|----------|------------|
| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |  | \$543,000        | \$543,000        | \$28.28          | \$22,625        | 38.09%        |          |            |
| Acquisition Cost (site or bldg)      |        | 37.61%         | \$22,625        | \$28.28        |  | 0                | 0                | 0.00             | 0               | 0.00%         |          |            |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |  | 0                | 0                | 0.00             | 0               | 0.00%         |          |            |
| Sitework                             |        | 0.00%          | 0               | 0.00           |  | 456,000          | 456,000          | 23.75            | 19,000          | 31.99%        |          |            |
| Direct Construction                  |        | 31.58%         | 19,000          | 23.75          |  | 45,600           | 45,600           | 2.38             | 1,900           | 3.20%         |          |            |
| Contingency                          | 10.00% | 3.16%          | 1,900           | 2.38           |  | 27,360           | 27,360           | 1.43             | 1,140           | 1.92%         |          |            |
| General Req'ts                       | 6.00%  | 1.89%          | 1,140           | 1.43           |  | 9,120            | 9,120            | 0.48             | 380             | 0.64%         |          |            |
| Contractor's G & A                   | 2.00%  | 0.63%          | 380             | 0.48           |  | 27,360           | 29,549           | 1.54             | 1,231           | 2.07%         |          |            |
| Contractor's Profit                  | 6.00%  | 1.89%          | 1,140           | 1.43           |  | 93,086           | 93,086           | 4.85             | 3,879           | 6.53%         |          |            |
| Indirect Construction                |        | 6.45%          | 3,879           | 4.85           |  | 6,062            | 6,062            | 0.32             | 253             | 0.43%         |          |            |
| Ineligible Costs                     |        | 0.42%          | 253             | 0.32           |  | 23,916           | 0                | 0.00             | 0               | 0.00%         |          |            |
| Developer's G & A                    | 2.00%  | 1.66%          | 996             | 1.25           |  | 155,451          | 179,695          | 9.36             | 7,487           | 12.61%        |          |            |
| Developer's Profit                   | 13.00% | 10.77%         | 6,477           | 8.10           |  | 18,250           | 18,250           | 0.95             | 760             | 1.28%         |          |            |
| Interim Financing                    |        | 1.26%          | 760             | 0.95           |  | 38,685           | 17,685           | 0.92             | 737             | 1.24%         |          |            |
| Reserves                             |        | 2.68%          | 1,612           | 2.01           |  | \$1,443,889      | \$1,425,407      | \$74.24          | \$59,392        | 100.00%       |          |            |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$60,162</b> | <b>\$75.20</b> |  |                  |                  |                  |                 |               |          |            |
| <b>Recap-Hard Construction Costs</b> |        | <b>39.16%</b>  | <b>\$23,560</b> | <b>\$29.45</b> |  | <b>\$565,440</b> | <b>\$567,629</b> | <b>\$29.56</b>   | <b>\$23,651</b> | <b>39.82%</b> |          |            |

| <b>SOURCES OF FUNDS</b>         |        |          |         | <b>RECOMMENDED</b> |                    |                                   |                  |
|---------------------------------|--------|----------|---------|--------------------|--------------------|-----------------------------------|------------------|
| First Lien Mortgage (USDA)      | 23.76% | \$14,292 | \$17.86 | \$343,000          | \$343,000          | \$317,742 Developer Fee Available |                  |
| TDHCA HOME Loan                 | 26.66% | \$16,042 | \$20.05 | 385,000            | 385,000            | \$179,366                         |                  |
| Existing Reserves               | 0.00%  | \$0      | \$0.00  | 0                  | 0                  | 6,852                             |                  |
| HTC Syndication Proceeds (WNC)  | 45.50% | \$27,376 | \$34.22 | 657,024            | 657,024            | 630,766 % of Dev. Fee Deferred    |                  |
| Deferred Developer Fees         | 2.80%  | \$1,683  | \$2.10  | 40,382             | 40,382             | 103,530 58%                       |                  |
| Additional (Excess) Funds Req'd | 1.28%  | \$770    | \$0.96  | 18,483             | 1                  | (0) 15-Yr Cumulative Cash Flow    |                  |
| <b>TOTAL SOURCES</b>            |        |          |         | <b>\$1,443,889</b> | <b>\$1,425,407</b> | <b>\$1,443,889</b>                | <b>\$103,583</b> |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Country Square Apartments, Lone Star, 9% HTC & HOME #05235**

**PAYMENT COMPUTATION**

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Primary</b>    | \$541,500 | Amort         | 600  |
| Int Rate          | 1.00%     | DCR           | 2.38 |
| <b>Secondary</b>  |           |               |      |
|                   | \$385,000 | Amort         | 360  |
| Int Rate          | 1.00%     | Subtotal DCR  | 1.14 |
| <b>Additional</b> |           |               |      |
|                   | \$657,024 | Amort         |      |
| Int Rate          |           | Aggregate DCR | 1.14 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                |
|-------------------------|----------------|
| Primary Debt Service    | \$13,767       |
| Secondary Debt Service  | 14,860         |
| Additional Debt Service | 0              |
| <b>NET CASH FLOW</b>    | <b>\$4,118</b> |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Primary</b>    | \$541,500 | Amort         | 600  |
| Int Rate          | 1.00%     | DCR           | 2.38 |
| <b>Secondary</b>  |           |               |      |
|                   | \$385,000 | Amort         | 360  |
| Int Rate          | 1.00%     | Subtotal DCR  | 1.14 |
| <b>Additional</b> |           |               |      |
|                   | \$657,024 | Amort         | 0    |
| Int Rate          | 0.00%     | Aggregate DCR | 1.14 |

**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          | \$98,496        | \$101,451       | \$104,494       | \$107,629        | \$110,858        | \$128,515        | \$148,984        | \$172,713        | \$232,112        |
| Secondary Income              | 2,304           | 2,373           | 2,444           | 2,518            | 2,593            | 3,006            | 3,485            | 4,040            | 5,430            |
| Other Support Income:         | 0               | 0               | 0               | 0                | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME        | 100,800         | 103,824         | 106,939         | 110,147          | 113,451          | 131,521          | 152,469          | 176,753          | 237,542          |
| Vacancy & Collection Loss     | (7,560)         | (7,787)         | (8,020)         | (8,261)          | (8,509)          | (9,864)          | (11,435)         | (13,257)         | (17,816)         |
| Employee or Other Non-Rental  | 0               | 0               | 0               | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$93,240</b> | <b>\$96,037</b> | <b>\$98,918</b> | <b>\$101,886</b> | <b>\$104,942</b> | <b>\$121,657</b> | <b>\$141,034</b> | <b>\$163,497</b> | <b>\$219,726</b> |
| <b>EXPENSES at 4.00%</b>      |                 |                 |                 |                  |                  |                  |                  |                  |                  |
| General & Administrative      | \$5,826         | \$6,059         | \$6,301         | \$6,553          | \$6,815          | \$8,292          | \$10,088         | \$12,273         | \$18,168         |
| Management                    | 8,635           | 8,894           | 9,161           | 9,435            | 9,719            | 11,266           | 13,061           | 15,141           | 20,348           |
| Payroll & Payroll Tax         | 8,995           | 9,355           | 9,729           | 10,118           | 10,523           | 12,803           | 15,576           | 18,951           | 28,052           |
| Repairs & Maintenance         | 14,826          | 15,420          | 16,036          | 16,678           | 17,345           | 21,103           | 25,675           | 31,237           | 46,239           |
| Utilities                     | 1,616           | 1,680           | 1,747           | 1,817            | 1,890            | 2,299            | 2,798            | 3,404            | 5,038            |
| Water, Sewer & Trash          | 403             | 419             | 436             | 453              | 471              | 574              | 698              | 849              | 1,257            |
| Insurance                     | 3,282           | 3,413           | 3,549           | 3,691            | 3,839            | 4,671            | 5,682            | 6,914            | 10,234           |
| Property Tax                  | 6,689           | 6,956           | 7,234           | 7,524            | 7,825            | 9,520            | 11,582           | 14,092           | 20,859           |
| Reserve for Replacements      | 9,265           | 9,636           | 10,021          | 10,422           | 10,839           | 13,187           | 16,044           | 19,520           | 28,894           |
| Other                         | 960             | 998             | 1,038           | 1,080            | 1,123            | 1,366            | 1,662            | 2,023            | 2,994            |
| <b>TOTAL EXPENSES</b>         | <b>\$60,495</b> | <b>\$62,829</b> | <b>\$65,253</b> | <b>\$67,771</b>  | <b>\$70,388</b>  | <b>\$85,080</b>  | <b>\$102,866</b> | <b>\$124,403</b> | <b>\$182,083</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$32,745</b> | <b>\$33,209</b> | <b>\$33,665</b> | <b>\$34,114</b>  | <b>\$34,555</b>  | <b>\$36,577</b>  | <b>\$38,167</b>  | <b>\$39,094</b>  | <b>\$37,643</b>  |
| <b>DEBT SERVICE</b>           |                 |                 |                 |                  |                  |                  |                  |                  |                  |
| First Lien Financing          | \$13,767        | \$13,767        | \$13,767        | \$13,767         | \$13,767         | \$13,767         | \$13,767         | \$13,767         | \$13,767         |
| Second Lien                   | 14,860          | 14,860          | 14,860          | 14,860           | 14,860           | 14,860           | 14,860           | 14,860           | 14,860           |
| Other Financing               | 0               | 0               | 0               | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>NET CASH FLOW</b>          | <b>\$4,118</b>  | <b>\$4,582</b>  | <b>\$5,039</b>  | <b>\$5,488</b>   | <b>\$5,928</b>   | <b>\$7,951</b>   | <b>\$9,541</b>   | <b>\$10,467</b>  | <b>\$9,017</b>   |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.14</b>     | <b>1.16</b>     | <b>1.18</b>     | <b>1.19</b>      | <b>1.21</b>      | <b>1.28</b>      | <b>1.33</b>      | <b>1.37</b>      | <b>1.31</b>      |

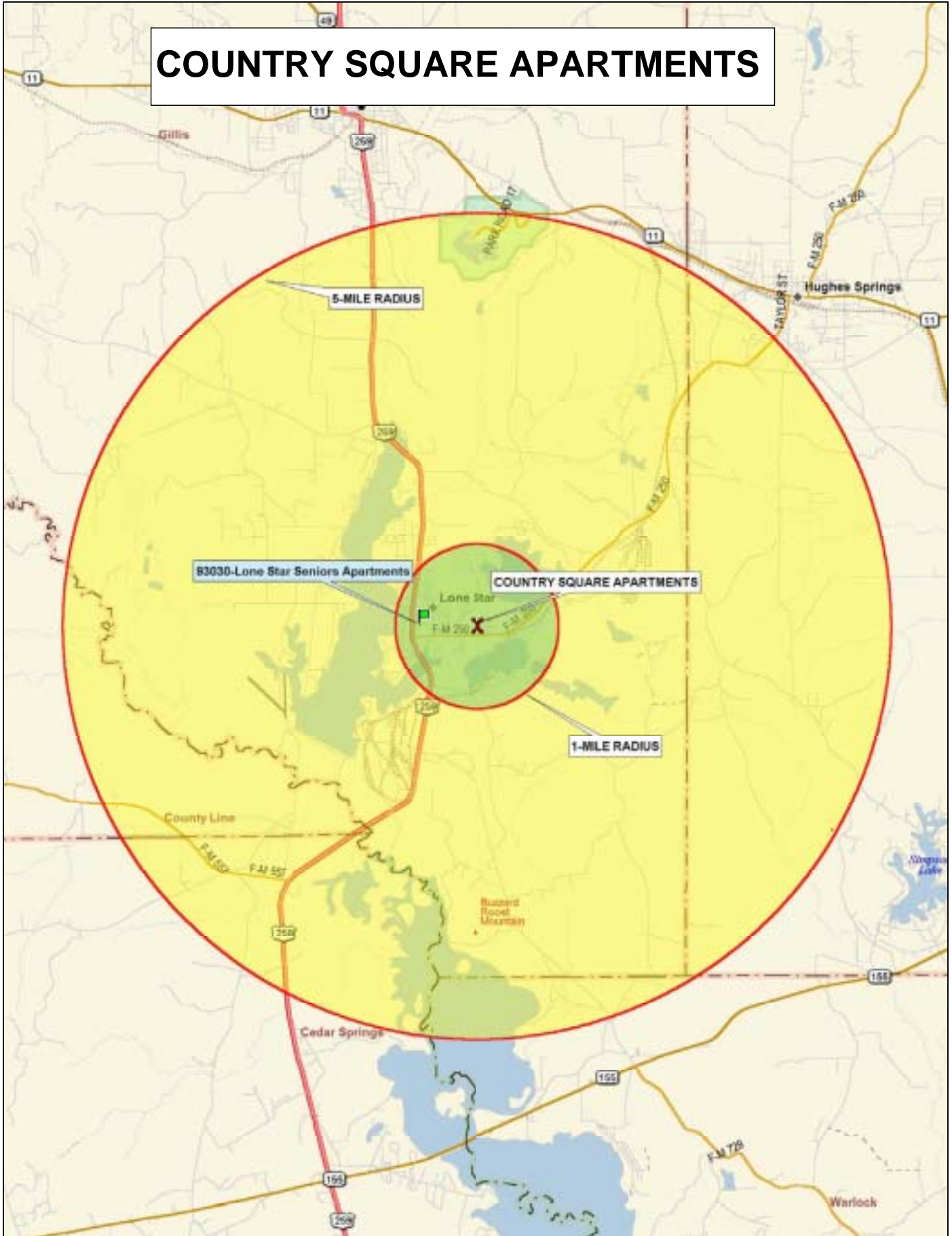
LIHTC Allocation Calculation - Country Square Apartments, Lone Star, 9% HTC & HOME #05235

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$24,000                        | \$24,000                  |  |  |  |                                      |
| Purchase of buildings                                 | \$519,000                       | \$519,000                 | \$519,000                                    | \$519,000                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  |                                 |                           |  |  |  |                                      |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$456,000                       | \$456,000                 |  |  | \$456,000                                  | \$456,000                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$9,120                         | \$9,120                   |  |  | \$9,120                                    | \$9,120                              |
| Contractor profit                                     | \$29,549                        | \$27,360                  |  |  | \$27,360                                   | \$27,360                             |
| General requirements                                  | \$27,360                        | \$27,360                  |  |  | \$27,360                                   | \$27,360                             |
| <b>(5) Contingencies</b>                              | \$45,600                        | \$45,600                  |  |  | \$45,600                                   | \$45,600                             |
| <b>(6) Eligible Indirect Fees</b>                     | \$93,086                        | \$93,086                  |  |  | \$93,086                                   | \$93,086                             |
| <b>(7) Eligible Financing Fees</b>                    | \$18,250                        | \$18,250                  |  |  | \$18,250                                   | \$18,250                             |
| <b>(8) All Ineligible Costs</b>                       | \$6,062                         | \$6,062                   |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           | \$77,850                                     | \$77,850                               | \$101,516                                  | \$101,516                            |
| Developer overhead                                    |                                 | \$23,916                  |  |  |  |                                      |
| Developer fee   | \$179,695                       | \$155,451                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      | \$17,685                        | \$38,685                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | \$1,425,407                     | \$1,443,889               | \$596,850                                    | \$596,850                              | \$778,292                                  | \$778,292                            |

| <b>Deduct from Basis:</b>                                  |  |  |           |           |           |           |
|--|--|--|-----------|-----------|-----------|-----------|
| 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)             |  |  |           |           |           |           |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$596,850 | \$596,850 | \$778,292 | \$778,292 |
| High Cost Area Adjustment                                  |  |  |           |           | 100%      | 100%      |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$596,850 | \$596,850 | \$778,292 | \$778,292 |
| Applicable Fraction  |  |  | 100%      | 100%      | 100%      | 100%      |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$596,850 | \$596,850 | \$778,292 | \$778,292 |
| Applicable Percentage                                      |  |  | 3.53%     | 3.53%     | 8.10%     | 8.10%     |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$21,069  | \$21,069  | \$63,042  | \$63,042  |

|  |        |           |           |           |           |
|--|--------|-----------|-----------|-----------|-----------|
| Syndication Proceeds                         | 0.7499 | \$158,000 | \$158,000 | \$472,765 | \$472,765 |
| <b>Total Credits (Eligible Basis Method)</b> |        |           |           | \$84,110  | \$84,110  |
| Syndication Proceeds                         |        |           |           | \$630,766 | \$630,766 |
| Requested Credits                            |        |           |           | \$85,394  |           |
| Syndication Proceeds                         |        |           |           | \$640,391 |           |
| <b>Gap of Syndication Proceeds Needed</b>    |        |           |           | \$722,665 |           |
| Credit Amount                                |        |           |           | \$96,365  |           |

# COUNTRY SQUARE APARTMENTS





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Clifton Manor Apartments I and II**

BASIC DEVELOPMENT INFORMATION

Site Address: 610 S. Avenue F, 115 S. Avenue P Development #: 05236  
 City: Clifton Region: 8 Population Served: Family  
 County: Bosque Zip Code: 76634 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Clifton-Charger Properties, LP  
 Bonita Williams Phone (936) 560-2636  
 Developer: Louis Williams & Associates, Inc.  
 Housing General Contractor: Louis Williams & Associates, Inc.  
 Architect: Pat Dismukes  
 Market Analyst: N/A  
 Syndicator: Michel Associates Ltd.  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |            |                          |            |                         |             |
|----------------------------------|------------|--------------------------|------------|-------------------------|-------------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u>               | <u>60%</u> | Total Restricted Units: | 40          |
| 0                                | 0          | 40                       | 0          | Market Rate Units:      | 0           |
| Type of Building:                | Fourplex   | Owner/Employee Units:    |            |                         | 0           |
| Number of Residential Buildings: | 10         | Total Development Units: |            |                         | 40          |
|                                  |            | Total Development Cost:  |            |                         | \$1,738,790 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$120,260                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$87,046                 | \$87,000                   | 30           | 30          | 2%          |
| HOME Fund Loan Amount:          | \$602,566                | \$515,566                  | 30           | 30          | 2%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Clifton Manor Apartments I and II

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22

S

Points: N/A

US Representative: Edwards, District 17, NC

TX Representative: Orr, District 58

S

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Cole Word, County Judge, S

Jerry Golden, City Administrator, S

Individuals/Businesses:

In Support:

1

In Opposition:

0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Averitt expressed his support for the Development as one that will provide assistance in an area where current resources are limited. Representative Orr expressed his support for the Development. Local officials expressed their support for the Development as one that will provide attractive, affordable, and safe living.

There was general support from a non-official.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment for HOME funds from TDHCA in the amount of at least \$602,566 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Clifton Manor Apartments I and II**

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

9% HTC Competitive Cycle:  Score: **156**  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$515,566

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

Housing Trust Fund Loan: Loan Amount: \$87,000

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A

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

**DATE:** June 30 , 2005

**PROGRAM:** 9% HTC

**FILE NUMBER:** 05236

**DEVELOPMENT NAME**

Clifton Manor Apartments I & II

**APPLICANT**

|                 |                                  |               |                |
|-----------------|----------------------------------|---------------|----------------|
| <b>Name:</b>    | Clifton-Charger Properties, L.P. | <b>Type:</b>  | For-profit     |
| <b>Address:</b> | 410 County Road 198              | <b>City:</b>  | Nacogdoches    |
| <b>State:</b>   | TX                               | <b>Zip:</b>   | 75965          |
| <b>Contact:</b> | Bonita Williams                  | <b>Phone:</b> | (936) 560-2636 |
| <b>Fax:</b>     | (936) 560-2636                   |               |                |

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |                                   |             |     |               |   |
|--------------|-----------------------------------|-------------|-----|---------------|---|
| <b>Name:</b> | Charger Affiliates, LLC           | <b>(%):</b> | 1.0 | <b>Title:</b> | Managing General Partner                  |
| <b>Name:</b> | Louis Williams & Associates, Inc. | <b>(%):</b> | N/A | <b>Title:</b> | Developer                                 |
| <b>Name:</b> | Bonita Williams                   | <b>(%):</b> | N/A | <b>Title:</b> | Sole member of MGP & Developer, Guarantor |
| <b>Name:</b> | Louis Williams                    | <b>(%):</b> | N/A | <b>Title:</b> | Co-Guarantor                              |

**PROPERTY LOCATION**

**Location:** 610 South Avenue F & 115 South Avenue P  QCT  **DD**  
**City:** Clifton **County:** Bosque **Zip:** 76634 **A**

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| 1) \$120,260  | N/A                  | N/A                 | N/A         |
| 2) \$515,566  | 2%                   | 30 yrs              | 30 yrs      |
| 3) \$87,000   | 2%                   | 30 yrs              | 30 yrs      |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits  
2) HOME Program loan  
3) Housing Trust Fund loan

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

**Special Purpose (s):** General Population, At-Risk, Rural, USDA-RD

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$120,124 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$515,566, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST (ALL HOME UNITS TO BE RESTRICTED AS LOW HOME UNITS), SUBJECT TO CONDITIONS.

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

- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$87,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test; and
2. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan prior to carryover.
3. Receipt, review and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and reflects fully funding the USDA required reserve amount as a use of funds.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |            |                       |               |             |               |                |           |           |           |           |             |
|-------------------------|---------------|---------------------------|------------|-----------------------------|------------|-----------------------|---------------|-------------|---------------|----------------|-----------|-----------|-----------|-----------|-------------|
| <b>Total Units:</b>     | <u>40</u>     | <b># Rental Buildings</b> | <u>10</u>  | <b># Non-Res. Buildings</b> | <u>2</u>   | <b># of Floors</b>    | <u>1</u>      | <b>Age:</b> | <u>30</u> yrs | <b>Vacant:</b> | <u>3%</u> | <b>at</b> | <u>5/</u> | <u>1/</u> | <u>2005</u> |
| <b>Net Rentable SF:</b> | <u>28,120</u> | <b>Av Un SF:</b>          | <u>703</u> | <b>Common Area SF:</b>      | <u>950</u> | <b>Gross Bldg SF:</b> | <u>29,070</u> |             |               |                |           |           |           |           |             |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior wall finish is comprised of 50% brick veneer & 50% wood siding. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning.

**ONSITE AMENITIES**

A new 475-square foot community building will be constructed at each of the two sites & will include a management office, restroom, & laundry facilities. The community buildings will be located near the parking areas.

|                           |           |        |                   |          |        |                 |          |        |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>66</u> | spaces | <b>Carpports:</b> | <u>0</u> | spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Clifton Manor Apartments I and II is a 16.5-unit per acre acquisition and rehabilitation development of 40 units of affordable housing located on three sites in south Clifton. The developments were originally built as two separate properties by one developer in 1975 and are arranged as follows:

- Clifton I is located in southeast Clifton and is comprised of two half-block sites located on diagonally opposed corners of an intersection. The northwest property has three evenly distributed fourplex residential buildings as follows: one building with four one-bedroom/one-bath units and two buildings with four two-bedroom/two-bath units. The southeast property has one building with two one-bedroom/one bath units and two two-bedroom/one-bath units and two buildings with four two two-bedroom/one-bath units. 24
- Clifton II is located approximately one mile away in southwest Clifton and is comprised of four evenly distributed, garden style, fourplex residential buildings as follows: one building with four one-

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

bedroom/one-bath units and three buildings with four two-bedroom/one-bath units. 16

**Existing Subsidies:** The properties currently operate under two USDA-RD project-based Rental Assistance Agreements for 15 units at Clifton I and nine units at Clifton II. These contracts were renewed by USDA-RD on January 13, 2005 and will expire on January 1, 2009. The proposed rents as reflected in the income and expense summary represent significant increases (43% and 35% for the one- and two-bedroom units, respectively) from the current USDA-RD-approved rents, and the Applicant has not yet received USDA approval for the proposed rents. Receipt, review, and acceptance of documentation from USDA-RD verifying the increase in rental rates, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** The properties are currently 97.5% occupied and in average condition, according to the appraiser. According to §49.9(f)(6)(E) of the 2005 QAP, "For developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment." No specific criterion for the age of the checklist is indicated. The TX-USDA-RHS unit-by-unit inspection in January of 2005 indicated the following items requiring attention in the event of rehabilitation: replace exterior door weatherstripping and damaged or missing door hardware and stops, recaulk exterior doors, windows, and brick/trim joints, provide mini-blinds and storm windows on all windows, replace missing window locks and closet shelves, provide grease splashes adjacent to stoves, install GFI outlets in kitchens and bathrooms, replace missing or damaged light fixtures, provide hard-wired smoke alarms, clean air conditioning ducts, and replace/repair toilet seats and float valves. The USDA checklist provided no estimate for the cost of these necessary improvements. The Applicant also provided a work write-up which includes construction of the new community buildings, foundation and flatwork repairs, accessibility enhancements, sheetrock repair, asbestos abatement, replacement of flooring, replacement of all kitchen appliances and kitchen and bathroom cabinets, replacement of all bathroom sinks, faucets, and toilets, installation of ceiling fans, and replacement of signage. A 30-year projection of future repairs was not provided, however, USDA closely monitors reserve balances and property conditions and any excess cash flow from operations must typically first go to fully fund the minimum reserve balance of 10% of the outstanding USDA loan.

Interior renovation will be completed only in vacant units. The Applicant plans to suspend leasing of vacant units upon acquisition of the property, and existing tenants will be moved to renovated units. No tenants will be permanently displaced from the property. The Applicant has forecasted a total relocation cost of \$2K, which has been included in the total development cost schedule.

**Architectural Review:** The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of a similar age. They provide acceptable access and storage.

| SITE ISSUES                   |  |                           |                                       |
|-------------------------------|--|---------------------------|---------------------------------------|
| SITE DESCRIPTION (CLIFTON I)  |  |                           |                                       |
| <b>Size:</b>                  | <u>1.43 acres</u>                        | <u>62,290 square feet</u> | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>                | <u>General Business (conforming use)</u> |                           |                                       |
| SITE DESCRIPTION (CLIFTON II) |  |                           |                                       |
| <b>Size:</b>                  | <u>1 acre</u>                            | <u>43,650 square feet</u> | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>                | <u>Local Business (conforming use)</u>   |                           |                                       |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Clifton is located in central Texas, approximately 60 miles south of Fort Worth in Bosque County. The Clifton I property consists of two rectangularly-shaped parcels, one each on the northwest and southeast corners of the intersection of Avenue F and 15<sup>th</sup> Street. The Clifton II property consists of a rectangularly-shaped parcel located on the northwest corner of the intersection of Avenue P and 7<sup>th</sup> Street. Both properties are approximately one-half mile from the central business district.

**Adjacent Land Uses:** "Surrounding land uses [for Clifton I] include a real estate office, restaurant and commercial property on the west, and residential properties on the other three sides...Surrounding land uses [for Clifton II] include a nursing home on the west and residential properties on the other three sides."

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

(appraisal, p. 12)

**Site Access:** Access to the Clifton I property is from the northwest or southeast from Avenue F, with parking directly perpendicular to that street. Access to the Clifton II property is also from the northwest or southeast from Avenues P or Q. Access to State Highway 6 is adjacent to the Clifton I property and Farm Road 219 is within a block of the Clifton II property, both of which provide connections to all of Clifton as well as surrounding communities.

**Public Transportation:** Public transportation is not available in Clifton.

**Shopping & Services:** The sites are within one mile of all the facilities and services available in Clifton.

**Site Inspection Findings:** USDA-RD staff performed a site inspection on January 24, 2005 and documented a significant number of deficiencies in interior and exterior maintenance.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All of the units will be reserved for low-income households earning 50% or less of AMGI.

**MAXIMUM ELIGIBLE INCOMES**

|                   | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>50% of AMI</b> | \$16,150        | \$18,450         | \$20,750         | \$23,050         | \$24,900         | \$26,750         |

**MARKET HIGHLIGHTS**

For applications in the TX-USDA-RHS set-aside, the required appraisal is sufficient to satisfy the requirement for a market analysis and no additional market analysis is required. The Applicant submitted an "as-is" appraisal dated February 12, 2005 and prepared by Sherrill & Associates, Inc. ("Appraiser") which contained the following market information.

**Market Rent Comparables:** The Appraiser surveyed three comparable apartment properties totaling 147 units in the market area.

**RENT ANALYSIS (net tenant-paid rents)**

| <b>Unit Type (% AMI)</b> | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
|--------------------------|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>1-Bedroom (50%)</b>   | \$329           | \$326 (HOME)       | +\$3                | \$350              | -\$21               |
| <b>2-Bedroom (50%)</b>   | \$378           | \$376 (HOME)       | +\$2                | \$410              | -\$32               |

(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)

Ref: p. 34

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, stabilized, rent-restricted development that is currently 98% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

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

**OPERATING PROFORMA ANALYSIS**

**Income:** As discussed above, the Applicant's rent projections are significantly above the current USDA-RD-approved Basic Rents and will require approval by USDA-RD prior to implementation. The proposed one- and two-bedroom rents are \$3 and \$2, respectively, in excess of the maximum Low HOME rent limit, which is permissible as long as the property has a property-based rent subsidy. The subject's USDA-RD Rental Assistance Agreement fulfills this requirement. The proposed rents are \$42 and \$51 below the maximum HTC rents, and there is the potential for additional income (approximately \$23.4K) if the Applicant is able to increase rents to the maximum allowed, and 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. As a result the Applicant's effective gross income estimate is comparable to the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$2,913 per unit is 4.3% higher than the Underwriter's database- and historically-derived estimate of \$2,792 per unit for comparably-sized developments in this area. In addition, each of the Applicant's specific expense line items compare well to the Underwriter's estimates.

Although the property has had an ongoing USDA-RD replacement reserve requirement of \$5,377/year, the Applicant has increased this amount to \$17,409/year based on a recent USDA-RD requirement that replacement reserve funding equal 1% of the total development cost. The Underwriter has used a lower replacement reserve estimate of \$11,403 based on the current USDA-RD requirement plus 1% of the additional HOME and Housing Trust Fund debt. The Applicant did not include any TDHCA compliance fees; the Underwriter included \$40/unit.

**Conclusion:** Although the Applicant's income and total operating expense estimates are consistent with the Underwriter's expectations, the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE (CLIFTON I)**

|   |                        |                           |       |          |      |
|---|------------------------|---------------------------|-------|----------|------|
| <b>Land Only: 1.43 acres</b>                  | \$36,000               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Existing Buildings: "as is"</b>            | \$228,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Value of Favorable Financing</b>           | \$59,826               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Total Development: "as is"</b>             | \$264,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Appraiser:</b> Sherrill & Associates, Inc. | <b>City:</b> Arlington | <b>Phone:</b>             | (817) | 557-1791 |      |

**APPRAISED VALUE (CLIFTON II)**

|   |                        |                           |       |          |      |
|---|------------------------|---------------------------|-------|----------|------|
| <b>Land Only: 1.0 acre</b>                    | \$25,000               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Existing Buildings: "as is"</b>            | \$141,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Value of Favorable Financing:</b>          | \$17,289               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Total Development: "as is"</b>             | \$166,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Appraiser:</b> Sherrill & Associates, Inc. | <b>City:</b> Arlington | <b>Phone:</b>             | (817) | 557-1791 |      |

**APPRAISAL ANALYSIS/CONCLUSIONS**

The Appraiser used three comparable land sales in Clifton since February 2002 to derive the underlying land valuation of \$25,000/acre. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.

The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The sales approach was not used.

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

| ASSESSED VALUE (CLIFTON I)           |   |                             |                                     |    |
|--------------------------------------|---|-----------------------------|-------------------------------------|----|
| Land: 1.43 acres                     | \$25,000                                      | Assessment for the Year of: | 2004                                |    |
| Buildings:                           | \$440,230                                     | Valuation by:               | Bosque County Appraisal District    |    |
| Total Assessed Value:                | \$465,230                                     | Tax Rate:                   | 2.3345                              |    |
| ASSESSED VALUE (CLIFTON II)          |   |                             |                                     |    |
| Land: 1.0 acres                      | \$15,000                                      | Assessment for the Year of: | 2004                                |    |
| Buildings:                           | \$280,840                                     | Valuation by:               | Bosque County Appraisal District    |    |
| Total Assessed Value:                | \$295,840                                     | Tax Rate:                   | 2.3345                              |    |
| EVIDENCE of SITE or PROPERTY CONTROL |   |                             |                                     |    |
| Type of Site Control:                | Option to purchase real property (2.43 acres) |                             |                                     |    |
| Contract Expiration Date:            | 1/ 19/ 2006                                   | Anticipated Closing Date:   | 10/ 1/ 2005                         |    |
| Acquisition Cost:                    | \$306,381                                     | Other Terms/Conditions:     | \$500 earnest money                 |    |
| Seller:                              | Statewide Investments, Inc., Nancy R. Duncan  |                             | Related to Development Team Member: | No |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price of \$306,381 is based on assumption of the outstanding balances on two existing USDA loans, accrued interest and property taxes through the proposed closing date, and \$2,050 per unit to the current owner. The sales price is significantly lower than the appraised value of \$641,200 (including the value of the USDA favorable financing), which the Applicant attributes to the motivation of the elderly seller. The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.

The Applicant's claimed acquisition eligible basis appears to be based roughly upon the appraisal's land/improvements ratio. As called for in 10TAC 1.32(e)(1)(C), the Underwriter has determined building value conservatively by using the appraised value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$245,381, or 80% of the total value of the subject property.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$450 per unit.

**Direct Construction Cost:** Per Section 49.9(f)(6)(E) of the 2005 QAP, "For Developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment [PCA]". The Applicant provided a copy of the checklist, however, as this checklist contains no cost estimation data it provides no substantiation for the Applicant's proposed direct rehabilitation costs. Therefore, the Underwriter has used the Applicant's sitework and direct construction cost estimates of \$911,087 or \$22,777/unit, which easily complies with the TDHCA minimum rehabilitation cost guideline of \$6K/unit.

The Applicant included \$10,000 in "owner's allowance" as a direct construction cost line item and explained that this was a construction contingency allowance, so the Underwriter moved it to contingency.

**Fees:** The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the \$10K reduction in direct construction costs discussed above the eligible basis portion of these fees now exceed the maximum by \$2,509 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

**Reserves:** The Applicant did not include any reserves in the cost schedule and did not include the existing reserves as a source of funds; the Underwriter has included as a cost item an amount of \$10,127 which is the fully-funded "approved level" replacement reserve amount required by the USDA-RD loan agreement. The November 2004 balance of this account was \$10,630, which indicates a slight overfunding and which should be included as a source of funds.

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

**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$1,648,763 is used to estimate a credit allocation of \$120,380 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is within the HUD 221(d)(3) HOME subsidy limit of \$64,492 per unit.

| FINANCING STRUCTURE            |  |   |  |
|--------------------------------|--|---|--|
| PERMANENT FINANCING            |  |   |  |
| <b>Source:</b>                 | USDA-RD (existing)   | <b>Contact:</b>                                       | Terri Blevins  |
| <b>Principal Amount:</b>       | \$212,746  | <b>Interest Rate:</b>                                 | Subsidized to 1%   |
| <b>Additional Information:</b> | Assumption of current owner's original USDA loans at same rates & terms, original combined loan amount \$537,000 |   |  |
| <b>Amortization:</b>           | 50 yrs   | <b>Term:</b>  | 50 yrs   |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI   | <input checked="" type="checkbox"/> Firm              | <input type="checkbox"/> Conditional   |
| <b>Annual Payment:</b>         | \$15,025   | <b>Lien Priority:</b>                                 | 1st  |
|                                |  | <b>Date:</b>  | Feb 1975   |
| GRANT                          |  |   |  |
| <b>Source:</b>                 |  | <b>Contact:</b>                                       |  |
| <b>Principal Amount:</b>       | \$   | <b>Commitment:</b>                                    | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
| <b>Additional Information:</b> |  | <b>Commitment Date</b>                                | / /  |
| TAX CREDIT SYNDICATION         |  |   |  |
| <b>Source:</b>                 | Michel Associates, Ltd.  | <b>Contact:</b>                                       | Chip Holmes  |
| <b>Net Proceeds:</b>           | \$910,332  | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 76¢  |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI <input type="checkbox"/> Firm   | <input checked="" type="checkbox"/> Conditional       | <b>Date:</b> 5/ 11/ 2005   |
| <b>Additional Information:</b> | Commitment in amount of \$913,975  |   |  |
| APPLICANT EQUITY               |  |   |  |
| <b>Amount:</b>                 | (None)   | <b>Source:</b>  | N/A  |

**FINANCING STRUCTURE ANALYSIS**

**Existing USDA-RD Financing:** The Applicant intends to assume the USDA-RD loans at the existing rates and terms, although this transfer has not been approved by USDA-RD as of the date of this report. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loans is a condition of this report.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The proposed syndication rate is very low compared to syndication rates for other current transactions. Any increase in the price for tax credits will result in an excess source of funds and will, all else held constant, result in a reduction in tax credits based upon the gap of funds needed.

**Reserves:** Although not included by the Applicant, the Underwriter has used the most recent available replacement reserve balance of \$10,630 as a source of funds and a fully funding this reserve is required.

**Financing Conclusions:** Based on the Underwriter's estimate of eligible basis, the HTC allocation would not exceed \$120,380 annually for ten years, resulting in syndication proceeds of approximately \$914,793. However, the gap of funds needed results in a lower credit amount of \$120,124. Sufficient net operating income is projected to be available to service the requested HOME and Housing Trust Fund loans at the requested terms. Based on the underwriting analysis, the Applicant will not need to defer any developer fee.



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

**Return on Equity:** The Applicant's projected cash flow of \$6,362 represents a very limited rate of return on the tax credit equity.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant, Developer, general contractor, and property manager are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Louis Williams & Associates, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$204K and consisting of \$43K in cash and certificates of deposit, \$54K in receivables and prepaids, \$28K in real property, and \$79K in machinery and equipment. Liabilities totaled \$28K, resulting in a net worth of \$176K.
- The principals of the General Partner and Developer, Bonita and Louis Williams, submitted an unaudited joint financial statements as of December 31, 2004 and are anticipated to be guarantors of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's proposed direct construction costs are not substantiated by a third party.
- A Phase I Environmental Site Assessment report was not available for review, and significant environmental issues may exist which could affect the feasibility of the transaction as proposed.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 30, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 30, 2005



**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Clifton Manor Apartments, Clifton, 9% HTC/HOME/HTF #05236**

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$537,700 | Amort | 600  |
| Int Rate       | 1.00%     | DCR   | 3.52 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$515,566 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.40 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$87,000 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.27 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$15,024        |
| Secondary Debt Service  | 22,868          |
| Additional Debt Service | 3,859           |
| <b>NET CASH FLOW</b>    | <b>\$11,169</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$537,700 | Amort | 600  |
| Int Rate       | 1.00%     | DCR   | 3.52 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$515,566 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.40 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$87,000 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.27 |

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

| INCOME at 3.00%               | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | YEAR 10          | YEAR 15          | YEAR 20          | YEAR 30          |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT          | \$175,560        | \$180,827        | \$186,252        | \$191,839        | \$197,594        | \$229,066        | \$265,550        | \$307,846        | \$413,719        |
| Secondary Income              | 2,400            | 2,472            | 2,546            | 2,623            | 2,701            | 3,131            | 3,630            | 4,208            | 5,656            |
| Contractor's Profit           | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME        | 177,960          | 183,299          | 188,798          | 194,462          | 200,296          | 232,197          | 269,180          | 312,054          | 419,374          |
| Vacancy & Collection Loss     | (13,344)         | (13,747)         | (14,160)         | (14,585)         | (15,022)         | (17,415)         | (20,189)         | (23,404)         | (31,453)         |
| Developer's G & A             | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$164,616</b> | <b>\$169,551</b> | <b>\$174,638</b> | <b>\$179,877</b> | <b>\$185,273</b> | <b>\$214,783</b> | <b>\$248,992</b> | <b>\$288,650</b> | <b>\$387,921</b> |
| EXPENSES at 4.00%             |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| General & Administrative      | \$8,860          | \$9,214          | \$9,583          | \$9,966          | \$10,365         | \$12,611         | \$15,343         | \$18,667         | \$27,631         |
| Management                    | 15,840           | 16314.9027       | 16804.34975      | 17308.48024      | 17827.73465      | 20667.23058      | 23958.9846       | 27775.02969      | 37327.31734      |
| Payroll & Payroll Tax         | 7,200            | 7,488            | 7,788            | 8,099            | 8,423            | 10,248           | 12,468           | 15,169           | 22,454           |
| Repairs & Maintenance         | 25,650           | 26,676           | 27,743           | 28,853           | 30,007           | 36,508           | 44,418           | 54,041           | 79,993           |
| Utilities                     | 2,100            | 2,184            | 2,271            | 2,362            | 2,457            | 2,989            | 3,637            | 4,424            | 6,549            |
| Water, Sewer & Trash          | 13,500           | 14,040           | 14,602           | 15,186           | 15,793           | 19,215           | 23,378           | 28,442           | 42,102           |
| Insurance                     | 10,286           | 10,697           | 11,125           | 11,570           | 12,033           | 14,640           | 17,812           | 21,671           | 32,078           |
| Property Tax                  | 15,661           | 16,287           | 16,939           | 17,616           | 18,321           | 22,290           | 27,120           | 32,995           | 48,841           |
| Reserve for Replacements      | 17,409           | 18,105           | 18,830           | 19,583           | 20,366           | 24,778           | 30,147           | 36,678           | 54,293           |
| Other                         | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>TOTAL EXPENSES</b>         | <b>\$116,506</b> | <b>\$121,008</b> | <b>\$125,685</b> | <b>\$130,544</b> | <b>\$135,593</b> | <b>\$163,946</b> | <b>\$198,280</b> | <b>\$239,863</b> | <b>\$351,269</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$48,110</b>  | <b>\$48,544</b>  | <b>\$48,953</b>  | <b>\$49,333</b>  | <b>\$49,681</b>  | <b>\$50,836</b>  | <b>\$50,712</b>  | <b>\$48,787</b>  | <b>\$36,652</b>  |
| DEBT SERVICE                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| First Lien Financing          | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         |
| Second Lien                   | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           |
| Other Financing               | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            |
| <b>NET CASH FLOW</b>          | <b>\$6,360</b>   | <b>\$6,793</b>   | <b>\$7,203</b>   | <b>\$7,583</b>   | <b>\$7,930</b>   | <b>\$9,086</b>   | <b>\$8,962</b>   | <b>\$7,036</b>   | <b>(\$5,099)</b> |
| DEBT COVERAGE RATIO           | 1.15             | 1.16             | 1.17             | 1.18             | 1.19             | 1.22             | 1.21             | 1.17             | 0.88             |

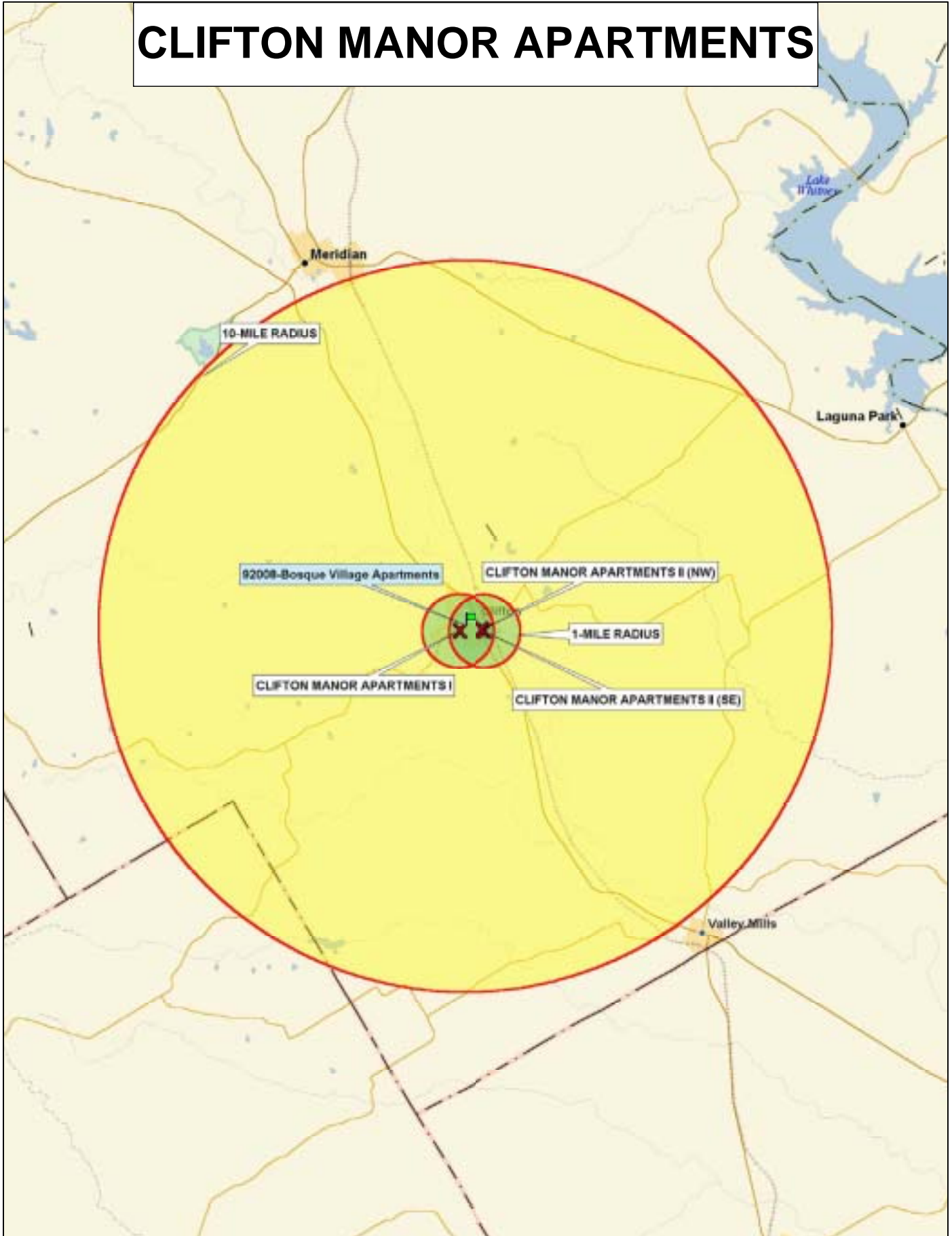
LIHTC Allocation Calculation - Clifton Manor Apartments, Clifton, 9% HTC/HOME/HTF #05236

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$36,000                        | \$61,000                  |  |  |  |                                      |
| Purchase of buildings                                 | \$270,381                       | \$245,381                 | \$270,381                                    | \$245,381                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$18,000                        | \$18,000                  |  |  | \$18,000                                   | \$18,000                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$893,087                       | \$893,087                 |  |  | \$893,087                                  | \$893,087                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$18,422                        | \$18,222                  |  |  | \$18,222                                   | \$18,222                             |
| Contractor profit                                     | \$55,265                        | \$54,665                  |  |  | \$54,665                                   | \$54,665                             |
| General requirements                                  | \$55,265                        | \$54,665                  |  |  | \$54,665                                   | \$54,665                             |
| <b>(5) Contingencies</b>                              | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(6) Eligible Indirect Fees</b>                     | \$130,469                       | \$130,469                 | \$6,000                                      | \$6,000                                | \$124,469                                  | \$124,469                            |
| <b>(7) Eligible Financing Fees</b>                    | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(8) All Ineligible Costs</b>                       | \$18,000                        | \$18,000                  |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
| Developer overhead                                    |                                 | \$28,690                  |  | \$41,457                               | \$36,807                                   | \$177,466                            |
| Developer fee   | \$220,033                       | \$186,484                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   |                                 | \$10,127                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$1,734,922</b>              | <b>\$1,738,790</b>        | <b>\$317,838</b>                             | <b>\$288,188</b>                       | <b>\$1,360,574</b>                         | <b>\$1,360,574</b>                   |

| <b>Deduct from Basis:</b>                                  |  |  |           |           |             |             |
|--|--|--|-----------|-----------|-------------|-------------|
| 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)             |  |  |           |           |             |             |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$317,838 | \$288,188 | \$1,360,574 | \$1,360,574 |
| High Cost Area Adjustment                                  |  |  |           |           | 100%        | 100%        |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$317,838 | \$288,188 | \$1,360,574 | \$1,360,574 |
| Applicable Fraction  |  |  | 100%      | 100%      | 100%        | 100%        |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$317,838 | \$288,188 | \$1,360,574 | \$1,360,574 |
| Applicable Percentage                                      |  |  | 3.53%     | 3.53%     | 8.10%       | 8.10%       |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$11,220  | \$10,173  | \$110,207   | \$110,207   |

|  |        |          |          |           |           |
|--|--------|----------|----------|-----------|-----------|
| Syndication Proceeds                         | 0.7599 | \$85,261 | \$77,307 | \$837,486 | \$837,486 |
| <b>Total Credits (Eligible Basis Method)</b> |        |          |          | \$121,426 | \$120,380 |
| Syndication Proceeds                         |        |          |          | \$922,747 | \$914,793 |
| Requested Credits                            |        |          |          | \$120,260 |           |
| Syndication Proceeds                         |        |          |          | \$913,885 |           |
| <b>Gap of Syndication Proceeds Needed</b>    |        |          |          | \$908,980 | \$912,848 |
| Credit Amount                                |        |          |          | \$119,615 | \$120,124 |

# CLIFTON MANOR APARTMENTS





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Bel Aire Manor Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 300 W. Otte Development #: 05237  
 City: Brady Region: 12 Population Served: Elderly  
 County: McCulloch Zip Code: 76825 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Brady-Charger Properties, LP  
 Bonita Williams Phone (936) 560-2636  
 Developer: Louis Williams & Associates, Inc.  
 Housing General Contractor: Louis Williams & Associates, Inc.  
 Architect: Pat Dismukes  
 Market Analyst: N/A  
 Syndicator: Michel Associates Ltd.  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |            |                          |            |                         |             |
|----------------------------------|------------|--------------------------|------------|-------------------------|-------------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u>               | <u>60%</u> | Total Restricted Units: | 16          |
| 0                                | 0          | 12                       | 4          | Market Rate Units:      | 0           |
| Type of Building:                | Duplex     | Owner/Employee Units:    |            |                         | 0           |
| Number of Residential Buildings: | 8          | Total Development Units: |            |                         | 16          |
|                                  |            | Total Development Cost:  |            |                         | \$1,023,603 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$61,169                 | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$51,026                 | \$51,344                   | 30           | 30          | 0%          |
| HOME Fund Loan Amount:          | \$319,808                | \$285,664                  | 30           | 30          | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Bel Aire Manor Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24

S

Points: N/A

US Representative: Conaway, District 11, NC

TX Representative: Hilderbran, District 53

S

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Clarence Fria, Mayor, N

Resolution of Support from Local Government

Nathan Davis, City Administrator, S

Individuals/Businesses:

In Support:

0

In Opposition:

0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Fraser expressed his support for the Development as one that will serve the senior citizens of Brady. Representative Hilderbran expressed his support for the Development as one that will provide safe and sanitary units for the city and will be a benefit to its residents. The City of Brady expressed its support for the Development.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment of HOME funds from TDHCA in the amount of at least \$319,808 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Bel Aire Manor Apartments**

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

9% HTC Competitive Cycle:  Score: **155**  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$285,664

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

Housing Trust Fund Loan: Loan Amount: \$51,344

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A



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

**DATE:** June 30, 2005

**PROGRAM:** 9% HTC

**FILE NUMBER:** 05237

**DEVELOPMENT NAME**

Bel Aire Manor Apartments

**APPLICANT**

**Name:** Brady-Charger Properties, L.P. **Type:** For-profit  
**Address:** 410 County Road 198 **City:** Nacogdoches **State:** TX  
**Zip:** 75965 **Contact:** Bonita Williams **Phone:** (936) 560-2636 **Fax:** (936) 560-2636

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|   |                        |  |
|---|------------------------|--|
| <b>Name:</b> <u>Charger Affiliates, LLC</u>               | <b>(%):</b> <u>1.0</u> | <b>Title:</b> <u>Managing General Partner</u>                      |
| <b>Name:</b> <u>Louis Williams &amp; Associates, Inc.</u> | <b>(%):</b> <u>N/A</u> | <b>Title:</b> <u>Developer</u>                                     |
| <b>Name:</b> <u>Bonita Williams</u>                       | <b>(%):</b> <u>N/A</u> | <b>Title:</b> <u>Sole member of MGP &amp; Developer, Guarantor</u> |
| <b>Name:</b> <u>Louis Williams</u>                        | <b>(%):</b> <u>N/A</u> | <b>Title:</b> <u>Co-Guarantor</u>                                  |

**PROPERTY LOCATION**

**Location:** 300 West Otte Street  **QCT**  **DDA**  
**City:** Brady **County:** McCulloch **Zip:** 76824

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| 1) \$61,169   | N/A                  | N/A                 | N/A         |
| 2) \$285,664  | 2%                   | 30 yrs              | 30 yrs      |
| 3) \$51,344   | 2%                   | 30 yrs              | 30 yrs      |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits.  
2) HOME Program loan. Original request: \$319,808  
3) Housing Trust Fund loan. Original request: \$51,026.

**Proposed Use of Funds:** Acquisition & rehabilitation **Property Type:** Multifamily

**Special Purpose (s):** Elderly, At-Risk, Rural, USDA-RD

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$60,567 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$285,664, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$51,344, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30

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

YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed changes in rental rates, prior to substantiation of the HTC 10% test;
2. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan;
3. Receipt, review and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and reflects fully funding the USDA required reserve amount as a use of funds.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |            |                       |               |             |              |                |          |            |  |
|-------------------------|---------------|---------------------------|------------|-----------------------------|------------|-----------------------|---------------|-------------|--------------|----------------|----------|------------|--|
| <b>Total Units:</b>     | <u>16</u>     | <b># Rental Buildings</b> | <u>8</u>   | <b># Non-Res. Buildings</b> | <u>1</u>   | <b># of Floors</b>    | <u>1</u>      | <b>Age:</b> | <u>2</u> yrs | <b>Vacant:</b> | <u>2</u> | at ?/ ?/ ? |  |
| <b>Net Rentable SF:</b> | <u>12,944</u> | <b>Av Un SF:</b>          | <u>809</u> | <b>Common Area SF:</b>      | <u>475</u> | <b>Gross Bldg SF:</b> | <u>13,419</u> |             |              |                |          |            |  |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior wall surfaces are comprised of 80% brick veneer & 20% wood siding. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating and air conditioning.

**ONSITE AMENITIES**

A new 475-square foot community building will be constructed which will include a management office, toilet, & laundry facilities. The community building will be located at the rear of the south tract.

**Uncovered Parking:** 32 spaces    **Carports:** 16 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bel Aire Manor Apartments is an 11-unit per acre acquisition and rehabilitation development of 16 units of affordable housing located in southern Brady. The development was built in 1975 and is comprised of eight evenly distributed duplex residential buildings.

**Existing Subsidies:** The property does not currently operate under any project-based subsidy, but the Applicant intends to apply for ten units of USDA-RD Rental Assistance. The Applicant's proposed rental rates represent significant increases (36% and 78% for the 50% and 60% AMI units, respectively) from the current USDA-RD-approved Basic Rent, but as of the date of this report these rents have not been approved by USDA-RD. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in the rental rate, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** As of December 2004 the buildings were 94% occupied and, according to the Appraiser, in fair to average condition. According to §49.9(f)(6)(E) of the 2005 QAP, "For developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment." No specific criterion for the age of the checklist is

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

indicated. The TX-USDA-RHS unit-by-unit inspection in January of 2005 indicated the following items requiring attention in the event of rehabilitation: replace exterior door weatherstripping and damaged or missing door hardware and stops, recaulk exterior doors, windows, and brick/trim joints, provide mini-blinds and storm windows on all windows, replace missing window locks and closet shelves, provide grease splashes adjacent to stoves, install GFI outlets in kitchens and bathrooms, replace missing or damaged light fixtures, provide hard-wired smoke alarms, clean air conditioning ducts, and replace/repair toilet seats and float valves. The USDA checklist provided no estimate for the cost of these necessary improvements. The Applicant also provided a work write-up which includes construction of the new community building, foundation and flatwork repairs, accessibility enhancements, sheetrock repair, asbestos abatement, replacement of flooring, replacement of all kitchen appliances and kitchen and bathroom cabinets, replacement of all bathroom sinks, faucets, and toilets, installation of ceiling fans, and replacement of signage. A 30-year projection of future repairs was not provided, however, USDA closely monitors reserve balances and property conditions and any excess cash flow from operations must typically first go to fully fund the minimum reserve balance of 10% of the outstanding USDA loan.

Interior renovation will be completed only in vacant units. The Applicant plans to suspend leasing of vacant units upon acquisition of the property, and existing tenants will be moved to renovated units. No tenants will be permanently displaced from the property. The Applicant has forecasted a total relocation cost of \$2K, which has been included in the total development cost schedule.

**Architectural Review:**

The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of a similar age. They appear to provide acceptable access and storage.

| SITE ISSUES      |   |                    |                                       |
|------------------|---|--------------------|---------------------------------------|
| SITE DESCRIPTION |   |                    |                                       |
| <b>Size:</b>     | 1.51 acres  | 65,776 square feet | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>   | SF-5, Single-Family Residential (non-conforming use, appraiser reports that use will be considered conforming as long as property is government-financed) |                    |                                       |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Brady is located in central Texas, approximately 100 miles northwest of Austin in McCulloch County. The site consists of two rectangularly-shaped parcels located in the southern area of the city, approximately one mile from the central business district. The two tracts are situated on the opposing north and south sides of Otte Street and are between Pine Street on the west and High Street on the east.

**Adjacent Land Uses:** The subject is surrounded by single-family residential uses on all sides.

**Site Access:** Access to the property is from the east or west along Otte Street which bisects the property or the north or south from South High Street. The development has uncovered parking directly off both sides of Otte street as well as covered parking at the rear of the tracts which is accessed by east-west alleys off of High Street. Access to U.S. Highway 377 is two blocks east, which provides connections to all other roads serving the Brady area as well as surrounding communities.

**Public Transportation:** Public transportation is not available in Brady.

**Shopping & Services:** The site is within one-half mile of a grocery/pharmacy and three miles of all the facilities and services available in Brady.

**Special Adverse Site Characteristics:** The following issue has been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The property is a legal non-conforming use under the current zoning of single-family residential, and in the case of total or partial destruction exceeding 50% of its total appraised value could not be reconstructed.

**Site Inspection Findings:** USDA-RD staff performed a site inspection on April 13, 2004 and found the location to be acceptable for the proposed rehabilitation. Although numerous repair and replacement items were noted, the only unacceptable findings were numerous inoperative smoke alarms.

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

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All of the units will be reserved for low-income elderly tenants. Thirteen of the units (82%) will be reserved for households earning 50% or less of AMGI and the remaining three units (18%) will be reserved for households earning 60% or less of AMGI.

**MAXIMUM ELIGIBLE INCOMES**

|                   | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>60% of AMI</b> | \$17,820        | \$20,340         | \$22,920         | \$25,440         | \$27,480         | \$29,520         |

**MARKET HIGHLIGHTS**

A market study report was not included, as USDA-RD financed projects are not required to submit this report, but an “as-is” appraisal dated November 7, 2004 prepared by Sherrill & Associates, Inc. (“Appraiser”) was provided which contained the following information:.

**Market Rent Comparables:** The Market Analyst surveyed three comparable apartment properties totaling 23 units in the market area.

**RENT ANALYSIS (net tenant-paid rents)**

| <b>Unit Type (% AMI)</b> | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
|--------------------------|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>2-Bedroom (50%)</b>   | \$374           | \$374 (HOME)       | \$0                 | \$380              | -\$6                |
| <b>2-Bedroom (60%)</b>   | \$492           | \$374 (HOME)       | +\$118              | \$380              | -\$112              |

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

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, stabilized, rent-restricted development that is currently +/-95% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** As discussed above, the Applicant’s rent projections are significantly above the current USDA-RD-approved Basic Rent of \$276 and will require approval by USDA-RD prior to implementation. The proposed rent of \$492 for the three 60% units is \$112 above the Appraiser’s estimated market rent of \$380, and USDA-RD approval of rents in excess of the market rent is unlikely. It is also against USDA-RD policy to have more than one rent per unit size/configuration, and as the subject’s units are all of one type the Applicant cannot use more than one rent. Furthermore, the Appraiser’s estimated market rent is \$6 in excess of the maximum Low HOME rent of \$374; therefore, the Underwriter has used the maximum Low HOME rent for all the units in this analysis. If the requested USDA-RD project-based Rental Assistance subsidy is awarded the Applicant will be able to increase rents above the Low HOME maximum rents (with USDA-RD approval). The Applicant’s estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines; the Underwriter used a vacancy and collection loss estimate of 6% in light of the property’s current occupancy rate. As a result of the difference in potential gross rental income estimates the Applicant’s effective gross income estimate is \$2,842 (4.2%) greater than the Underwriter’s

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

estimate.

**Expenses:** (NOTE: The Applicant indicated that the seller has not been able to provide historical operating expense data due to health reasons, and the Underwriter was also unable to source actual expense information from USDA-RD. Therefore, the Underwriter has used the TDHCA and IREM expense databases in estimating the subject's expenses.)

The Applicant's total expense estimate of \$2,785 per unit is less than 1% lower than the Underwriter's database-derived estimate of \$2,809 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$2.1K lower), payroll (\$3.4K lower), repairs and maintenance (\$3.2K higher), utilities (\$0.9K lower), water, sewer, and trash (\$1.6K lower), insurance (\$1.1K higher), and property tax (\$3.2K higher).

**Conclusion:** Although the Applicant's income and total operating expense estimates are consistent with the Underwriter's expectations, the Applicant's net operating income (NOI) estimate 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 anticipated rental income, the Underwriter's estimated debt coverage ratio (DCR) of 0.92 is significantly less than the program minimum standard of 1.10. Therefore, the debt service for this development should be limited to the maximum extent possible.

| ACQUISITION VALUATION INFORMATION  |                                  |                                    |                                     |                                  |   |
|--|----------------------------------|------------------------------------|-------------------------------------|----------------------------------|---|
| APPRAISED VALUE  |                                  |                                    |                                     |                                  |   |
| <b>Land Only: 1.51 acres</b>   | \$36,000                         | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| <b>Existing Buildings: "as is"</b>   | \$229,340                        | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| <b>Value of Favorable Financing:</b>   | \$123,660                        | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| <b>Total Development: "as is"</b>  | \$353,000                        | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| <b>Appraiser:</b> Sherrill & Associates, Inc.  | <b>City:</b> Arlington           | <b>Phone:</b>                      | (817)                               | 557-1791                         |   |
| APPRAISAL ANALYSIS/CONCLUSIONS   |                                  |                                    |                                     |                                  |   |
| <p>The Appraiser used four comparable land sales in Brady since February 2003 to derive the underlying land valuation of \$0.55/square foot. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.</p> <p>The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The sales approach was not used.</p> |                                  |                                    |                                     |                                  |   |
| ASSESSED VALUE   |                                  |                                    |                                     |                                  |   |
| <b>Land:</b>   | \$30,360                         | <b>Assessment for the Year of:</b> | 2004                                |                                  |   |
| <b>Buildings:</b>  | \$128,010                        | <b>Valuation by:</b>               | McCulloch County Appraisal District |                                  |   |
| <b>Total Assessed Value:</b>   | \$158,370                        | <b>Tax Rate:</b>                   | 2.498301                            |                                  |   |
| EVIDENCE of SITE or PROPERTY CONTROL   |                                  |                                    |                                     |                                  |   |
| <b>Type of Site Control:</b>   | Option to purchase real property |                                    |                                     |                                  |   |
| <b>Contract Expiration Date:</b>   | 1/                               | 12/                                | 2006                                | <b>Anticipated Closing Date:</b> | 10/   |
|  |                                  |                                    |                                     |                                  | 31/   |
|  |                                  |                                    |                                     |                                  | 2005  |
| <b>Acquisition Cost:</b>   | \$351,000                        | <b>Other Terms/Conditions:</b>     | \$500 earnest money                 |                                  |   |
| <b>Seller:</b> Gilbert Theriot   |                                  |                                    |                                     |                                  | <b>Related to Development Team Member:</b> No |

| CONSTRUCTION COST ESTIMATE EVALUATION  |
|--|
| <p><b>Acquisition Value:</b> The acquisition price of \$351,000 is based on assumption of the outstanding balances on two existing USDA loans, accrued interest and property taxes through the proposed closing date, and the remainder in equity to the current owner. An attachment to the contract estimated this equity transfer to be \$132,049. The sales price is substantiated by the appraised value of \$353,000 (including the value of the</p> |

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

USDA favorable financing). The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.

The Applicant claimed acquisition eligible basis based upon the appraised land value of \$36,000 subtracted from the purchase price. The Underwriter has used the most conservative building value approach of using the appraised value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$315,000, or 90% of the total value of the subject property.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,842 per unit.

**Direct Construction Cost:** Per Section 49.9(f)(6)(E) of the 2005 QAP, "For Developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment [PCA]". The Applicant provided a copy of the checklist, however, as this checklist contains no cost estimation data it provides no substantiation for the Applicant's proposed direct rehabilitation costs. Therefore, the Underwriter has used the Applicant's direct construction cost estimate of \$364,541 or \$22,784/unit, which easily complies with the TDHCA minimum rehabilitation cost guideline of \$6K/unit.

The Applicant included \$10,000 in "owner's allowance" as a direct construction cost line item and explained that this was a construction contingency allowance, so the Underwriter has moved it to contingency allowance.

**Fees:** The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the \$10K reduction in direct construction costs discussed above the eligible basis portion of these fees now exceed the maximum by \$1,610 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

**Reserves:** The Applicant did not include any reserves in the cost schedule and did not include the existing reserves as a source of funds; the Underwriter has included as a cost item an amount of \$8,140 which is the fully-funded "approved level" replacement reserve amount required by the USDA-RD loan agreement. The March 2005 balance of this account was \$9,629, which should be included as a source of funds.

**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$969,222 is used to estimate a credit allocation of \$61,815 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

| FINANCING STRUCTURE   |  |   |  |
|---|--|---|--|
| <b>PERMANENT FINANCING</b>  |  |   |  |
| <b>Source:</b> <u>USDA-RD (2 existing loans)</u>  | <b>Contact:</b> <u>Mary Graves</u>                               |   |  |
| <b>Original Amount:</b> <u>\$203,700</u>  | <b>Interest Rate:</b> <u>Subsidized to 1%</u>                    |   |  |
| <b>Current Balance:</b> <u>\$216,663*</u>   |  |   |  |
| <b>Additional Information:</b> <u>*Reamortized</u>  |  |   |  |
| <b>Amortization:</b> <u>50</u> yrs  | <b>Term:</b> <u>50</u> yrs                                       | <b>Commitment:</b> <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |  |
| <b>Annual Payment:</b> <u>\$10,504</u>  | <b>Lien Priority:</b> <u>1st</u>                                 | <b>Date:</b> <u>1975</u>  |  |
| <b>TAX CREDIT SYNDICATION</b>   |  |   |  |
| <b>Source:</b> <u>Michel Associates, Ltd.</u>   |  | <b>Contact:</b> <u>Chip Holmes</u>  |  |
| <b>Net Proceeds:</b> <u>\$464,881</u>   | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> <u>76¢</u> |   |  |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional <b>Date:</b> <u>5/ 11/ 2005</u> |  |   |  |
| <b>Additional Information:</b> _____  |  |   |  |

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

**APPLICANT EQUITY**

**Amount:** (None)                      **Source:** N/A

**FINANCING STRUCTURE ANALYSIS**

**Existing USDA-RD Financing:** The Applicant intends to assume the USDA-RD loans at the existing rates and terms, although this transfer has not been approved by USDA-RD as of the date of this report. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loans is a condition of this report.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The proposed syndication rate is very low compared to syndication rates for other current transactions. Any increase in the final rate will result in an excess source of funds and will, all else held constant, result in a reduction in tax credits based upon the gap of funds needed.

**Reserves:** Although not included by the Applicant, the Underwriter has used the most recent available replacement reserve balance of \$9,629 as a source of funds.

**Financing Conclusions:** Based on the Underwriter’s estimate of eligible basis, the HTC allocation would not exceed \$61,815 annually for ten years, resulting in syndication proceeds of approximately \$469,791. However, this is \$9,488 more than the gap requirement based on the Underwriter’s analysis if the requested amounts of the HOME and Housing Trust Fund (HTF) loans and the existing replacement reserve balance are included as sources of funds. Therefore, the maximum potential tax credit allocation for this development should be reduced to not more than \$60,567, resulting in syndication proceeds of approximately \$460,303. As discussed above, insufficient net operating income is anticipated to be available to satisfactorily service the HOME and HTF loans at the requested terms. Therefore, both loans should be made in the amounts requested, with 30-year terms and amortization schedules, but with 0% interest rates. This structure would result in a first year DCR of 1.08, which is slightly below the TDHCA guideline of 1.10, but as the DCR projection shows steady improvement through year 20 and as the property will be supervised by USDA-RD, the risk is mitigated. No deferral of developer fee is anticipated.

**Return on Equity:** No investment of Applicant equity or return thereon is anticipated.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, and Property Manager are all related entities. These are common relationships for HTC-funded developments.

**APPLICANT’S/PRINCIPALS’ FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Louis Williams & Associates, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$204K and consisting of \$43K in cash and certificates of deposit, \$54K in receivables and prepaids, \$28K in real property, and \$79K in machinery and equipment. Liabilities totaled \$28K, resulting in a net worth of \$176K.
- The principals of the General Partner and Developer, Bonita and Louis Williams, submitted an unaudited joint financial statements as of December 31, 2004 and are anticipated to be guarantors of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department’s experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant’s estimated operating proforma is more than 5% outside of the Underwriter’s verifiable range.

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

- The proposed transfer has not been approved by USDA-RD.
- The project-based rent subsidy to be requested by the Applicant may not be awarded.
- The Applicant's proposed direct construction costs are not substantiated by a third party.
- A Phase I Environmental Site Assessment report was not available for review, and significant environmental issues may exist which could affect the feasibility of the transaction as proposed.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 30, 2005  
\_\_\_\_\_

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 30, 2005  
\_\_\_\_\_





**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Bel Aire Manor Apartments, Brady, 9% HTC #05237**

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$203,700 | Amort | 600  |
| Int Rate       | 1.00%     | DCR   | 2.23 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$285,664 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.01 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$51,344 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 0.92 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                |
|-------------------------|----------------|
| Primary Debt Service    | \$10,504       |
| Secondary Debt Service  | 9,522          |
| Additional Debt Service | 1,711          |
| <b>NET CASH FLOW</b>    | <b>\$1,647</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$216,663 | Amort | 277  |
| Int Rate       | 1.00%     | DCR   | 2.23 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$285,664 | Amort        | 360  |
| Int Rate         | 0.00%     | Subtotal DCR | 1.17 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$51,344 | Amort         | 360  |
| Int Rate          | 0.00%    | Aggregate DCR | 1.08 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%                | YEAR 1          | YEAR 2          | YEAR 3          | YEAR 4          | YEAR 5          | YEAR 10         | YEAR 15          | YEAR 20          | YEAR 30          |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT           | \$71,808        | \$73,962        | \$76,181        | \$78,467        | \$80,821        | \$93,693        | \$108,616        | \$125,916        | \$169,220        |
| Secondary Income               | 960             | 989             | 1,018           | 1,049           | 1,080           | 1,253           | 1,452            | 1,683            | 2,262            |
| Other Support Income: (describ | 0               | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME         | 72,768          | 74,951          | 77,200          | 79,516          | 81,901          | 94,946          | 110,068          | 127,599          | 171,483          |
| Vacancy & Collection Loss      | (4,366)         | (4,497)         | (4,632)         | (4,771)         | (4,914)         | (5,697)         | (6,604)          | (7,656)          | (10,289)         |
| Employee or Other Non-Rental   | 0               | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b>  | <b>\$68,402</b> | <b>\$70,454</b> | <b>\$72,568</b> | <b>\$74,745</b> | <b>\$76,987</b> | <b>\$89,249</b> | <b>\$103,464</b> | <b>\$119,943</b> | <b>\$161,194</b> |
| EXPENSES at 4.00%              |                 |                 |                 |                 |                 |                 |                  |                  |                  |
| General & Administrative       | \$4,007         | \$4,167         | \$4,334         | \$4,507         | \$4,687         | \$5,703         | \$6,938          | \$8,442          | \$12,496         |
| Management                     | 5,681           | 5,852           | 6,027           | 6,208           | 6,394           | 7,413           | 8,593            | 9,962            | 13,388           |
| Payroll & Payroll Tax          | 8,162           | 8,488           | 8,828           | 9,181           | 9,548           | 11,617          | 14,134           | 17,196           | 25,454           |
| Repairs & Maintenance          | 5,841           | 6,074           | 6,317           | 6,570           | 6,833           | 8,313           | 10,114           | 12,305           | 18,215           |
| Utilities                      | 2,653           | 2,760           | 2,870           | 2,985           | 3,104           | 3,777           | 4,595            | 5,590            | 8,275            |
| Water, Sewer & Trash           | 3,997           | 4,157           | 4,324           | 4,497           | 4,676           | 5,690           | 6,922            | 8,422            | 12,466           |
| Insurance                      | 2,459           | 2,558           | 2,660           | 2,766           | 2,877           | 3,500           | 4,259            | 5,182            | 7,670            |
| Property Tax                   | 5,577           | 5,800           | 6,032           | 6,274           | 6,525           | 7,938           | 9,658            | 11,750           | 17,394           |
| Reserve for Replacements       | 6,000           | 6,240           | 6,490           | 6,749           | 7,019           | 8,540           | 10,390           | 12,641           | 18,712           |
| Other                          | 640             | 666             | 692             | 720             | 749             | 911             | 1,108            | 1,348            | 1,996            |
| <b>TOTAL EXPENSES</b>          | <b>\$45,018</b> | <b>\$46,762</b> | <b>\$48,574</b> | <b>\$50,456</b> | <b>\$52,412</b> | <b>\$63,401</b> | <b>\$76,712</b>  | <b>\$92,838</b>  | <b>\$136,065</b> |
| <b>NET OPERATING INCOME</b>    | <b>\$23,384</b> | <b>\$23,692</b> | <b>\$23,994</b> | <b>\$24,288</b> | <b>\$24,575</b> | <b>\$25,848</b> | <b>\$26,753</b>  | <b>\$27,105</b>  | <b>\$25,128</b>  |
| DEBT SERVICE                   |                 |                 |                 |                 |                 |                 |                  |                  |                  |
| First Lien Financing           | \$10,504        | \$10,504        | \$10,504        | \$10,504        | \$10,504        | \$10,504        | \$10,504         | \$10,504         | \$10,504         |
| Second Lien                    | 9,522           | 9,522           | 9,522           | 9,522           | 9,522           | 9,522           | 9,522            | 9,522            | 9,522            |
| Other Financing                | 1,711           | 1,711           | 1,711           | 1,711           | 1,711           | 1,711           | 1,711            | 1,711            | 1,711            |
| <b>NET CASH FLOW</b>           | <b>\$1,647</b>  | <b>\$1,955</b>  | <b>\$2,256</b>  | <b>\$2,551</b>  | <b>\$2,837</b>  | <b>\$4,111</b>  | <b>\$5,015</b>   | <b>\$5,367</b>   | <b>\$3,391</b>   |
| DEBT COVERAGE RATIO            | 1.08            | 1.09            | 1.10            | 1.12            | 1.13            | 1.19            | 1.23             | 1.25             | 1.16             |

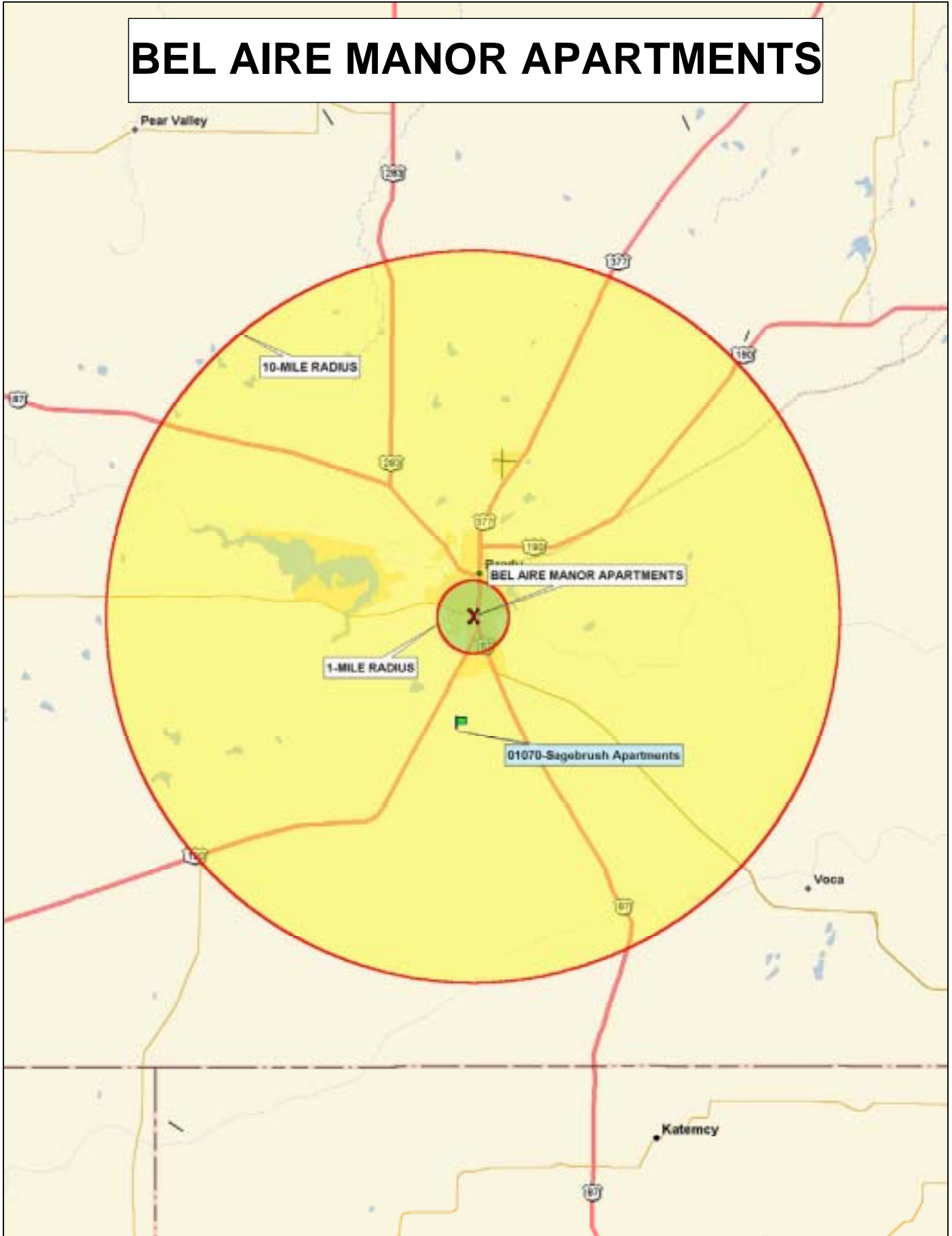
LIHTC Allocation Calculation - Bel Aire Manor Apartments, Brady, 9% HTC #05237

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$36,000                        | \$36,000                  |  |  |  |                                      |
| Purchase of buildings                                 | \$315,000                       | \$315,000                 | \$315,000                                    | \$315,000                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$29,478                        | \$29,478                  |  |  | \$29,478                                   | \$29,478                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$364,541                       | \$364,541                 |  |  | \$364,541                                  | \$364,541                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$8,080                         | \$7,880                   |  |  | \$7,880                                    | \$7,880                              |
| Contractor profit                                     | \$24,241                        | \$23,641                  |  |  | \$23,641                                   | \$23,641                             |
| General requirements                                  | \$24,241                        | \$23,641                  |  |  | \$23,641                                   | \$23,641                             |
| <b>(5) Contingencies</b>                              |                                 |                           |  |  |  |                                      |
|   | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |  |  |                                      |
|   | \$64,011                        | \$64,011                  | \$3,000                                      | \$3,000                                | \$61,011                                   | \$61,011                             |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |  |  |                                      |
|   | \$5,000                         | \$5,000                   |  |  | \$5,000                                    | \$5,000                              |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |  |  |                                      |
|   | \$9,791                         | \$9,791                   |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
|   |                                 |                           | \$47,700                                     | \$47,250                               | \$78,779                                   | \$78,779                             |
| Developer overhead                                    |                                 | \$16,864                  |  |  |  |                                      |
| Developer fee   | \$127,139                       | \$109,615                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   |                                 | \$8,140                   |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$1,017,522</b>              | <b>\$1,023,603</b>        | <b>\$365,700</b>                             | <b>\$365,250</b>                       | <b>\$603,972</b>                           | <b>\$603,972</b>                     |

| <b>Deduct from Basis:</b>                                  |  |  |                  |                  |                  |                  |
|--|--|--|------------------|------------------|------------------|------------------|
| 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)             |  |  |                  |                  |                  |                  |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | <b>\$365,700</b> | <b>\$365,250</b> | <b>\$603,972</b> | <b>\$603,972</b> |
| High Cost Area Adjustment                                  |  |  |                  |                  | 100%             | 100%             |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | <b>\$365,700</b> | <b>\$365,250</b> | <b>\$603,972</b> | <b>\$603,972</b> |
| Applicable Fraction  |  |  | 100%             | 100%             | 100%             | 100%             |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | <b>\$365,700</b> | <b>\$365,250</b> | <b>\$603,972</b> | <b>\$603,972</b> |
| Applicable Percentage                                      |  |  | 3.53%            | 3.53%            | 8.10%            | 8.10%            |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | <b>\$12,909</b>  | <b>\$12,893</b>  | <b>\$48,922</b>  | <b>\$48,922</b>  |

|  |        |          |          |                 |                  |
|--|--------|----------|----------|-----------------|------------------|
| Syndication Proceeds                         | 0.7600 | \$98,109 | \$97,989 | \$371,802       | \$371,802        |
| <b>Total Credits (Eligible Basis Method)</b> |        |          |          | <b>\$61,831</b> | <b>\$61,815</b>  |
| Syndication Proceeds                         |        |          |          | \$469,911       | \$469,791        |
| Requested Credits                            |        |          |          | \$61,169        |                  |
| Syndication Proceeds                         |        |          |          | \$464,881       |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        |          |          |                 | <b>\$460,303</b> |
| Credit Amount                                |        |          |          |                 | <b>\$60,567</b>  |

# BEL AIRE MANOR APARTMENTS





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hamilton Manor Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 702 S. College St. Development #: 05238  
 City: Hamilton Region: 8 Population Served: Family  
 County: Hamilton Zip Code: 76531 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Hamilton-Charger Properties, LP  
 Bonita Williams Phone (936) 560-2636  
 Developer: Louis Williams & Associates, Inc.  
 Housing General Contractor: Louis Williams & Associates, Inc.  
 Architect: Pat Dismukes  
 Market Analyst: N/A  
 Syndicator: Michel Associates Ltd.  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |            |            |            |                         |                          |           |
|----------------------------------|------------|------------|------------|-------------------------|--------------------------|-----------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u> | <u>60%</u> | Total Restricted Units: | 18                       |           |
| 0                                | 0          | 18         | 0          | Market Rate Units:      | 0                        |           |
| Type of Building:                |            |            |            | Fourplex                | Owner/Employee Units:    | 0         |
| Number of Residential Buildings: |            |            |            | 5                       | Total Development Units: | 18        |
|                                  |            |            |            |                         | Total Development Cost:  | \$845,922 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$58,476                 | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$41,352                 | \$45,743                   | 30           | 30          | 2%          |
| HOME Fund Loan Amount:          | \$296,869                | \$255,517                  | 30           | 30          | 2%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Hamilton Manor Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24 [S] Points: N/A US Representative: Carter, District 31, NC

TX Representative: Miller, District 59 [S] Points: N/A US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Roy Rumsey, Mayor, S Resolution of Support from Local Government [ ]

Individuals/Businesses: In Support: 0 In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Fraser expressed his support for the Development as rental housing is in short supply in Hamilton and a project like this one is badly needed. Representative Miller expressed his support for the Development as one that will benefit the City of Hamilton. The City of Hamilton expressed its support for the Development as it will help to fulfill the need for affordable rental housing.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment for HOME funds from TDHCA in the amount of at least \$296,869 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hamilton Manor Apartments**

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

9% HTC Competitive Cycle:  Score: **171**  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$255,517

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

Housing Trust Fund Loan: Loan Amount: \$45,743

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A

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

9% HTC

DATE: June 30, 2005                      PROGRAM: HOME                      FILE NUMBER: 05238  
HTF

**DEVELOPMENT NAME**

Hamilton Manor Apartments

| APPLICANT       |                                   |                 |                 |               |                |
|-----------------|-----------------------------------|-----------------|-----------------|---------------|----------------|
| <b>Name:</b>    | Hamilton-Charger Properties, L.P. | <b>Type:</b>    | For-profit      |               |                |
| <b>Address:</b> | 410 County Road 198               | <b>City:</b>    | Nacogdoches     | <b>State:</b> | TX             |
| <b>Zip:</b>     | 75965                             | <b>Contact:</b> | Bonita Williams | <b>Phone:</b> | (936) 560-2636 |
|                 |                                   | <b>Fax:</b>     | (936)           | 560-2636      |                |

| PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS |                                   |             |     |               |   |
|---|-----------------------------------|-------------|-----|---------------|---|
| <b>Name:</b>                                  | Charger Affiliates, LLC           | <b>(%):</b> | 1.0 | <b>Title:</b> | Managing General Partner                  |
| <b>Name:</b>                                  | Louis Williams & Associates, Inc. | <b>(%):</b> | N/A | <b>Title:</b> | Developer                                 |
| <b>Name:</b>                                  | Bonita Williams                   | <b>(%):</b> | N/A | <b>Title:</b> | Sole member of MGP & Developer, guarantor |
| <b>Name:</b>                                  | Louis Williams                    | <b>(%):</b> | N/A | <b>Title:</b> | Co-guarantor                              |

| PROPERTY LOCATION |                          |                          |            |                          |            |
|-------------------|--------------------------|--------------------------|------------|--------------------------|------------|
| <b>Location:</b>  | 702 South College Street | <input type="checkbox"/> | <b>QCT</b> | <input type="checkbox"/> | <b>DDA</b> |
| <b>City:</b>      | Hamilton                 | <b>County:</b>           | Hamilton   | <b>Zip:</b>              | 76531      |

| REQUEST                       |  |                       |             |
|-------------------------------|--|-----------------------|-------------|
| <u>Amount</u>                 | <u>Interest Rate</u>   | <u>Amortization</u>   | <u>Term</u> |
| 1) \$58,236                   | N/A  | N/A                   | N/A         |
| 2) \$255,517                  | 2%   | 30 yrs                | 30 yrs      |
| 3) \$45,743                   | 2%   | 30 yrs                | 30 yrs      |
| <b>Other Requested Terms:</b> | 1) Annual ten-year allocation of housing tax credits<br>2) HOME Program loan<br>3) Housing Trust Fund loan |                       |             |
| <b>Proposed Use of Funds:</b> | Acquisition/rehabilitation   | <b>Property Type:</b> | Multifamily |
| <b>Special Purposes:</b>      | General Population, At-Risk, Rural, USDA-RD  |                       |             |

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$58,236 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
  
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$255,517, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST, SUBJECT TO CONDITIONS.



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

- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$45,743, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test; and
2. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan.
3. Receipt, review and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and reflects fully funding the USDA required reserve amount as a use of funds.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |            |                       |               |             |               |                |           |                 |
|-------------------------|---------------|---------------------------|------------|-----------------------------|------------|-----------------------|---------------|-------------|---------------|----------------|-----------|-----------------|
| <b>Total Units:</b>     | <u>18</u>     | <b># Rental Buildings</b> | <u>5</u>   | <b># Non-Res. Buildings</b> | <u>1</u>   | <b># of Floors</b>    | <u>1</u>      | <b>Age:</b> | <u>29</u> yrs | <b>Vacant:</b> | <u>0%</u> | at 12/ 31/ 2004 |
| <b>Net Rentable SF:</b> | <u>12,740</u> | <b>Av Un SF:</b>          | <u>708</u> | <b>Common Area SF:</b>      | <u>475</u> | <b>Gross Bldg SF:</b> | <u>13,215</u> |             |               |                |           |                 |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior wall finish is comprised of 50% brick veneer & 50% wood siding. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning.

**ONSITE AMENITIES**

A new 475-square foot community building will be constructed which will include a management office, toilet, & laundry facilities. The community building will be located at the entrance to the property.

|                           |           |        |                   |          |        |                 |          |        |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>36</u> | spaces | <b>Carpports:</b> | <u>0</u> | spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Hamilton Manor Apartments is a 19-unit per acre acquisition and rehabilitation development of 18 units of affordable housing located in southwest Hamilton. The development was built in 1976 and is comprised of five evenly distributed, garden style residential buildings as follows:

- Two buildings with four two-bedroom/one-bath units;
- Two buildings with two one-bedroom/one-bath units and two two-bedroom/one-bath units; and
- One building with two two-bedroom/one-bath units.

**Existing Subsidies:** The property currently operates under a USDA-RD project-based Rental Assistance Agreement for 13 of the 18 units, although the rental rates for the other five units are also effectively restricted to the basic rents. The Applicant intends to continue the rental assistance contracts for all 13 units. The proposed rental rates as reflected in the income and expense summary represent significant increases (58% and 49% for the one- and two-bedroom units, respectively) from the current USDA-RD-approved Basic Rents, but as of the date of this report these rents have not been approved by USDA-RD. Receipt,

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

review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** The buildings were 100% occupied as of December 1, 2004 and in average condition, according to the appraiser. According to §49.9(f)(6)(E) of the 2005 QAP, "For developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment." No specific criterion for the age of the checklist is indicated. The TX-USDA-RHS unit-by-unit inspection in January of 2005 indicated the following items requiring attention in the event of rehabilitation: replace exterior door weatherstripping and damaged or missing door hardware and stops, recaulk exterior doors, windows, and brick/trim joints, provide mini-blinds and storm windows on all windows, replace missing window locks and closet shelves, provide grease splashes adjacent to stoves, install GFI outlets in kitchens and bathrooms, replace missing or damaged light fixtures, provide hard-wired smoke alarms, clean air conditioning ducts, and replace/repair toilet seats and float valves. The USDA checklist provided no estimate for the cost of these necessary improvements. The Applicant also provided a work write-up which includes construction of the new community buildings, foundation and flatwork repairs, accessibility enhancements, sheetrock repair, asbestos abatement, replacement of flooring, replacement of all kitchen appliances and kitchen and bathroom cabinets, replacement of all bathroom sinks, faucets, and toilets, installation of ceiling fans, and replacement of signage. A 30-year projection of future repairs was not provided, however, USDA closely monitors reserve balances and property conditions and any excess cash flow from operations must typically first go to fully fund the minimum reserve balance of 10% of the outstanding USDA loan.

Interior renovation will be completed only in vacant units. The Applicant plans to suspend leasing of vacant units upon acquisition of the property, and existing tenants will be moved to renovated units. No tenants will be permanently displaced from the property. The Applicant has forecasted a total relocation cost of \$2K, which has been included in the total development cost schedule.

**Architectural Review:** The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of a similar age.

| SITE ISSUES      |                       |                    |                                       |
|------------------|-----------------------|--------------------|---------------------------------------|
| SITE DESCRIPTION |                       |                    |                                       |
| <b>Size:</b>     | 0.94 acres            | 40,946 square feet | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>   | No zoning in Hamilton |                    |                                       |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Hamilton is located in north central Texas, approximately 60 miles west of Waco in Hamilton County. The site is a rectangularly-shaped parcel located in the southwestern area of the city, approximately one-half mile from the central business district. The site is situated on the east side of College Street.

**Adjacent Land Uses:**

- **North:** single-family residential and a public high school;
- **South:** a child daycare center;
- **East:** commercial property; and
- **West:** South College Street.

**Site Access:** Access to the property is from the north or south from College Street, from which the development has a single main entry as well as 12 parking spaces directly perpendicular to that street.. Access to U.S. Highway 281 is one block east, which provides connections to all other roads serving the Hamilton area as well as surrounding communities.

**Public Transportation:** Public transportation is not available in Hamilton.

**Shopping & Services:** The site is within 1.5 miles of all the facilities and services available in Hamilton.

**Site Inspection Findings:** USDA-RD staff performed a site inspection on January 11, 2005 and documented a significant number of deficiencies in interior and exterior maintenance.

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

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All of the units will be reserved for low-income households earning 50% or less of AMGI.

**MAXIMUM ELIGIBLE INCOMES**

|                   | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>60% of AMI</b> | \$15,800        | \$18,100         | \$20,350         | \$22,600         | \$24,400         | \$26,200         |

**MARKET HIGHLIGHTS**

For applications in the TX-USDA-RHS set-aside, the required appraisal is sufficient to satisfy the requirement for a market analysis and no additional market analysis is required. The Applicant submitted an "as-is" appraisal dated February 12, 2005 and prepared by Sherrill & Associates, Inc. ("Appraiser") which contained the following market information.

**Market Rent Comparables:** The Appraiser surveyed three comparable apartment properties totaling 147 units in the market area (two in Hillsboro and one in Temple).

**RENT ANALYSIS (net tenant-paid rents)**

| <b>Unit Type (% AMI)</b> | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
|--------------------------|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>1-Bedroom (50%)</b>   | \$329           | \$326 (HOME)       | +\$3                | \$345              | -\$16               |
| <b>2-Bedroom (50%)</b>   | \$388           | \$409 (HOME/HTC)   | -\$21               | \$410              | -\$22               |

(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)

Ref: p. 35

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, stabilized, rent-restricted development that is currently +/-100% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** As discussed above, the Applicant's rent projections are significantly above the current USDA-RD-approved Basic Rents and will require approval by USDA-RD prior to implementation. The proposed one-bedroom rent of \$329 is \$3 in excess of the maximum Low HOME rent limit, which is permissible as long as the property has a property-based rent subsidy. The subject's USDA-RD Rental Assistance Agreement fulfills this requirement. The proposed two-bedroom rent of \$388 is \$21 below the maximum HOME/HTC rent, and there is the potential for additional income (approximately \$3.4K) if the Applicant is able to increase rents to the maximum allowed, and the market study information suggests that the market could support rents at the rent limit maximums. The Applicant used a secondary income estimate of \$4/unit; the Underwriter has used the TDHCA minimum underwriting guideline of \$5/unit based on the income potential from the new laundry facilities. The Applicant's estimate of vacancy and collection losses is in line with TDHCA underwriting guidelines. As a result of the difference in secondary income estimates the Applicant's effective gross income estimate is \$206 less than the Underwriter's estimate.

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

**Expenses:** The Applicant's total expense estimate of \$2,892 per unit is 6.9% higher than the Underwriter's database- and historically-derived estimate of \$2,706 per unit for comparably-sized developments in this area. The Applicant's payroll estimate is the only expense line item estimate that deviates significantly when compared to the historical averages (\$1.2K higher). Although the property has had an ongoing USDA-RD replacement reserve requirement of \$2,443/year, the Applicant has increased this amount to \$8,270/year based on a recent USDA-RD requirement that replacement reserve funding equal 1% of the total development cost. The Underwriter has used a lower replacement reserve estimate of \$5,456 based on the current USDA-RD requirement plus 1% of the additional HOME and Housing Trust Fund debt. The Applicant did not include any TDHCA compliance fees; the Underwriter included \$40/unit.

**Conclusion:** Although the Applicant's income estimate is consistent with the Underwriter's expectation, the Applicant's total operating expense and net operating income (NOI) estimates are 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   |   |                             |                                     |                           |             |
|---|---|-----------------------------|-------------------------------------|---------------------------|-------------|
| APPRAISED VALUE   |   |                             |                                     |                           |             |
| Land Only: 0.94 acres   | \$8,000                                       | Date of Valuation:          | 2/                                  | 10/                       | 2005        |
| Existing Building(s): "as is"   | \$213,000                                     | Date of Valuation:          | 2/                                  | 10/                       | 2005        |
| Value of Favorable Financing:   | \$109,000                                     | Date of Valuation:          | 2/                                  | 10/                       | 2005        |
| Total Development: "as is"  | \$330,000                                     | Date of Valuation:          | 2/                                  | 10/                       | 2005        |
| Appraiser: Sherrill & Associates, Inc.  | City: Arlington                               | Phone:                      | (817)                               | 557-1791                  |             |
| APPRAISAL ANALYSIS/CONCLUSIONS  |   |                             |                                     |                           |             |
| <p>The Appraiser used three comparable land sales in Hamilton since September 2003 to derive the underlying land valuation of \$8,500/acre. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.</p> <p>The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The sales approach was not used.</p> |   |                             |                                     |                           |             |
| ASSESSED VALUE  |   |                             |                                     |                           |             |
| Land: 0.94 acres  | \$11,250                                      | Assessment for the Year of: | 2005                                |                           |             |
| Buildings:  | \$238,570                                     | Valuation by:               | Hamilton County Appraisal District  |                           |             |
| Total Assessed Value:   | \$249,820                                     | Tax Rate:                   | 2.486                               |                           |             |
| EVIDENCE of SITE or PROPERTY CONTROL  |   |                             |                                     |                           |             |
| Type of Site Control:   | Option to purchase real property (0.94 acres) |                             |                                     |                           |             |
| Contract Expiration Date:   | 1/  | 25/                         | 2006                                | Anticipated Closing Date: | 10/ 1/ 2005 |
| Acquisition Cost:   | \$122,657                                     | Other Terms/Conditions:     | \$500 earnest money                 |                           |             |
| Seller:   | Statewide Investments, Inc./Nancy R. Duncan   |                             | Related to Development Team Member: | No                        |             |

| CONSTRUCTION COST ESTIMATE EVALUATION  |  |
|--|--|
| <p><b>Acquisition Value:</b> The acquisition price of \$122,657 is based on assumption of the outstanding balances on two existing USDA loans, accrued interest and property taxes through the proposed closing date, and \$2,050 per unit to the current owner. The sales price is significantly lower than the appraised value of \$330,000 (including the value of the USDA favorable financing), which the Applicant attributes to the motivation of the elderly seller. The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.</p> |  |

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The Applicant claimed acquisition eligible basis based upon the appraised land value of \$8,000 subtracted from the purchase price. As called for in 10TAC 1.32(e)(1)(C), the Underwriter has determined building value conservatively by using the actual assessed value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$111,407, or 91% of the total value of the subject property.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,352 per unit.

**Direct Construction Cost:** Per Section 49.9(f)(6)(E) of the 2005 QAP, "For Developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment [PCA]". The Applicant provided a copy of the checklist, however, as this checklist contains no cost estimation data it provides no substantiation for the Applicant's proposed direct rehabilitation costs. Therefore, the Underwriter has used the Applicant's sitework and direct construction cost estimate of \$439,538 or \$24,419/unit, which easily complies with the TDHCA minimum rehabilitation cost guideline of \$6K/unit.

The Applicant included \$10,000 in "owner's allowance" as a direct construction cost line item and explained that this was a construction contingency allowance, so the Underwriter moved it to contingency.

**Fees:** The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the \$10K reduction in direct construction costs discussed above the eligible basis portion of these fees now exceed the maximum by \$2,061 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

**Reserves:** The Applicant did not include any reserves in the cost schedule and did not include the existing reserves as a source of funds; the Underwriter has included as a cost item an amount of \$24,430 which is the fully-funded replacement reserve amount required by the USDA-RD loan agreement. The March 2005 balance of this account was \$4,913, which should be included as a source of funds.

**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$800,001 is used to estimate a credit allocation of \$58,808 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is within the HUD 221(d)(3) HOME subsidy limit of \$64,492 per unit.

| FINANCING STRUCTURE            |  |                               |   |                      |                 |                    |                              |  |                                      |
|--------------------------------|--|-------------------------------|---|----------------------|-----------------|--------------------|------------------------------|--|--------------------------------------|
| PERMANENT FINANCING            |  |                               |   |                      |                 |                    |                              |  |                                      |
| <b>Source:</b>                 | USDA-RD (existing)   |                               |   |                      | <b>Contact:</b> | Mary Graves        |                              |  |                                      |
| <b>Principal Amount:</b>       | \$79,568   |                               | <b>Interest Rate:</b>                                 | 9%, subsidized to 1% |                 |                    |                              |  |                                      |
| <b>Additional Information:</b> | Assumption of current owner's original permanent USDA loans at same rates & terms, original combined loan amount \$244,300 |                               |   |                      |                 |                    |                              |  |                                      |
| <b>Amortization:</b>           | 50   | yrs                           | <b>Term:</b>  | 50                   | yrs             | <b>Commitment:</b> | <input type="checkbox"/> LOI | <input checked="" type="checkbox"/> Firm | <input type="checkbox"/> Conditional |
| <b>Annual Payment:</b>         | \$7,596  |                               | <b>Lien Priority:</b>                                 | 1st                  |                 | <b>Date:</b>       | 8/ 10/ 1976                  |  |                                      |
| TAX CREDIT SYNDICATION         |  |                               |   |                      |                 |                    |                              |  |                                      |
| <b>Source:</b>                 | Michel Associates, Ltd.  |                               |   |                      | <b>Contact:</b> | Chip Holmes        |                              |  |                                      |
| <b>Net Proceeds:</b>           | \$444,414  |                               | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 76¢                  |                 |                    |                              |  |                                      |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI   | <input type="checkbox"/> Firm | <input checked="" type="checkbox"/> Conditional       | <b>Date:</b>         | 2/ 28/ 2005     |                    |                              |  |                                      |
| <b>Additional Information:</b> |  |                               |   |                      |                 |                    |                              |  |                                      |



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environmental issues may exist which could affect the feasibility of the transaction as proposed.

- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

**Underwriter:**

*Jim Anderson*

**Date:** June 30, 2005

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 30, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Hamilton Manor Apartments, Hamilton, 9% HTC/HOME/HTF #05238**

| 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 |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|----------------|---------------|----------------|----------------|
| LH, TC 50%    | 4         | 1        | 1               | 574        | \$402           | \$329             | \$1,316        | \$0.57        | \$76.00        | \$57.00        |
| LH, TC 50%    | 14        | 2        | 1               | 746        | 508             | \$388             | 5,432          | 0.52          | 99.00          | 61.00          |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
| <b>TOTAL:</b> | <b>18</b> |          | <b>AVERAGE:</b> | <b>708</b> | <b>\$484</b>    | <b>\$375</b>      | <b>\$6,748</b> | <b>\$0.53</b> | <b>\$93.89</b> | <b>\$60.11</b> |

| <b>INCOME</b>                                     |                 |                              |                  | <b>Total Net Rentable Sq Ft: 12,740</b> |  | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>Comptroller's Region 8</b> |                         |               |
|---|-----------------|------------------------------|------------------|---|--|------------------|------------------|-------------------------------|-------------------------|---------------|
| <b>POTENTIAL GROSS RENT</b>                       |                 |                              |                  |   |  | <b>\$80,976</b>  | <b>\$80,976</b>  | <b>IREM Region</b>            |                         |               |
| Secondary Income                                  |                 | Per Unit Per Month:          | \$5.00           |   |  | 1,080            | 864              | \$4.00                        | Per Unit Per Month      |               |
| Other Support Income:                             |                 |                              |                  |   |  | 0                | 0                |                               |                         |               |
| <b>POTENTIAL GROSS INCOME</b>                     |                 |                              |                  |   |  | <b>\$82,056</b>  | <b>\$81,840</b>  |                               |                         |               |
| Vacancy & Collection Loss                         |                 | % of Potential Gross Income: | -7.50%           |   |  | (6,154)          | (6,144)          | -7.51%                        | of Potential Gross Rent |               |
| Employee or Other Non-Rental Units or Concessions |                 |                              |                  |   |  | 0                | 0                |                               |                         |               |
| <b>EFFECTIVE GROSS INCOME</b>                     |                 |                              |                  |   |  | <b>\$75,902</b>  | <b>\$75,696</b>  |                               |                         |               |
| <b>EXPENSES</b>                                   | <b>% OF EGI</b> | <b>PER UNIT</b>              | <b>PER SQ FT</b> |   |  | <b>PER SQ FT</b> | <b>PER UNIT</b>  | <b>% OF EGI</b>               |                         |               |
| General & Administrative                          | 5.36%           | \$226                        | 0.32             |   |  | \$4,067          | \$3,970          | \$0.31                        | \$221                   | 5.24%         |
| Management  | 8.50%           | 358                          | 0.51             |   |  | 6,450            | 7,128            | 0.56                          | 396                     | 9.42%         |
| Payroll & Payroll Tax                             | 2.75%           | 116                          | 0.16             |   |  | 2,090            | 3,300            | 0.26                          | 183                     | 4.36%         |
| Repairs & Maintenance                             | 13.94%          | 588                          | 0.83             |   |  | 10,584           | 10,180           | 0.80                          | 566                     | 13.45%        |
| Utilities   | 4.13%           | 174                          | 0.25             |   |  | 3,133            | 4,000            | 0.31                          | 222                     | 5.28%         |
| Water, Sewer, & Trash                             | 6.02%           | 254                          | 0.36             |   |  | 4,566            | 3,800            | 0.30                          | 211                     | 5.02%         |
| Property Insurance                                | 6.50%           | 274                          | 0.39             |   |  | 4,931            | 4,900            | 0.38                          | 272                     | 6.47%         |
| Property Tax                                      | 2.486           | 373                          | 0.53             |   |  | 6,712            | 6,513            | 0.51                          | 362                     | 8.60%         |
| Reserve for Replacements                          | 7.19%           | 303                          | 0.43             |   |  | 5,456            | 8,270            | 0.65                          | 459                     | 10.93%        |
| Other: compliance fees                            | 0.95%           | 40                           | 0.06             |   |  | 720              | 0                | 0.00                          | 0                       | 0.00%         |
| <b>TOTAL EXPENSES</b>                             | <b>64.17%</b>   | <b>\$2,706</b>               | <b>\$3.82</b>    |   |  | <b>\$48,708</b>  | <b>\$52,061</b>  | <b>\$4.09</b>                 | <b>\$2,892</b>          | <b>68.78%</b> |
| <b>NET OPERATING INC</b>                          | <b>35.83%</b>   | <b>\$1,511</b>               | <b>\$2.13</b>    |   |  | <b>\$27,194</b>  | <b>\$23,635</b>  | <b>\$1.86</b>                 | <b>\$1,313</b>          | <b>31.22%</b> |
| <b>DEBT SERVICE</b>                               |                 |                              |                  |   |  |                  |                  |                               |                         |               |
| Existing USDA Loans                               | 10.01%          | \$422                        | \$0.60           |   |  | \$7,596          | \$7,596          | \$0.60                        | \$422                   | 10.03%        |
| TDHCA HOME Loan                                   | 14.93%          | \$630                        | \$0.89           |   |  | 11,333           | 11,332           | \$0.89                        | \$630                   | 14.97%        |
| Housing Trust Fund Loan                           | 2.67%           | \$113                        | \$0.16           |   |  | 2,029            | 1,832            | \$0.14                        | \$102                   | 2.42%         |
| <b>NET CASH FLOW</b>                              | <b>8.22%</b>    | <b>\$346</b>                 | <b>\$0.49</b>    |   |  | <b>\$6,236</b>   | <b>\$2,875</b>   | <b>\$0.23</b>                 | <b>\$160</b>            | <b>3.80%</b>  |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |                 |                              |                  |   |  | <b>1.30</b>      | <b>1.14</b>      |                               |                         |               |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |                 |                              |                  |   |  | <b>1.30</b>      |                  |                               |                         |               |

| <b>CONSTRUCTION COST</b>             |        |                |                 |                | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>PER SQ FT</b> | <b>PER UNIT</b> | <b>% of TOTAL</b> |
|--------------------------------------|--------|----------------|-----------------|----------------|------------------|------------------|------------------|-----------------|-------------------|
| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |                  |                  |                  |                 |                   |
| Acquisition Cost (site or bldg)      |        | 14.50%         | \$6,814         | \$9.63         | \$122,657        | \$122,657        | \$9.63           | \$6,814         | 14.88%            |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           | 0                | 0                | 0.00             | 0               | 0.00%             |
| Sitework                             |        | 2.88%          | 1,352           | 1.91           | 24,340           | 24,340           | 1.91             | 1,352           | 2.95%             |
| Direct Construction                  |        | 49.08%         | 23,067          | 32.59          | 415,198          | 415,198          | 32.59            | 23,067          | 50.39%            |
| Contingency                          | 2.28%  | 1.18%          | 556             | 0.78           | 10,000           | 10,000           | 0.78             | 556             | 1.21%             |
| General Req'ts                       | 6.00%  | 3.12%          | 1,465           | 2.07           | 26,372           | 26,972           | 2.12             | 1,498           | 3.27%             |
| Contractor's G & A                   | 2.00%  | 1.04%          | 488             | 0.69           | 8,791            | 8,991            | 0.71             | 500             | 1.09%             |
| Contractor's Profit                  | 6.00%  | 3.12%          | 1,465           | 2.07           | 26,372           | 26,972           | 2.12             | 1,498           | 3.27%             |
| Indirect Construction                |        | 8.11%          | 3,809           | 5.38           | 68,564           | 68,564           | 5.38             | 3,809           | 8.32%             |
| Ineligible Costs                     |        | 1.16%          | 544             | 0.77           | 9,791            | 9,791            | 0.77             | 544             | 1.19%             |
| Developer's G & A                    | 2.00%  | 1.65%          | 773             | 1.09           | 13,921           | 0                | 0.00             | 0               | 0.00%             |
| Developer's Profit                   | 13.00% | 10.70%         | 5,027           | 7.10           | 90,486           | 105,555          | 8.29             | 5,864           | 12.81%            |
| Interim Financing                    |        | 0.59%          | 278             | 0.39           | 5,000            | 5,000            | 0.39             | 278             | 0.61%             |
| Reserves                             |        | 2.89%          | 1,357           | 1.92           | 24,430           | 0                | 0.00             | 0               | 0.00%             |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$46,996</b> | <b>\$66.40</b> | <b>\$845,922</b> | <b>\$824,040</b> | <b>\$64.68</b>   | <b>\$45,780</b> | <b>100.00%</b>    |
| <b>Recap-Hard Construction Costs</b> |        | <b>60.42%</b>  | <b>\$28,393</b> | <b>\$40.12</b> | <b>\$511,073</b> | <b>\$512,473</b> | <b>\$40.23</b>   | <b>\$28,471</b> | <b>62.19%</b>     |

| <b>SOURCES OF FUNDS</b>         |        |          |         |  | <b>RECOMMENDED</b> |                  |                  |                            |
|---------------------------------|--------|----------|---------|--|--------------------|------------------|------------------|----------------------------|
| Existing USDA Loans             | 9.48%  | \$4,455  | \$6.29  |  | \$80,188           | \$80,188         | \$79,568         | Developer Fee Available    |
| TDHCA HOME Loan                 | 30.21% | \$14,195 | \$20.06 |  | 255,517            | 255,517          | 255,517          | \$103,957                  |
| Housing Trust Fund Loan         | 5.41%  | \$2,541  | \$3.59  |  | 45,743             | 45,743           | 45,743           |                            |
| Existing Reserves               | 0.00%  | \$0      | \$0.00  |  | 0                  | 0                | 4,913            |                            |
| HTC Syndication Proceeds        | 52.32% | \$24,588 | \$34.74 |  | 442,592            | 442,592          | 444,414          | % of Dev. Fee Deferred     |
| Deferred Developer Fees         | 0.00%  | \$0      | \$0.00  |  | 0                  | 0                | 15,767           | 15%                        |
| Additional (Excess) Funds Req'd | 2.59%  | \$1,216  | \$1.72  |  | 21,882             | 0                | 0                | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>            |        |          |         |  | <b>\$845,922</b>   | <b>\$824,040</b> | <b>\$845,922</b> | <b>\$129,363</b>           |



**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Hamilton Manor Apartments, Hamilton, 9% HTC/HOME/HTF #05238**

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$244,300 | Amort | 480  |
| Int Rate       | 1.00%     | DCR   | 3.58 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$255,517 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.44 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$45,743 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.30 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                |
|-------------------------|----------------|
| Primary Debt Service    | \$7,596        |
| Secondary Debt Service  | 11,333         |
| Additional Debt Service | 2,029          |
| <b>NET CASH FLOW</b>    | <b>\$6,236</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$244,300 | Amort | 480  |
| Int Rate       | 1.00%     | DCR   | 3.58 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$255,517 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.44 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$45,743 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.30 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

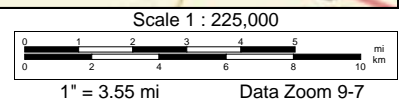
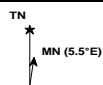
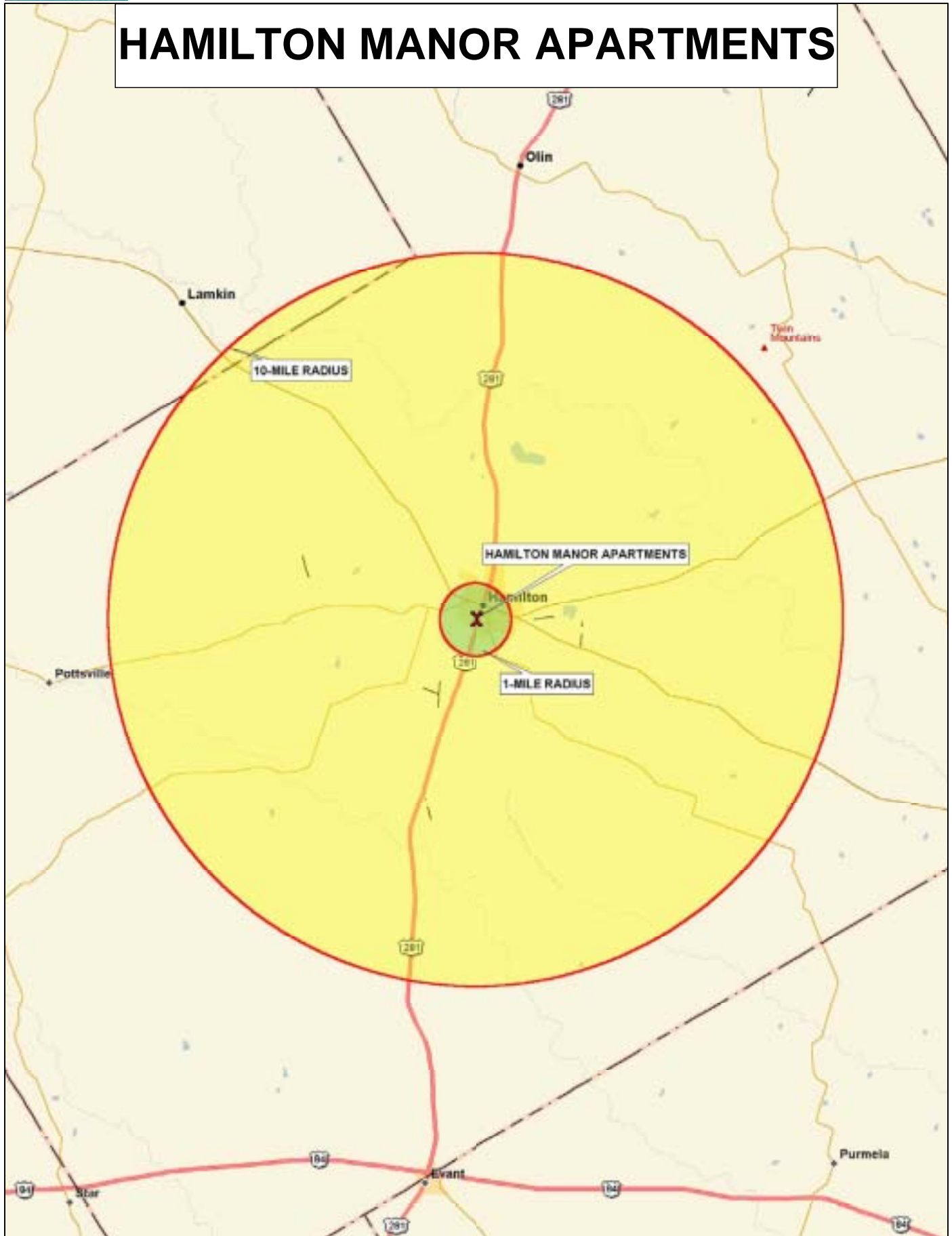
| INCOME at 3.00%               | YEAR 1          | YEAR 2          | YEAR 3          | YEAR 4          | YEAR 5          | YEAR 10         | YEAR 15          | YEAR 20          | YEAR 30          |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT          | \$80,976        | \$83,405        | \$85,907        | \$88,485        | \$91,139        | \$105,655       | \$122,483        | \$141,992        | \$190,825        |
| Secondary Income              | 1,080           | 1,112           | 1,146           | 1,180           | 1,216           | 1,409           | 1,634            | 1,894            | 2,545            |
| Other Support Income:         | 0               | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME        | 82,056          | 84,518          | 87,053          | 89,665          | 92,355          | 107,064         | 124,117          | 143,886          | 193,370          |
| Vacancy & Collection Loss     | (6,154)         | (6,339)         | (6,529)         | (6,725)         | (6,927)         | (8,030)         | (9,309)          | (10,791)         | (14,503)         |
| Employee or Other Non-Rental  | 0               | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$75,902</b> | <b>\$78,179</b> | <b>\$80,524</b> | <b>\$82,940</b> | <b>\$85,428</b> | <b>\$99,035</b> | <b>\$114,808</b> | <b>\$133,094</b> | <b>\$178,868</b> |
| <b>EXPENSES at 4.00%</b>      |                 |                 |                 |                 |                 |                 |                  |                  |                  |
| General & Administrative      | \$4,067         | \$4,230         | \$4,399         | \$4,575         | \$4,758         | \$5,789         | \$7,043          | \$8,569          | \$12,684         |
| Management                    | 6,450           | 6,644           | 6,843           | 7,048           | 7,260           | 8,416           | 9,756            | 11,310           | 15,200           |
| Payroll & Payroll Tax         | 2,090           | 2,174           | 2,261           | 2,351           | 2,445           | 2,975           | 3,619            | 4,403            | 6,518            |
| Repairs & Maintenance         | 10,584          | 11,007          | 11,447          | 11,905          | 12,381          | 15,064          | 18,327           | 22,298           | 33,006           |
| Utilities                     | 3,133           | 3,258           | 3,388           | 3,524           | 3,665           | 4,459           | 5,424            | 6,600            | 9,769            |
| Water, Sewer & Trash          | 4,566           | 4,749           | 4,939           | 5,136           | 5,342           | 6,499           | 7,907            | 9,620            | 14,240           |
| Insurance                     | 4,931           | 5,128           | 5,333           | 5,546           | 5,768           | 7,018           | 8,538            | 10,388           | 15,377           |
| Property Tax                  | 6,712           | 6,981           | 7,260           | 7,550           | 7,852           | 9,554           | 11,623           | 14,142           | 20,933           |
| Reserve for Replacements      | 5,456           | 5,674           | 5,901           | 6,137           | 6,382           | 7,765           | 9,447            | 11,494           | 17,014           |
| Other                         | 720             | 749             | 779             | 810             | 842             | 1,025           | 1,247            | 1,517            | 2,245            |
| <b>TOTAL EXPENSES</b>         | <b>\$48,708</b> | <b>\$50,591</b> | <b>\$52,549</b> | <b>\$54,582</b> | <b>\$56,695</b> | <b>\$68,562</b> | <b>\$82,933</b>  | <b>\$100,341</b> | <b>\$146,987</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$27,194</b> | <b>\$27,587</b> | <b>\$27,976</b> | <b>\$28,358</b> | <b>\$28,733</b> | <b>\$30,473</b> | <b>\$31,876</b>  | <b>\$32,754</b>  | <b>\$31,881</b>  |
| <b>DEBT SERVICE</b>           |                 |                 |                 |                 |                 |                 |                  |                  |                  |
| First Lien Financing          | \$7,596         | \$7,596         | \$7,596         | \$7,596         | \$7,596         | \$7,596         | \$7,596          | \$7,596          | \$7,596          |
| Second Lien                   | 11,333          | 11,333          | 11,333          | 11,333          | 11,333          | 11,333          | 11,333           | 11,333           | 11,333           |
| Other Financing               | 2,029           | 2,029           | 2,029           | 2,029           | 2,029           | 2,029           | 2,029            | 2,029            | 2,029            |
| <b>NET CASH FLOW</b>          | <b>\$6,236</b>  | <b>\$6,629</b>  | <b>\$7,017</b>  | <b>\$7,400</b>  | <b>\$7,775</b>  | <b>\$9,515</b>  | <b>\$10,917</b>  | <b>\$11,796</b>  | <b>\$10,923</b>  |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.30</b>     | <b>1.32</b>     | <b>1.33</b>     | <b>1.35</b>     | <b>1.37</b>     | <b>1.45</b>     | <b>1.52</b>      | <b>1.56</b>      | <b>1.52</b>      |

LIHTC Allocation Calculation - Hamilton Manor Apartments, Hamilton, 9% HTC/HOME/HTF #05238

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$8,000                         | \$11,250                  |  |  |  |                                      |
| Purchase of buildings                                 | \$114,657                       | \$111,407                 | \$114,657                                    | \$111,407                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$24,340                        | \$24,340                  |  |  | \$24,340                                   | \$24,340                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$415,198                       | \$415,198                 |  |  | \$415,198                                  | \$415,198                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$8,991                         | \$8,791                   |  |  | \$8,791                                    | \$8,791                              |
| Contractor profit                                     | \$26,972                        | \$26,372                  |  |  | \$26,372                                   | \$26,372                             |
| General requirements                                  | \$26,972                        | \$26,372                  |  |  | \$26,372                                   | \$26,372                             |
| <b>(5) Contingencies</b>                              |                                 |                           |  |  |  |                                      |
|   | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |  |  |                                      |
|   | \$68,564                        | \$68,564                  | \$3,000                                      | \$3,000                                | \$65,564                                   | \$65,564                             |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |  |  |                                      |
|   | \$5,000                         | \$5,000                   |  |  | \$5,000                                    | \$5,000                              |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |  |  |                                      |
|   | \$9,791                         | \$9,791                   |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
|   |                                 |                           | \$17,649                                     | \$16,711                               | \$87,246                                   | \$87,246                             |
| Developer overhead                                    |                                 | \$13,921                  |  |  |  |                                      |
| Developer fee   | \$105,555                       | \$90,486                  |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   |                                 | \$24,430                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$824,040</b>                | <b>\$845,922</b>          | <b>\$135,306</b>                             | <b>\$131,118</b>                       | <b>\$668,883</b>                           | <b>\$668,883</b>                     |

| <b>Deduct from Basis:</b>                                  |        |  |           |           |           |           |
|--|--------|--|-----------|-----------|-----------|-----------|
| 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)             |        |  |           |           |           |           |
| <b>TOTAL ELIGIBLE BASIS</b>                                |        |  | \$135,306 | \$131,118 | \$668,883 | \$668,883 |
| High Cost Area Adjustment                                  |        |  |           |           | 100%      | 100%      |
| <b>TOTAL ADJUSTED BASIS</b>                                |        |  | \$135,306 | \$131,118 | \$668,883 | \$668,883 |
| Applicable Fraction  |        |  | 100%      | 100%      | 100%      | 100%      |
| <b>TOTAL QUALIFIED BASIS</b>                               |        |  | \$135,306 | \$131,118 | \$668,883 | \$668,883 |
| Applicable Percentage                                      |        |  | 3.53%     | 3.53%     | 8.10%     | 8.10%     |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |        |  | \$4,776   | \$4,628   | \$54,180  | \$54,180  |
| Syndication Proceeds                                       | 0.7600 |  | \$36,299  | \$35,176  | \$411,761 | \$411,761 |
| <b>Total Credits (Eligible Basis Method)</b>               |        |  |           |           | \$58,956  | \$58,808  |
| Syndication Proceeds                                       |        |  |           |           | \$448,060 | \$446,937 |
| <b>Requested Credits</b>                                   |        |  |           |           | \$58,476  |           |
| Syndication Proceeds                                       |        |  |           |           | \$444,414 |           |
| <b>Gap of Syndication Proceeds Needed</b>                  |        |  |           |           |           | \$510,837 |
| <b>Credit Amount</b>                                       |        |  |           |           |           | \$67,216  |

# HAMILTON MANOR APARTMENTS





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Bayshore Manor Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 138 Sandpiper Circle Development #: 05239  
 City: Palacios Region: 6 Population Served: Family  
 County: Matagorda Zip Code: 77465 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Bayshore Manor, Ltd.  
 James W. Fieser Phone (281) 599-8684  
 Developer: Fieser Development, Inc.  
 Housing General Contractor: LCJ Construction  
 Architect: David J. Albright  
 Market Analyst: N/A  
 Syndicator: WNC & Associates  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |             |
|----------------------------------|-----------------|------------|------------|--------------------------|-------------|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 56          |
| 0                                | 0               | 0          | 56         | Market Rate Units:       | 0           |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0           |
| Number of Residential Buildings: | 8               |            |            | Total Development Units: | 56          |
|                                  |                 |            |            | Total Development Cost:  | \$3,109,077 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$169,575                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$0                      | \$0                        | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$385,000                | \$385,000                  | 30           | 30          | 1%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Bayshore Manor Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Armbrister, District 18 [NC] Points: N/A US Representative: Paul, District 14, NC

TX Representative: Dawson, District 29 [NC] Points: N/A US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: John O. Conner, Mayor, S Resolution of Support from Local Government [ ]

Raymond A. Mitchell, City of Palacios Councilperson, S

Individuals/Businesses: In Support: [0] In Opposition: [0]

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

The City of Palacios expressed its support for the Development it will bring affordable housing to an economically stressed area.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment of HOME funds from TDHCA in the amount of at least \$385,000 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.





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3. Receipt, review, and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and also reflects fully funding the USDA-required reserve amount as a use of funds;
4. Receipt, review and acceptance of a revised populations served application form reflecting at least 40% of each building restricted to households earning 50% or less of area median income; and
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |              |                       |               |             |               |                |     |    |    |     |      |
|-------------------------|---------------|---------------------------|------------|-----------------------------|--------------|-----------------------|---------------|-------------|---------------|----------------|-----|----|----|-----|------|
| <b>Total Units:</b>     | <u>56</u>     | <b># Rental Buildings</b> | <u>8</u>   | <b># Non-Res. Buildings</b> | <u>1</u>     | <b># of Floors</b>    | <u>2</u>      | <b>Age:</b> | <u>20</u> yrs | <b>Vacant:</b> | 11% | at | 2/ | 22/ | 2005 |
| <b>Net Rentable SF:</b> | <u>40,720</u> | <b>Av Un SF:</b>          | <u>727</u> | <b>Common Area SF:</b>      | <u>1,320</u> | <b>Gross Bldg SF:</b> | <u>42,040</u> |             |               |                |     |    |    |     |      |

**STRUCTURAL MATERIALS**

The structures are wood framed on post-tensioned concrete slabs on grade. The exteriors are comprised of brick veneer with wood siding & wood trim. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles (replaced following a hurricane in 2002 or 2003).

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, refrigerator, tile tub/shower, laminated counter tops, individual water heaters, ceiling fans, & evaporative coolers.

**ONSITE AMENITIES**

A 1,320-square foot community building includes an activity room, management offices, laundry & storage facilities, & restrooms. The community building & equipped children's play area are located at the entrance to the property. In addition, perimeter fencing with limited access gates is planned for the site.

|                           |           |        |                   |          |        |                 |          |        |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>79</u> | spaces | <b>Carpports:</b> | <u>0</u> | spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bayshore Manor Apartments is a 14-unit per acre acquisition and rehabilitation development of 56 units of affordable housing located in northeastern Palacios. The development was built in 1985 and is comprised of eight evenly distributed one- and two-story, medium-sized, garden style, walk-up, residential buildings as follows:

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

**Existing Subsidies:** The property currently operates under a USDA-RD project-based Rental Assistance Agreement for 11 units, and the Applicant intends to continue the rental assistance contract for all 11 units. The current rental rates as reflected in the income and expense summary are approximately 7% increases in the current rents, and the Applicant will be requesting an increase in the current rental rates. This change has not been approved by USDA-RD as of the date of this report, therefore receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed decrease in rental rates, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** The buildings were 89% occupied as of the time of application and in "fair condition for its age", according to the property condition assessor. The Applicant provided a property condition assessment prepared by the project architect, David J. Albright, which identified immediate repairs of \$377,600, deferred repairs of \$375,700, and included \$179,790 in contingency allowance and contractor fees. Mr. Albright also analyzed the reserve account and recommended setting aside \$213 per unit, per year



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escalated by 3% per annum to satisfy future needs. The Applicant's scope of work as outlined in the property condition assessment includes:

- **Immediate Repairs:** Perform accessibility repairs and modifications, correct site grading and drainage, repair brick veneer and replace install safety equipment (GFI receptacles, smoke alarms, etc.), replace HVAC systems, replace roofs and install attic insulation, install new perimeter fencing, replace water heaters, install ceiling fans, and rebuild retaining wall.
- **Deferred Repairs:** Restripe or replace parking surfaces, clean sewers, install new gutters and downspouts, upgrade landscaping, replace wood siding, fascia, eaves, and soffits, repair or replace interior drywall, floor coverings, fixtures, and windows and screens, replace refrigerators and stoves.
- **New Construction:** Perimeter fencing with limited access gates and dumpster enclosures.

The rehabilitation will be phased to minimize displacement of current residents.

**Architectural Review:** The buildings and units are of good design and sufficient size and are comparable to other apartment developments of a similar age.

| SITE ISSUES                    |   |       |                             |                |  |
|--------------------------------|---|-------|-----------------------------|----------------|--|
| SITE DESCRIPTION               |   |       |                             |                |  |
| <b>Size:</b>                   | 3.934                                   | acres | 171,365                     | square feet    | <b>Zoning/ Permitted Uses:</b> No zoning in Palacios |
| <b>Flood Zone Designation:</b> | Zones A-14 & B<br>(100-year floodplain) |       | <b>Status of Off-Sites:</b> | Fully improved |  |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Palacios is located in southeast Texas, approximately 80 miles southwest of Houston in Matagorda County. The site is an "L"-shaped parcel located in the northeast area of the city, approximately one-half mile from the central business district. The site is situated on the east side of Sandpiper Circle.

**Adjacent Land Uses:** "Adjacent land uses are primarily residential in nature" (appraisal, p. 20)

**Site Access:** Access to the property is from the south from Sandpiper Circle, from which the development has two entries. Access to State Highway 35 is less than one-quarter mile west, which provides connections to all other major roads serving the Palacios area.

**Public Transportation:** Public transportation is not available in Palacios.

**Shopping & Services:** The site is within 1.5 miles of all the services and facilities located in Palacios.

**Special Adverse Site Characteristics:** The following issue has been identified as potentially bearing on the viability of the site for the proposed development:

- **Floodplain:** The site lies within flood zones A-14 (100-year floodplain) and B (areas between the limits of the 100-year and 500-year floods, or areas subject to 100-year flooding with average depths of less than one foot). The Applicant indicates that the property is currently covered by flood insurance and that this coverage will be maintained.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 21, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. The Applicant has indicated on the latest rent schedule that all 56 of the units will be designated as Low HOME units, to be reserved for households earning 50% or less of AMGI; however, the populations served form continues to list them as 60% units for

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tax credit purposes and the last version of the tenant profile reflects only seven 50% units.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$19,800        | \$22,680         | \$25,500         | \$28,320         | \$30,600         | \$32,880         |

**MARKET HIGHLIGHTS**

A market study report was not included, as USDA-RD financed projects are not required to submit this report, but an “As Is” appraisal dated March 30, 2005 prepared by The Gerald A. Teel Company, Inc. (“Appraiser”) was provided.

**Definition of Primary Market Area (PMA):** “The primary market area (PMA) for the subject property is considered to be the city of Palacios” (p. 15). This area encompasses approximately 15.3 square miles and is equivalent to a circle with a radius of 2.2 miles.

**Population:** The estimated 2004 population of the PMA was 5,154 and is expected to increase by 0.35% to approximately 5,172 by 2009. Within the primary market area there were estimated to be 1,682 households in 2004.

**Market Rent Comparables:** The Market Analyst surveyed four comparable apartment properties totaling 124 units in the market area. (p. 28)

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (50%)</b>                       | \$315           | \$337              | -\$22               | \$350              | -\$35               |
| <b>2-Bedroom (50%)</b>                       | \$351           | \$392              | -\$41               | \$420              | -\$69               |

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

**Primary Market Occupancy Rates:** The Appraiser noted an overall occupancy rate of 87% among six comparable properties. (p. 25)

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, stabilized, rent-restricted development that is currently +/-90% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** In the Applicant’s original rent mix all 56 units were designated as Low HOME/60% HTC units, but the Applicant was requested to revise this rent mix to comply with the HOME program requirement that at least 20% of the HOME-assisted units be reserved for households earning at or below 50% of AMFI. The Applicant’s revised rent mix included seven Low HOME/60% HTC units, and 49 60% HTC units, but the Applicant was again requested to revise the rent mix to comply with the HOME program requirement that at least 40% of the units or each building be restricted to households earning 50% or less of AMI for the development to qualify for the 9% credit and to avoid reduction of eligible basis by the amount of the below market rate HOME loan. The Applicant’s current rent mix appears to have designated all units as Low HOME units in order to comply with these restrictions; however, it still lists all units as 60% tax credit units. Receipt, review, and acceptance of a revised population served application document confirming that at least 40% of each building will be restricted to households earning 50% or less of area medium income is a condition of this report.

As discussed above, the Applicant’s rent projections are approximately 7% above the current USDA-RD-

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approved Basic Rents and will require approval by USDA-RD prior to implementation. The proposed one- and two-bedroom rents are \$22 and \$41, respectively, lower than the maximum Low HOME rent limit, and there is the potential for additional income (approximately \$23.9K) if the Applicant is able to increase rents to the maximum allowed, and 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. As a result the Applicant's effective gross income estimate is comparable to the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$2,860 per unit is 2.1% higher than the Underwriter's database- and historically-derived estimate of \$2,801 per unit for comparably-sized developments in this area. The Applicant's repairs and maintenance line item estimate deviates significantly from the database averages and the property's historical performance, and the Underwriter's estimate is \$8.5K lower. The Applicant used the TDHCA replacement reserve requirement of \$300/unit/year for rehabilitation developments, whereas the Underwriter used the lower USDA-RD requirement of \$260/unit as specified in the USDA loan agreement plus 1% of the additional TDHCA HOME debt (\$69/unit).

**Conclusion:** Although the Applicant's income and total operating expense estimates are consistent with the Underwriter's expectations, the Applicant's net operating income (NOI) estimate 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   |   |  |  |                         |      |
|---|---|--|--|-------------------------|------|
| APPRAISED VALUE   |   |  |  |                         |      |
| <b>Land Only: 3.934 acres</b>   | \$20,000  |  | <b>Date of Valuation:</b>                  | 3/ 28/                  | 2005 |
| <b>Existing Building(s): "as is"</b>  | \$1,120,000   |  | <b>Date of Valuation:</b>                  | 3/ 28/                  | 2005 |
| <b>Total Development: "as is"</b>   | \$1,140,000   |  | <b>Date of Valuation:</b>                  | 3/ 28/                  | 2005 |
| <b>Appraiser:</b> The Gerald A. Teel Co., Inc.  | <b>City:</b> Houston                                |  | <b>Phone:</b>                              | (713) 467-5858          |      |
| APPRAISAL ANALYSIS/CONCLUSIONS  |   |  |  |                         |      |
| <p>The Appraiser used three comparable land sales in the vicinity of the subject since May 2004 to derive the underlying land valuation of \$0.10/square foot. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.</p> <p>The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. No valuation was provided for the existing USDA-RD favorable financing.</p> |   |  |  |                         |      |
| ASSESSED VALUE  |   |  |  |                         |      |
| <b>Land:</b>  | \$102,820   |  | <b>Assessment for the Year of:</b>         | 2004                    |      |
| <b>Building:</b>  | \$664,690   |  | <b>Valuation by:</b>                       | Palacios ISD Tax Office |      |
| <b>Total Assessed Value:</b>  | \$767,510   |  | <b>Tax Rate:</b>                           | 2.83857                 |      |
| EVIDENCE of SITE or PROPERTY CONTROL  |   |  |  |                         |      |
| <b>Type of Site Control:</b>  | Improved property commercial contract (3.934 acres) |  |  |                         |      |
| <b>Contract Expiration Date:</b>  | 12/ 15/ 2005  |  | <b>Anticipated Closing Date:</b>           | 12/ 15/ 2005            |      |
| <b>Acquisition Cost:</b>  | \$1,571,000   |  | <b>Other Terms/Conditions:</b>             | \$200 earnest money     |      |
| <b>Seller:</b> Bayshore Manor Apts., LTD.   |   |  | <b>Related to Development Team Member:</b> | No                      |      |

| CONSTRUCTION COST ESTIMATE EVALUATION |  |
|---------------------------------------|--|
| <b>Acquisition Value:</b>             | The acquisition price of \$1,571,000 is based on assumption of the outstanding balance on the existing USDA loan, accrued interest and property taxes through the proposed closing date, and the remainder in cash to the current owner. The sales price is reasonably substantiated by the appraised value of |

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\$1,140,000, which does not include the value of the USDA favorable financing. The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.

The Applicant claimed acquisition eligible basis based upon land value of \$20,000 subtracted from the purchase price. The Underwriter has used the most conservative building value approach of using the actual assessed value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$1,468,180, or 93% of the total value of the subject property.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$3,113 per unit.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is substantiated by the cost estimate in the property condition assessment report, and is therefore regarded as reasonable as submitted.

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

**Reserves:** The Applicant included \$64,913 in reserves; the Underwriter has included an amount of \$48,550 which is the fully-funded "authorized level" replacement reserve amount as required by the USDA-RD loan agreement. As the December 2004 balance of this account was \$26,595, which should be included as a source of funds.

**Conclusion:** The Underwriter's total cost estimate is entirely based upon the Applicant's estimate except the Applicant's overstatement of acquisition eligible basis; therefore, the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$2,926,548 is used to estimate a credit allocation of \$159,890 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is within the HUD 221(d)(3) HOME subsidy limit of \$90,692 per unit.

| FINANCING STRUCTURE            |  |   |   |
|--------------------------------|--|---|---|
| <b>PERMANENT FINANCING</b>     |  |   |   |
| <b>Source:</b>                 | USDA-RD (existing)   | <b>Contact:</b>                                       | Mike Meehan                                     |
| <b>Principal Amount:</b>       | \$1,419,269  | <b>Interest Rate:</b>                                 | 11.875%, subsidized to 1%                       |
| <b>Additional Information:</b> | Assumption of current owner's original permanent USDA loan at same rates & terms, original loan amount \$1,456,000 |   |   |
| <b>Amortization:</b>           | 50 yrs   | <b>Term:</b>  | 50 yrs  |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI   | <input checked="" type="checkbox"/> Firm              | <input type="checkbox"/> Conditional            |
| <b>Annual Payment:</b>         | \$37,016   | <b>Lien Priority:</b>                                 | 1st   |
|                                |  | <b>Date:</b>  | 8/ 1/ 1985                                      |
| <b>TAX CREDIT SYNDICATION</b>  |  |   |   |
| <b>Source:</b>                 | WNC & Associates, Inc.   | <b>Contact:</b>                                       | Michael Gaber                                   |
| <b>Net Proceeds:</b>           | \$1,321,363  | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 78¢   |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI   | <input type="checkbox"/> Firm                         | <input checked="" type="checkbox"/> Conditional |
| <b>Date:</b>                   | 2/ 18/ 2005  |   |   |
| <b>Additional Information:</b> | Commitment in amount of \$1,322,553 based on allocation of \$169,558, 1.15 DCR required                            |   |   |



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- A Phase I Environmental Site Assessment report was not available for review, and significant environmental issues may exist which could affect the feasibility of the transaction as proposed.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 30, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 30, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Bayshore Manor Apartments, Palacios, 9% HTC/HOME #05239**

| Type of Unit  | Number    | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Tnt-Pd Util    | Wtr, Swr, Trsh |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| TC 50%/LH     | 8         | 1        | 1               | 570        | \$402           | \$315             | \$2,520         | \$0.55        | \$65.00        | \$40.00        |
| TC 60%/LH     | 8         | 1        | 1               | 570        | 402             | \$315             | 2,520           | 0.55          | 65.00          | 40.00          |
| TC 50%/LH     | 20        | 2        | 1               | 790        | 470             | \$351             | 7,020           | 0.44          | 78.00          | 55.00          |
| TC 60%/LH     | 20        | 2        | 1               | 790        | 470             | \$351             | 7,020           | 0.44          | 78.00          | 55.00          |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
| <b>TOTAL:</b> | <b>56</b> |          | <b>AVERAGE:</b> | <b>727</b> | <b>\$451</b>    | <b>\$341</b>      | <b>\$19,080</b> | <b>\$0.47</b> | <b>\$74.29</b> | <b>\$50.71</b> |

**INCOME**

Total Net Rentable Sq Ft: 40,720

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$13.00  
Other Support Income:

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                          | % OF EGI      | PER UNIT       | PER SQ FT     |
|--------------------------|---------------|----------------|---------------|
| General & Administrative | 3.56%         | \$140          | 0.19          |
| Management               | 5.28%         | 207            | 0.29          |
| Payroll & Payroll Tax    | 8.24%         | 324            | 0.45          |
| Repairs & Maintenance    | 8.85%         | 347            | 0.48          |
| Utilities                | 4.58%         | 180            | 0.25          |
| Water, Sewer, & Trash    | 10.35%        | 406            | 0.56          |
| Property Insurance       | 10.24%        | 402            | 0.55          |
| Property Tax 2.83857     | 10.84%        | 426            | 0.59          |
| Reserve for Replacements | 8.37%         | 329            | 0.45          |
| Other: compliance fees   | 1.02%         | 40             | 0.06          |
| <b>TOTAL EXPENSES</b>    | <b>71.33%</b> | <b>\$2,801</b> | <b>\$3.85</b> |
| <b>NET OPERATING INC</b> | <b>28.67%</b> | <b>\$1,125</b> | <b>\$1.55</b> |

**DEBT SERVICE**

|                      |              |              |               |
|----------------------|--------------|--------------|---------------|
| Existing USDA Loan   | 16.84%       | \$661        | \$0.91        |
| TDHCA HOME Loan      | 6.76%        | \$265        | \$0.36        |
| Additional Financing | 0.00%        | \$0          | \$0.00        |
| <b>NET CASH FLOW</b> | <b>5.07%</b> | <b>\$199</b> | <b>\$0.27</b> |

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 50.53%         | \$28,054        | \$38.58        |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 5.61%          | 3,113           | 4.28           |
| Direct Construction                  |        | 19.07%         | 10,587          | 14.56          |
| Contingency                          | 10.00% | 2.47%          | 1,370           | 1.88           |
| General Req'ts                       | 6.00%  | 1.48%          | 822             | 1.13           |
| Contractor's G & A                   | 2.00%  | 0.49%          | 274             | 0.38           |
| Contractor's Profit                  | 6.00%  | 1.48%          | 822             | 1.13           |
| Indirect Construction                |        | 3.33%          | 1,849           | 2.54           |
| Ineligible Costs                     |        | 1.00%          | 556             | 0.77           |
| Developer's G & A                    | 2.94%  | 2.41%          | 1,336           | 1.84           |
| Developer's Profit                   | 12.06% | 9.87%          | 5,481           | 7.54           |
| Interim Financing                    |        | 0.70%          | 388             | 0.53           |
| Reserves                             |        | 1.56%          | 867             | 1.19           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$55,519</b> | <b>\$76.35</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>30.60%</b>  | <b>\$16,988</b> | <b>\$23.36</b> |

**SOURCES OF FUNDS**

|                                 |        |          |          |
|---------------------------------|--------|----------|----------|
| Existing USDA Loan              | 45.70% | \$25,375 | \$34.90  |
| TDHCA HOME Loan                 | 12.38% | \$6,875  | \$9.45   |
| Existing Reserves               | 0.00%  | \$0      | \$0.00   |
| HTC Syndication Proceeds (WNC)  | 42.50% | \$23,596 | \$32.45  |
| Deferred Developer Fees         | 0.00%  | \$0      | \$0.00   |
| Additional (Excess) Funds Req'd | -0.59% | (\$327)  | (\$0.45) |
| <b>TOTAL SOURCES</b>            |        |          |          |

|  | TDHCA     | APPLICANT | Comptroller's Region | 6                       |
|--|-----------|-----------|----------------------|-------------------------|
|  | \$228,960 | \$228,960 | IREM Region          | Houston                 |
|  | 8,736     | 8,736     | Per Unit Per Month   |                         |
|  | 0         | 0         |                      |                         |
|  | \$237,696 | \$237,696 |                      |                         |
|  | (17,827)  | (17,832)  | -7.50%               | of Potential Gross Rent |
|  | 0         | 0         |                      |                         |
|  | \$219,869 | \$219,864 |                      |                         |
|  |           |           | PER SQ FT            | PER UNIT                |
|  | \$7,824   | \$6,600   | \$0.16               | \$118                   |
|  | 11,613    | 10,500    | 0.26                 | 188                     |
|  | 18,122    | 17,400    | 0.43                 | 311                     |
|  | 19,454    | 28,000    | 0.69                 | 500                     |
|  | 10,075    | 10,000    | 0.25                 | 179                     |
|  | 22,746    | 22,600    | 0.56                 | 404                     |
|  | 22,516    | 24,000    | 0.59                 | 429                     |
|  | 23,844    | 22,000    | 0.54                 | 393                     |
|  | 18,410    | 16,800    | 0.41                 | 300                     |
|  | 2,240     | 2,240     | 0.06                 | 40                      |
|  | \$156,843 | \$160,140 | \$3.93               | \$2,860                 |
|  | \$63,026  | \$59,724  | \$1.47               | \$1,067                 |
|  |           |           |                      |                         |
|  | \$37,016  | \$37,016  | \$0.91               | \$661                   |
|  | 14,860    | 14,860    | \$0.36               | \$265                   |
|  | 0         | 0         | \$0.00               | \$0                     |
|  | \$11,151  | \$7,848   | \$0.19               | \$140                   |
|  | 1.21      | 1.15      |                      |                         |
|  | 1.21      |           |                      |                         |

|  | TDHCA       | APPLICANT   | PER SQ FT | PER UNIT | % of TOTAL |
|--|-------------|-------------|-----------|----------|------------|
|  | \$1,571,000 | \$1,571,000 | \$38.58   | \$28,054 | 50.23%     |
|  | 0           | 0           | 0.00      | 0        | 0.00%      |
|  | 174,333     | 174,333     | 4.28      | 3,113    | 5.57%      |
|  | 592,867     | 592,867     | 14.56     | 10,587   | 18.96%     |
|  | 76,720      | 76,720      | 1.88      | 1,370    | 2.45%      |
|  | 46,032      | 46,032      | 1.13      | 822      | 1.47%      |
|  | 15,344      | 15,344      | 0.38      | 274      | 0.49%      |
|  | 46,032      | 46,032      | 1.13      | 822      | 1.47%      |
|  | 103,566     | 103,566     | 2.54      | 1,849    | 3.31%      |
|  | 31,159      | 31,159      | 0.77      | 556      | 1.00%      |
|  | 74,806      | 76,729      | 1.88      | 1,370    | 2.45%      |
|  | 306,918     | 306,918     | 7.54      | 5,481    | 9.81%      |
|  | 21,750      | 21,750      | 0.53      | 388      | 0.70%      |
|  | 48,550      | 64,913      | 1.59      | 1,159    | 2.08%      |
|  | \$3,109,077 | \$3,127,363 | \$76.80   | \$55,846 | 100.00%    |
|  | \$951,328   | \$951,328   | \$23.36   | \$16,988 | 30.42%     |

|  | TDHCA       | APPLICANT   | RECOMMENDED |                            |
|--|-------------|-------------|-------------|----------------------------|
|  | \$1,421,000 | \$1,421,000 | \$1,419,269 | Developer Fee Available    |
|  | 385,000     | 385,000     | 385,000     | \$381,724                  |
|  | 0           | 0           | 26,595      |                            |
|  | 1,321,363   | 1,321,363   | 1,247,019   | % of Dev. Fee Deferred     |
|  | 0           | 0           | 31,194      | 8%                         |
|  | (18,286)    | 0           | 0           | 15-Yr Cumulative Cash Flow |
|  | \$3,109,077 | \$3,127,363 | \$3,109,077 | \$186,037                  |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Bayshore Manor Apartments, Palacios, 9% HTC/HOME #05239**

**PAYMENT COMPUTATION**

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$1,456,000 | Amort | 600  |
| Int Rate       | 1.00%       | DCR   | 1.70 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$385,000 | Amort        | 360  |
| Int Rate         | 1.00%     | Subtotal DCR | 1.21 |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Additional</b> | \$1,321,363 | Amort         |      |
| Int Rate          |             | Aggregate DCR | 1.21 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$37,016        |
| Secondary Debt Service  | 14,860          |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$11,151</b> |

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$1,456,000 | Amort | 600  |
| Int Rate       | 1.00%       | DCR   | 1.70 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$385,000 | Amort        | 360  |
| Int Rate         | 1.00%     | Subtotal DCR | 1.21 |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Additional</b> | \$1,321,363 | Amort         | 0    |
| Int Rate          | 0.00%       | Aggregate DCR | 1.21 |

**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          | \$228,960        | \$235,829        | \$242,904        | \$250,191        | \$257,696        | \$298,741        | \$346,323        | \$401,483        | \$539,559         |
| Secondary Income              | 8,736            | 8,998            | 9,268            | 9,546            | 9,832            | 11,398           | 13,214           | 15,319           | 20,587            |
| Other Support Income:         | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                 |
| POTENTIAL GROSS INCOME        | 237,696          | 244,827          | 252,172          | 259,737          | 267,529          | 310,139          | 359,537          | 416,801          | 560,146           |
| Vacancy & Collection Loss     | (17,827)         | (18,362)         | (18,913)         | (19,480)         | (20,065)         | (23,260)         | (26,965)         | (31,260)         | (42,011)          |
| Employee or Other Non-Rental  | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                 |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$219,869</b> | <b>\$226,465</b> | <b>\$233,259</b> | <b>\$240,257</b> | <b>\$247,464</b> | <b>\$286,879</b> | <b>\$332,571</b> | <b>\$385,541</b> | <b>\$518,135</b>  |
| EXPENSES at 4.00%             |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| General & Administrative      | \$7,824          | \$8,136          | \$8,462          | \$8,800          | \$9,152          | \$11,135         | \$13,548         | \$16,483         | \$24,399          |
| Management                    | 11,613           | 11,961           | 12,320           | 12,689           | 13,070           | 15,152           | 17,565           | 20,363           | 27,366            |
| Payroll & Payroll Tax         | 18,122           | 18,847           | 19,601           | 20,385           | 21,200           | 25,793           | 31,381           | 38,180           | 56,516            |
| Repairs & Maintenance         | 19,454           | 20,232           | 21,041           | 21,883           | 22,758           | 27,689           | 33,688           | 40,987           | 60,670            |
| Utilities                     | 10,075           | 10,477           | 10,897           | 11,332           | 11,786           | 14,339           | 17,446           | 21,225           | 31,419            |
| Water, Sewer & Trash          | 22,746           | 23,656           | 24,602           | 25,586           | 26,610           | 32,375           | 39,389           | 47,922           | 70,937            |
| Insurance                     | 22,516           | 23,417           | 24,353           | 25,327           | 26,341           | 32,047           | 38,990           | 47,438           | 70,220            |
| Property Tax                  | 23,844           | 24,798           | 25,790           | 26,821           | 27,894           | 33,937           | 41,290           | 50,236           | 74,361            |
| Reserve for Replacements      | 18,410           | 19,146           | 19,912           | 20,709           | 21,537           | 26,203           | 31,880           | 38,787           | 57,414            |
| Other                         | 2,240            | 2,330            | 2,423            | 2,520            | 2,620            | 3,188            | 3,879            | 4,719            | 6,986             |
| <b>TOTAL EXPENSES</b>         | <b>\$156,843</b> | <b>\$163,000</b> | <b>\$169,400</b> | <b>\$176,053</b> | <b>\$182,969</b> | <b>\$221,859</b> | <b>\$269,056</b> | <b>\$326,340</b> | <b>\$480,287</b>  |
| <b>NET OPERATING INCOME</b>   | <b>\$63,026</b>  | <b>\$63,465</b>  | <b>\$63,858</b>  | <b>\$64,203</b>  | <b>\$64,496</b>  | <b>\$65,020</b>  | <b>\$63,515</b>  | <b>\$59,201</b>  | <b>\$37,848</b>   |
| DEBT SERVICE                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| First Lien Financing          | \$37,016         | \$37,016         | \$37,016         | \$37,016         | \$37,016         | \$37,016         | \$37,016         | \$37,016         | \$37,016          |
| Second Lien                   | 14,860           | 14,860           | 14,860           | 14,860           | 14,860           | 14,860           | 14,860           | 14,860           | 14,860            |
| Other Financing               | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                 |
| <b>NET CASH FLOW</b>          | <b>\$11,151</b>  | <b>\$11,589</b>  | <b>\$11,983</b>  | <b>\$12,328</b>  | <b>\$12,620</b>  | <b>\$13,144</b>  | <b>\$11,639</b>  | <b>\$7,325</b>   | <b>(\$14,028)</b> |
| DEBT COVERAGE RATIO           | 1.21             | 1.22             | 1.23             | 1.24             | 1.24             | 1.25             | 1.22             | 1.14             | 0.73              |



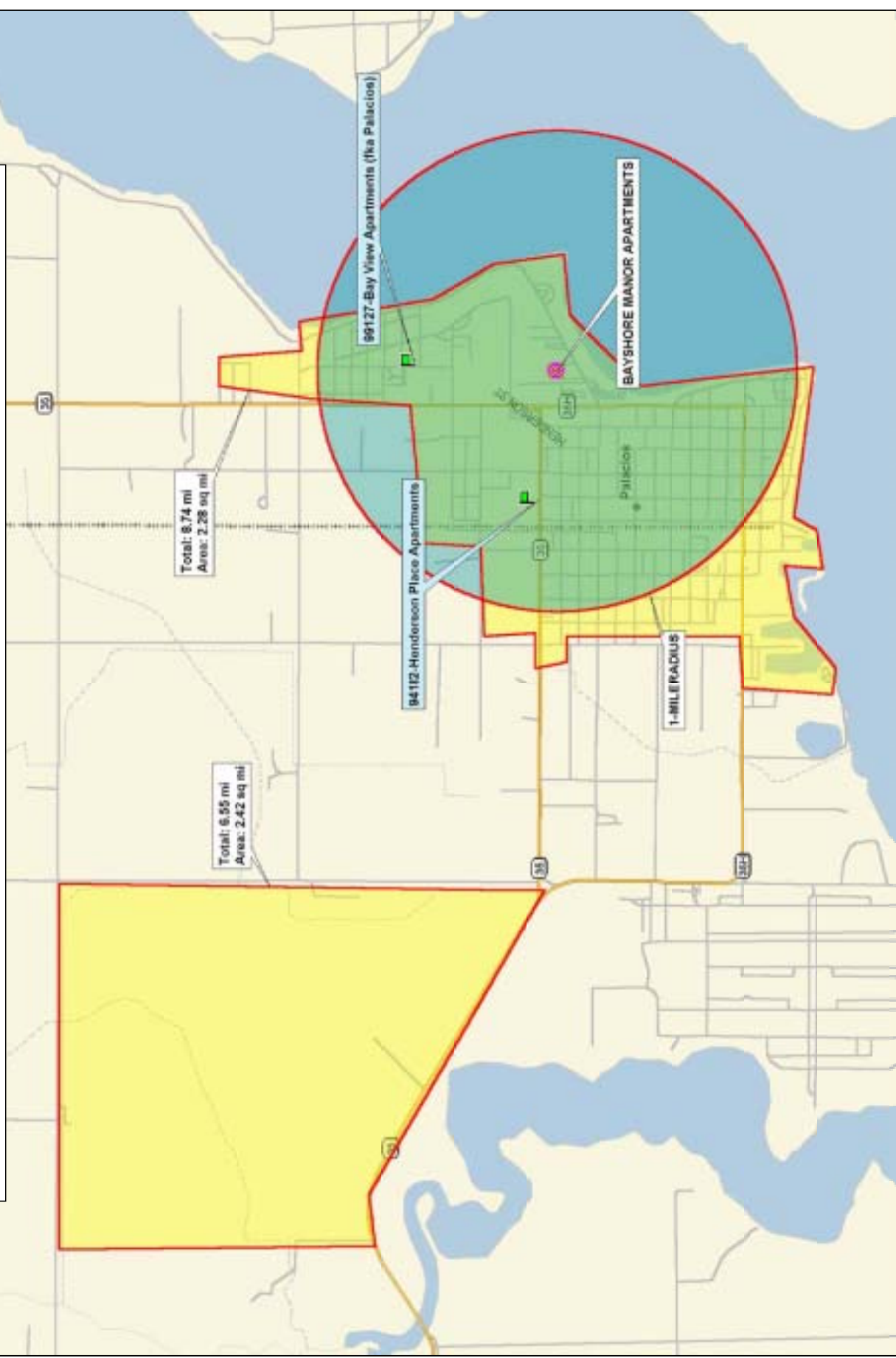
LIHTC Allocation Calculation - Bayshore Manor Apartments, Palacios, 9% HTC/HOME #05239

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$90,000                        | \$102,820                 |  |  |  |                                      |
| Purchase of buildings                                 | \$1,481,000                     | \$1,468,180               | \$1,481,000                                  | \$1,468,180                            |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$174,333                       | \$174,333                 |  |  | \$174,333                                  | \$174,333                            |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$592,867                       | \$592,867                 |  |  | \$592,867                                  | \$592,867                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$15,344                        | \$15,344                  |  |  | \$15,344                                   | \$15,344                             |
| Contractor profit                                     | \$46,032                        | \$46,032                  |  |  | \$46,032                                   | \$46,032                             |
| General requirements                                  | \$46,032                        | \$46,032                  |  |  | \$46,032                                   | \$46,032                             |
| <b>(5) Contingencies</b>                              | \$76,720                        | \$76,720                  |  |  | \$76,720                                   | \$76,720                             |
| <b>(6) Eligible Indirect Fees</b>                     | \$103,566                       | \$103,566                 |  |  | \$103,566                                  | \$103,566                            |
| <b>(7) Eligible Financing Fees</b>                    | \$21,750                        | \$21,750                  |  |  | \$21,750                                   | \$21,750                             |
| <b>(8) All Ineligible Costs</b>                       | \$31,159                        | \$31,159                  |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           | \$222,150                                    | \$220,227                              | \$161,497                                  | \$161,497                            |
| Developer overhead                                    | \$76,729                        | \$74,806                  |  |  |  |                                      |
| Developer fee   | \$306,918                       | \$306,918                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      | \$64,913                        | \$48,550                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$3,127,363</b>              | <b>\$3,109,077</b>        | <b>\$1,703,150</b>                           | <b>\$1,688,407</b>                     | <b>\$1,238,141</b>                         | <b>\$1,238,141</b>                   |

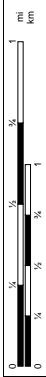
| <b>Deduct from Basis:</b>                                  |  |  |             |             |             |             |
|--|--|--|-------------|-------------|-------------|-------------|
| All grant proceeds used to finance costs in eligible basis |  |  |             |             |             |             |
| 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)             |  |  |             |             |             |             |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$1,703,150 | \$1,688,407 | \$1,238,141 | \$1,238,141 |
| High Cost Area Adjustment                                  |  |  |             |             | 100%        | 100%        |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$1,703,150 | \$1,688,407 | \$1,238,141 | \$1,238,141 |
| Applicable Fraction  |  |  | 100%        | 100%        | 100%        | 100%        |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$1,703,150 | \$1,688,407 | \$1,238,141 | \$1,238,141 |
| Applicable Percentage                                      |  |  | 3.53%       | 3.53%       | 8.10%       | 8.10%       |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$60,121    | \$59,601    | \$100,289   | \$100,289   |

|  |        |           |           |                    |                  |
|--|--------|-----------|-----------|--------------------|------------------|
| Syndication Proceeds                         | 0.7799 | \$468,898 | \$464,839 | \$782,179          | \$782,179        |
| <b>Total Credits (Eligible Basis Method)</b> |        |           |           | <b>\$160,411</b>   | <b>\$159,890</b> |
| Syndication Proceeds                         |        |           |           | \$1,251,077        | \$1,247,019      |
| Requested Credits                            |        |           |           | \$169,575          |                  |
| Syndication Proceeds                         |        |           |           | \$1,322,553        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        |           |           | <b>\$1,323,094</b> |                  |
| Credit Amount                                |        |           |           | \$169,644          |                  |

# BAYSHORE MANOR APARTMENTS



Scale 1 : 37,500



1" = 3,125.0 ft Data Zoom 12-4





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**East Texas Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 757 Francis Loop Development #: 05261  
 City: Garrison Region: 5 Population Served: Family  
 County: Nacogdoches Zip Code: 75946- Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Garrison Apartments, Ltd. f/k/a East Texas Apartments, Ltd.  
 Murray A. Calhoun Phone (504) 561-1172  
 Developer: Lymac, LLC  
 Housing General Contractor: Wilmax Construction, LLC  
 Architect: Gaudet & Tolson Architects, Ltd.  
 Market Analyst: N/A  
 Syndicator: N/A  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |            |            |            |                         |                          |           |
|----------------------------------|------------|------------|------------|-------------------------|--------------------------|-----------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u> | <u>60%</u> | Total Restricted Units: | 31                       |           |
| 0                                | 0          | 31         | 0          | Market Rate Units:      | 0                        |           |
| Type of Building:                |            |            |            | 5 units or more         | Owner/Employee Units:    | 1         |
| Number of Residential Buildings: |            |            |            | 5                       | Total Development Units: | 32        |
|                                  |            |            |            |                         | Total Development Cost:  | \$502,366 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$0                      | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$0                      | \$0                        | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$502,366                | \$502,366                  | 40           | 40          | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

East Texas Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Staples, District 3

NC

Points: N/A

US Representative: Gohmert, District 1, NC

TX Representative: Blake, District 9

NC

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals/Businesses:

In Support: 0

In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

No letters of support or opposition were received for the Development.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**East Texas Apartments**

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

9% HTC Competitive Cycle:  Score:  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$502,366

Recommendation: Recommendation is conditioned upon final Real Estate Analysis report.

Housing Trust Fund Loan: Loan Amount: \$0

Recommendation: N/A

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A

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

**DATE:** July 6, 2005

**PROGRAM:** HOME

**FILE NUMBER:** 05261

**DEVELOPMENT NAME**

East Texas Apartments

**APPLICANT**

|                 |   |                 |                |
|-----------------|---|-----------------|----------------|
| <b>Name:</b>    | Garrison Apartments, Ltd. (fka East Texas Apartments, Ltd.) | <b>Type:</b>    | For-profit     |
| <b>Address:</b> | 201 St. Charles Avenue, Suite 24005                         | <b>City:</b>    | New Orleans    |
| <b>State:</b>   |   | <b>State:</b>   | LA             |
| <b>Zip:</b>     | 70170   | <b>Contact:</b> | Murray Calhoun |
| <b>Phone:</b>   | (504) 561-1172  | <b>Fax:</b>     | (504) 561-1182 |

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |                              |             |      |               |  |
|--------------|------------------------------|-------------|------|---------------|--|
| <b>Name:</b> | RD 2000 Development Co., LLC | <b>(%):</b> | 5.00 | <b>Title:</b> | Managing General Partner                     |
| <b>Name:</b> | CVZ Company, LLC             | <b>(%):</b> | N/A  | <b>Title:</b> | Sole member of MGP                           |
| <b>Name:</b> | Lymac LLC                    | <b>(%):</b> | N/A  | <b>Title:</b> | Developer                                    |
| <b>Name:</b> | Caroline Z. Calhoun          | <b>(%):</b> | N/A  | <b>Title:</b> | 100% owner of CVZ Co.                        |
| <b>Name:</b> | Murray A. Calhoun            | <b>(%):</b> | N/A  | <b>Title:</b> | 100% owner of Developer & manager of CVZ Co. |

**PROPERTY LOCATION**

**Location:** 757 Francis Loop  **QCT**  **DDA**  
**City:** Garrison **County:** Nacogdoches **Zip:** 75946

**REQUEST**

| <u>Amount</u>  | <u>Interest Rate</u> | <u>Amortization</u>               | <u>Term</u> |
|--|----------------------|-----------------------------------|-------------|
| \$502,366  | N/A                  | N/A                               | N/A         |
| <b>Other Requested Terms:</b> HOME Program grant               |                      |                                   |             |
| <b>Proposed Use of Funds:</b> Rehabilitation                   |                      | <b>Property Type:</b> Multifamily |             |
| <b>Special Purpose (s):</b> General Population, Rural, USDA-RD |                      |                                   |             |

**RECOMMENDATION**

RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$502,366, STRUCTURED AS A LOAN IN TWO PARTS AS FOLLOWS : A \$356,000, 408-MONTH TERM, FULLY AMORTIZING PORTION AT 0% INTEREST; AND A \$146,366, 408 MONTH TERM, CASH FLOW AT 0% PORTION , SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a revised rent schedule indicating the Applicant's concurrence with anticipating the market feasible maximum rents on all units, prior to closing;
2. Receipt, review, and acceptance of evidence of USDA-RD approval of the recommended rental rate increase, by closing;
3. Receipt, review, and acceptance prior to closing of a revised Capital Needs Assessment/ Property Condition Assessment by a third party to evaluate and opine on the reasonableness of the scope of

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work costs and to the extent that any of the Applicant's proposed costs are not confirmed as reasonable the HTF award should be re-evaluated and adjusted accordingly In addition the revised report should include a revised proforma of capital needs for a term of at least 30 years taking into consideration the rehabilitation work that is planned and using an annual inflation rate of 2.5%; and

4. Should the terms and rates of the existing debt, scope of rehabilitation, the approved rents or the required reserve for replacements be different than the assumptions in the underwriting report, the transaction should be re-evaluated and an adjustment to the award amount or terms may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

The development was awarded a housing tax credit allocation for rehabilitation of \$41,700 in 1989 as development #06754, but no underwriting previous report is available.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |          |                       |          |             |               |                |          |           |           |            |             |
|-------------------------|---------------|---------------------------|------------|-----------------------------|----------|-----------------------|----------|-------------|---------------|----------------|----------|-----------|-----------|------------|-------------|
| <b>Total Units:</b>     | <u>32</u>     | <b># Rental Buildings</b> | <u>4</u>   | <b># Non-Res. Buildings</b> | <u>1</u> | <b># of Floors</b>    | <u>2</u> | <b>Age:</b> | <u>19</u> yrs | <b>Vacant:</b> | <u>0</u> | <b>at</b> | <u>4/</u> | <u>19/</u> | <u>2005</u> |
| <b>Net Rentable SF:</b> | <u>25,088</u> | <b>Av Un SF:</b>          | <u>784</u> | <b>Common Area SF:</b>      | <u>0</u> | <b>Gross Bldg SF:</b> | <u>0</u> |             |               |                |          |           |           |            |             |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior wall finish is 99% brick veneer & 1% wood siding. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit includes range & oven, hood & fan, refrigerator, fiberglass tub/shower, laminated counter tops, individual water heaters, individual heating and air conditioning. Ceiling fans are to be installed in all living rooms & bedrooms.

**ONSITE AMENITIES**

The 856-square foot community building includes the management office, maintenance & laundry facilities, & a restroom. The community building is located at the middle of the property, & a fenced & equipped children's playground is located across the parking area from the community building. The Applicant also intends to construct a gazebo for use by the residents.

|                           |           |        |                   |          |        |                 |          |        |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>42</u> | spaces | <b>Carpports:</b> | <u>0</u> | Spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** East Texas Apartments is a ten-unit per acre rehabilitation development of 32 units of affordable housing located in north Garrison. The development was built in 1986 and is comprised of four evenly distributed, medium-size, garden style, walk-up residential buildings as follows:

- Two buildings with eight one-bedroom/one-bath units; and
- Two buildings with eight two-bedroom/one-bath units.

**Existing Subsidies:** The property currently operates under a USDA-RD Rental Assistance project-based contract for 23 units, although the rental rates for the other nine units are also effectively restricted to the basic rents.

**Development Plan:** The buildings were 100% occupied in late April 2005 and in fair physical condition, according to the Appraiser. The Applicant provided a third party Capital Needs Assessment (property condition assessment PCA) report dated April 25, 2005 and performed by Wilmax Construction, LLC ("PCA Provider"), which included the following rehabilitation scope of work:

- Replacement of air conditioning and heating systems,
- Carpet and vinyl floor covering,
- Kitchen appliances,
- Repair or replacement of cabinetry,
- Exterior and interior doors,

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- Repair and repainting of interior walls
- Plumbing fixtures,
- New roofs;
- Repair replace windows,
- Stairs, hand railings, and windows;

The PCA Provider provided a short-term critical repair cost estimate for these items of \$105,827. A 30-year replacement reserve estimation was not provided in accordance with the Department’s requirements in 10TAC 1.36 (a 2.4% adjustment for inflation was used rather than the minimum 2.5% and a conclusion of annual replacement reserve set aside was not included) and receipt review and acceptance of a revised analysis is a condition of this report. The USDA closely monitors reserve balances and property conditions and any excess cash flow from operations must typically first go to fully fund the minimum reserve balance of 10% of the outstanding debt.

The Applicant, based on extensive previous experience with similar work, intends to perform interior rehabilitation work in occupied units and does not believe tenant relocation will be required. Accordingly, no tenant relocation cost is included in the project cost schedule. The PCA included a copy of the scope of work prepared by the Applicant but did not discuss the Applicant’s plan or provide any opinion regarding the plans reasonableness. The scope of work appeared to contain the following additional items:

- Installation of ceiling fans in living rooms and bedrooms;
- Replacement of hot water heaters;
- Repair or replacement of countertops,
- Repair of flatwork and interior and exterior walls;
- Parking lot striping;
- Accessibility enhancements; and
- Upgrading of landscaping.

Because the PCA is critical to the assess the validity of the Applicant’s plan for renovation, this report is conditioned upon receipt, review, and acceptance of evidence of a revised Capital Needs Assessment/Property Condition Assessment by a third party to evaluate and opine on the reasonableness of the scope of work costs and to the extent that any of the Applicant’s proposed costs are not confirmed as reasonable the HTF award should be re-evaluated and adjusted accordingly. In addition the revised report should include a proforma of capital needs for a term of at least 30 years taking into consideration the rehabilitation work that is planned.

**Architectural Review:** The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of similar age.

| SITE ISSUES      |                              |                            |  |
|------------------|------------------------------|----------------------------|--|
| SITE DESCRIPTION |                              |                            |  |
| <b>Size:</b>     | <u>3.0 acres</u>             | <u>130,680 square feet</u> | <b>Flood Zone Designation:</b> <u>Zone X</u> |
| <b>Zoning:</b>   | <u>No zoning in Garrison</u> |                            |  |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Garrison is located in far east Texas, approximately 60 miles southeast of Tyler in Nacogdoches County. The site is a trapezoidally-shaped parcel located in the far northeastern area of the city, approximately one-half mile from the central business district. The site is situated on the northeast side of Francis Loop and the northwest side of Old Highway 35.

**Adjacent Land Uses:** “The immediate neighborhood area is a medium-density, moderate- to medium-income district generally in the northeast side of the community along the U.S. Highway 59 corridor...Most residential improvements in the neighborhood are 20- to 40-year old single-family homes and mobile homes.” (appraisal, p. 99)

**Site Access:** Access to the property is from the southeast or northwest along Francis Street or from the northeast or southwest from Old Highway 35. The development has an entry from each of these roads. Access to U.S. Highway 59 is one-eighth of a mile west, which provides connections to all of Garrison as



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well as surrounding communities.

**Public Transportation:** Public transportation is not available in Garrison.

**Shopping & Services:** “Within the community are limited community services, but most such as household necessities, medical offices, schools, etc. are available in Nacogdoches, which is about 20 miles to the south. Police protection is provide primarily by the county and to a lesser extent by the town, and fire protection is provided on a mostly volunteer basis. Major medical and shopping centers are found only in the larger communities of Tyler and Longview to the north and west, or Shreveport-Bossier City, LA to the northeast.” (appraisal, p. 78)

**Site Inspection Findings:** TDHCA staff performed a site inspection on June 26, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected to reserve 100% of the units for tenants earning 50% or less of area median gross income (AMGI).

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>50% of AMI</b>               | \$15,450        | \$17,650         | \$19,850         | \$22,100         | \$23,850         | \$25,600         |

**MARKET HIGHLIGHTS**

A market study report was not included, as USDA-RD-financed projects are not required to submit this report, but an “as-is” appraisal dated May 25, 2005 prepared by Paul C. Mitchell (“Appraiser”) was provided.

**Definition of Primary Market Area (PMA):** “For this property, the primary market area is the town of Garrison, as well as adjacent areas within a 15-mile radius...The secondary market area may supply some residents...it is considered the subject town of garrison, as well as Nacogdoches County and surrounding towns outside of the county, which are primarily Henderson, Carthage, San Augustine, Lufkin, and Rusk. This area is within an approximately 40-mile radius...” (p. 29, 35) This PMA encompasses approximately 707 square miles.

**Population:** The estimated 2001 population of the PMA was 9,530 and is expected to increase by 7.4% to approximately 10,231 by 2006. Within the primary market area there were estimated to be 3,548 households in 2001.

**Market Rent Comparables:** The Market Analyst surveyed two comparable apartment projects totaling 13 units in the market area. “The search for comparable rentals focused on other apartment complexes in the subject’s market area. Due to the relative infrequency of this type property, though, only one exists in the community...As these are the only two properties in the market, though, they adequately represent the rental market in the area.” (p. 102)

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                              |                     |                    |                     |
|--|-----------------|------------------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max (USDA-RD)</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (50%)</b>                       | \$265           | \$265                        | \$0                 | \$450              | -\$185              |
| <b>2-Bedroom (50%)</b>                       | \$325           | \$325                        | \$0                 | \$525              | -\$200              |

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

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject

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development, as an existing, stabilized, rent-restricted development that is currently +/-100% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's proposed rents are the Basic Rents approved by USDA-RD in October 2004. Although the development will not receive rental assistance for nine units, the rental rates for those units are also effectively restricted to the Basic Rents by USDA-RD. The Basic Rents are \$60 and \$50 less than the Market Analysts conclusion of market rent which are within \$4 of the maximum HOME restricted rents. The Applicant's estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines and actual operating data. The Applicant stated that tenants will pay water, sewer, and trash in this project, and rents and expenses were calculated accordingly. As a result the Applicant's effective gross income estimate is comparable to the Underwriter's initial estimate.

**Expenses:** The Applicant provided actual operating expenses for 2003 and 2004 of \$2,647 and \$2643 per unit respectively and these were considered by the Underwriter in estimating the development's future operating expenses. The Applicant's total expense estimate of \$2,533 per unit is 8.1% lower than the Underwriter's database- and historically-derived estimate of \$2,456 per unit for comparably-sized developments in this area. The Applicant's budget shows two largely offsetting line item estimates that deviate significantly when compared to the database averages, general and administrative (\$2.6K lower) and payroll (\$2.2K higher). The majority of the difference in expense estimates is caused by the Applicant's use of the existing USDA-RD-required replacement reserve of \$256/unit/year; it is the Underwriter's understanding that the USDA replacement reserve is based on the property's debt and has therefore added 1% of the HOME loan (\$5,024) to the annual replacement reserve requirement.

**Conclusion:** Although the Applicant's estimated income is consistent with the Underwriter's expectations, the Applicant's total operating expense and net operating income (NOI) estimates are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.92 is less than the program minimum standard of 1.10. Therefore, to marginally service the requested HOME loan the property's rents should be increased by \$60 and \$50 for the one- and two-bedroom units, respectively, to the estimated market rents of \$325 and \$375. This rental rate increase will still allow servicing of only a portion of the HOME loan, as discussed below in the "Financing Structure Analysis" section. Receipt, review, and acceptance of a revised rent schedule indicating the Applicant's concurrence with anticipating the market feasible rents on all units, prior to closing, is a condition of this report. As USDA-RD will need to approve any increase in rents, receipt, review, and acceptance of evidence of USDA-RD approval of the recommended rental rate increase, by closing, is also a condition of this report.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

|                                    |                         |                           |       |          |      |
|------------------------------------|-------------------------|---------------------------|-------|----------|------|
| <b>Land Only: 2.854 acres</b>      | \$15,000                | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Existing Buildings: "as is"</b> | \$622,000               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Favorable USDA-RD Financing</b> | \$634,311               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Total Development: "as is"</b>  | \$1,271,311             | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Appraiser:</b> Paul C. Mitchell | <b>City:</b> Richardson | <b>Phone:</b>             | (972) | 889-9488 |      |

**APPRAISAL ANALYSIS/CONCLUSIONS**

The Appraiser used two comparable land sales in the vicinity of the subject since January 2000 to derive the underlying land valuation of \$0.12/square foot. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.

The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The Appraiser used a discount rate of 8% to estimate the value of the existing USDA-RD favorable financing.



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MULTIFAMILY UNDERWRITING ANALYSIS**

bifurcation should be resized to maximize the size of the amortizing portion.

Although no deferral of developer fee has been used in this structure due to the anticipated lack of cash flow for fee repayment, should the Applicant's final construction cost exceed the cost estimate used in this analysis developer's fee or other soft financing would be required to fund those development cost overruns.

**Return on Equity:** This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant, Developer, and property manager are all related entities. These are common relationships for HOME-funded developments.

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

**Financial Highlights:**

- The Applicant submitted an audited financial statement as of December 31, 2004 reporting total assets of \$639K and consisting of \$9.5K in receivables and prepaids, \$24K in reserves, and \$605K in real property and equipment. \$815K liabilities were listed, resulting in a partner's equity deficit of (\$177K).
- The General Partner, RD 2000 Development Company, LLC, submitted an unaudited financial statement as of April 15, 2005 reporting total assets of \$2.6M and consisting of \$1K in cash and \$2.6M in partnership interests. No liabilities were listed.
- The sole member of the General Partner, CVZ Company, LLC, submitted an unaudited financial statement as of April 15, 2005 reporting total assets of \$100 and consisting entirely of cash. No liabilities were reported.
- The Developer, Lymac, LLC, submitted an unaudited financial statement as of April 15, 2005 reporting total assets of \$732K, consisting of \$20K in cash and \$712K in receivables. Liabilities totaled \$350K, resulting in a net worth of \$382K.
- Murray and Caroline Calhoun, the principals of the General Partner, submitted an unaudited joint financial statements as of October 31, 2004 and are designated as guarantors of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.
- The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant, and acceptable alternative structures may exist.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** July 6, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** July 6, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**East Texas Apartments, Garrison, HOME #05261**

| 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    |               |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|---------------|
| LH            | 16        | 1        | 1               | 686        | \$413           | \$325             | \$5,200         | \$0.47        | \$86.00        |               |
| LH            | 15        | 2        | 1               | 882        | 496             | \$375             | 5,625           | 0.43          | 117.00         |               |
| EO            | 1         | 2        | 1               | 882        |                 | \$0               | 0               | 0.00          | 0.00           |               |
|               |           |          |                 |            |                 |                   |                 |               |                |               |
|               |           |          |                 |            |                 |                   |                 |               |                |               |
|               |           |          |                 |            |                 |                   |                 |               |                |               |
| <b>TOTAL:</b> | <b>32</b> |          | <b>AVERAGE:</b> | <b>784</b> | <b>\$439</b>    | <b>\$338</b>      | <b>\$10,825</b> | <b>\$0.43</b> | <b>\$97.84</b> | <b>\$0.00</b> |

**INCOME** Total Net Rentable Sq Ft: 25,088

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$7.00

Other Support Income:

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES** % OF EGI PER UNIT PER SQ FT

General & Administrative 7.21% \$276 0.35

Management 9.99% 383 0.49

Payroll & Payroll Tax 15.34% 588 0.75

Repairs & Maintenance 12.49% 479 0.61

Utilities 3.69% 142 0.18

Water, Sewer, & Trash 1.39% 53 0.07

Property Insurance 6.53% 250 0.32

Property Tax 2.01500409 4.47% 171 0.22

Reserve for Replacements 10.78% 413 0.53

Other: compliance fees 0.00% 0 0.00

**TOTAL EXPENSES** 71.90% \$2,756 \$3.51

**NET OPERATING INC** 28.10% \$1,077 \$1.37

**DEBT SERVICE**

First Lien Mortgage 17.00% \$652 \$0.83

TDHCA HOME Loan 13.65% \$523 \$0.67

Additional Financing 0.00% \$0 \$0.00

**NET CASH FLOW** -2.56% (\$98) (\$0.12)

**AGGREGATE DEBT COVERAGE RATIO** 0.92

**RECOMMENDED DEBT COVERAGE RATIO** 1.10

**CONSTRUCTION COST**

Description Factor % of TOTAL PER UNIT PER SQ FT

Acquisition Cost (site or bldg) 0.00% \$0 \$0.00

Off-Sites 0.00% 0 0.00

Sitework 5.44% 854 1.09

Direct Construction 66.74% 10,477 13.36

Contingency 0.00% 0 0.00

General Req'ts 6.00% 4,333 0.87

Contractor's G & A 2.00% 1,444 0.29

Contractor's Profit 6.00% 4,333 0.87

Indirect Construction 4.68% 734 0.94

Ineligible Costs 0.00% 0 0.00

Developer's G & A 1.99% 1,733 0.35

Developer's Profit 13.00% 11,311 2.26

Interim Financing 0.00% 0 0.00

Reserves 0.00% 0 0.00

**TOTAL COST** 100.00% \$15,699 \$20.02

**Recap-Hard Construction Costs** 82.28% \$12,918 \$16.48

**SOURCES OF FUNDS**

First Lien Mortgage 0.00% \$0 \$0.00

TDHCA HOME Loan 100.00% \$15,699 \$20.02

TDHCA Cash Flow HOME Loan 0.00% \$0 \$0.00

Deferred Developer Fees 0.00% \$0 \$0.00

Additional (Excess) Funds Req'd 0.00% \$0 \$0.00

**TOTAL SOURCES** \$502,366 \$502,366

**TDHCA** **APPLICANT**

\$129,900 \$109,380

2,688 2,688

0 0

\$132,588 \$112,068

(9,944) (8,400)

0 0

\$122,644 \$103,668

\$8,842 \$6,310

12,258 12,276

18,808 21,025

15,321 14,125

4,531 4,600

1,704 1,275

8,011 7,648

5,483 5,603

13,225 8,201

0 0

\$88,182 \$81,063

\$34,462 \$22,605

\$20,850 \$20,892

16,746 0

0 0

(\$3,134) \$1,713

0.92 1.08

1.10

Comptroller's Region 5

IREM Region

\$7.00 Per Unit Per Month

-7.50% of Potential Gross Rent

PER SQ FT PER UNIT % OF EGI

\$0.25 \$197 6.09%

0.49 384 11.84%

0.84 657 20.28%

0.56 441 13.63%

0.18 144 4.44%

0.05 40 1.23%

0.30 239 7.38%

0.22 175 5.40%

0.33 256 7.91%

0.00 0 0.00%

\$3.23 \$2,533 78.19%

\$0.90 \$706 21.81%

\$0.83 \$653 20.15%

\$0.00 \$0 0.00%

\$0.00 \$0 0.00%

\$0.07 \$54 1.65%

PER SQ FT PER UNIT % OF TOTAL

\$0.00 \$0 0.00%

0.00 0 0.00%

1.09 854 5.44%

13.36 10,477 66.74%

0.00 0 0.00%

0.87 680 4.33%

0.29 227 1.44%

0.87 680 4.33%

0.94 734 4.68%

0.00 0 0.00%

0.00 0 0.00%

2.61 2,047 13.04%

0.00 0 0.00%

0.00 0 0.00%

\$20.02 \$15,699 100.00%

\$16.48 \$12,918 82.28%

**RECOMMENDED**

\$0 Developer Fee Available

356,000 \$0

146,366 % of Dev. Fee Deferred

0 0%

0 15-Yr Cumulative Cash Flow

\$502,366 \$62,114

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**East Texas Apartments, Garrison, HOME #05261**

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$820,135 | Amort | 600  |
| Int Rate       | 1.00%     | DCR   | 1.65 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$502,366 | Amort        | 360  |
| Int Rate         | 0.00%     | Subtotal DCR | 0.92 |

|                   |     |               |      |
|-------------------|-----|---------------|------|
| <b>Additional</b> | \$0 | Amort         |      |
| Int Rate          |     | Aggregate DCR | 0.92 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                |
|-------------------------|----------------|
| Primary Debt Service    | \$20,850       |
| Secondary Debt Service  | 10,471         |
| Additional Debt Service | 0              |
| <b>NET CASH FLOW</b>    | <b>\$3,141</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$820,135 | Amort | 600  |
| Int Rate       | 1.00%     | DCR   | 1.65 |

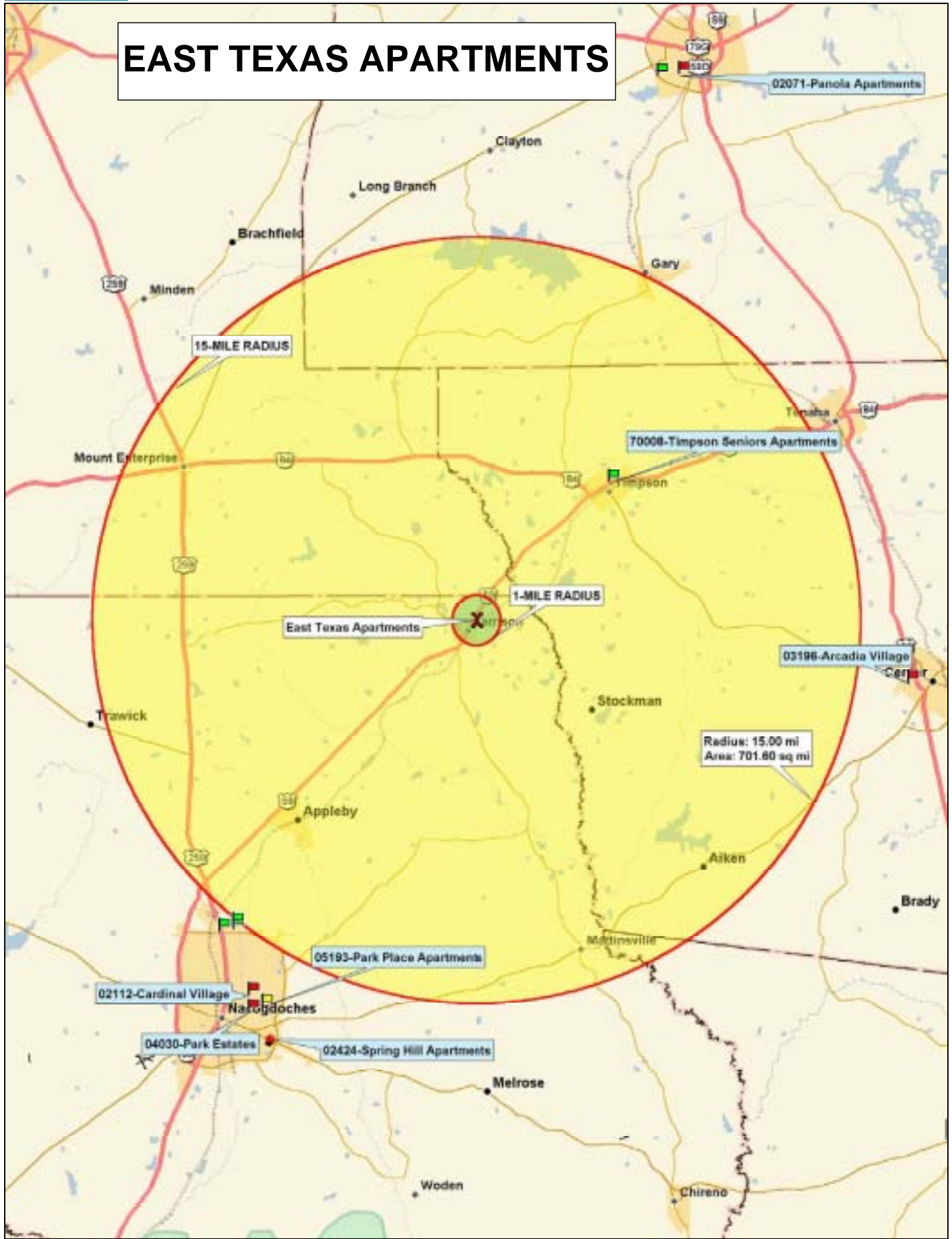
|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$356,000 | Amort        | 408  |
| Int Rate         | 0.00%     | Subtotal DCR | 1.10 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$146,366 | Amort         | 0    |
| Int Rate          | 0.00%     | Aggregate DCR | 1.10 |

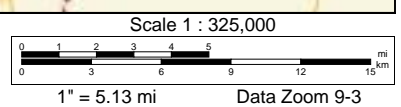
**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%              | YEAR 1    | YEAR 2    | YEAR 3    | YEAR 4    | YEAR 5    | YEAR 10   | YEAR 15   | YEAR 20   | YEAR 30   |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| POTENTIAL GROSS RENT         | \$129,900 | \$133,797 | \$137,811 | \$141,945 | \$146,204 | \$169,490 | \$196,485 | \$227,780 | \$306,118 |
| Secondary Income             | 2,688     | 2,769     | 2,852     | 2,937     | 3,025     | 3,507     | 4,066     | 4,713     | 6,334     |
| Other Support Income:        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| POTENTIAL GROSS INCOME       | 132,588   | 136,566   | 140,663   | 144,882   | 149,229   | 172,997   | 200,551   | 232,494   | 312,452   |
| Vacancy & Collection Loss    | (9,944)   | (10,242)  | (10,550)  | (10,866)  | (11,192)  | (12,975)  | (15,041)  | (17,437)  | (23,434)  |
| Employee or Other Non-Rental | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| EFFECTIVE GROSS INCOME       | \$122,644 | \$126,323 | \$130,113 | \$134,016 | \$138,037 | \$160,022 | \$185,510 | \$215,057 | \$289,018 |
| EXPENSES at 4.00%            |           |           |           |           |           |           |           |           |           |
| General & Administrative     | \$8,842   | \$9,196   | \$9,564   | \$9,946   | \$10,344  | \$12,585  | \$15,311  | \$18,629  | \$27,575  |
| Management                   | 12,258    | 12,626    | 13,005    | 13,395    | 13,796    | 15,994    | 18,541    | 21,494    | 28,887    |
| Payroll & Payroll Tax        | 18,808    | 19,560    | 20,343    | 21,156    | 22,003    | 26,770    | 32,569    | 39,626    | 58,656    |
| Repairs & Maintenance        | 15,321    | 15,934    | 16,571    | 17,234    | 17,923    | 21,807    | 26,531    | 32,279    | 47,781    |
| Utilities                    | 4,531     | 4,712     | 4,901     | 5,097     | 5,301     | 6,449     | 7,846     | 9,546     | 14,131    |
| Water, Sewer & Trash         | 1,704     | 1,772     | 1,843     | 1,917     | 1,993     | 2,425     | 2,951     | 3,590     | 5,314     |
| Insurance                    | 8,011     | 8,331     | 8,664     | 9,011     | 9,371     | 11,401    | 13,872    | 16,877    | 24,982    |
| Property Tax                 | 5,483     | 5,702     | 5,930     | 6,168     | 6,414     | 7,804     | 9,495     | 11,552    | 17,100    |
| Reserve for Replacements     | 13,225    | 13,754    | 14,304    | 14,876    | 15,471    | 18,823    | 22,901    | 27,862    | 41,243    |
| Other                        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| TOTAL EXPENSES               | \$88,182  | \$91,587  | \$95,124  | \$98,799  | \$102,617 | \$124,058 | \$150,017 | \$181,455 | \$265,668 |
| NET OPERATING INCOME         | \$34,462  | \$34,736  | \$34,989  | \$35,217  | \$35,420  | \$35,965  | \$35,492  | \$33,602  | \$23,351  |
| DEBT SERVICE                 |           |           |           |           |           |           |           |           |           |
| First Lien Financing         | \$20,850  | \$20,850  | \$20,850  | \$20,850  | \$20,850  | \$20,850  | \$20,850  | \$20,850  | \$20,850  |
| Second Lien                  | 10,471    | 10,471    | 10,471    | 10,471    | 10,471    | 10,471    | 10,471    | 10,471    | 10,471    |
| Other Financing              | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| NET CASH FLOW                | \$3,141   | \$3,415   | \$3,668   | \$3,896   | \$4,099   | \$4,644   | \$4,172   | \$2,281   | (\$7,970) |
| DEBT COVERAGE RATIO          | 1.10      | 1.11      | 1.12      | 1.12      | 1.13      | 1.15      | 1.13      | 1.07      | 0.75      |

# EAST TEXAS APARTMENTS



Radius: 15.00 mi  
Area: 701.60 sq mi



**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Items**

Consideration of awards for the 2005 Housing Trust Fund Rental Development program.

**Required Action**

Approve or deny awards for the 2005 Housing Trust Fund Rental Development program.

**Background**

In January 2005 the Department released a competitive cycle Notice of Funding Availability (NOFA) for the Housing Trust Fund (HTF) Rental Development Program. The NOFA made available approximately \$4,000,000 in HTF funds for qualified applicants to develop affordable rental housing. The deadline for submitting an application was March 1, 2005. The Department received fifteen applications, two of which have been withdrawn by the Applicants. The Department has completed its threshold criteria review process and all remaining applications are in the final stages of the underwriting process. Attached are the following reports:

- <sup>3</sup> Report reflecting only those applications recommended for an award;
- <sup>3</sup> Report reflecting the status of all active applications; and
- <sup>3</sup> Individual report for each application being recommended.

**Recommendation**

Staff recommends that ten of the fifteen applications being presented today, totaling \$2,982,420, be awarded funding in accordance with, and conditioned upon, the recommendations made by the Real Estate Analysis Division. For applications that are jointly applying for Housing Tax Credits or other Department funding programs, these HTF recommendations are conditioned upon the successful award of those other Department funds. All applicants approved by the Board for an award will receive funding commitments that reflect all conditions based on the final Real Estate Analysis report and any additional conditions deemed appropriate by the Department. After the action taken today, the balance of funds not awarded by this NOFA will be \$1,017,580.

To the extent any applications not funded due to a non-competitive housing tax credit application are recommended for an award of tax credits on July 27, a recommendation for Housing Trust Funds will also be made at that meeting.



**2005 Housing Trust Fund Rental Development Program - Recommendations for Award**  
**Sorted by Region**  
**July 14, 2005**

| #             | Rural or Urban/Exurban | Development Name<br>City   | Layering (1)                        |                          |                                     |                                     | Final Score | Requested Funds | Recommended Funds | Recommendation                 |   |
|---------------|------------------------|--|-------------------------------------|--------------------------|-------------------------------------|-------------------------------------|-------------|-----------------|-------------------|--------------------------------|---|
|               |                        |  | 9%                                  | RR                       | 4%                                  | HTF                                 |             |                 |                   | Evaluation                     | Comment*  |
| <b>Region</b> |                        |  |                                     |                          |                                     |                                     |             |                 |                   |                                |   |
| 2             | 05141                  | Urban/Exurban<br>The Arbors at Rose Park<br>Abilene              | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 66          | \$138,000       | \$138,000         | <b>Recommended for Funding</b> | Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |  |                                     |                          |                                     |                                     |             |                 |                   |                                |   |
| 3             | 05246                  | Urban/Exurban<br>Villas at Henderson Place<br>Cleburne           | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 0           | \$700,000       | \$700,000         | <b>Recommended for Funding</b> | Recommendation is conditioned upon final underwriting report and future award of 4% Housing Tax Credits     |
| <b>Region</b> |                        |  |                                     |                          |                                     |                                     |             |                 |                   |                                |   |
| 6             | 05222                  | Urban/Exurban<br>Kingwood Senior Village<br>Houston              | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 62          | \$350,000       | \$350,000         | <b>Recommended for Funding</b> | Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |  |                                     |                          |                                     |                                     |             |                 |                   |                                |   |
| 7             | 05258                  | Urban/Exurban<br>Hearthside<br>Austin                            | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 59          | \$218,457       | \$218,457         | <b>Recommended for Funding</b> | Recommendation is conditioned upon final underwriting report.   |
| 7             | 05142                  | Urban/Exurban<br>Wesleyan Retirement Homes<br>Georgetown         | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 60          | \$250,000       | \$250,000         | <b>Recommended for Funding</b> | Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |  |                                     |                          |                                     |                                     |             |                 |                   |                                |   |
| 8             | 05238                  | Rural<br>Hamilton Manor Apartments<br>Hamilton                   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 32          | \$41,352        | \$45,743          | <b>Recommended for Funding</b> | Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| 8             | 05236                  | Rural<br>Clifton Manor Apartments I and II<br>Clifton            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 36          | \$87,046        | \$87,000          | <b>Recommended for Funding</b> | Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |  |                                     |                          |                                     |                                     |             |                 |                   |                                |   |
| 10            | 05259                  | Rural<br>Fenner Square<br>Goliad                                 | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 0           | \$110,000       | \$110,000         | <b>Recommended for Funding</b> | Recommendation is conditioned upon final underwriting report.   |
| 10            | 05257                  | Urban/Exurban<br>The Villas at Costa Tarragona<br>Corpus Christi | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 0           | \$170,000       | \$170,000         | <b>Recommended for Funding</b> | Recommendation is conditioned upon final underwriting report and future award of 4% Housing Tax Credits     |

1: Set-Aside Abbreviations: G=General, AR=At-Risk, C=CHDO

2: Layering of Other Department Applications: 9%= 9% Competitive Tax Credits, RR=Rural Rescue Program, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

\*: Because final underwriting reports and/or award recommendations for layered applicants have not been approved awards will be conditional. All applicants awarded by the board will be notified of the conditions of their award and receive conditional funding commitments based on the final underwriting report and any additional conditions placed on them by the Department.

| #  | Rural or Urban/Exurban | Development Name<br>City           | Layering (1)                        |                          |                          | Final Score                         | Requested Funds | Recommended Funds | Recommendation |   |
|----|------------------------|------------------------------------|-------------------------------------|--------------------------|--------------------------|-------------------------------------|-----------------|-------------------|----------------|---|
|    |                        |                                    | 9%                                  | RR                       | 4%                       |                                     |                 |                   | HTF            | Evaluation  |
| 12 | 05237 Rural            | Bel Aire Manor Apartments<br>Brady | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | 33              | \$51,026          | \$51,344       | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |

| Rural or Urban/Ex-Urban Allocation | Recommended Funding Totals |
|------------------------------------|----------------------------|
| Rural                              | \$655,963                  |
| Urban/Exurban                      | \$2,326,457                |
| <b>Total</b>                       | <b>\$2,982,400</b>         |

1: Set-Aside Abbreviations: G=General, AR=At-Risk, C=CHDO

2: Layering of Other Department Applications: 9%= 9% Competitive Tax Credits, RR=Rural Rescue Program, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

\*: Because final underwriting reports and/or award recommendations for layered applicants have not been approved awards will be conditional. All applicants awarded by the board will be notified of the conditions of their award and receive conditional funding commitments based on the final underwriting report and any additional conditions placed on them by the Department.

**2005 Housing Trust Fund Rental Development Program - Status Table**  
**Sorted by Region**  
**July 14, 2005**

| #             | Rural or Urban/Exurban | Development Name<br>City                                  | Layering (1)                        |                          |                                     |                                     | Final Score | Requested Funds | Recommended Funds | Recommendation<br>Evaluation Comment*   |
|---------------|------------------------|---|-------------------------------------|--------------------------|-------------------------------------|-------------------------------------|-------------|-----------------|-------------------|---|
|               |                        |   | 9%                                  | RR                       | 4%                                  | HTF                                 |             |                 |                   |   |
| <b>Region</b> |                        |   |                                     |                          |                                     |                                     |             |                 |                   |   |
| 2             | 05141                  | Urban/Exurban<br>The Arbors at Rose Park<br>Abilene       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 66          | \$138,000       | \$138,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |   |                                     |                          |                                     |                                     |             |                 |                   |   |
| 3             | 05246                  | Urban/Exurban<br>Villas at Henderson Place<br>Cleburne    | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 0           | \$700,000       | \$700,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final underwriting report and future award of 4% Housing Tax Credits     |
| <b>Region</b> |                        |   |                                     |                          |                                     |                                     |             |                 |                   |   |
| 6             | 05222                  | Urban/Exurban<br>Kingwood Senior Village<br>Houston       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 62          | \$350,000       | \$350,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |   |                                     |                          |                                     |                                     |             |                 |                   |   |
| 7             | 05258                  | Urban/Exurban<br>Hearthside<br>Austin                     | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 59          | \$218,457       | \$218,457         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final underwriting report.   |
| 7             | 05142                  | Urban/Exurban<br>Wesleyan Retirement Homes<br>Georgetown  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 60          | \$250,000       | \$250,000         | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |   |                                     |                          |                                     |                                     |             |                 |                   |   |
| 8             | 05238                  | Rural<br>Hamilton Manor Apartments<br>Hamilton            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 32          | \$41,352        | \$45,743          | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| 8             | 05236                  | Rural<br>Clifton Manor Apartments I and II<br>Clifton     | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 36          | \$87,046        | \$87,000          | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |   |                                     |                          |                                     |                                     |             |                 |                   |   |
| 9             | 05155                  | Rural<br>Canyon's Landing<br>Poteet                       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 59          | \$160,000       | \$0               | <b>Not Recommended</b><br>Application is not being recommended at this time due to status of Housing Tax Credit award.                        |
| 9             | 05135                  | Urban/Exurban<br>Villas at German Spring<br>New Braunfels | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 63          | \$500,000       | \$0               | <b>Not Recommended</b><br>Application is not being recommended at this time due to status of Housing Tax Credit award.                        |

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2: Layering of Other Department Applications: 9%= 9% Competitive Tax Credits, RR=Rural Rescue Program, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

\*: Because final underwriting reports and/or award recommendations for layered applicants have not been approved awards will be conditional. All applicants awarded by the board will be notified of the conditions of their award and receive conditional funding commitments based on the final underwriting report and any additional conditions placed on them by the Department.

| #             | Rural or Urban/Exurban | Development Name City | Layering (1)                                 |                                     |                          |                          | Final Score                         | Requested Funds | Recommended Funds | Recommendation |   |
|---------------|------------------------|-----------------------|--|-------------------------------------|--------------------------|--------------------------|-------------------------------------|-----------------|-------------------|----------------|---|
|               |                        |                       | 9%   | RR                                  | 4%                       | HTF                      |                                     |                 |                   | Evaluation     | Comment*  |
| <b>Region</b> |                        |                       |  |                                     |                          |                          |                                     |                 |                   |                |   |
| 10            | 05259                  | Rural                 | Fenner Square Goliad                         | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | 0               | \$110,000         | \$110,000      | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final underwriting report.   |
| 10            | 05257                  | Urban/Exurban         | The Villas at Costa Tarragona Corpus Christi | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | 0               | \$170,000         | \$170,000      | <b>Recommended for Funding</b><br>Recommendation is conditioned upon final underwriting report and future award of 4% Housing Tax Credits     |
| <b>Region</b> |                        |                       |  |                                     |                          |                          |                                     |                 |                   |                |   |
| 12            | 05237                  | Rural                 | Bel Aire Manor Apartments Brady              | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | 33              | \$51,026          | \$51,344       | <b>Recommended for Funding</b><br>Recommendation is conditioned upon award of Housing Tax Credits and final report from Real Estate Analysis. |
| <b>Region</b> |                        |                       |  |                                     |                          |                          |                                     |                 |                   |                |   |
| 13            | 05247                  | Rural                 | Hacienda Santa Barbara Apartments Socorro    | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | 48              | \$206,539         | \$0            | <b>Not Recommended</b><br><br>Application is not being recommended at this time due to Real Estate Analysis report.                           |

| Rural or Urban/Ex-Urban Allocation | Recommended Funding Totals |
|------------------------------------|----------------------------|
| Rural                              | \$655,963                  |
| Urban/Exurban                      | \$2,326,457                |
| <b>Total</b>                       | <b>\$2,982,400</b>         |

1: Set-Aside Abbreviations: G=General, AR=At-Risk, C=CHDO

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MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**The Arbors at Rose Park**

BASIC DEVELOPMENT INFORMATION

Site Address: 2702 South 7th St. Development #: 05141  
 City: Abilene Region: 2 Population Served: Elderly  
 County: Taylor Zip Code: 79605 Allocation: Urban/Exurban  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: NC  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Abilene DMA Housing, LP  
 Diana McIver Phone (512) 328-3232  
 Developer: DMA Development Company, LLC  
 Housing General Contractor: Global Construction Company, LLC  
 Architect: Chiles Architects, Inc.  
 Market Analyst: Integra Realty Resources  
 Syndicator: Related Capital Company  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |     |
|----------------------------------|-----------------|------------|------------|--------------------------|-----|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 77  |
| 8                                | 0               | 0          | 69         | Market Rate Units:       | 3   |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0   |
| Number of Residential Buildings: | 8               |            |            | Total Development Units: | 80  |
|                                  |                 |            |            | Total Development Cost:  | \$0 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$647,474                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$138,000                | \$138,000                  | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$0                      | \$0                        | 0            | 0           | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

The Arbors at Rose Park

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24

S

Points: N/A

US Representative: Thornberry, District 13, NC

TX Representative: Hunter, District 71

S

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Norm Archibald Mayor, S

Resolution of Support from Local Government

Sam J. Chase, City Council, Place 1, S

John Hill, Abilene City Councilman, Place 4, S

Individuals/Businesses: In Support: 0

In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

Amarillo-Highland Neighborhood, John Inman

Letter Score: 24 S or O: S

This association's letter was found to be eligible for QCP and was issued a score of 24. The basis for their support as reflected in their letter is: the location is ideal for seniors due to nearby amenities; the design is appropriate for the population and will have excellent on-site amenities; the developer is working with a neighborhood association architecture committee on the design; and the developer is a quality developer.

General Summary of Comment:

Senator Fraser expressed his support for the Development as one that will contribute significantly in assisting the need for quality, safe, affordable housing for seniors residents of Abilene and Taylor County. Representative Hunter expressed his support for the Development as it will address a definite need for affordable housing in the community. Local officials expressed their support for the Development as one that will help in meeting the needs for affordable senior housing.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Applicant must provide final evidence that the PHA has gone through the whole competitive bid process of approval and satisfied all H.U.D. regulations by Carryover.



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

**DATE:** June 30, 2005

**PROGRAM:** 9% HTC  
HTF

**FILE NUMBER:** 05141

**DEVELOPMENT NAME**

The Arbors at Rose Park Apartments

**APPLICANT**

**Name:** Abilene DMA Housing, L.P. **Type:** For-profit  
**Address:** 5100 Bee Caves Road **City:** Austin **State:** TX  
**Zip:** 78746 **Contact:** Diana McIver **Phone:** (512) 328-3232 **Fax:** (512) 328-4584

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |                                 |             |      |               |  |
|--------------|---------------------------------|-------------|------|---------------|--|
| <b>Name:</b> | The Arbors at Rose Park, LLC    | <b>(%):</b> | 0.01 | <b>Title:</b> | Managing General Partner   |
| <b>Name:</b> | DMA Community Partners II, Inc. | <b>(%):</b> | 0.00 | <b>Title:</b> | 75% Owner of MGP   |
| <b>Name:</b> | Diana McIver                    | <b>(%):</b> | N/A  | <b>Title:</b> | 25% Owner of MGP and<br>100% Owner of DMA<br>Community Partners II |
| <b>Name:</b> | DMA Development Company, LLC    | <b>(%):</b> | N/A  | <b>Title:</b> | Developer  |

**PROPERTY LOCATION**

**Location:** 2702 South 7<sup>th</sup> Street  **QCT**  **DDA**  
**City:** Abilene **County:** Taylor **Zip:** 79605

**REQUEST**

| <u>Amount</u>                 | <u>Interest Rate</u>   | <u>Amortization</u>   | <u>Term</u> |
|-------------------------------|--|-----------------------|-------------|
| 1) \$647,474                  | N/A  | N/A                   | N/A         |
| 2) \$138,000                  | 1%   | 30 yrs                | 30 yrs      |
| <b>Other Requested Terms:</b> | 1) Annual ten-year allocation of housing tax credits<br>2) HTF |                       |             |
| <b>Proposed Use of Funds:</b> | New construction   | <b>Property Type:</b> | Multifamily |
| <b>Special Purpose (s):</b>   | Elderly  |                       |             |

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$647,474 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$138,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report prior to the initial closing on the property.
2. Receipt, review, and acceptance of documentation of costs and plan to ensure that the site is to be built out of the flood plain and that the foundation floors of each building will be at least one foot above



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the base flood elevation and that all parking and drives will be not more than six inches below the base flood elevation. In addition, documentation of the cost of flood insurance for the buildings and first floor residents (contents) and how those costs will be accounted for in the development or operating budget as necessary.

3. Receipt, review, and acceptance of an acceptable Environmental Site Assessment report by a third party environmental inspector which indicates that all issues that were recommended in the Enprotec, Inc. reports of January and February, 2004 have been resolved and no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 80    **# Rental Buildings:** 8    **# Non-Res. Buildings:** 0    **# of Floors:** 2    **Age:** N/A yrs

**Net Rentable SF:** 60,912    **Av Un SF:** 761    **Common Area SF:** 7,126    **Gross Bldg SF:** 68,038

**STRUCTURAL MATERIALS**

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 10% brick veneer/90% cement fiber siding. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditionings, & 9-foot ceilings.

**ONSITE AMENITIES**

A 3,604-square foot community area will include an community room with party kitchen, living room/TV lounge, service coordinator's office, administrative offices, as well the reception area, mail area and public restrooms. Also included are an outdoor porch and a porte cochere. There is also an additional 3,522-square feet of laundry, maintenance, library, computer center, fitness room, laundry room as well as the maintenance area.

**Uncovered Parking:** 127 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Arbors at Rose Park is a 17-unit per acre new construction development of 80 units of mixed-income housing located in west central Abilene. The development is comprised of eight evenly distributed large and medium garden and single story townhouse style, residential buildings as follows:

- Four Building Type I with 6 one-bedroom/one-bath units;
- Two Building Type II with 6 two-bedroom/two-bath units;
- One Building Type III with 36 one-bedroom/one-bath units, and 4 two-bedroom/one-bath units;
- One Building Type IV with 4 one-bedroom/one-bath units;

**Architectural Review:** All buildings are single story except building type III which has an interior corridor. The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

**SITE ISSUES**

**SITE DESCRIPTION**

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|                |   |                     |                                |                |
|----------------|---|---------------------|--------------------------------|----------------|
| <b>Size:</b>   | 4.692 acres   | 204,384 square feet | <b>Flood Zone Designation:</b> | Zone A, B, & C |
| <b>Zoning:</b> | Currently zoned GC-General Commercial. Requesting re-zoning to PDD-Planned Development District |                     |                                |                |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Abilene is located in central Texas, approximately 171 miles west from Dallas in Taylor County. The site is an irregularly-shaped parcel located in the south central area of Abilene. The site is situated on the north side of 7th Street.

**Adjacent Land Uses:**

- **North:** single-family residential immediately adjacent;
- **South:** 7<sup>th</sup> Street immediately adjacent and Oscar Rose Park and Rose Park Senior Activity Center beyond;
- **East:** single-family residential immediately adjacent and Portland Avenue beyond; and
- **West:** retail immediately adjacent and single-family residential beyond.

**Site Access:** Access to the property is from the east or west along 7<sup>th</sup> Street. The development is to have one main entry. Access to Interstate Highway 20 is three miles north, which provides connections to all other major roads serving the Abilene area.

**Public Transportation:** The availability of public transportation was not identified in the application materials.

**Shopping & Services:** The site is within three miles of major grocery stores, The Mall of Abilene shopping center, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The site is currently zoned such that the proposed development is a nonconforming use. Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.
- According to the Survey, a portion of the site is within the 100 year flood plain; however, the architects site plan indicates that the site is not located within the 100 year flood plain. Other information appears to confirm the flood plain issue as well. Receipt, review and acceptance of documentation of costs and a plan to ensure that the site is built out of the food plain and that the foundation floors of each building are at least one foot above the base flood elevation and that all parking and drives will be not more than six inches below the base flood elevation. In addition, documentation of the cost of flood insurance for the building and first floor residents (contents) and how those costs will be accounted for in the development or operating budget as necessary are conditions of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 15, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated February, 2004 was prepared by Enprotec, Inc. and contained the following findings and recommendations:

**Findings:**

- Chemical and petroleum products were observed in the Site building. The materials need to be used or disposed according to state and federal guideline.
- Evidence of USTs was observed at the Site. Based on the results of the limited Phase II subsurface petroleum hydrocarbon contamination investigation, it appears that the UST system has not released petroleum hydrocarbons into the subsurface soils or groundwater.
- The west portion of the Site is within the 100 year floodplain.

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- Asbestos containing materials are present in the former service station building.
- Based on the age of the former service station building the potential of lead based paint to be present exists.

**Recommendations:**

- Employees, maintenance personnel, contractors, and others that could potentially disturb asbestos during the course of their duties should be notified of the presence and location of asbestos in accordance with TDH and OSHA regulations, 25 TAC 295.34 (6) (2) and 29 1926.1101, respectively;
- The asbestos containing building materials in the areas these materials will be disturbed for demolition or remodeling needs to be abated utilizing a qualified (i.e. certified and licensed) asbestos contractor under monitoring and supervision of a qualified asbestos consultant.
- Any identified ACBMs that will remain in the building should be managed appropriately. Any ACBMs left in-place should be maintained under an Operations and Maintenance (O&M) Plan following all applicable federal, state, and local regulations.
- This survey was non-destructive in nature. Therefore, if any suspect material not sampled in this assessment is encountered during any building/demolition activities, it should be sampled and tested for possible asbestos content by qualified personnel prior to the continuation of these activities.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Seventy-seven of the units (96% of the total) will be reserved for low-income/elderly tenants. Eight of the units (10%) will be reserved for households earning 30% or less of AMGI, sixty-nine units (86%) will be reserved for households earning 60% or less of AMGI, and the remaining three units will be offered at market rents.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$19,800        | \$22,680         | \$25,500         | \$28,320         | \$30,600         | \$32,880         |

**MARKET HIGHLIGHTS**

A market feasibility study dated February 24, 2005 was prepared by Integra Realty Resources DFW (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “We consider the market area to be the area within a 10-mile radius from the center of Abilene.” (p. 25) This area encompasses approximately 312 square miles.

**Population:** The estimated senior 2004 population of the PMA was 25,387 and is expected to increase by 7% to approximately 27,255. Within the primary market area there were estimated to be 15,582 senior households in 2004. It should be noted that that entire population in the PMA is \$120,577, or slightly over the 100,000 population guideline but, because this encompasses less than the entire MSA, is for a seniors development and is less than the 250,000 population limit, the PMA is acceptable.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 410 qualified senior households in the PMA, based on the current estimate of 15,582 senior households, the projected annual growth rate of 1%, renter households estimated at 40% of the population, income-qualified households estimated at 31%, and an annual renter turnover rate of 50 %. (p. 49-50). The Market Analyst used an income band of \$7,344 to \$25,500.

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| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 23                     | 6%                       | 13                     | 3%                       |
| Resident Turnover                                      | 387                    | 94%                      | 392                    | 97%                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>410</b>             | <b>100%</b>              | <b>405</b>             | <b>100%</b>              |

Ref: p. 49

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 18.8% based upon 410 units of demand and 77 unstabilized affordable housing in the PMA (including the subject) (p. 50). The Underwriter calculated an inclusive capture rate of 19% based upon a revised demand of 405.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 854 units in the market area. (p. 51).

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (30%) 713 sq. ft.</b>           | \$204           | \$204              | -\$0                | \$570              | -\$366              |
| <b>1-Bedroom (60%) 713 sq. ft.</b>           | \$470           | \$470              | -\$0                | \$570              | -\$100              |
| <b>1-Bedroom (MR) 713 sq. ft.</b>            | \$515           | N/A                | N/A                 | \$570              | -\$55               |
| <b>1-Bedroom (60%) 702 sq. ft.</b>           | \$470           | \$470              | -\$0                | \$560              | -\$90               |
| <b>2-Bedroom (30%) 951 sq. ft.</b>           | \$230           | \$230              | -\$0                | \$670              | -\$440              |
| <b>2-Bedroom (60%) 951 sq. ft.</b>           | \$525           | \$549              | -\$24               | \$670              | -\$145              |
| <b>2-Bedroom (60%) 982 sq. ft.</b>           | \$549           | \$549              | -\$0                | \$670              | -\$121              |
| <b>2-Bedroom (MR) 982 sq. ft.</b>            | \$600           | N/A                | N/A                 | \$700              | -\$100              |

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

**Primary Market Occupancy Rates:** “The average occupancy for the properties utilized as rental comparables in this analysis is 98%. The overall average occupancy within the PMA (all properties) is 93%.” (p. 64).

**Absorption Projections:** “A new project, the size of the subject as proposed with 80 seniors only units, is likely to be absorbed within 6 months of opening, equating to an absorption pace of approximately 12 units per month.” (p. 42).

**Known Planned Development:** “In all, 224 units are forecast to come online within the PMA during the next 24 months. Of the 224 units, 80 are seniors only units (the subject). Of the subject’s 80 seniors only units, 77 are HTC seniors only units.” (p. 49). “The project, The Gardens of Tye, is proposed to consist of 36 senior only units, and is to be located at 470 Scott Street in the City of Tye, approximately 6.9 miles west of the subject site. This property is in the TDHCA Pre-Application Stage and has not been awarded Low Income Housing Tax Credits at this time.” (p. 41) If this property were to be granted an allocation of housing tax credits the inclusive capture rate would only be 27.9% which is still below the 100% capture rate limit for senior developments.

**Market Study Analysis/Conclusions:** 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 the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of a minor gross rent difference the

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Applicant's effective gross income estimate is \$801 less than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,700 per unit is within 4% of the Underwriter's database-derived estimate of \$3,542 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 (\$6.6K lower), utilities (\$6.6K higher).

**Conclusion:** The Applicant's net operating income (NOI) estimate 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. It should be noted that the Underwriter's proforma with lower initial expenses barely remains above a 1.10 DCR over 30 years. The Applicant's proforma in the application fairs much better since they (and their lender) fixed reserves at \$250 per unit per year throughout the 30 year term rather than escalating at 4%, the same rate as all other expenses. If the Applicant's proforma had been calculated according to the Department's standard, the DCR would fall below an acceptable 1.10 by year 20. However, according to the Underwriter's proforma, the DCR remains barely over a 1.10 through 30 years, and therefore, the development can be characterized as feasible.

| ACQUISITION VALUATION INFORMATION    |                                |                             |                                     |    |  |
|--------------------------------------|--------------------------------|-----------------------------|-------------------------------------|----|--|
| ASSESSED VALUE                       |                                |                             |                                     |    |  |
| Land: (4.692) acres                  | \$201,260                      | Assessment for the Year of: | 2005                                |    |  |
| Tax Rate:                            | 2.7897                         | Valuation by:               | Taylor County Appraisal District    |    |  |
| EVIDENCE of SITE or PROPERTY CONTROL |                                |                             |                                     |    |  |
| Type of Site Control:                | Option agreement (4.692 acres) |                             |                                     |    |  |
| Contract Expiration Date:            | 11/ 01/ 2005                   | Anticipated Closing Date:   | 11/ 01/ 2005                        |    |  |
| Acquisition Cost:                    | \$306,000                      | Other Terms/Conditions:     | Earnest money: \$6,000              |    |  |
| Seller:                              | Rose Park Shopping Center - 82 |                             | Related to Development Team Member: | No |  |

| CONSTRUCTION COST ESTIMATE EVALUATION   |
|---|
| <p><b>Acquisition Value:</b> The site cost of \$306,000 (\$1.50/SF, \$65,217/acre, or \$3,825/unit) is considerably higher than the tax assessed value of \$201,260, but is assumed to be reasonable since the acquisition is an arm's-length transaction.</p> <p><b>Sitework Cost:</b> The Applicant's claimed sitework costs of \$7,398 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.</p> <p><b>Direct Construction Cost:</b> The Applicant's direct construction cost estimate is \$163K or 5.3% higher than the Underwriter's Marshall &amp; Swift <i>Residential Cost Handbook</i>-derived estimate, and is therefore regarded as slightly overstated.</p> <p><b>Fees:</b> The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by \$1,000 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by \$1,657 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.</p> <p><b>Conclusion:</b> The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown as adjusted by the Underwriter, is used to size the award recommendation and calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$6,419,629 is used to determine a credit allocation of \$675,987 from this</p> |

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method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

| FINANCING STRUCTURE   |  |
|---|--|
| INTERIM CONSTRUCTION FINANCING  |  |
| <b>Source:</b> JP Morgan Chase Bank   | <b>Contact:</b> Ken Overshiner               |
| <b>Principal Amount:</b> \$3,544,305  | <b>Interest Rate:</b> 6.5% underwriting rate |
| <b>Additional Information:</b> Prime rate + 1%  |  |
| <b>Amortization:</b> N/A yrs  | <b>Term:</b> 2 yrs                           |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |  |

| PERMANENT FINANCING   |  |
|---|--|
| <b>Source:</b> Community Development Trust, LP  | <b>Contact:</b> Ken Overshiner                     |
| <b>Principal Amount:</b> \$980,000  | <b>Interest Rate:</b> 7.5%                         |
| <b>Additional Information:</b>  |  |
| <b>Amortization:</b> 30 yrs   | <b>Term:</b> 18 yrs                                |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |  |
| <b>Annual Payment:</b> \$82,227   | <b>Lien Priority:</b> 1st <b>Date:</b> 2/ 17/ 2005 |

| PERMANENT FINANCING   |   |
|---|---|
| <b>Source:</b> City of Abilene-Home Funds   | <b>Contact:</b> Sandy Bowen                   |
| <b>Principal Amount:</b> \$281,000  | <b>Interest Rate:</b> 4.72% assumed to be AFR |
| <b>Additional Information:</b> Approved by City Council resolution 14 – 2005  |   |
| <b>Amortization:</b> 30 yrs   | <b>Term:</b> 15 yrs                           |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |   |
| <b>Annual Payment:</b> \$17,529   | <b>Lien Priority:</b> 2nd <b>Date:</b> / /    |

| TAX CREDIT SYNDICATION   |  |
|--|--|
| <b>Source:</b> Related Capital Company   | <b>Contact:</b> Justin Ginsberg                            |
| <b>Net Proceeds:</b> \$5,373,493   | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC):</b> 83¢ |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional <b>Date:</b> 2/ 23/ 2005 |  |
| <b>Additional Information:</b>   |  |

| APPLICANT EQUITY        |                                       |
|-------------------------|---------------------------------------|
| <b>Amount:</b> \$74,109 | <b>Source:</b> 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. The Applicant also received approval for the \$281,000 HOME loan from the City of Abilene. The resolution from the City included no terms of the award; however, the Applicant is aware that it would need to be made in the form of a fully repayable loan at an interest rate of at least AFR to not jeopardize the development's ability to access the 9% tax credit.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The syndication rate proposed in the commitment is in the low end the range of current credit prices. If the final syndication rate were to increase by 1.5 cents per dollar of tax credit, an excess of funds would exist, all else held constant, and a reduction in recommended tax credits would be required based on the gap method of determining credits.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$74,109 amount to 9% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation

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should not exceed \$675,987 annually for ten years, resulting in syndication proceeds of approximately \$5,610,130, but the Applicant's requested credit amount of \$647,474 annually for ten years is lower; therefore, the lower of the two will be used. This results in syndication proceeds of \$5,373,497. Housing Trust Funds of \$138,000 are needed and can be paid over a 30-year amortization at 1% as requested. Based on the underwriting analysis, the Applicant's deferred developer fee will be \$74,105, which represents approximately 9% of the eligible fee and which should be repayable from cash flow within three years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and Property Manager firms are all related entities. These are common relationships for HTC-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 75% Owner of the General Partner, DMA Community Partners II, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$335K and consisting of \$510 in cash, \$37K in receivables, \$13K in real property, \$284K in partnership interests. Liabilities totaled \$12K, resulting in a net worth of \$323K.
- The Developer, DMA Development Company, LLC, submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$1.4M and consisting of \$7K in cash, \$1.2M in receivables, \$19K in other assets, and \$141K in real property. Liabilities totaled \$107K, resulting in a net worth of \$1.3M.
- The principal of the General Partner, Diana McIver, submitted an unaudited financial statement as of December 31, 2004 and is anticipated to be guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs are more than 5% different from the Underwriter's estimate.
- Potential environmental concerns exist with regard to the flood plain and existing structures.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** June 30, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 30, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**The Arbors at Rose Park, Abilene, 9% HTC & HTF file #05141**

| Type of Unit  | Number    | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Tnt-Pd Util    | Wtr, Swr, Trsh |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| TC (30%)      | 7         | 1        | 1               | 713        | \$265           | \$204             | \$1,428         | \$0.29        | \$61.00        | \$26.00        |
| TC (60%)      | 28        | 1        | 1               | 713        | 531             | \$470             | 13,160          | 0.66          | 61.00          | 26.00          |
| TC (60%)      | 28        | 1        | 1               | 702        | 531             | \$470             | 13,160          | 0.67          | 61.00          | 26.00          |
| MR            | 1         | 1        | 1               | 713        |                 | 515               | 515             | 0.72          | 61.00          | 26.00          |
| TC (30%)      | 1         | 2        | 1               | 951        | 318             | 230               | 230             | 0.24          | 88.00          | 29.00          |
| TC (60%)      | 3         | 2        | 1               | 951        | 637             | 549               | 1,647           | 0.58          | 88.00          | 29.00          |
| TC (60%)      | 10        | 2        | 2               | 982        | 637             | 549               | 5,490           | 0.56          | 88.00          | 29.00          |
| MR            | 2         | 2        | 2               | 982        |                 | 600               | 1,200           | 0.61          | 88.00          | 29.00          |
| <b>TOTAL:</b> | <b>80</b> |          | <b>AVERAGE:</b> | <b>761</b> | <b>\$502</b>    | <b>\$460</b>      | <b>\$36,830</b> | <b>\$0.60</b> | <b>\$66.40</b> | <b>\$26.60</b> |

| <b>INCOME</b>                                     |               |                              |               | Total Net Rentable Sq Ft: | 60,912   | <b>TDHCA</b>     | <b>APPLICANT</b> | Comptroller's Region 2 |                         |               |
|---|---------------|------------------------------|---------------|---------------------------|----------|------------------|------------------|------------------------|-------------------------|---------------|
| <b>POTENTIAL GROSS RENT</b>                       |               |                              |               |                           |          | \$441,960        | \$441,096        | IREM Region            |                         |               |
| Secondary Income                                  |               | Per Unit Per Month:          | \$10.00       |                           |          | 9,600            | 9,600            | \$10.00                | Per Unit Per Month      |               |
| Other Support Income: (describe)                  |               |                              |               |                           |          | 0                |                  |                        |                         |               |
| <b>POTENTIAL GROSS INCOME</b>                     |               |                              |               |                           |          | \$451,560        | \$450,696        |                        |                         |               |
| Vacancy & Collection Loss                         |               | % of Potential Gross Income: | -7.50%        |                           |          | (33,867)         | (33,804)         | -7.50%                 | of Potential Gross Rent |               |
| Employee or Other Non-Rental Units or Concessions |               |                              |               |                           |          | 0                |                  |                        |                         |               |
| <b>EFFECTIVE GROSS INCOME</b>                     |               |                              |               |                           |          | \$417,693        | \$416,892        |                        |                         |               |
| <b>EXPENSES</b>                                   |               |                              |               | % OF EGI                  | PER UNIT | PER SQ FT        |                  | PER SQ FT              | PER UNIT                | % OF EGI      |
| General & Administrative                          | 5.10%         | \$266                        | 0.35          |                           |          | \$21,297         | \$14,700         | \$0.24                 | \$184                   | 3.53%         |
| Management  | 5.00%         | 261                          | 0.34          |                           |          | 20,885           | 24,500           | 0.40                   | 306                     | 5.88%         |
| Payroll & Payroll Tax                             | 22.70%        | 1,185                        | 1.56          |                           |          | 94,800           | 94,800           | 1.56                   | 1,185                   | 22.74%        |
| Repairs & Maintenance                             | 5.24%         | 274                          | 0.36          |                           |          | 21,903           | 21,000           | 0.34                   | 263                     | 5.04%         |
| Utilities   | 3.82%         | 199                          | 0.26          |                           |          | 15,936           | 22,500           | 0.37                   | 281                     | 5.40%         |
| Water, Sewer, & Trash                             | 3.96%         | 207                          | 0.27          |                           |          | 16,560           | 20,000           | 0.33                   | 250                     | 4.80%         |
| Property Insurance                                | 8.38%         | 438                          | 0.57          |                           |          | 35,000           | 35,000           | 0.57                   | 438                     | 8.40%         |
| Property Tax                                      | 2.7897        | 8.46%                        | 442           | 0.58                      |          | 35,341           | 38,000           | 0.62                   | 475                     | 9.12%         |
| Reserve for Replacements                          | 3.83%         | 200                          | 0.26          |                           |          | 16,000           | 20,000           | 0.33                   | 250                     | 4.80%         |
| Other: compl fees                                 | 1.34%         | 70                           | 0.09          |                           |          | 5,600            | 5,480            | 0.09                   | 69                      | 1.31%         |
| <b>TOTAL EXPENSES</b>                             | <b>67.83%</b> | <b>\$3,542</b>               | <b>\$4.65</b> |                           |          | <b>\$283,322</b> | <b>\$295,980</b> | <b>\$4.86</b>          | <b>\$3,700</b>          | <b>71.00%</b> |
| <b>NET OPERATING INC</b>                          | <b>32.17%</b> | <b>\$1,680</b>               | <b>\$2.21</b> |                           |          | <b>\$134,371</b> | <b>\$120,912</b> | <b>\$1.99</b>          | <b>\$1,511</b>          | <b>29.00%</b> |
| <b>DEBT SERVICE</b>                               |               |                              |               |                           |          |                  |                  |                        |                         |               |
| Community Development Trust                       | 19.69%        | \$1,028                      | \$1.35        |                           |          | \$82,228         | \$82,227         | \$1.35                 | \$1,028                 | 19.72%        |
| City of Abilene-Home Funds                        | 4.20%         | \$219                        | \$0.29        |                           |          | 17,529           | 17,529           | \$0.29                 | \$219                   | 4.20%         |
| Additional Financing                              | 1.28%         | \$67                         | \$0.09        |                           |          | 5,326            | 5,326            | \$0.09                 | \$67                    | 1.28%         |
| <b>NET CASH FLOW</b>                              | <b>7.01%</b>  | <b>\$366</b>                 | <b>\$0.48</b> |                           |          | <b>\$29,288</b>  | <b>\$15,830</b>  | <b>\$0.26</b>          | <b>\$198</b>            | <b>3.80%</b>  |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |               |                              |               |                           |          | 1.28             | 1.15             |                        |                         |               |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |               |                              |               |                           |          | 1.28             |                  | 22,855                 | \$105,082               |               |

| <b>CONSTRUCTION COST</b>             |                |                 |                 |  |  | <b>TDHCA</b>       | <b>APPLICANT</b>   | PER SQ FT       | PER UNIT        | % of TOTAL     |
|--------------------------------------|----------------|-----------------|-----------------|--|--|--------------------|--------------------|-----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      | 4.61%          | \$3,825         | \$5.02          |  |  | \$306,000          | \$306,000          | \$5.02          | \$3,825         | 4.47%          |
| Off-Sites                            | 0.00%          | 0               | 0.00            |  |  | 0                  | 0                  | 0.00            | 0               | 0.00%          |
| Sitework                             | 8.92%          | 7,398           | 9.72            |  |  | 591,872            | 591,872            | 9.72            | 7,398           | 8.64%          |
| Direct Construction                  | 46.14%         | 38,273          | 50.27           |  |  | 3,061,870          | 3,224,822          | 52.94           | 40,310          | 47.10%         |
| Contingency                          | 5.00%          | 2,284           | 3.00            |  |  | 182,687            | 200,000            | 3.28            | 2,500           | 2.92%          |
| General Req'ts                       | 6.00%          | 2,740           | 3.60            |  |  | 219,225            | 229,452            | 3.77            | 2,868           | 3.35%          |
| Contractor's G & A                   | 2.00%          | 913             | 1.20            |  |  | 73,075             | 76,484             | 1.26            | 956             | 1.12%          |
| Contractor's Profit                  | 6.00%          | 2,740           | 3.60            |  |  | 219,225            | 229,452            | 3.77            | 2,868           | 3.35%          |
| Indirect Construction                | 8.45%          | 7,006           | 9.20            |  |  | 560,500            | 560,500            | 9.20            | 7,006           | 8.19%          |
| Ineligible Costs                     | 0.70%          | 580             | 0.76            |  |  | 46,400             | 46,400             | 0.76            | 580             | 0.68%          |
| Developer's G & A                    | 2.54%          | 1,713           | 2.25            |  |  | 137,056            | 167,800            | 2.75            | 2,098           | 2.45%          |
| Developer's Profit                   | 12.46%         | 8,390           | 11.02           |  |  | 671,200            | 671,200            | 11.02           | 8,390           | 9.80%          |
| Interim Financing                    | 7.23%          | 5,999           | 7.88            |  |  | 479,920            | 479,920            | 7.88            | 5,999           | 7.01%          |
| Reserves                             | 1.30%          | 1,081           | 1.42            |  |  | 86,480             | 62,700             | 1.03            | 784             | 0.92%          |
| <b>TOTAL COST</b>                    | <b>100.00%</b> | <b>\$82,944</b> | <b>\$108.94</b> |  |  | <b>\$6,635,510</b> | <b>\$6,846,602</b> | <b>\$112.40</b> | <b>\$85,583</b> | <b>100.00%</b> |
| <b>Recap-Hard Construction Costs</b> | <b>65.53%</b>  | <b>\$54,349</b> | <b>\$71.38</b>  |  |  | <b>\$4,347,953</b> | <b>\$4,552,082</b> | <b>\$74.73</b>  | <b>\$56,901</b> | <b>66.49%</b>  |

| <b>SOURCES OF FUNDS</b>         |        |           |          |  |  | <b>RECOMMENDED</b> |                    |                    |                            |  |
|---------------------------------|--------|-----------|----------|--|--|--------------------|--------------------|--------------------|----------------------------|--|
| Community Development Trust     | 14.77% | \$12,250  | \$16.09  |  |  | \$980,000          | \$980,000          | \$980,000          | Developer Fee Available    |  |
| City of Abilene-Home Funds      | 4.23%  | \$3,513   | \$4.61   |  |  | 281,000            | 281,000            | 281,000            | \$837,343                  |  |
| TDHCA-HTF                       | 2.08%  | \$1,725   | \$2.27   |  |  | 138,000            | 138,000            | 138,000            |                            |  |
| HTC Syndication Proceeds        | 80.98% | \$67,169  | \$88.22  |  |  | 5,373,493          | 5,373,493          | 5,373,497          | % of Dev. Fee Deferred     |  |
| Deferred Developer Fees         | 1.12%  | \$926     | \$1.22   |  |  | 74,109             | 74,109             | 74,105             | 9%                         |  |
| Additional (Excess) Funds Req'd | -3.18% | (\$2,639) | (\$3.47) |  |  | (211,092)          | 0                  | 0                  | 15-Yr Cumulative Cash Flow |  |
| <b>TOTAL SOURCES</b>            |        |           |          |  |  | <b>\$6,635,510</b> | <b>\$6,846,602</b> | <b>\$6,846,602</b> | <b>\$543,471</b>           |  |



**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**The Arbors at Rose Park, Abilene, 9% HTC & HTF file #05141**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR   | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|----------|-------------|----------------|--------------------|
| Base Cost                              |          |             | \$44.66        | \$2,720,069        |
| <b>Adjustments</b>                     |          |             |                |                    |
| Exterior Wall Finish                   | 0.80%    |             | \$0.36         | \$21,761           |
| Elderly & 9-Ft. Ceilings               | 6.00%    |             | 2.68           | 163,204            |
| Roofing                                |          |             | 0.00           | 0                  |
| Subfloor                               |          |             | (2.03)         | (123,651)          |
| Floor Cover                            |          |             | 2.00           | 121,824            |
| Porches/Balconies                      | \$17.59  | 9,099       | 2.63           | 160,051            |
| Plumbing                               | \$605    | 34          | 0.34           | 20,570             |
| Built-In Appliances                    | \$1,650  | 80          | 2.17           | 132,000            |
| Stairs                                 | \$1,700  | 2           | 0.06           | 3,400              |
| Enclosed Corridors                     | \$40.08  | 3,408       | 2.24           | 136,578            |
| Heating/Cooling                        |          |             | 1.53           | 93,195             |
| Fireplace                              | \$2,225  | 1           | 0.04           | 2,225              |
| Comm &/or Aux Bldgs                    | \$44.66  | 7,126       | 5.22           | 318,217            |
| Elevator                               | \$38,250 | 1           | 0.63           | 38,250             |
| <b>SUBTOTAL</b>                        |          |             | <b>62.51</b>   | <b>3,807,693</b>   |
| Current Cost Multiplier                | 1.11     |             | 6.88           | 418,846            |
| Local Multiplier                       | 0.88     |             | (7.50)         | (456,923)          |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |          |             | <b>\$61.89</b> | <b>\$3,769,616</b> |
| Plans, specs, survy, bld prm           | 3.90%    |             | (\$2.41)       | (\$147,015)        |
| Interim Construction Interes           | 3.38%    |             | (2.09)         | (127,225)          |
| Contractor's OH & Profit               | 11.50%   |             | (7.12)         | (433,506)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |          |             | <b>\$50.27</b> | <b>\$3,061,870</b> |

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$980,000 | Amort | 360  |
| Int Rate       | 7.50%     | DCR   | 1.63 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$281,000 | Amort        | 360  |
| Int Rate         | 4.72%     | Subtotal DCR | 1.35 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$138,000 | Amort         | 360  |
| Int Rate          | 1.00%     | Aggregate DCR | 1.28 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$82,228        |
| Secondary Debt Service  | 17,529          |
| Additional Debt Service | 5,326           |
| <b>NET CASH FLOW</b>    | <b>\$29,288</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$980,000 | Amort | 360  |
| Int Rate       | 7.50%     | DCR   | 1.63 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$281,000 | Amort        | 360  |
| Int Rate         | 4.72%     | Subtotal DCR | 1.35 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$138,000 | Amort         | 360  |
| Int Rate          | 1.00%     | Aggregate DCR | 1.28 |

**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           | \$441,960        | \$455,219        | \$468,875        | \$482,942        | \$497,430        | \$576,658        | \$668,504        | \$774,980        | \$1,041,508      |
| Secondary Income               | 9,600            | 9,888            | 10,185           | 10,490           | 10,805           | 12,526           | 14,521           | 16,834           | 22,623           |
| Other Support Income: (describ | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME         | 451,560          | 465,107          | 479,060          | 493,432          | 508,235          | 589,183          | 683,025          | 791,813          | 1,064,131        |
| Vacancy & Collection Loss      | (33,867)         | (34,883)         | (35,930)         | (37,007)         | (38,118)         | (44,189)         | (51,227)         | (59,386)         | (79,810)         |
| Employee or Other Non-Rental   | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b>  | <b>\$417,693</b> | <b>\$430,224</b> | <b>\$443,131</b> | <b>\$456,424</b> | <b>\$470,117</b> | <b>\$544,995</b> | <b>\$631,798</b> | <b>\$732,427</b> | <b>\$984,321</b> |
| <b>EXPENSES at 4.00%</b>       |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| General & Administrative       | \$21,297         | \$22,148         | \$23,034         | \$23,956         | \$24,914         | \$30,312         | \$36,879         | \$44,869         | \$66,417         |
| Management                     | 20,885           | 21,511           | 22,157           | 22,821           | 23,506           | 27,250           | 31,590           | 36,621           | 49,216           |
| Payroll & Payroll Tax          | 94,800           | 98,592           | 102,536          | 106,637          | 110,903          | 134,930          | 164,163          | 199,729          | 295,648          |
| Repairs & Maintenance          | 21,903           | 22,779           | 23,690           | 24,638           | 25,623           | 31,175           | 37,929           | 46,146           | 68,308           |
| Utilities                      | 15,936           | 16,573           | 17,236           | 17,926           | 18,643           | 22,682           | 27,596           | 33,575           | 49,699           |
| Water, Sewer & Trash           | 16,560           | 17,223           | 17,912           | 18,628           | 19,373           | 23,571           | 28,677           | 34,890           | 51,646           |
| Insurance                      | 35,000           | 36,400           | 37,856           | 39,370           | 40,945           | 49,816           | 60,609           | 73,740           | 109,153          |
| Property Tax                   | 35,341           | 36,755           | 38,225           | 39,754           | 41,344           | 50,301           | 61,199           | 74,458           | 110,216          |
| Reserve for Replacements       | 16,000           | 16,640           | 17,306           | 17,998           | 18,718           | 22,773           | 27,707           | 33,710           | 49,898           |
| Other                          | 5,600            | 5,824            | 6,057            | 6,299            | 6,551            | 7,971            | 9,697            | 11,798           | 17,464           |
| <b>TOTAL EXPENSES</b>          | <b>\$283,322</b> | <b>\$294,446</b> | <b>\$306,008</b> | <b>\$318,027</b> | <b>\$330,520</b> | <b>\$400,779</b> | <b>\$486,046</b> | <b>\$589,537</b> | <b>\$867,666</b> |
| <b>NET OPERATING INCOME</b>    | <b>\$134,371</b> | <b>\$135,778</b> | <b>\$137,122</b> | <b>\$138,397</b> | <b>\$139,597</b> | <b>\$144,215</b> | <b>\$145,752</b> | <b>\$142,891</b> | <b>\$116,655</b> |
| <b>DEBT SERVICE</b>            |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| First Lien Financing           | \$82,228         | \$82,228         | \$82,228         | \$82,228         | \$82,228         | \$82,228         | \$82,228         | \$82,228         | \$82,228         |
| Second Lien                    | 17,529           | 17,529           | 17,529           | 17,529           | 17,529           | 17,529           | 17,529           | 17,529           | 17,529           |
| Other Financing                | 5,326            | 5,326            | 5,326            | 5,326            | 5,326            | 5,326            | 5,326            | 5,326            | 5,326            |
| <b>NET CASH FLOW</b>           | <b>\$29,288</b>  | <b>\$30,695</b>  | <b>\$32,039</b>  | <b>\$33,314</b>  | <b>\$34,514</b>  | <b>\$39,132</b>  | <b>\$40,669</b>  | <b>\$37,808</b>  | <b>\$11,572</b>  |
| <b>DEBT COVERAGE RATIO</b>     | <b>1.28</b>      | <b>1.29</b>      | <b>1.30</b>      | <b>1.32</b>      | <b>1.33</b>      | <b>1.37</b>      | <b>1.39</b>      | <b>1.36</b>      | <b>1.11</b>      |

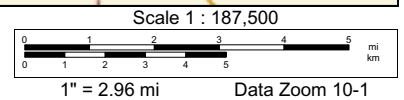
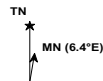
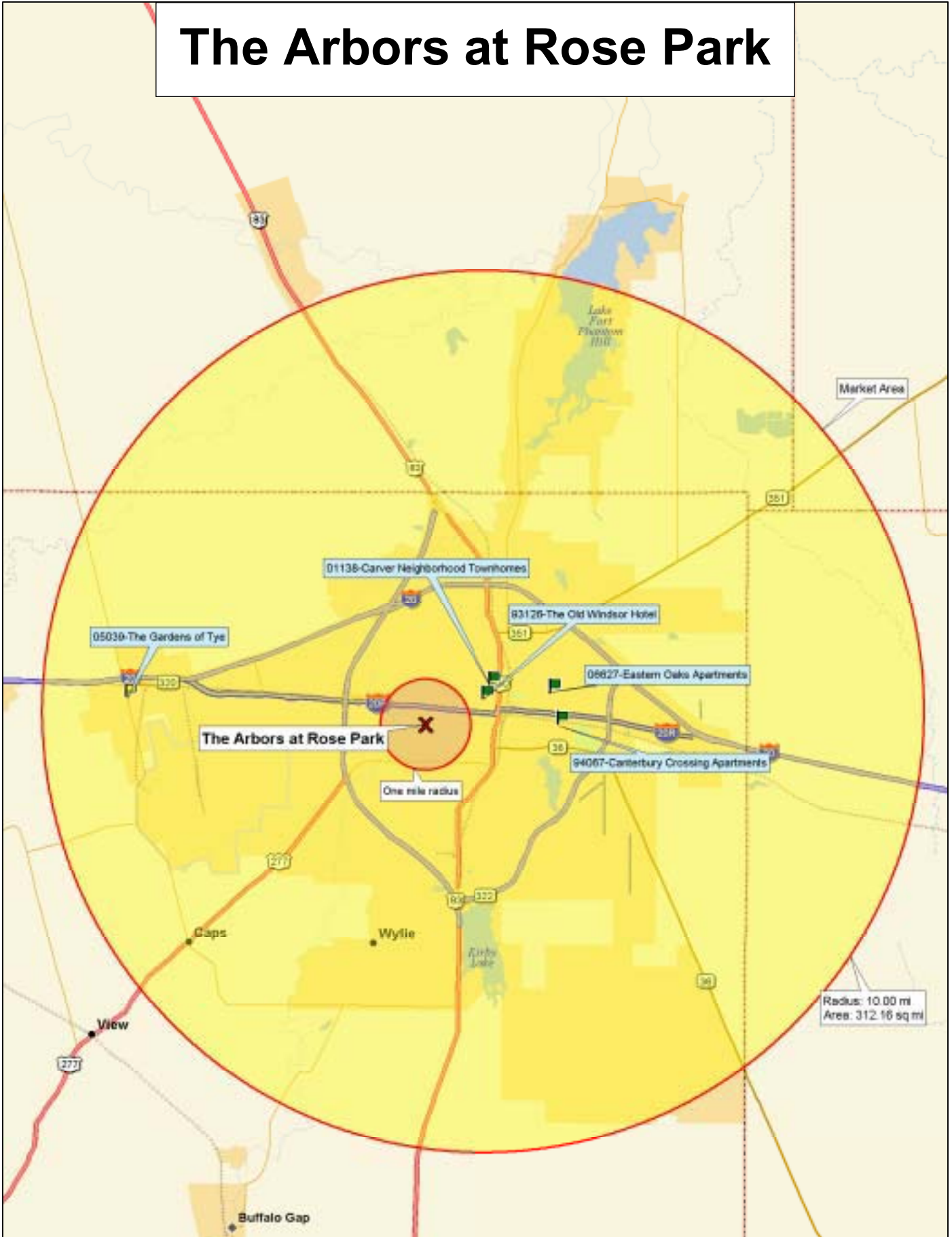
**LIHTC Allocation Calculation - The Arbors at Rose Park, Abilene, 9% HTC & HTF file #05141**

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$306,000                       | \$306,000                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$591,872                       | \$591,872                 | \$591,872                                  | \$591,872                            |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$3,224,822                     | \$3,061,870               | \$3,224,822                                | \$3,061,870                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$76,484                        | \$73,075                  | \$76,334                                   | \$73,075                             |
| Contractor profit                                     | \$229,452                       | \$219,225                 | \$229,002                                  | \$219,225                            |
| General requirements                                  | \$229,452                       | \$219,225                 | \$229,002                                  | \$219,225                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$200,000                       | \$182,687                 | \$190,835                                  | \$182,687                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$560,500                       | \$560,500                 | \$560,500                                  | \$560,500                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$479,920                       | \$479,920                 | \$479,920                                  | \$479,920                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$46,400                        | \$46,400                  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
|   |                                 |                           | \$837,343                                  |                                      |
| Developer overhead                                    | \$167,800                       | \$137,056                 |  | \$137,056                            |
| Developer fee   | \$671,200                       | \$671,200                 |  | \$671,200                            |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$62,700                        | \$86,480                  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$6,846,602</b>              | <b>\$6,635,510</b>        | <b>\$6,419,629</b>                         | <b>\$6,196,630</b>                   |

| <b>Deduct from Basis:</b>                                  |  |                    |                    |
|--|--|--------------------|--------------------|
| 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)             |  |                    |                    |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  | <b>\$6,419,629</b> | <b>\$6,196,630</b> |
| High Cost Area Adjustment                                  |  | 130%               | 130%               |
| <b>TOTAL ADJUSTED BASIS</b>                                |  | <b>\$8,345,517</b> | <b>\$8,055,618</b> |
| Applicable Fraction  |  | 100%               | 100%               |
| <b>TOTAL QUALIFIED BASIS</b>                               |  | <b>\$8,345,517</b> | <b>\$8,055,618</b> |
| Applicable Percentage                                      |  | 8.10%              | 8.10%              |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  | <b>\$675,987</b>   | <b>\$652,505</b>   |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.8299 | \$5,610,130        | \$5,415,251      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$675,987</b>   | <b>\$652,505</b> |
| Syndication Proceeds                         |        | \$5,610,130        | \$5,415,251      |
| <b>Requested Credits</b>                     |        | <b>\$647,474</b>   |                  |
| Syndication Proceeds                         |        | \$5,373,497        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$5,447,602</b> |                  |
| <b>Credit Amount</b>                         |        | <b>\$656,403</b>   |                  |

# The Arbors at Rose Park





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Wesleyan Retirement Homes**

BASIC DEVELOPMENT INFORMATION

Site Address: 1105 South Church St. Development #: 05142  
 City: Georgetown Region: 7 Population Served: Elderly  
 County: Williamson Zip Code: 78626 Allocation: Urban/Exurban  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A  
 HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Georgetown Senior Housing, LP  
 Chris Spence Phone (512) 863-2528  
 Developer: Wesleyan Homes, Inc.  
 Housing General Contractor: The Covenant Group  
 Architect: Chiles Architects, Inc.  
 Market Analyst: O'Connor & Associates  
 Syndicator: N/A  
 Supportive Services: N/A  
 Consultant: Diana McIver & Associates

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |             |
|----------------------------------|-----------------|------------|------------|--------------------------|-------------|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 50          |
| 6                                | 0               | 0          | 44         | Market Rate Units:       | 1           |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0           |
| Number of Residential Buildings: | 1               |            |            | Total Development Units: | 51          |
|                                  |                 |            |            | Total Development Cost:  | \$4,480,034 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$372,791                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$250,000                | \$250,000                  | 30           | 30          | 2%          |
| HOME Fund Loan Amount:          | \$0                      | \$0                        | 0            | 0           | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Wesleyan Retirement Homes

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5 [S] Points: N/A US Representative: Carter, District 31, NC

TX Representative: Gattis, District 20 [S] Points: N/A US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government [checked]

Individuals/Businesses: In Support: [0] In Opposition: [0]

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that ineligible letters received a score of 12.

Heart of Georgetown Neighborhood Association, Renee Hanson Letter Score: [24] S or O: [S]

This association's letter was found to be eligible for QCP and was issued a score of 24. The basis for their support as reflected in their letter is: there is tremendous need for senior housing in Georgetown; the location is ideal for senior development because of amenities; the development will support downtown Georgetown in its efforts to maintain a viable downtown; the design and amenities are desirable for seniors; and the developer is a quality builder and a respected community member.

General Summary of Comment:

Senator Ogden and Representative Gattis expressed their support for the Development.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment of five (5) vouchers from the City of Georgetown Housing Authority, or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). The PHA Voucher letter must either state that the applicant has gone through the competitive bid process and has obtained HUD approval or that the commitment is conditioned on through HUD's regulating process and obtaining HUD's approval. If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(B) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated. The Department will not require that the PHA have gone through the whole competitive bid process by submission of the commitment notice. However, the applicant must provide final evidence of approval due at Carryover.





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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 51    **# Rental Buildings:** 1    **# Non-Res. Buildings:** 0    **# of Floors:** 4    **Age:** 43 yrs    **Vacant:** 10    at 1/ 1/ 2005  
**Net Rentable SF:** 33,039    **Av Un SF:** 648    **Common Area SF:** 40,197    **Gross Bldg SF:** 73,236

**STRUCTURAL MATERIALS**

The structure is steel stud frame on a pier & beam foundation. According to the plans provided in the application the exterior is comprised as follows: 100% brick veneer. The interior wall surfaces is drywall and the flat roof is finished with tar and gravel.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditionings, & 9-foot ceilings.

**ONSITE AMENITIES**

An 8,091-square foot community area will include an activity room, management offices, laundry facilities, a kitchen, restrooms, library, & a central mailroom. In addition to the 8,091-square foot community area there will be 32,106-square feet of other heated and cooled areas which include lounges and corridors on each floor. A covered patio and walking trails are also planned for the site.

**Uncovered Parking:** 50 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Wesleyan Retirement Homes is a 33-unit per acre acquisition and rehabilitation development of 51 units of mixed-income housing located in central Georgetown. The development was built in 1962 and is comprised of one large elevator-served residential buildings as follows:

- One Building with forty-four one-bedroom/one-bath units, seven two-bedroom/two-bath units;

**Development Plan:** The subject site is improved with an 82-unit Seniors retirement community which is proposed to be rehabilitated as a 51-unit Seniors apartment development. Currently 76 households live at the site. The residents will be given the option to move to a new independent living community that Wesleyan Homes is developing concurrently with this one, but residents will not be required to move to the facility as a direct result of this rehabilitation. The actual construction will occur on a wing by wing basis. Residents affected by the rehabilitation will either be relocated to the new independent living facility as described above or they will be temporarily relocated on site. Once units are complete, the residents who opted to remain on site will move back into a newly rehabilitated unit, provided they meet the income restrictions.

Wesleyan Homes, Inc., the Developer and Owner, will pay for the residents' relocation expenses, including the fees for transferring utilities, regardless of whether the resident decides to remain on site or move to the new independent living facility. Should Wesleyan Homes not be able to accommodate all of those residents who qualify and express a desire to stay, Wesleyan Homes will subsidize out of its Benevolent Fund those residents that cannot afford the higher rates at the independent living facility.

**Architectural Review:** The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevation reflects attractive an building with nice fenestration.



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

| SITE ISSUES      |            |                    |                                       |
|------------------|------------|--------------------|---------------------------------------|
| SITE DESCRIPTION |            |                    |                                       |
| <b>Size:</b>     | 1.58 acres | 68,825 square feet | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>   | C-2        |                    |                                       |

| SITE and NEIGHBORHOOD CHARACTERISTICS  |
|--|
| <p><b>Location:</b> Georgetown is located in north central Williamson County, approximately 26 miles north from Austin. The site is a rectangular-shaped parcel located in the central area of Georgetown. The site is situated on the east side of Church Street.</p> <p><b>Adjacent Land Uses:</b></p> <ul style="list-style-type: none"> <li>• <b>North:</b> 11<sup>th</sup> Street immediately adjacent and single-family residential beyond;</li> <li>• <b>South:</b> University Street immediately adjacent and commercial uses beyond;</li> <li>• <b>East:</b> Myrtle Street immediately adjacent and a church beyond; and</li> <li>• <b>West:</b> Church Street immediately adjacent and retail stores beyond.</li> </ul> <p><b>Site Access:</b> Access to the property is from the north or south from Church Street. Access to Interstate Highway 35 is one mile west, which provides connections to all other major roads serving the Georgetown area.</p> <p><b>Public Transportation:</b> Public transportation services are not available in the City of Georgetown.</p> <p><b>Shopping &amp; Services:</b> The site is within several miles of major grocery store, drug stores, restaurants, financial institutions, and multi-purpose stores.</p> <p><b>Site Inspection Findings:</b> The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.</p> |

| HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)   |
|---|
| <p>A Phase I Environmental Site Assessment report dated February 17, 2005 was prepared by HBC Terracon Consulting Engineers &amp; Scientists and contained the following findings and recommendations:</p> <p><b>Recommendations:</b> “Based on the scope of services and limitations of this assessment, Terracon did not identify recognized environmental conditions in connection with the site, which in our opinion, require additional investigation at this time.” (p. 28)</p> <p>Due to the age of the property and since some of the existing building materials used in the original construction of the building on the site contain asbestos, an Operations and Maintenance (O&amp;M) Program report was prepared for the site. The O&amp;M Program is designed to prevent future fiber release by minimizing ACM disturbance or damage, monitor changes in these potential hazardous materials by conducting periodic visual inspections and take the appropriate actions to correct any problem that arises. Receipt, review, and acceptance of a report by a third party engineer or architect that all work performed during the rehabilitation was done observing the O&amp;M Program, is a condition of this report prior to issuance of 8609’s.</p> |

| POPULATIONS TARGETED  |          |           |           |           |           |           |
|---|----------|-----------|-----------|-----------|-----------|-----------|
| <p><b>Income Set-Aside:</b> The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Fifty-one of the units (100% of the total) will be reserved for elderly tenants. Six of the units (12%) will be reserved for households earning 30% or less of AMGI, Forty-four units (86%) will be reserved for households earning 60% or less of AMGI, and the remaining one unit will be offered at market rents.</p> |          |           |           |           |           |           |
| MAXIMUM ELIGIBLE INCOMES  |          |           |           |           |           |           |
|   | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| <b>60% of AMI</b>   | \$29,880 | \$34,140  | \$38,400  | \$42,660  | \$46,000  | \$49,500  |

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 4, 2005 was prepared by Patrick O'Connor & Associates, L.P. ("Market Analyst") and highlighted the following findings:

**Definition of Primary Market Area (PMA):** "The subject's primary market is defined as that area within zip codes 78628, 78626, 78681, 78664." (p. 10). This area encompasses approximately 300 square miles and is equivalent to a circle with a radius of 9.8 miles.

**Population:** The estimated 2004 population of the PMA was 157,584 and is expected to increase by 26% to approximately 199,021 by 2009. Within the primary market area there were estimated to be 54,282 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 373 qualified households in the PMA, based on the current estimate of 54,282 households, the projected annual growth rate of 5.2%, appropriate age range (Seniors) at 22.5%, renter households estimated at 24.5% of the population, income-qualified households estimated at 18.1%, and an annual renter turnover rate of 67.3 %. (p. 76). The Market Analyst used an income band of \$12,000 to \$38,400.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 60                     | 16%                      | 127                    | 27%                      |
| Resident Turnover                                      | 252                    | 68%                      | 352                    | 73%                      |
| Other Sources: Other & Section 8 Vouchers              | 61                     | 16%                      | 0                      | 0%                       |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>373</b>             | <b>100%</b>              | <b>479</b>             | <b>100%</b>              |

Ref: p. 76

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 91.1% based upon 373 units of demand and 340 unstabilized affordable housing in the PMA (including the subject) (p. 76). The Underwriter calculated an inclusive capture rate of 31.3% based upon a revised supply of unstabilized comparable affordable units of 150 divided by a revised demand of 479. However, the subject development is currently 88% occupied with out a rent subsidy, and it is likely the existing tenants if qualified will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,074 units in the market area.

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (30%) 469 sq ft</b>             | \$349           | \$349              | \$0                 | \$510              | -\$161              |
| <b>1-Bedroom (30%) 530 sq ft</b>             | \$349           | \$349              | \$0                 | \$575              | -\$226              |
| <b>1-Bedroom (60%) 530 sq ft</b>             | \$575           | \$749              | -\$174              | \$575              | \$0                 |
| <b>1-Bedroom (60%) 553 sq ft</b>             | \$575           | \$749              | -\$174              | \$575              | \$0                 |
| <b>1-Bedroom (60%) 656 sq ft</b>             | \$600           | \$749              | -\$149              | \$625              | -\$25               |
| <b>1-Bedroom (60%) 628 sq ft</b>             | \$600           | \$749              | -\$149              | \$625              | -\$25               |
| <b>2-Bedroom (60%) 1,051 sq ft</b>           | \$725           | \$903              | -\$178              | \$875              | -\$150              |
| <b>2-Bedroom (MR) 1,051 sq ft</b>            | \$750           | N/A                | N/A                 | \$875              | -\$150              |

(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)

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

**Primary Market Occupancy Rates:** “The closest HTC properties to the subject have occupancy rates of 91%, 96%, and 100%. The rent comparables reported current occupancies ranging from 87% to 96%, with a median occupancy of 90.8%. The subject is currently operation as a semi-independent living facility, and is a market rate project with very high asking rental rates, with meals included in the rent. The current occupancy is ±93%. Following rehabilitation, the subject will have only 51 units, significantly superior condition, and more affordable rental rates. Therefore, it is reasonable to assume that the subject could achieve an occupancy above the current level, under the HTC program.” (p. 83).

**Absorption Projections:** “Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 10-20 units per month (following rehabilitation) until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within three to five months following completion.” (p. 85).

**Known Planned Development:** “San Gabriel will have 100 units, all of which will be rent-restricted.” (p. 76).

**Market Study Analysis/Conclusions:** 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 significantly lower than the maximum rents allowed under HTC guidelines, reflecting the state of the subject market and the Applicant’s desire to maintain the affordability of the units. There is the potential for additional income (approximately \$17.1K) if the Applicant chooses to increase rents to the maximum allowed. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of these differences the Applicant’s effective gross income estimate is \$15.8K less than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$4,537 per unit compares favorably with the Underwriter’s database-derived estimate of \$4,675 per unit for comparably-sized developments as adjusted for historical costs of this property. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll (\$34.8K higher) and property tax (\$5K higher). The Applicant anticipates a 50% property tax exemption (the property is currently 100% tax exempt).

**Conclusion:** The Applicant’s estimated income and the Applicant’s net operating income (NOI) estimates are 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 income and expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.32 exceeds the program maximum standard of 1.30. This would allow for a higher interest rate of 2% on the HTF loan. The Applicant’s proforma reflects significantly less NOI and when a 30-year projection is made using the Department’s standard 3% increase in income and 4% increase in expenses, the development’s DCR falls below an acceptable 1.10 sometime between year 20 and year 30. The Applicant submitted an application with reserves staying fixed rather than increasing by 4%, which allowed the proforma to maintain a positive cashflow. While this is a problem with the Applicant’s projections, the Underwriter’s proforma reflects a 1.10 DCR throughout the 30 years even after increasing the HTF loan to 2%.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

|                                      |                      |                           |       |          |      |
|--------------------------------------|----------------------|---------------------------|-------|----------|------|
| <b>Land Only: (1.58) acres</b>       | \$225,000            | <b>Date of Valuation:</b> | 2/    | 4/       | 2006 |
| <b>Existing Building(s): “as is”</b> | \$675,000            | <b>Date of Valuation:</b> | 2/    | 4/       | 2006 |
| <b>Total Development: “as is”</b>    | \$900,000            | <b>Date of Valuation:</b> | 2/    | 4/       | 2006 |
| <b>Appraiser:</b> W. F. Trotter, Jr. | <b>City:</b> Houston | <b>Phone:</b>             | (713) | 686-9955 |      |

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

**APPRAISAL ANALYSIS/CONCLUSIONS**

An appraisal, provided by the purchaser, was performed by W.F. Trotter, Jr., MAI and dated February 4, 2005. The appraisal provides three values: “as-is”, “prospective value” (as completed), and land value. The current “as-is” value is most important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. For the “as-is” valuation, the primary approach used was the sales comparison approach. In this case the value and purchase price are the same. Based upon the solid quality comparable land sales the value of the underlying land was valued at \$225,000 or 25% of the total appraised value. Due to the quality of the comparable sales the appraisal provides and reasonable estimation of land value.

**ASSESSED VALUE**

|                              |             |                                    |                           |
|------------------------------|-------------|------------------------------------|---------------------------|
| <b>Land: (1.58) acres</b>    | \$359,500   | <b>Assessment for the Year of:</b> | 2004                      |
| <b>Building:</b>             | \$2,410,530 | <b>Valuation by:</b>               | County Appraisal District |
| <b>Total Assessed Value:</b> | \$2,770,030 | <b>Tax Rate:</b>                   | 2.613477                  |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                                     |                              |    |   |
|-------------------------------------|------------------------------|----|---|
| <b>Type of Site Control:</b>        | Purchase Option (1.58 acres) |    |   |
| <b>Contract Expiration Date:</b>    | 11/                          | 1/ | 2005  |
| <b>Acquisition Cost:</b>            | \$900,000                    |    | <b>Other Terms/Conditions:</b> Earnest money: \$110 |
| <b>Seller:</b> Wesleyan Homes, Inc. |                              |    | <b>Related to Development Team Member:</b> Yes      |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The Applicant claimed eligible basis based upon a building value percentage of 75% applied to the contract price or \$675,000. The appraisal concluded the “as-is” market value of the land to be \$225,000 or 25% of the total appraised value. When this percentage is applied to the arm’s length sales price a prorata land value of \$225,000 is calculated. This value is less than the assessed value for the land. 10TAC Section 1.32 (e)(1)(C) requires the Underwriter to ensure that the land value remaining after the building value is subtracted from the sales price is not less than the land value indicated in the appraisal or tax assessment. Thus, the Underwriter has used the assessed value for the land and subtracted the sales price to conclude a value for the existing buildings of \$540,500, or 60% of the total value of the subject property. The acquisition credit amount, therefore, will be based upon this building value.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,501 per unit, which is consistent with the estimate in the proposed physical condition assessment.

**Direct Construction Cost:** The Applicant’s scope of work is detailed and consistent with the cost breakdown. The property condition assessment line item costs appear reasonable and thus the direct construction cost total of \$1,890,374 is the basis of the Underwriter’s cost analysis.

**Fees:** The Applicant’s contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by \$4,631 based on their own construction costs. Consequently the Applicant’s eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

**Conclusion:** As is the case with most rehabilitation transactions the Applicant’s total development cost estimate is within 5% of the Underwriter’s estimate due to the lack of independent verification of the Applicant’s costs. Therefore the Underwriter’s costs are in essence the Applicant’s costs adjusted for any miscalculated eligible basis. Thus the Applicant’s cost as adjusted by the building value and reflected in the TDHCA Column is used to calculate the eligible basis and determine the HTC allocation. As a result of the difference of acquisition value an eligible basis of \$3,970,774 is used to determine a credit allocation of \$368,190 from this method or \$4,601 less than requested. The resulting syndication proceeds will be used to

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

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

**FINANCING STRUCTURE**

**INTERIM TO PERMANENT FINANCING**

**Source:** JPMorganChase **Contact:** Ken Overshiner  
**Principal Amount:** \$910,000 **Interest Rate:** 7.25% underwriting rate  
**Additional Information:** Fixed at a spread over the 10 year treasury  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$74,494 **Lien Priority:** 1st **Date:** 2/ 28/ 2005

**PERMANENT FINANCING**

**Source:** Wesleyan Homes, Inc. **Contact:** Chris Spence  
**Principal Amount:** \$113,798 **Interest Rate:** 5%  
**Additional Information:** Based on positive cash flow  
**Amortization:** N/A yrs **Term:** 15 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$0 **Lien Priority:** 3rd **Date:** 2/ 28/ 2005

**TAX CREDIT SYNDICATION**

**Source:** Related Capital Company **Contact:** Justin Ginsberg  
**Net Proceeds:** \$3,205,682 **Net Syndication Rate (per \$1.00 of 10-yr HTC):** 86¢  
**Commitment:**  LOI  Firm  Conditional **Date:** 2/ 28/ 2005  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** \$554 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

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

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The syndication rate proposed in the commitment is in the low end of the range of current credit prices. If the final syndication rate were to increase by 1.5 cents per dollar of tax credit, an excess of funds would exist, all else held constant, and a reduction in recommended tax credits would be required based on the gap method of determining credits.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$554 amount to less than 1% of the total fees.

**Financing Conclusions:** Based on the Underwriter's estimate of eligible basis, the HTC allocation should not exceed \$368,190 annually for ten years, resulting in syndication proceeds of approximately \$3,166,119. The requested Housing Trust Funds are needed and are repayable at 2% interest over 30 years. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$40,117 which represents approximately 9% of the eligible fee and which should be repayable from cash flow within 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 may be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and Property Manager firms are all related entities. These are common relationships for HTC-funded developments.

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

**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 100% Owner of the General Partner and the Developer, Wesleyan Homes, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$15.4M and consisting of \$1.7M in cash, \$1.6M in receivables, \$1.1M in stocks and bonds, \$3.1M in other assets, and \$8.0M in real property. Liabilities totaled \$7.3M, resulting in a net worth of \$8.2M.

**Background & Experience:**

Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant environmental risks exist regarding asbestos-containing materials (ACM) that need to be removed.
- The seller of the property has an identity of interest with the Applicant.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** June 30, 2005  
\_\_\_\_\_

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 30, 2005  
\_\_\_\_\_

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Wesleyan Retirement Homes, Georgetown, 9% HTC/HTF #05142**

| Type of Unit  | Number    | Bedrooms | 1               | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Tnt-Pd Util    | Wtr, Swr, Trsh |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| TC/HTF (30%)  | 2         | 1        | 1               | 469        | \$400           | \$349             | \$699           | \$0.74        | \$50.75        | \$44.00        |
| TC/HTF (30%)  | 4         | 1        | 1               | 530        | 400             | \$349             | 1,397           | 0.66          | 50.75          | 44.00          |
| TC/HTF (60%)  | 7         | 1        | 1               | 530        | 800             | \$575             | 4,025           | 1.08          | 50.75          | 44.00          |
| TC/HTF (60%)  | 10        | 1        | 1               | 553        | 800             | \$575             | 5,750           | 1.04          | 50.75          | 44.00          |
| TC/HTF (60%)  | 7         | 1        | 1               | 656        | 800             | \$625             | 4,375           | 0.95          | 50.75          | 44.00          |
| TC/HTF (60%)  | 14        | 1        | 1               | 628        | 800             | \$625             | 8,750           | 1.00          | 50.75          | 44.00          |
| TC/HTF (60%)  | 6         | 2        | 2               | 1,051      | 960             | \$875             | 5,250           | 0.83          | 56.75          | 52.00          |
| MR            | 1         | 2        | 2               | 1,051      |                 | 750               | 750             | 0.71          | 56.75          | 52.00          |
| <b>TOTAL:</b> | <b>51</b> |          | <b>AVERAGE:</b> | <b>648</b> | <b>\$756</b>    | <b>\$608</b>      | <b>\$30,996</b> | <b>\$0.94</b> | <b>\$51.57</b> | <b>\$45.10</b> |

**INCOME**

Total Net Rentable Sq Ft: **33,039**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
 Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                          | % OF EGI      | PER UNIT       | PER SQ FT     |
|--------------------------|---------------|----------------|---------------|
| General & Administrative | 4.89%         | \$335          | 0.52          |
| Management               | 5.00%         | 343            | 0.53          |
| Payroll & Payroll Tax    | 12.92%        | 886            | 1.37          |
| Repairs & Maintenance    | 7.46%         | 512            | 0.79          |
| Utilities                | 7.09%         | 486            | 0.75          |
| Water, Sewer, & Trash    | 9.47%         | 649            | 1.00          |
| Property Insurance       | 9.82%         | 673            | 1.04          |
| Property Tax 2.613477    | 5.72%         | 392            | 0.61          |
| Reserve for Replacements | 4.38%         | 300            | 0.46          |
| Other: compl fees        | 1.43%         | 98             | 0.15          |
| <b>TOTAL EXPENSES</b>    | <b>68.18%</b> | <b>\$4,675</b> | <b>\$7.22</b> |
| <b>NET OPERATING INC</b> | <b>31.82%</b> | <b>\$2,182</b> | <b>\$3.37</b> |

**DEBT SERVICE**

|                      |              |              |               |
|----------------------|--------------|--------------|---------------|
| JPMorganChase        | 21.30%       | \$1,461      | \$2.25        |
| HTF                  | 2.76%        | \$189        | \$0.29        |
| Additional Financing | 0.00%        | \$0          | \$0.00        |
| <b>NET CASH FLOW</b> | <b>7.76%</b> | <b>\$532</b> | <b>\$0.82</b> |

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT       |
|--------------------------------------|--------|----------------|-----------------|-----------------|
| Acquisition Cost (site or bldg)      |        | 20.09%         | \$17,647        | \$27.24         |
| Off-Sites                            |        | 0.00%          | 0               | 0.00            |
| Sitework                             |        | 1.90%          | 1,666           | 2.57            |
| Direct Construction                  |        | 42.10%         | 36,981          | 57.09           |
| Contingency 9.13%                    |        | 4.02%          | 3,529           | 5.45            |
| General Req'ts 6.00%                 |        | 2.64%          | 2,319           | 3.58            |
| Contractor's G & A 2.00%             |        | 0.88%          | 773             | 1.19            |
| Contractor's Profit 6.00%            |        | 2.64%          | 2,319           | 3.58            |
| Indirect Construction                |        | 7.54%          | 6,627           | 10.23           |
| Ineligible Costs                     |        | 1.33%          | 1,172           | 1.81            |
| Developer's G & A 2.43%              |        | 1.92%          | 1,688           | 2.61            |
| Developer's Profit 9.72%             |        | 7.68%          | 6,751           | 10.42           |
| Interim Financing                    |        | 5.25%          | 4,608           | 7.11            |
| Reserves                             |        | 2.01%          | 1,765           | 2.72            |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$87,844</b> | <b>\$135.60</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>54.17%</b>  | <b>\$47,587</b> | <b>\$73.46</b>  |

**SOURCES OF FUNDS**

|                                 |        |          |         |
|---------------------------------|--------|----------|---------|
| JPMorganChase                   | 20.31% | \$17,843 | \$27.54 |
| HTF                             | 5.58%  | \$4,902  | \$7.57  |
| Wesleyan Homes, Inc.            |        |          |         |
| HTC Syndication Proceeds        | 71.55% | \$62,857 | \$97.03 |
| Deferred Developer Fees         | 0.01%  | \$11     | \$0.02  |
| Additional (Excess) Funds Req'd | 2.54%  | \$2,231  | \$3.44  |
| <b>TOTAL SOURCES</b>            |        |          |         |

|  | TDHCA     | APPLICANT |
|--|-----------|-----------|
|  | \$371,946 | \$354,828 |
|  | 6,120     | 6,120     |
|  | 0         |           |
|  | \$378,066 | \$360,948 |
|  | (28,355)  | (27,072)  |
|  | 0         |           |
|  | \$349,711 | \$333,876 |
|  | \$17,091  | \$16,800  |
|  | 17,486    | 16,200    |
|  | 45,186    | 80,000    |
|  | 26,097    | 18,600    |
|  | 24,804    | 15,000    |
|  | 33,122    | 14,500    |
|  | 34,345    | 25,000    |
|  | 19,993    | 25,000    |
|  | 15,300    | 15,300    |
|  | 5,000     | 5,000     |
|  | \$238,423 | \$231,400 |
|  | \$111,288 | \$102,476 |
|  | \$74,494  | \$74,494  |
|  | 9,649     | 9,700     |
|  | 0         |           |
|  | \$27,145  | \$18,282  |
|  | 1.32      | 1.22      |
|  | 1.30      |           |

|                                | PER SQ FT | PER UNIT | % OF EGI |
|--------------------------------|-----------|----------|----------|
| Comptroller's Region 7         |           |          |          |
| IREM Region                    |           |          |          |
| \$10.00 Per Unit Per Month     |           |          |          |
| -7.50% of Potential Gross Rent |           |          |          |
|                                | \$0.51    | \$329    | 5.03%    |
|                                | 0.49      | 318      | 4.85%    |
|                                | 2.42      | 1,569    | 23.96%   |
|                                | 0.56      | 365      | 5.57%    |
|                                | 0.45      | 294      | 4.49%    |
|                                | 0.44      | 284      | 4.34%    |
|                                | 0.76      | 490      | 7.49%    |
|                                | 0.76      | 490      | 7.49%    |
|                                | 0.46      | 300      | 4.58%    |
|                                | 0.15      | 98       | 1.50%    |
|                                | \$7.00    | \$4,537  | 69.31%   |
|                                | \$3.10    | \$2,009  | 30.69%   |
|                                | \$2.25    | \$1,461  | 22.31%   |
|                                | \$0.29    | \$190    | 2.91%    |
|                                | \$0.00    | \$0      | 0.00%    |
|                                | \$0.55    | \$358    | 5.48%    |

|  | TDHCA       | APPLICANT   |
|--|-------------|-------------|
|  | \$900,000   | \$900,000   |
|  | 0           | 0           |
|  | 84,944      | 76,550      |
|  | 1,886,042   | 1,890,374   |
|  | 180,000     | 180,000     |
|  | 118,259     | 120,000     |
|  | 39,420      | 40,000      |
|  | 118,259     | 120,000     |
|  | 338,000     | 338,000     |
|  | 59,760      | 59,760      |
|  | 86,070      | 86,070      |
|  | 344,280     | 344,280     |
|  | 235,000     | 235,000     |
|  | 90,000      | 90,000      |
|  | \$4,480,034 | \$4,480,034 |
|  | \$2,426,924 | \$2,426,924 |

|  | PER SQ FT | PER UNIT | % of TOTAL |
|--|-----------|----------|------------|
|  | \$27.24   | \$17,647 | 20.09%     |
|  | 0.00      | 0        | 0.00%      |
|  | 2.32      | 1,501    | 1.71%      |
|  | 57.22     | 37,066   | 42.20%     |
|  | 5.45      | 3,529    | 4.02%      |
|  | 3.63      | 2,353    | 2.68%      |
|  | 1.21      | 784      | 0.89%      |
|  | 3.63      | 2,353    | 2.68%      |
|  | 10.23     | 6,627    | 7.54%      |
|  | 1.81      | 1,172    | 1.33%      |
|  | 2.61      | 1,688    | 1.92%      |
|  | 10.42     | 6,751    | 7.68%      |
|  | 7.11      | 4,608    | 5.25%      |
|  | 2.72      | 1,765    | 2.01%      |
|  | \$135.60  | \$87,844 | 100.00%    |
|  | \$73.46   | \$47,587 | 54.17%     |

**RECOMMENDED**

|  |             |             |             |                            |
|--|-------------|-------------|-------------|----------------------------|
|  | \$910,000   | \$910,000   | \$910,000   | Developer Fee Available    |
|  | 250,000     | 250,000     | 250,000     | \$430,350                  |
|  |             | 113,798     | 113,798     |                            |
|  | 3,205,682   | 3,205,682   | 3,166,119   | % of Dev. Fee Deferred     |
|  | 554         | 554         | 40,117      | 9%                         |
|  | 113,798     | 0           | 0           | 15-Yr Cumulative Cash Flow |
|  | \$4,480,034 | \$4,480,034 | \$4,480,034 | \$466,971                  |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

**Wesleyan Retirement Homes, Georgetown, 9% HTC/HTF #05142**

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$910,000 | Amort | 360  |
| Int Rate       | 7.25%     | DCR   | 1.49 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$250,000 | Amort        | 360  |
| Int Rate         | 1.00%     | Subtotal DCR | 1.32 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$113,798 | Amort         |      |
| Int Rate          |           | Aggregate DCR | 1.32 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$74,494        |
| Secondary Debt Service  | 11,089          |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$25,706</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$910,000 | Amort | 360  |
| Int Rate       | 7.25%     | DCR   | 1.49 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$250,000 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.30 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$113,798 | Amort         |      |
| 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           | \$371,946 | \$383,104 | \$394,598 | \$406,435 | \$418,628 | \$485,305 | \$562,602 | \$652,210 | \$876,515 |
| Secondary Income               | 6,120     | 6,304     | 6,493     | 6,687     | 6,888     | 7,985     | 9,257     | 10,731    | 14,422    |
| Other Support Income: (describ | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| POTENTIAL GROSS INCOME         | 378,066   | 389,408   | 401,090   | 413,123   | 425,517   | 493,290   | 571,859   | 662,941   | 890,937   |
| Vacancy & Collection Loss      | (28,355)  | (29,206)  | (30,082)  | (30,984)  | (31,914)  | (36,997)  | (42,889)  | (49,721)  | (66,820)  |
| Employee or Other Non-Rental   | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| EFFECTIVE GROSS INCOME         | \$349,711 | \$360,202 | \$371,008 | \$382,139 | \$393,603 | \$456,294 | \$528,969 | \$613,220 | \$824,117 |
| EXPENSES at 4.00%              |           |           |           |           |           |           |           |           |           |
| General & Administrative       | \$17,091  | \$17,774  | \$18,485  | \$19,225  | \$19,994  | \$24,325  | \$29,596  | \$36,008  | \$53,300  |
| Management                     | 17,486    | 18,010    | 18,550    | 19,107    | 19,680    | 22,815    | 26,448    | 30,661    | 41,206    |
| Payroll & Payroll Tax          | 45,186    | 46,993    | 48,873    | 50,828    | 52,861    | 64,314    | 78,248    | 95,200    | 140,919   |
| Repairs & Maintenance          | 26,097    | 27,141    | 28,227    | 29,356    | 30,530    | 37,144    | 45,192    | 54,982    | 81,387    |
| Utilities                      | 24,804    | 25,796    | 26,828    | 27,901    | 29,017    | 35,303    | 42,952    | 52,258    | 77,354    |
| Water, Sewer & Trash           | 33,122    | 34,447    | 35,825    | 37,258    | 38,748    | 47,143    | 57,357    | 69,783    | 103,296   |
| Insurance                      | 34,345    | 35,719    | 37,148    | 38,633    | 40,179    | 48,884    | 59,474    | 72,360    | 107,110   |
| Property Tax                   | 19,993    | 20,793    | 21,625    | 22,490    | 23,389    | 28,456    | 34,622    | 42,122    | 62,352    |
| Reserve for Replacements       | 15,300    | 15,912    | 16,548    | 17,210    | 17,899    | 21,777    | 26,495    | 32,235    | 47,715    |
| Other                          | 5,000     | 5,200     | 5,408     | 5,624     | 5,849     | 7,117     | 8,658     | 10,534    | 15,593    |
| TOTAL EXPENSES                 | \$238,423 | \$247,785 | \$257,517 | \$267,632 | \$278,146 | \$337,278 | \$409,041 | \$496,143 | \$730,233 |
| NET OPERATING INCOME           | \$111,288 | \$112,417 | \$113,492 | \$114,507 | \$115,457 | \$119,016 | \$119,928 | \$117,077 | \$93,884  |
| DEBT SERVICE                   |           |           |           |           |           |           |           |           |           |
| First Lien Financing           | \$74,494  | \$74,494  | \$74,494  | \$74,494  | \$74,494  | \$74,494  | \$74,494  | \$74,494  | \$74,494  |
| Second Lien                    | 11,089    | 11,089    | 11,089    | 11,089    | 11,089    | 11,089    | 11,089    | 11,089    | 11,089    |
| Other Financing                | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| NET CASH FLOW                  | \$25,706  | \$26,835  | \$27,910  | \$28,925  | \$29,875  | \$33,434  | \$34,346  | \$31,495  | \$8,302   |
| DEBT COVERAGE RATIO            | 1.30      | 1.31      | 1.33      | 1.34      | 1.35      | 1.39      | 1.40      | 1.37      | 1.10      |



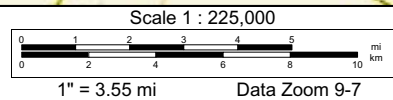
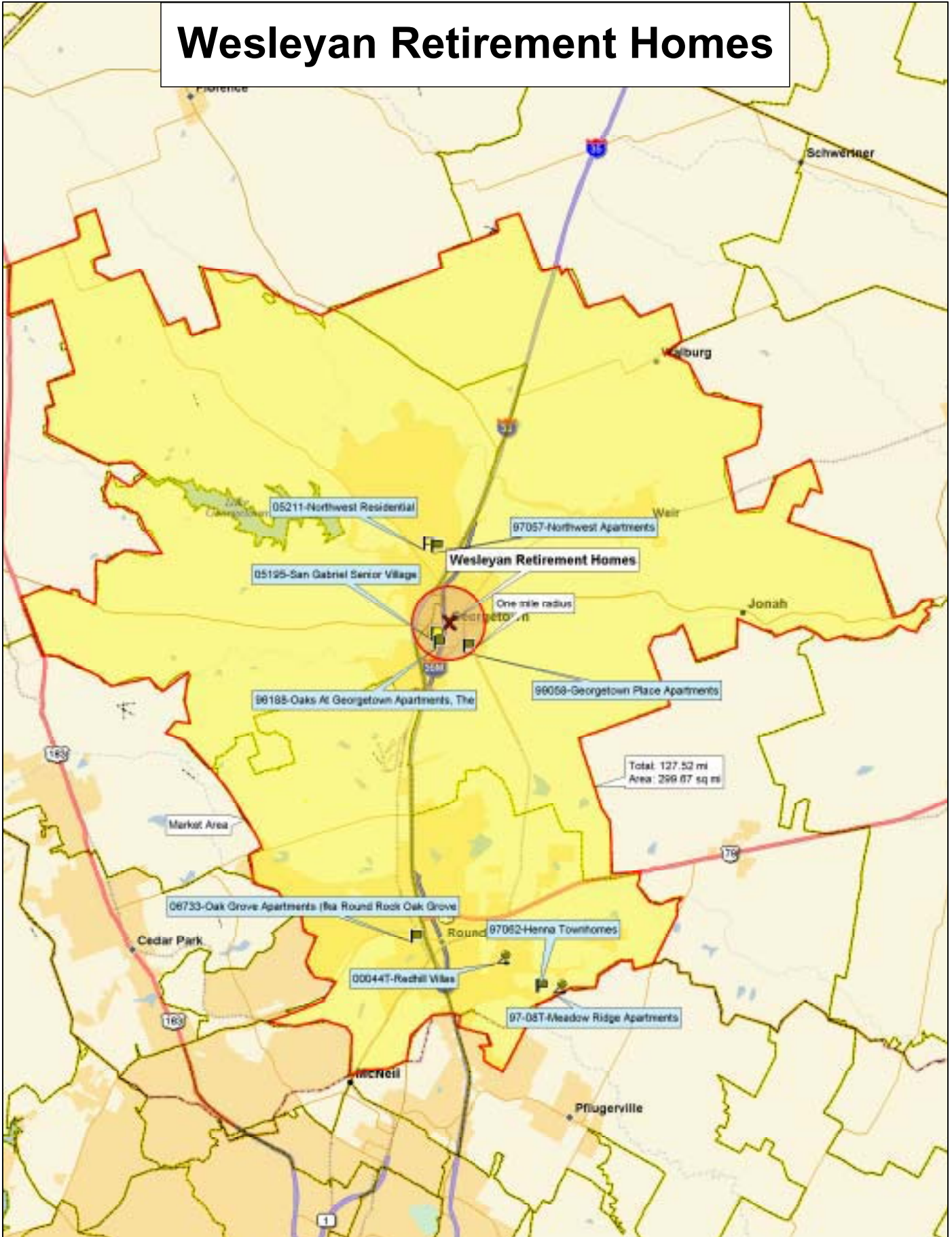
LIHTC Allocation Calculation - Wesleyan Retirement Homes, Georgetown, 9% HTC/HTF #05142

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$225,000                       | \$359,500                 |  |  |  |                                      |
| Purchase of buildings                                 | \$675,000                       | \$540,500                 | \$675,000                                    | \$540,500                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$76,550                        | \$84,944                  |  |  | \$76,550                                   | \$84,944                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$1,890,374                     | \$1,886,042               |  |  | \$1,890,374                                | \$1,886,042                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$40,000                        | \$39,420                  |  |  | \$39,338                                   | \$39,420                             |
| Contractor profit                                     | \$120,000                       | \$118,259                 |  |  | \$118,015                                  | \$118,259                            |
| General requirements                                  | \$120,000                       | \$118,259                 |  |  | \$118,015                                  | \$118,259                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |  |  |                                      |
|   | \$180,000                       | \$180,000                 |  |  | \$180,000                                  | \$180,000                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |  |  |                                      |
|   | \$338,000                       | \$338,000                 |  |  | \$338,000                                  | \$338,000                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |  |  |                                      |
|   | \$235,000                       | \$235,000                 |  |  | \$235,000                                  | \$235,000                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |  |  |                                      |
|   | \$59,760                        | \$59,760                  |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
| Developer overhead                                    | \$86,070                        | \$86,070                  |  |  | \$86,070                                   | \$86,070                             |
| Developer fee   | \$344,280                       | \$344,280                 |  |  | \$344,280                                  | \$344,280                            |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   | \$90,000                        | \$90,000                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$4,480,034</b>              | <b>\$4,480,034</b>        | <b>\$675,000</b>                             | <b>\$540,500</b>                       | <b>\$3,425,643</b>                         | <b>\$3,430,274</b>                   |

| <b>Deduct from Basis:</b>                                  |  |  |                  |                  |                    |                    |
|--|--|--|------------------|------------------|--------------------|--------------------|
| 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)             |  |  |                  |                  |                    |                    |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | <b>\$675,000</b> | <b>\$540,500</b> | <b>\$3,425,643</b> | <b>\$3,430,274</b> |
| High Cost Area Adjustment                                  |  |  |                  |                  | 130%               | 130%               |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | <b>\$675,000</b> | <b>\$540,500</b> | <b>\$4,453,336</b> | <b>\$4,459,356</b> |
| Applicable Fraction  |  |  | 97%              | 97%              | 97%                | 97%                |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | <b>\$653,528</b> | <b>\$523,306</b> | <b>\$4,311,672</b> | <b>\$4,317,500</b> |
| Applicable Percentage                                      |  |  | 3.53%            | 3.53%            | 8.10%              | 8.10%              |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | <b>\$23,070</b>  | <b>\$18,473</b>  | <b>\$349,245</b>   | <b>\$349,718</b>   |

|  |        |           |           |                    |                  |
|--|--------|-----------|-----------|--------------------|------------------|
| Syndication Proceeds                         | 0.8599 | \$198,378 | \$158,849 | \$3,003,210        | \$3,007,270      |
| <b>Total Credits (Eligible Basis Method)</b> |        |           |           | <b>\$372,315</b>   | <b>\$368,190</b> |
| Syndication Proceeds                         |        |           |           | \$3,201,588        | \$3,166,119      |
| Requested Credits                            |        |           |           | \$372,791          |                  |
| Syndication Proceeds                         |        |           |           | \$3,205,682        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        |           |           | <b>\$3,206,236</b> |                  |
| Credit Amount                                |        |           |           | \$372,855          |                  |

# Wesleyan Retirement Homes







MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Kingwood Senior Village

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Williams, District 4

[S]

Points: N/A

US Representative: Brady, District 8, NC

TX Representative: Hope, District 16

[S]

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government [ ]

Individuals/Businesses:

In Support: [0]

In Opposition: [0]

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that ineligible letters received a score of 12.

Northpark Plaza Property Owners Association, Inc., Richard A. Rice

Letter Score: [24] S or O: [S]

This association's letter was found to be eligible for QCP and was issued a score of 24. The basis for their support as reflected in their letter is: the development will contribute to the subdivision's maintenance and landscaping; the developer garnered neighborhood input on the amenities and design of the property; a senior community is a great fit for the neighborhood; the developer has an excellent reputation; the development will allow families to bring elderly family members closer to home; and shopping and medical facilities are nearby.

General Summary of Comment:

Senator Williams expressed his support for the Development as one that will be an important alternative for a growing senior population. Representative Hope expressed his support for the Development as one that will fill a community need for a supportive environment with a quality lifestyle for seniors.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment from the City of Houston in the amount of at least \$680,400 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.
3. It should be noted that points were awarded under scoring item 5A; however, the application is also eligible to receive points under 5B in the event that the funding under 5A can not be confirmed. In this case, evidence must be submitted of a commitment of eighteen (18) vouchers from The Montgomery County Housing Authority, or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). The PHA Voucher letter must either state that the applicant has gone through the competitive bid process and has obtained HUD approval or that the commitment is conditioned on through HUD's regulating process and obtaining HUD's approval. If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(B) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated. The Department will not require that the PHA have gone through the whole competitive bid process by submission of the commitment notice. However, the applicant must provide final evidence of approval due at Carryover.





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3. Receipt, review and acceptance of a commitment with terms from the City of Houston (or an alternative source including deferred developer fee) for permanent funds in the amount of \$680,400.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the tax credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 193    **# Rental Buildings:** 1    **# Non-Res. Buildings:** 0    **# of Floors:** 4    **Age:** N/A yrs    **Vacant:** N/A at / /

**Net Rentable SF:** 125,867    **Av Un SF:** 652    **Common Area SF:** 5,664    **Gross Bldg SF:** 159,280\*

\*Gross building square footage includes enclosed corridors

**STRUCTURAL MATERIALS**

The structure will be wood frame on a post-tensioned slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 80% masonry/brick veneer and 20% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, high-speed internet access, & 8-foot ceilings.

**ONSITE AMENITIES**

The community areas totaling approximately 5,664 square feet will include an activity room, management offices, fitness, a library, a kitchen, restrooms, and a computer/business center. In addition, picnic areas, a Jacuzzi, and community garden/walk trails are planned for the site.

**Uncovered Parking:** 152\* spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

\*Parking variance granted by Northpark Plaza POA, Architectural Control Committee on June 10, 2005

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Kingwood Senior Village is a 30-unit per acre new construction development of affordable housing located in Houston, Montgomery County. The development is comprised of a single, three-story residential building with two three-stop elevators. It should be noted the number of units proposed at application (189 units) was increased to 193 units by the Applicant for consistency with the architectural drawings. The Multifamily Finance Production staff will review the change and determine the effect, if any, on the score of the development and the application's priority for funding.

The site plan includes a 7,800 square foot "future amenity" center on the proposed site acreage. It is not clear if the structure will be constructed or if it is an existing building; however, the cost of constructing or rehabilitating the building does not appear to be included in the submitted cost schedule. Receipt, review and acceptance of the proposed use of this building is a condition of this report. If the use is not in direct relation to the Kingwood Senior Village development, the acquisition cost included in the total development cost estimate for this analysis may need to be revised and the recommended tax credit allocation adjusted accordingly.

**Architectural Review:** The building and unit plans appear to provide acceptable storage and access, although the Underwriter is concerned about the distance residents in the west wing may have to travel to access an elevator. The elevations reflect a simple exterior with little ornamentation.



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| SITE ISSUES  |                                     |                     |                                       |
|--|-------------------------------------|---------------------|---------------------------------------|
| SITE DESCRIPTION   |                                     |                     |                                       |
| <b>Size:</b>   | 6.5 acres                           | 283,140 square feet | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>   | N/A (City of Houston has no zoning) |                     |                                       |
| <p><small>* <b>Zones B, C, and X:</b> Areas identified in the community FIS as areas of moderate or minimal hazard from the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in the community's FIS. The failure of a local drainage system creates areas of high flood risk within these rate zones. Flood insurance is available in participating communities but is not required by regulation in these zones. (Zone X is used on new and revised maps in place of Zones B and C.) - <a href="http://www.fema.gov/">http://www.fema.gov/</a></small></p>  |                                     |                     |                                       |
| SITE and NEIGHBORHOOD CHARACTERISTICS  |                                     |                     |                                       |
| <p><b>Location:</b> The site is an irregularly-shaped parcel located in the northeastern part of Houston, approximately 21 miles from the central business district. The site is situated on the northern side of North Pines Drive.</p> <p><b>Adjacent Land Uses:</b></p> <ul style="list-style-type: none"> <li>• <b>North:</b> water facility and commercial development;</li> <li>• <b>South:</b> North Pines Drive immediately adjacent and vacant land, residential, and commercial development beyond;</li> <li>• <b>East:</b> Loop 494 immediately adjacent and vacant land beyond; and</li> <li>• <b>West:</b> wooded land immediately adjacent and US Highway 59 beyond.</li> </ul> <p><b>Site Access:</b> Access to the property is from the east or west along North Pines Drive or the north or south from Loop 494. The development is to have one main entry from the east or west from North Pines Drive. Access to US Highway 59 is adjacent, which provides connections to all other major roads serving the Houston area.</p> <p><b>Public Transportation:</b> The availability of public transportation was not identified in the application materials.</p> <p><b>Shopping &amp; Services:</b> There are numerous retail centers in the neighborhood. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.</p> <p><b>Site Inspection Findings:</b> TDHCA staff performed a site inspection on May 11, 2005 and found the location to be acceptable for the proposed development.</p>  |                                     |                     |                                       |
| HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)  |                                     |                     |                                       |
| <p>A Phase I Environmental Site Assessment report dated March 22, 2005 was prepared by The Murillo Company and contained the following findings and recommendations:</p> <p><b>Site Reconnaissance:</b></p> <ul style="list-style-type: none"> <li>• <b>Hazardous Substances:</b> “No hazardous substances or petroleum products were identified with the present or past uses of the subject property. No above or under ground storage tanks, odors, pools of liquid, drums, hazardous substance and petroleum products containers or unidentified substance containers were identified on the subject property” (p. 18).</li> <li>• <b>Radon:</b> “The Montgomery County area does not have the source material needed for radon to be produced. Contact with the Texas Environmental Quality (TCEQ), and review of EPA files indicate that radon is not considered a major problem in the Montgomery County area” (p. 18).</li> </ul> <p><b>Findings and Conclusions:</b></p> <ul style="list-style-type: none"> <li>• “Three (3) Resource Conservation &amp; Recovery Act Information System-Generator (RCRIS-GEN) sites were identified within a ½ mile radius of the subject property;</li> <li>• Three (3) Leaking Petroleum Storage Tank (LPST) sites were identified within a 1 mile radius of the subject property;</li> <li>• Four (4) Petroleum Storage Tank (PST) sites were identified within a ½ mile radius of the subject property;</li> <li>• One (1) Spills Listing (SPILLS) site was identified within a ½ mile radius of the subject property; and</li> <li>• Four (4) Industrial and Hazardous Waste (IOP) sites were identified within a ½ mile radius of the subject</li> </ul> |                                     |                     |                                       |



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property.

Based on TMC site investigation of the subject property, surrounding properties, regulatory agency records review and inquiries, interviews, and historical research, no other direct evidence was found indicated recognized environmental conditions exist at the subject property... This assessment has revealed no evidence of *Recognized Environmental Conditions* in connection with the subject property” (p. 20).

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All, but one of the units (99.5% of the total) will be reserved for low-income/elderly tenants. Twenty of the units (10%) will be reserved for households earning 30% or less of AMGI, 172 units (89%) will be reserved for households earning 60% or less of AMGI, and the remaining unit will be offered at market rent. The Applicant has requested HTF funds from the Department and anticipates restricting all units as HTF units at the same levels as the above tax credit restrictions.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$25,620        | \$29,280         | \$32,940         | \$36,600         | \$39,540         | \$42,480         |

**MARKET HIGHLIGHTS**

A market feasibility study dated March 21, 2005 was prepared by O’Conner and Associates (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** The primary market area includes zip codes 77336, 77339, 77345, 77346, 77357, 77365, and 77372 (p. 10). This area encompasses approximately 250 square miles and is equivalent to a circle with a radius of 8.9 miles.

**Population:** The estimated 2004 population of the primary market was 149,746 and is expected to increase by 13.8% to approximately 170,408 by 2009. Within the primary market area there were estimated to be 52,043 households in 2004. The Market Analyst exceeded the 100,000 population limit but not the 250,000 maximum limit; this is acceptable given the targeted seniors population.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 299 qualified households in the PMA, based on the current estimate of 52,043 households, the projected annual growth rate of 9.5% for elderly households, income-qualified renter households estimated at 3.3% of the population, age-qualified households estimated at 24%, size-appropriate households estimated at 68%, and an annual renter turnover rate of 65% (p. 70). The Market Analyst used an income band of \$10,290 to \$32,940.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 27                     | 9%                       | 9                      | 4%                       |
| Resident Turnover                                      | 185                    | 62%                      | 229                    | 96%                      |
| Other: Section 8 and Other Sources                     | 87                     | 29%                      | N/A                    | N/A                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>299</b>             | <b>100%</b>              | <b>238</b>             | <b>100%</b>              |

Ref: p. 70

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 62.76% based upon 299 units of demand and 188 unstabilized affordable housing in the PMA (including the subject) (p. 70). The Underwriter calculated an inclusive capture rate of 80.6% based upon the Applicant’s current proposal to construct 192 rent-restricted units and a revised demand for 238 units of affordable housing targeting the seniors population. Developments targeting seniors can have an inclusive capture rate of up to 100% under current Department guidelines.

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**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,473 units in the market area (p. 47).

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI/SF)</b>                  | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>1-Bedroom (30%/607 SF)</b>                | \$289           | \$275              | +\$14               | \$650              | -\$361              |
| <b>1-Bedroom (60%/607 SF)</b>                | \$632           | \$618              | +\$14               | \$650              | -\$18               |
| <b>2-Bedroom (60%/811 SF)</b>                | \$754           | \$738              | +\$16               | \$740              | +\$14               |
| <b>2-Bedroom (60%/957 SF)</b>                | \$754           | \$738              | +\$16               | \$850              | -\$96               |
| <b>2-Bedroom (MR/957 SF)</b>                 | \$836           | N/A                |                     | \$850              | -\$14               |

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

**Primary Market Occupancy Rates:** “The occupancy of the comparable rentals included in this study range from 89% to 95%, with a median occupancy of 92.80%. The average occupancy for apartment’s in the subject’s primary market area was reported at 87.38% in the most recent O’Conner & Associates Apartment Ownership Guide survey (February 2005). According to the survey, occupancy in the primary market area has remained relatively stable since September 2000. Based on our analysis of the market, moderate increases in occupancy are projected for this market” (p. 40).

**Absorption Projections:** “Absorption in the subject’s primary market area over the past twelve quarters ending February 2005 totals a positive 274 units. Absorption has been positive in all but five of the past twelve quarters. Absorption over the past three years has averaged +-23 units per quarter, with the greatest amount of absorption taking place in the Class A properties” (p. 37). “The Shorham is a 100% HTC project which reportedly leased to stabilized occupancy in less than 4 months, which equates to an average of 30 units per month. The limited amount of new product that entered the market in 2000 through 2004 was readily absorbed...Absorption was also confirmed on the following two HTC projects outside the subject primary market area. Concord at Palm Center Apartments, built in 2000, was absorbed in nine months (per leasing agent). As the Concord at Palm Center contains 360 units, this translates into +-40 units per month. Based on our research, most projects that are constructed in the Houston area typically lease up within 12 months. Pre-leasing should commence prior to the completion of the construction” (p. 38).

**Known Planned Development:** “There is currently one rent-restricted complex which is under construction (Montgomery Pines Apartments, a 224-unit HTC family project), and one family HTC project approved (Fairlake Cove Apartments, with 200 units); and no Seniors complex approved, proposed (excluding the subject property), or under construction” (p. 38).

**Market Study Analysis/Conclusions:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s potential gross rent appears to be calculated based on outdated utility allowances. The underwriting analysis includes tenant-paid rents supported by the adjusted market rents indicated in the submitted Market Study and calculated based on the current gross rent limits less the utility allowances for Montgomery County (effective March 1, 2005). The Applicant’s secondary income and vacancy and collection loss assumptions are in line with current underwriting guidelines. As a result of the outdated utility allowances, the Applicant’s effective gross income is \$33K higher than the Underwriter’s estimate, but still within 5%.

**Expenses:** The Applicant’s total annual operating expense of \$4,046 per unit is within 5% of the Underwriter’s estimate of \$3,969. The Underwriter calculated individual line item expenses based on TDHCA regional database information for developments of similar size and IREM database information. All of the Applicant’s line-item figures also appear to be comparable to the Underwriter’s estimates with the exception of repairs and maintenance (\$17K higher).

**Conclusion:** The Applicant’s income, total expense and net operating income projections each are within 5% of the Underwriter’s estimates. Therefore, the Applicant’s Year 1 proforma will be used to determine the

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development's debt service capacity and long term feasibility. Both the Applicant's and Underwriter's estimates indicate the proposed financing structure results in an initial debt coverage ratio (DCR) within the Department's current DCR guideline of 1.10 to 1.30.

| ACQUISITION VALUATION INFORMATION    |                                    |  |                        |
|--------------------------------------|------------------------------------|--|------------------------|
| ASSESSED VALUE                       |                                    |  |                        |
| <b>Land: 13.6346 acres</b>           | \$1,187,850                        | <b>Assessment for the Year of:</b>         | 2004                   |
| <b>1 acre:</b>                       | \$87,120                           | <b>Valuation by:</b>                       | City of Houston        |
| <b>Prorated Value: 6.5 acres</b>     | \$566,282                          | <b>Tax Rate:</b>                           | 3.2307                 |
| EVIDENCE of SITE or PROPERTY CONTROL |                                    |  |                        |
| <b>Type of Site Control:</b>         | Earnest Money Contract (6.5 acres) |  |                        |
| <b>Contract Expiration Date:</b>     | 11/ 3/ 2005                        | <b>Anticipated Closing Date:</b>           | 10/ 4/ 2005            |
| <b>Acquisition Cost:</b>             | \$1,500,642                        | <b>Other Terms/Conditions:</b>             | \$5.30 per square foot |
| <b>Seller:</b>                       | Parkway Investments Partners, LP   | <b>Related to Development Team Member:</b> | No                     |

| CONSTRUCTION COST ESTIMATE EVALUATION |  |
|---------------------------------------|--|
| <b>Acquisition Value:</b>             | The cost of \$7,775/unit or \$231K per acre is assumed to be reasonable since the acquisition is an arm's-length transaction.  |
| <b>Sitework Cost:</b>                 | The Applicant has estimated sitework costs of \$5,582 per unit, which is within the Department's current maximum guideline for site work costs not requiring a third party certification.  |
| <b>Direct Construction Cost:</b>      | The Applicant's direct construction cost is \$224K (3%) higher than the Underwriter's Marshall & Swift-derived estimate.   |
| <b>Fees:</b>                          | The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.   |
| <b>Conclusion:</b>                    | The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$13,283,932 supports annual tax credits of \$1,067,817. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation. |

| FINANCING STRUCTURE            |  |
|--------------------------------|--|
| INTERIM FINANCING              |  |
| <b>Source:</b>                 | National Economic Opportunity Fund, LLC  |
| <b>Contact:</b>                | James F Minge  |
| <b>Principal Amount:</b>       | \$350,000  |
| <b>Interest Rate:</b>          | AFR  |
| <b>Additional Information:</b> | 30-month interim period; although available for permanent financing, only used in interim                  |
| <b>Amortization:</b>           | 30 yrs   |
| <b>Term:</b>                   | 18 yrs   |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |

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| INTERIM to PERMANENT FINANCING   |                                       |   |                              |
|--|---------------------------------------|---|------------------------------|
| <b>Source:</b> MMA Financial   |                                       |   | <b>Contact:</b> Ryan W Luxon |
| <b>Interim Amount:</b> \$11,329,889  |                                       | <b>Interest Rate:</b> 7.5% lender's underwriting rate   |                              |
| <b>Permanent Amount:</b> \$5,103,938   |                                       | <b>Interest Rate:</b> 7.75% lender's underwriting rate  |                              |
| <b>Additional Information:</b> 24-month interim period   |                                       |   |                              |
| <b>Amortization:</b> 30 yrs  | <b>Term:</b> 18 yrs                   | <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |                              |
| <b>Annual Payment:</b> \$438,780   | <b>Lien Priority:</b> 1 <sup>st</sup> | <b>Date:</b> 02/ 28/ 2005   |                              |
| PERMANENT FINANCING  |                                       |   |                              |
| <b>Source:</b> City of Houston   |                                       |   | <b>Contact:</b> Sally Alcorn |
| <b>Principal Amount:</b> \$680,400   |                                       | <b>Interest Rate:</b> AFR   |                              |
| <b>Additional Information:</b>   |                                       |   |                              |
| <b>Amortization:</b> 30 yrs  | <b>Term:</b> 20 yrs                   | <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Application |                              |
| <b>Annual Payment:</b> Unknown   | <b>Lien Priority:</b> 3 <sup>rd</sup> | <b>Date:</b> 02/ 28/ 2005   |                              |
| TAX CREDIT SYNDICATION   |                                       |   |                              |
| <b>Source:</b> MMA Financial   |                                       |   | <b>Contact:</b> Mark George  |
| <b>Net Proceeds:</b> \$9,086,282   |                                       | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> 85¢   |                              |
| <b>Commitment:</b> <input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional  | <b>Date:</b> 02/ 28/ 2005             |   |                              |
| <b>Additional Information:</b>   |                                       |   |                              |
| APPLICANT EQUITY   |                                       |   |                              |
| <b>Amount:</b> \$100   | <b>Source:</b> Deferred Developer Fee |   |                              |
| FINANCING STRUCTURE ANALYSIS   |                                       |   |                              |
| <p><b><u>Interim to Permanent Financing:</u></b> The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The Applicant plans to receive a loan in the amount of \$680,400 at AFR from the Housing Authority of the City of Houston. Receipt, review and acceptance of a commitment with terms from the City of Houston (or an alternative source including deferred developer fees) for permanent funds in the amount of \$680,400 is a condition of this report. The Applicant also submitted a commitment from the National Economic Opportunity Fund for an interim to permanent loan in the amount of \$350,000. A letter, dated June 10, 2005 and signed by Stephan Fairfield indicates the loan will be used only for the interim period. Finally, the Applicant has applied for a \$350,000 Housing Trust Fund grant from TDHCA. The recommended terms of a HTF award based on this analysis will be discussed in the conclusion to this section (below).</p> <p><b><u>HTC Syndication:</u></b> The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The syndication rate proposed in the commitment appears low based on current credit prices. If the final syndication rate were to increase by one cent per dollar of tax credit, all else held constant, an excess of funds would exist and a reduction in recommended tax credits would be required based on the gap method of determining credits.</p> <p><b><u>Deferred Developer's Fees:</u></b> The Applicant's proposed deferred developer's fees of \$100 amount to less than 1% of the total fees.</p> <p><b><u>Financing Conclusions:</u></b> As stated above, the Applicant's cost schedule was used to calculate the development's eligible basis. The resulting tax credits are less than both the tax credits calculated based on the gap in need for permanent funds and the Applicant's request. Therefore, the recommended annual tax credit allocation is \$1,067,817. The resulting syndication proceeds indicate deferred developer fees will increase to approximately \$9,935. Deferred fees in this amount appear to be repayable from cashflow within</p> |                                       |   |                              |

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

the first year of stabilized operation.

Although the Applicant requested a Housing Trust Fund grant, the recommendation of this analysis is to structure the award as a loan at AFR, currently 4.63%, with a repayment term of 30 years. This structure is consistent with the terms proposed for the HOME funds from the City of Houston and the National Economic Opportunity Fund loan. Based on the Applicant's Year 1 proforma, the initial debt coverage ratio will be 1.15 under the recommended financing structure.

It should be noted, the development may not receive the \$680,400 loan from the City of Houston as this funding source has not been confirmed by anything other than receipt of application by the City. Should the development fail to receive HOME funds from the City, the Applicant can fill the potential gap in funds with the National Economic Opportunity Fund loan of \$350,000 and deferred developer fees of \$340,335. As a result, the Year 1 debt coverage ratio would increase to 1.20, which is still within the Department's current guideline of 1.10 to 1.30, and the timing for full repayment of the deferred fees with no interest would increase to an acceptable four years.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant and Developer are related entities. This is common relationship for HTC-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.
- Covenant Community Capital Corporation, the nonprofit owner of the General Partner, submitted an audited financial statement as of December 31, 2003 reporting total assets of \$1.7M consisting of \$78K in cash, \$374K in receivables, \$1M in restricted cash, \$148K in pledges receivable, \$29K in real property, and \$24K in other assets. Liabilities totaled \$930K, resulting in net assets of \$737K.
- The submitted letters of interest for purchase of the tax credits and interim to permanent financing do not specifically state the name of proposed guarantors.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

*Lisa Vecchietti*

**Date:** June 26, 2005

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 26, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Kingwood Senior Village, Houston, 9% HTC/HTF #05222**

| Type of Unit  | Number     | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month   | Rent per SF   | Tnt-Pd Util    | Wtr, Swr, Trsh |
|---------------|------------|----------|-----------------|------------|-----------------|-------------------|------------------|---------------|----------------|----------------|
| TC 30%        | 20         | 1        | 1               | 607        | \$343           | \$275             | \$5,500          | \$0.45        | \$68.00        | \$34.00        |
| TC 60%        | 136        | 1        | 1               | 607        | 686             | \$618             | 84,048           | 1.02          | 68.00          | 34.00          |
| TC 60%        | 29         | 2        | 1               | 811        | 823             | \$738             | 21,402           | 0.91          | 85.00          | 35.00          |
| TC 60%        | 7          | 2        | 1               | 957        | 823             | \$738             | 5,166            | 0.77          | 85.00          | 35.00          |
| MR            | 1          | 2        | 1               | 957        |                 | 836               | 836              | 0.87          | 85.00          | 35.00          |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
|               |            |          |                 |            |                 |                   |                  |               |                |                |
| <b>TOTAL:</b> | <b>193</b> |          | <b>AVERAGE:</b> | <b>652</b> | <b>\$672</b>    | <b>\$606</b>      | <b>\$116,952</b> | <b>\$0.93</b> | <b>\$71.26</b> | <b>\$34.19</b> |

**INCOME** Total Net Rentable Sq Ft: 125,867

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00

Other Support Income:

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

General & Administrative % OF EGI PER UNIT PER SQ FT

Management 5.00% 345 0.53

Payroll & Payroll Tax 13.49% 930 1.43

Repairs & Maintenance 5.50% 379 0.58

Utilities 3.46% 238 0.37

Water, Sewer, & Trash 4.47% 308 0.47

Property Insurance 2.84% 196 0.30

Property Tax 3.2307 11.72% 808 1.24

Reserve for Replacements 2.90% 200 0.31

cable, comp, sec, internet, transp 3.16% 218 0.33

**TOTAL EXPENSES** 57.58% \$3,969 \$6.09

**NET OPERATING INC** 42.42% \$2,924 \$4.48

**DEBT SERVICE**

First Lien Mortgage 32.98% \$2,273 \$3.49

City of Houston (HOME) 3.16% \$218 \$0.33

Housing Trust Fund (TDHCA) 0.00% \$0 \$0.00

**NET CASH FLOW** 6.28% \$433 \$0.66

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description Factor % of TOTAL PER UNIT PER SQ FT

Acquisition Cost (site or bldg) 10.06% \$7,775 \$11.92

Off-Sites 0.00% 0 0.00

Sitework 7.22% 5,582 8.56

Direct Construction 43.37% 33,511 51.38

Contingency 5.00% 2.53% 1,955 3.00

General Req'ts 6.00% 3.04% 2,346 3.60

Contractor's G & A 2.00% 1.01% 782 1.20

Contractor's Profit 6.00% 3.04% 2,346 3.60

Indirect Construction 6.31% 4,880 7.48

Ineligible Costs 0.98% 760 1.16

Developer's G & A 4.76% 3.60% 2,785 4.27

Developer's Profit 10.24% 7.75% 5,985 9.18

Interim Financing 9.15% 7,069 10.84

Reserves 1.94% 1,500 2.30

**TOTAL COST** 100.00% \$77,275 \$118.49

**Recap-Hard Construction Costs** 60.20% \$46,521 \$71.33

**SOURCES OF FUNDS**

First Lien Mortgage 34.22% \$26,445 \$40.55

City of Houston (HOME) 4.56% \$3,525 \$5.41

Housing Trust Fund (TDHCA) 2.35% \$1,813 \$2.78

HTC Syndication Proceeds 60.92% \$47,079 \$72.19

Deferred Developer Fees 0.00% \$1 \$0.00

Additional (Excess) Funds Req'd -2.06% (\$1,589) (\$2.44)

**TOTAL SOURCES**

**TDHCA** **APPLICANT**

\$1,403,424 \$1,436,544

34,740 34,740

0 0

\$1,438,164 \$1,471,284

(107,862) (110,352)

0 0

\$1,330,302 \$1,360,932

\$67,036 \$79,130

66,515 68,047

179,490 185,880

73,111 90,271

46,030 52,804

59,483 53,268

37,760 43,425

155,881 130,352

38,600 38,600

42,055 39,060

\$765,961 \$780,837

\$564,340 \$580,095

\$438,783 \$507,892

42,003 0

0 0

\$83,555 \$72,203

1.17 1.14

1.15

Comptroller's Region 6

IREM Region Houston

\$15.00 Per Unit Per Month

-7.50% of Potential Gross Rent

PER SQ FT PER UNIT % OF EGI

\$0.63 \$410 5.81%

0.54 353 5.00%

1.48 963 13.66%

0.72 468 6.63%

0.42 274 3.88%

0.42 276 3.91%

0.35 225 3.19%

1.04 675 9.58%

0.31 200 2.84%

0.31 202 2.87%

\$6.20 \$4,046 57.38%

\$4.61 \$3,006 42.62%

\$4.04 \$2,632 37.32%

\$0.00 \$0 0.00%

\$0.00 \$0 0.00%

\$0.57 \$374 5.31%

PER SQ FT PER UNIT % of TOTAL

\$11.92 \$7,775 9.86%

0.00 0 0.00%

8.56 5,582 7.08%

53.16 34,672 43.96%

3.09 2,013 2.55%

3.70 2,415 3.06%

1.23 805 1.02%

3.70 2,415 3.06%

7.48 4,880 6.19%

1.16 760 0.96%

4.59 2,993 3.79%

9.18 5,985 7.59%

10.84 7,069 8.96%

2.30 1,500 1.90%

\$120.93 \$78,864 100.00%

\$73.45 \$47,902 60.74%

RECOMMENDED

\$5,103,938 \$5,103,938 \$5,103,938

\$680,400 \$680,400 \$680,400

350,000 350,000 350,000

9,086,282 9,086,282 9,076,451

100 100 9,935

(306,627) 4 0

\$14,914,093 \$15,220,724 \$15,220,724

Developer Fee Available \$1,732,686

% of Dev. Fee Deferred 1%

15-Yr Cumulative Cash Flow \$2,186,037

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

**Kingwood Senior Village, Houston, 9% HTC/HTF #05222**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR   | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|----------|-------------|----------------|--------------------|
| Base Cost                              |          |             | \$43.69        | \$5,498,991        |
| <b>Adjustments</b>                     |          |             |                |                    |
| Exterior Wall Finish                   | 6.40%    |             | \$2.80         | \$351,935          |
| Elderly                                | 3.00%    |             | 1.31           | 164,970            |
| Roofing                                |          |             | 0.00           | 0                  |
| Subfloor                               |          |             | (0.81)         | (102,204)          |
| Floor Cover                            |          |             | 2.00           | 251,734            |
| Porches/Balconies                      | \$15.51  | 2868        | 0.35           | 44,483             |
| Plumbing                               | \$605    |             | 0.00           | 0                  |
| Built-In Appliances                    | \$1,650  | 193         | 2.53           | 318,450            |
| Stairs                                 | \$1,450  | 8           | 0.09           | 11,600             |
| Enclosed Corridors                     | \$33.77  | 27,749      | 7.44           | 937,053            |
| Heating/Cooling                        |          |             | 1.53           | 192,577            |
| Garages/Carports                       |          |             | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$43.69  | 5,664       | 1.97           | 247,454            |
| Elevators                              | \$63,000 | 2           | 1.00           | 126,000            |
| <b>SUBTOTAL</b>                        |          |             | <b>63.90</b>   | <b>8,043,042</b>   |
| Current Cost Multiplier                | 1.11     |             | 7.03           | 884,735            |
| Local Multiplier                       | 0.88     |             | (7.67)         | (965,165)          |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |          |             | <b>\$63.26</b> | <b>\$7,962,612</b> |
| Plans, specs, survy, bld prm           | 3.90%    |             | (\$2.47)       | (\$310,542)        |
| Interim Construction Interes           | 3.38%    |             | (2.14)         | (268,738)          |
| Contractor's OH & Profit               | 11.50%   |             | (7.28)         | (915,700)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |          |             | <b>\$51.38</b> | <b>\$6,467,631</b> |

**PAYMENT COMPUTATION**

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$5,103,938 | Amort | 360  |
| Int Rate       | 7.75%       | DCR   | 1.29 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$680,400 | Amort        | 360  |
| Int Rate         | 4.63%     | Subtotal DCR | 1.17 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$350,000 | Amort         |      |
| Int Rate          |           | Aggregate DCR | 1.17 |

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$438,783       |
| Secondary Debt Service  | 42,003          |
| Additional Debt Service | 21,606          |
| <b>NET CASH FLOW</b>    | <b>\$77,703</b> |

|                |             |       |      |
|----------------|-------------|-------|------|
| <b>Primary</b> | \$5,103,938 | Amort | 360  |
| Int Rate       | 7.75%       | DCR   | 1.32 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$680,400 | Amort        | 360  |
| Int Rate         | 4.63%     | Subtotal DCR | 1.21 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$350,000 | Amort         | 360  |
| Int Rate          | 4.63%     | Aggregate DCR | 1.15 |

**LIHTC Allocation Calculation - Kingwood Senior Village, Houston, 9% HTC/HTF #05222**

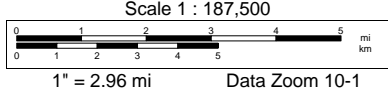
| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$1,500,642                     | \$1,500,642               |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$1,077,301                     | \$1,077,301               | \$1,077,301                                | \$1,077,301                          |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$6,691,695                     | \$6,467,631               | \$6,691,695                                | \$6,467,631                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$155,380                       | \$150,899                 | \$155,380                                  | \$150,899                            |
| Contractor profit                                     | \$466,140                       | \$452,696                 | \$466,140                                  | \$452,696                            |
| General requirements                                  | \$466,140                       | \$452,696                 | \$466,140                                  | \$452,696                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$388,450                       | \$377,247                 | \$388,450                                  | \$377,247                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$941,767                       | \$941,767                 | \$941,767                                  | \$941,767                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$1,364,374                     | \$1,364,374               | \$1,364,374                                | \$1,364,374                          |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$146,598                       | \$146,598                 |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
| Developer overhead                                    | \$577,562                       | \$537,568                 | \$577,562                                  | \$537,568                            |
| Developer fee   | \$1,155,124                     | \$1,155,124               | \$1,155,124                                | \$1,155,124                          |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$289,551                       | \$289,551                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$15,220,724</b>             | <b>\$14,914,093</b>       | <b>\$13,283,932</b>                        | <b>\$12,977,302</b>                  |

| <b>Deduct from Basis:</b>                                  |  |                     |                     |
|--|--|---------------------|---------------------|
| 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)             |  |                     |                     |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  | <b>\$13,283,932</b> | <b>\$12,977,302</b> |
| High Cost Area Adjustment                                  |  | 100%                | 100%                |
| <b>TOTAL ADJUSTED BASIS</b>                                |  | <b>\$13,283,932</b> | <b>\$12,977,302</b> |
| Applicable Fraction  |  | 99%                 | 99%                 |
| <b>TOTAL QUALIFIED BASIS</b>                               |  | <b>\$13,182,931</b> | <b>\$12,878,632</b> |
| Applicable Percentage                                      |  | 8.10%               | 8.10%               |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  | <b>\$1,067,817</b>  | <b>\$1,043,169</b>  |

|  |        |                    |                    |
|--|--------|--------------------|--------------------|
| Syndication Proceeds                         | 0.8500 | \$9,076,451        | \$8,866,941        |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$1,067,817</b> | <b>\$1,043,169</b> |
| Syndication Proceeds                         |        | \$9,076,451        | \$8,866,941        |
| Requested Credits                            |        | \$1,068,974        |                    |
| Syndication Proceeds                         |        | \$9,086,282        |                    |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$9,086,386</b> |                    |
| Credit Amount                                |        | \$1,068,986        |                    |



# Kingwood Senior Village





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Clifton Manor Apartments I and II**

BASIC DEVELOPMENT INFORMATION

Site Address: 610 S. Avenue F, 115 S. Avenue P Development #: 05236  
 City: Clifton Region: 8 Population Served: Family  
 County: Bosque Zip Code: 76634 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Clifton-Charger Properties, LP  
 Bonita Williams Phone (936) 560-2636  
 Developer: Louis Williams & Associates, Inc.  
 Housing General Contractor: Louis Williams & Associates, Inc.  
 Architect: Pat Dismukes  
 Market Analyst: N/A  
 Syndicator: Michel Associates Ltd.  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |            |                          |            |                         |             |
|----------------------------------|------------|--------------------------|------------|-------------------------|-------------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u>               | <u>60%</u> | Total Restricted Units: | 40          |
| 0                                | 0          | 40                       | 0          | Market Rate Units:      | 0           |
| Type of Building:                | Fourplex   | Owner/Employee Units:    |            |                         | 0           |
| Number of Residential Buildings: | 10         | Total Development Units: |            |                         | 40          |
|                                  |            | Total Development Cost:  |            |                         | \$1,738,790 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$120,260                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$87,046                 | \$87,000                   | 30           | 30          | 2%          |
| HOME Fund Loan Amount:          | \$602,566                | \$515,566                  | 30           | 30          | 2%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Clifton Manor Apartments I and II

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22

S

Points: N/A

US Representative: Edwards, District 17, NC

TX Representative: Orr, District 58

S

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Cole Word, County Judge, S

Jerry Golden, City Administrator, S

Individuals/Businesses:

In Support:

1

In Opposition:

0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Averitt expressed his support for the Development as one that will provide assistance in an area where current resources are limited. Representative Orr expressed his support for the Development. Local officials expressed their support for the Development as one that will provide attractive, affordable, and safe living.

There was general support from a non-official.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment for HOME funds from TDHCA in the amount of at least \$602,566 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.



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

**DATE:** June 30 , 2005

**PROGRAM:** 9% HTC

**FILE NUMBER:** 05236

**DEVELOPMENT NAME**

Clifton Manor Apartments I & II

**APPLICANT**

|                 |                                  |               |                |
|-----------------|----------------------------------|---------------|----------------|
| <b>Name:</b>    | Clifton-Charger Properties, L.P. | <b>Type:</b>  | For-profit     |
| <b>Address:</b> | 410 County Road 198              | <b>City:</b>  | Nacogdoches    |
| <b>State:</b>   | TX                               | <b>Zip:</b>   | 75965          |
| <b>Contact:</b> | Bonita Williams                  | <b>Phone:</b> | (936) 560-2636 |
| <b>Fax:</b>     | (936) 560-2636                   |               |                |

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |                                   |             |     |               |   |
|--------------|-----------------------------------|-------------|-----|---------------|---|
| <b>Name:</b> | Charger Affiliates, LLC           | <b>(%):</b> | 1.0 | <b>Title:</b> | Managing General Partner                  |
| <b>Name:</b> | Louis Williams & Associates, Inc. | <b>(%):</b> | N/A | <b>Title:</b> | Developer                                 |
| <b>Name:</b> | Bonita Williams                   | <b>(%):</b> | N/A | <b>Title:</b> | Sole member of MGP & Developer, Guarantor |
| <b>Name:</b> | Louis Williams                    | <b>(%):</b> | N/A | <b>Title:</b> | Co-Guarantor                              |

**PROPERTY LOCATION**

**Location:** 610 South Avenue F & 115 South Avenue P  QCT  **DD**  
**City:** Clifton **County:** Bosque **Zip:** 76634 **A**

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| 1) \$120,260  | N/A                  | N/A                 | N/A         |
| 2) \$515,566  | 2%                   | 30 yrs              | 30 yrs      |
| 3) \$87,000   | 2%                   | 30 yrs              | 30 yrs      |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits  
2) HOME Program loan  
3) Housing Trust Fund loan

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

**Special Purpose (s):** General Population, At-Risk, Rural, USDA-RD

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$120,124 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$515,566, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST (ALL HOME UNITS TO BE RESTRICTED AS LOW HOME UNITS), SUBJECT TO CONDITIONS.

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- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$87,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test; and
2. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan prior to carryover.
3. Receipt, review and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and reflects fully funding the USDA required reserve amount as a use of funds.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |            |                       |               |             |               |                |           |           |           |           |             |
|-------------------------|---------------|---------------------------|------------|-----------------------------|------------|-----------------------|---------------|-------------|---------------|----------------|-----------|-----------|-----------|-----------|-------------|
| <b>Total Units:</b>     | <u>40</u>     | <b># Rental Buildings</b> | <u>10</u>  | <b># Non-Res. Buildings</b> | <u>2</u>   | <b># of Floors</b>    | <u>1</u>      | <b>Age:</b> | <u>30</u> yrs | <b>Vacant:</b> | <u>3%</u> | <b>at</b> | <u>5/</u> | <u>1/</u> | <u>2005</u> |
| <b>Net Rentable SF:</b> | <u>28,120</u> | <b>Av Un SF:</b>          | <u>703</u> | <b>Common Area SF:</b>      | <u>950</u> | <b>Gross Bldg SF:</b> | <u>29,070</u> |             |               |                |           |           |           |           |             |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior wall finish is comprised of 50% brick veneer & 50% wood siding. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning.

**ONSITE AMENITIES**

A new 475-square foot community building will be constructed at each of the two sites & will include a management office, restroom, & laundry facilities. The community buildings will be located near the parking areas.

|                           |           |        |                   |          |        |                 |          |        |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>66</u> | spaces | <b>Carpports:</b> | <u>0</u> | spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|-------------------|----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Clifton Manor Apartments I and II is a 16.5-unit per acre acquisition and rehabilitation development of 40 units of affordable housing located on three sites in south Clifton. The developments were originally built as two separate properties by one developer in 1975 and are arranged as follows:

- Clifton I is located in southeast Clifton and is comprised of two half-block sites located on diagonally opposed corners of an intersection. The northwest property has three evenly distributed fourplex residential buildings as follows: one building with four one-bedroom/one-bath units and two buildings with four two-bedroom/two-bath units. The southeast property has one building with two one-bedroom/one bath units and two two-bedroom/one-bath units and two buildings with four two two-bedroom/one-bath units. 24
- Clifton II is located approximately one mile away in southwest Clifton and is comprised of four evenly distributed, garden style, fourplex residential buildings as follows: one building with four one-

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bedroom/one-bath units and three buildings with four two-bedroom/one-bath units. 16

**Existing Subsidies:** The properties currently operate under two USDA-RD project-based Rental Assistance Agreements for 15 units at Clifton I and nine units at Clifton II. These contracts were renewed by USDA-RD on January 13, 2005 and will expire on January 1, 2009. The proposed rents as reflected in the income and expense summary represent significant increases (43% and 35% for the one- and two-bedroom units, respectively) from the current USDA-RD-approved rents, and the Applicant has not yet received USDA approval for the proposed rents. Receipt, review, and acceptance of documentation from USDA-RD verifying the increase in rental rates, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** The properties are currently 97.5% occupied and in average condition, according to the appraiser. According to §49.9(f)(6)(E) of the 2005 QAP, "For developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment." No specific criterion for the age of the checklist is indicated. The TX-USDA-RHS unit-by-unit inspection in January of 2005 indicated the following items requiring attention in the event of rehabilitation: replace exterior door weatherstripping and damaged or missing door hardware and stops, recaulk exterior doors, windows, and brick/trim joints, provide mini-blinds and storm windows on all windows, replace missing window locks and closet shelves, provide grease splashes adjacent to stoves, install GFI outlets in kitchens and bathrooms, replace missing or damaged light fixtures, provide hard-wired smoke alarms, clean air conditioning ducts, and replace/repair toilet seats and float valves. The USDA checklist provided no estimate for the cost of these necessary improvements. The Applicant also provided a work write-up which includes construction of the new community buildings, foundation and flatwork repairs, accessibility enhancements, sheetrock repair, asbestos abatement, replacement of flooring, replacement of all kitchen appliances and kitchen and bathroom cabinets, replacement of all bathroom sinks, faucets, and toilets, installation of ceiling fans, and replacement of signage. A 30-year projection of future repairs was not provided, however, USDA closely monitors reserve balances and property conditions and any excess cash flow from operations must typically first go to fully fund the minimum reserve balance of 10% of the outstanding USDA loan.

Interior renovation will be completed only in vacant units. The Applicant plans to suspend leasing of vacant units upon acquisition of the property, and existing tenants will be moved to renovated units. No tenants will be permanently displaced from the property. The Applicant has forecasted a total relocation cost of \$2K, which has been included in the total development cost schedule.

**Architectural Review:** The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of a similar age. They provide acceptable access and storage.

| SITE ISSUES                   |  |                           |                                       |
|-------------------------------|--|---------------------------|---------------------------------------|
| SITE DESCRIPTION (CLIFTON I)  |  |                           |                                       |
| <b>Size:</b>                  | <u>1.43 acres</u>                        | <u>62,290 square feet</u> | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>                | <u>General Business (conforming use)</u> |                           |                                       |
| SITE DESCRIPTION (CLIFTON II) |  |                           |                                       |
| <b>Size:</b>                  | <u>1 acre</u>                            | <u>43,650 square feet</u> | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>                | <u>Local Business (conforming use)</u>   |                           |                                       |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Clifton is located in central Texas, approximately 60 miles south of Fort Worth in Bosque County. The Clifton I property consists of two rectangularly-shaped parcels, one each on the northwest and southeast corners of the intersection of Avenue F and 15<sup>th</sup> Street. The Clifton II property consists of a rectangularly-shaped parcel located on the northwest corner of the intersection of Avenue P and 7<sup>th</sup> Street. Both properties are approximately one-half mile from the central business district.

**Adjacent Land Uses:** "Surrounding land uses [for Clifton I] include a real estate office, restaurant and commercial property on the west, and residential properties on the other three sides...Surrounding land uses [for Clifton II] include a nursing home on the west and residential properties on the other three sides."

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(appraisal, p. 12)

**Site Access:** Access to the Clifton I property is from the northwest or southeast from Avenue F, with parking directly perpendicular to that street. Access to the Clifton II property is also from the northwest or southeast from Avenues P or Q. Access to State Highway 6 is adjacent to the Clifton I property and Farm Road 219 is within a block of the Clifton II property, both of which provide connections to all of Clifton as well as surrounding communities.

**Public Transportation:** Public transportation is not available in Clifton.

**Shopping & Services:** The sites are within one mile of all the facilities and services available in Clifton.

**Site Inspection Findings:** USDA-RD staff performed a site inspection on January 24, 2005 and documented a significant number of deficiencies in interior and exterior maintenance.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All of the units will be reserved for low-income households earning 50% or less of AMGI.

**MAXIMUM ELIGIBLE INCOMES**

|                   | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>50% of AMI</b> | \$16,150        | \$18,450         | \$20,750         | \$23,050         | \$24,900         | \$26,750         |

**MARKET HIGHLIGHTS**

For applications in the TX-USDA-RHS set-aside, the required appraisal is sufficient to satisfy the requirement for a market analysis and no additional market analysis is required. The Applicant submitted an "as-is" appraisal dated February 12, 2005 and prepared by Sherrill & Associates, Inc. ("Appraiser") which contained the following market information.

**Market Rent Comparables:** The Appraiser surveyed three comparable apartment properties totaling 147 units in the market area.

**RENT ANALYSIS (net tenant-paid rents)**

| <b>Unit Type (% AMI)</b> | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
|--------------------------|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>1-Bedroom (50%)</b>   | \$329           | \$326 (HOME)       | +\$3                | \$350              | -\$21               |
| <b>2-Bedroom (50%)</b>   | \$378           | \$376 (HOME)       | +\$2                | \$410              | -\$32               |

(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)

Ref: p. 34

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, stabilized, rent-restricted development that is currently 98% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.



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**OPERATING PROFORMA ANALYSIS**

**Income:** As discussed above, the Applicant's rent projections are significantly above the current USDA-RD-approved Basic Rents and will require approval by USDA-RD prior to implementation. The proposed one- and two-bedroom rents are \$3 and \$2, respectively, in excess of the maximum Low HOME rent limit, which is permissible as long as the property has a property-based rent subsidy. The subject's USDA-RD Rental Assistance Agreement fulfills this requirement. The proposed rents are \$42 and \$51 below the maximum HTC rents, and there is the potential for additional income (approximately \$23.4K) if the Applicant is able to increase rents to the maximum allowed, and 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. As a result the Applicant's effective gross income estimate is comparable to the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$2,913 per unit is 4.3% higher than the Underwriter's database- and historically-derived estimate of \$2,792 per unit for comparably-sized developments in this area. In addition, each of the Applicant's specific expense line items compare well to the Underwriter's estimates.

Although the property has had an ongoing USDA-RD replacement reserve requirement of \$5,377/year, the Applicant has increased this amount to \$17,409/year based on a recent USDA-RD requirement that replacement reserve funding equal 1% of the total development cost. The Underwriter has used a lower replacement reserve estimate of \$11,403 based on the current USDA-RD requirement plus 1% of the additional HOME and Housing Trust Fund debt. The Applicant did not include any TDHCA compliance fees; the Underwriter included \$40/unit.

**Conclusion:** Although the Applicant's income and total operating expense estimates are consistent with the Underwriter's expectations, the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE (CLIFTON I)**

|   |                        |                           |       |          |      |
|---|------------------------|---------------------------|-------|----------|------|
| <b>Land Only: 1.43 acres</b>                  | \$36,000               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Existing Buildings: "as is"</b>            | \$228,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Value of Favorable Financing</b>           | \$59,826               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Total Development: "as is"</b>             | \$264,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Appraiser:</b> Sherrill & Associates, Inc. | <b>City:</b> Arlington | <b>Phone:</b>             | (817) | 557-1791 |      |

**APPRAISED VALUE (CLIFTON II)**

|   |                        |                           |       |          |      |
|---|------------------------|---------------------------|-------|----------|------|
| <b>Land Only: 1.0 acre</b>                    | \$25,000               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Existing Buildings: "as is"</b>            | \$141,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Value of Favorable Financing:</b>          | \$17,289               | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Total Development: "as is"</b>             | \$166,000              | <b>Date of Valuation:</b> | 2/    | 10/      | 2005 |
| <b>Appraiser:</b> Sherrill & Associates, Inc. | <b>City:</b> Arlington | <b>Phone:</b>             | (817) | 557-1791 |      |

**APPRAISAL ANALYSIS/CONCLUSIONS**

The Appraiser used three comparable land sales in Clifton since February 2002 to derive the underlying land valuation of \$25,000/acre. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.

The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The sales approach was not used.

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| ASSESSED VALUE (CLIFTON I)           |   |                             |                                     |    |
|--------------------------------------|---|-----------------------------|-------------------------------------|----|
| Land: 1.43 acres                     | \$25,000                                      | Assessment for the Year of: | 2004                                |    |
| Buildings:                           | \$440,230                                     | Valuation by:               | Bosque County Appraisal District    |    |
| Total Assessed Value:                | \$465,230                                     | Tax Rate:                   | 2.3345                              |    |
| ASSESSED VALUE (CLIFTON II)          |   |                             |                                     |    |
| Land: 1.0 acres                      | \$15,000                                      | Assessment for the Year of: | 2004                                |    |
| Buildings:                           | \$280,840                                     | Valuation by:               | Bosque County Appraisal District    |    |
| Total Assessed Value:                | \$295,840                                     | Tax Rate:                   | 2.3345                              |    |
| EVIDENCE of SITE or PROPERTY CONTROL |   |                             |                                     |    |
| Type of Site Control:                | Option to purchase real property (2.43 acres) |                             |                                     |    |
| Contract Expiration Date:            | 1/ 19/ 2006                                   | Anticipated Closing Date:   | 10/ 1/ 2005                         |    |
| Acquisition Cost:                    | \$306,381                                     | Other Terms/Conditions:     | \$500 earnest money                 |    |
| Seller:                              | Statewide Investments, Inc., Nancy R. Duncan  |                             | Related to Development Team Member: | No |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price of \$306,381 is based on assumption of the outstanding balances on two existing USDA loans, accrued interest and property taxes through the proposed closing date, and \$2,050 per unit to the current owner. The sales price is significantly lower than the appraised value of \$641,200 (including the value of the USDA favorable financing), which the Applicant attributes to the motivation of the elderly seller. The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.

The Applicant's claimed acquisition eligible basis appears to be based roughly upon the appraisal's land/improvements ratio. As called for in 10TAC 1.32(e)(1)(C), the Underwriter has determined building value conservatively by using the appraised value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$245,381, or 80% of the total value of the subject property.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$450 per unit.

**Direct Construction Cost:** Per Section 49.9(f)(6)(E) of the 2005 QAP, "For Developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment [PCA]". The Applicant provided a copy of the checklist, however, as this checklist contains no cost estimation data it provides no substantiation for the Applicant's proposed direct rehabilitation costs. Therefore, the Underwriter has used the Applicant's sitework and direct construction cost estimates of \$911,087 or \$22,777/unit, which easily complies with the TDHCA minimum rehabilitation cost guideline of \$6K/unit.

The Applicant included \$10,000 in "owner's allowance" as a direct construction cost line item and explained that this was a construction contingency allowance, so the Underwriter moved it to contingency.

**Fees:** The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the \$10K reduction in direct construction costs discussed above the eligible basis portion of these fees now exceed the maximum by \$2,509 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

**Reserves:** The Applicant did not include any reserves in the cost schedule and did not include the existing reserves as a source of funds; the Underwriter has included as a cost item an amount of \$10,127 which is the fully-funded "approved level" replacement reserve amount required by the USDA-RD loan agreement. The November 2004 balance of this account was \$10,630, which indicates a slight overfunding and which should be included as a source of funds.

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**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$1,648,763 is used to estimate a credit allocation of \$120,380 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is within the HUD 221(d)(3) HOME subsidy limit of \$64,492 per unit.

| FINANCING STRUCTURE            |  |   |  |
|--------------------------------|--|---|--|
| PERMANENT FINANCING            |  |   |  |
| <b>Source:</b>                 | USDA-RD (existing)   | <b>Contact:</b>                                       | Terri Blevins  |
| <b>Principal Amount:</b>       | \$212,746  | <b>Interest Rate:</b>                                 | Subsidized to 1%   |
| <b>Additional Information:</b> | Assumption of current owner's original USDA loans at same rates & terms, original combined loan amount \$537,000 |   |  |
| <b>Amortization:</b>           | 50 yrs   | <b>Term:</b>  | 50 yrs   |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI   | <input checked="" type="checkbox"/> Firm              | <input type="checkbox"/> Conditional   |
| <b>Annual Payment:</b>         | \$15,025   | <b>Lien Priority:</b>                                 | 1st  |
|                                |  | <b>Date:</b>  | Feb 1975   |
| GRANT                          |  |   |  |
| <b>Source:</b>                 |  | <b>Contact:</b>                                       |  |
| <b>Principal Amount:</b>       | \$   | <b>Commitment:</b>                                    | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
| <b>Additional Information:</b> |  | <b>Commitment Date</b>                                | / /  |
| TAX CREDIT SYNDICATION         |  |   |  |
| <b>Source:</b>                 | Michel Associates, Ltd.  | <b>Contact:</b>                                       | Chip Holmes  |
| <b>Net Proceeds:</b>           | \$910,332  | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 76¢  |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI <input type="checkbox"/> Firm   | <input checked="" type="checkbox"/> Conditional       | <b>Date:</b> 5/ 11/ 2005   |
| <b>Additional Information:</b> | Commitment in amount of \$913,975  |   |  |
| APPLICANT EQUITY               |  |   |  |
| <b>Amount:</b>                 | (None)   | <b>Source:</b>  | N/A  |

**FINANCING STRUCTURE ANALYSIS**

**Existing USDA-RD Financing:** The Applicant intends to assume the USDA-RD loans at the existing rates and terms, although this transfer has not been approved by USDA-RD as of the date of this report. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loans is a condition of this report.

**HTC Syndication:** The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The proposed syndication rate is very low compared to syndication rates for other current transactions. Any increase in the price for tax credits will result in an excess source of funds and will, all else held constant, result in a reduction in tax credits based upon the gap of funds needed.

**Reserves:** Although not included by the Applicant, the Underwriter has used the most recent available replacement reserve balance of \$10,630 as a source of funds and a fully funding this reserve is required.

**Financing Conclusions:** Based on the Underwriter's estimate of eligible basis, the HTC allocation would not exceed \$120,380 annually for ten years, resulting in syndication proceeds of approximately \$914,793. However, the gap of funds needed results in a lower credit amount of \$120,124. Sufficient net operating income is projected to be available to service the requested HOME and Housing Trust Fund loans at the requested terms. Based on the underwriting analysis, the Applicant will not need to defer any developer fee.

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**Return on Equity:** The Applicant's projected cash flow of \$6,362 represents a very limited rate of return on the tax credit equity.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Applicant, Developer, general contractor, and property manager are all related entities. These are common relationships for HTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Louis Williams & Associates, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$204K and consisting of \$43K in cash and certificates of deposit, \$54K in receivables and prepaids, \$28K in real property, and \$79K in machinery and equipment. Liabilities totaled \$28K, resulting in a net worth of \$176K.
- The principals of the General Partner and Developer, Bonita and Louis Williams, submitted an unaudited joint financial statements as of December 31, 2004 and are anticipated to be guarantors of the development.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's proposed direct construction costs are not substantiated by a third party.
- A Phase I Environmental Site Assessment report was not available for review, and significant environmental issues may exist which could affect the feasibility of the transaction as proposed.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 30, 2005

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 30, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Clifton Manor Apartments, Clifton, 9% HTC/HOME/HTF #05236**

| Type of Unit  | Number    | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Tnt-Pd Util    | Wtr, Swr, Trsh |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| TC 50%, LH    | 10        | 1        | 1               | 574        | \$387           | \$329             | \$3,290         | \$0.57        | \$61.00        | \$21.00        |
| TC 50%, LH    | 30        | 2        | 1               | 746        | 465             | \$378             | 11,340          | 0.51          | 89.00          | 23.00          |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
| <b>TOTAL:</b> | <b>40</b> |          | <b>AVERAGE:</b> | <b>703</b> | <b>\$446</b>    | <b>\$366</b>      | <b>\$14,630</b> | <b>\$0.52</b> | <b>\$82.00</b> | <b>\$22.50</b> |

**INCOME**

Total Net Rentable Sq Ft: 28,120

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$5.00  
 Other Support Income:

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
 Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                          | % OF EGI | PER UNIT | PER SQ FT |
|--------------------------|----------|----------|-----------|
| General & Administrative | 6.69%    | \$275    | 0.39      |
| Management               | 8.57%    | 353      | 0.50      |
| Payroll & Payroll Tax    | 4.37%    | 180      | 0.26      |
| Repairs & Maintenance    | 14.24%   | 586      | 0.83      |
| Utilities                | 1.76%    | 72       | 0.10      |
| Water, Sewer, & Trash    | 7.20%    | 296      | 0.42      |
| Property Insurance       | 6.33%    | 261      | 0.37      |
| Property Tax 2.3345      | 10.79%   | 444      | 0.63      |
| Reserve for Replacements | 6.93%    | 285      | 0.41      |
| Other: compliance fees   | 0.97%    | 40       | 0.06      |

**TOTAL EXPENSES**

**NET OPERATING INC**

**DEBT SERVICE**

|                    | %      | PER UNIT | PER SQ FT |
|--------------------|--------|----------|-----------|
| Existing USDA Loan | 9.13%  | \$376    | \$0.53    |
| TDHCA HOME Loan    | 13.89% | \$572    | \$0.81    |
| HTF Loan           | 2.34%  | \$96     | \$0.14    |

**NET CASH FLOW**

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 17.62%         | \$7,660         | \$10.90        |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 1.04%          | 450             | 0.64           |
| Direct Construction                  |        | 51.36%         | 22,327          | 31.76          |
| Contingency                          | 1.10%  | 0.58%          | 250             | 0.36           |
| General Req'ts                       | 6.00%  | 3.14%          | 1,367           | 1.94           |
| Contractor's G & A                   | 2.00%  | 1.05%          | 456             | 0.65           |
| Contractor's Profit                  | 6.00%  | 3.14%          | 1,367           | 1.94           |
| Indirect Construction                |        | 7.50%          | 3,262           | 4.64           |
| Ineligible Costs                     |        | 1.04%          | 450             | 0.64           |
| Developer's G & A                    | 2.00%  | 1.65%          | 717             | 1.02           |
| Developer's Profit                   | 13.00% | 10.72%         | 4,662           | 6.63           |
| Interim Financing                    |        | 0.58%          | 250             | 0.36           |
| Reserves                             |        | 0.58%          | 253             | 0.36           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$43,470</b> | <b>\$61.83</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>60.31%</b>  | <b>\$26,216</b> | <b>\$37.29</b> |

**SOURCES OF FUNDS**

|                                 | %      | PER UNIT | PER SQ FT |
|---------------------------------|--------|----------|-----------|
| Existing USDA Loan              | 12.90% | \$5,610  | \$7.98    |
| TDHCA HOME Loan                 | 29.65% | \$12,889 | \$18.33   |
| HTF Loan                        | 5.00%  | \$2,175  | \$3.09    |
| Existing Reserves               | 0.00%  | \$0      | \$0.00    |
| HTC Syndication Proceeds        | 52.56% | \$22,849 | \$32.50   |
| Deferred Developer Fees         | 0.00%  | \$0      | \$0.00    |
| Additional (Excess) Funds Req'd | -0.12% | (\$53)   | (\$0.08)  |
| <b>TOTAL SOURCES</b>            |        |          |           |

|  | TDHCA     | APPLICANT | Comptroller's Region |                         |
|--|-----------|-----------|----------------------|-------------------------|
|  | \$175,560 | \$175,560 | 8                    | IREM Region             |
|  | 2,400     | 2,400     | \$5.00               | Per Unit Per Month      |
|  | 0         | 0         |                      |                         |
|  | \$177,960 | \$177,960 |                      |                         |
|  | (13,347)  | (13,344)  | -7.50%               | of Potential Gross Rent |
|  | 0         | 0         |                      |                         |
|  | \$164,613 | \$164,616 |                      |                         |
|  |           |           | PER SQ FT            | PER UNIT                |
|  | \$11,006  | \$8,860   | \$0.32               | \$222                   |
|  | 14,100    | 15,840    | 0.56                 | 396                     |
|  | 7,200     | 7,200     | 0.26                 | 180                     |
|  | 23,441    | 25,650    | 0.91                 | 641                     |
|  | 2,897     | 2,100     | 0.07                 | 53                      |
|  | 11,856    | 13,500    | 0.48                 | 338                     |
|  | 10,424    | 10,286    | 0.37                 | 257                     |
|  | 17,767    | 15,661    | 0.56                 | 392                     |
|  | 11,403    | 17,409    | 0.62                 | 435                     |
|  | 1,600     | 0         | 0.00                 | 0                       |
|  | \$111,693 | \$116,506 | \$4.14               | \$2,913                 |
|  | \$52,920  | \$48,110  | \$1.71               | \$1,203                 |
|  | \$15,024  | \$15,024  | \$0.53               | \$376                   |
|  | 22,868    | 26,724    | \$0.95               | \$668                   |
|  | 3,859     | 0         | \$0.00               | \$0                     |
|  | \$11,169  | \$6,362   | \$0.23               | \$159                   |
|  | 1.27      | 1.15      |                      |                         |
|  | 1.27      |           |                      |                         |

|  | TDHCA       | APPLICANT   | PER SQ FT | PER UNIT | % of TOTAL |
|--|-------------|-------------|-----------|----------|------------|
|  | \$306,381   | \$306,381   | \$10.90   | \$7,660  | 17.66%     |
|  | 0           | 0           | 0.00      | 0        | 0.00%      |
|  | 18,000      | 18,000      | 0.64      | 450      | 1.04%      |
|  | 893,087     | 893,087     | 31.76     | 22,327   | 51.48%     |
|  | 10,000      | 10,000      | 0.36      | 250      | 0.58%      |
|  | 54,665      | 55,265      | 1.97      | 1,382    | 3.19%      |
|  | 18,222      | 18,422      | 0.66      | 461      | 1.06%      |
|  | 54,665      | 55,265      | 1.97      | 1,382    | 3.19%      |
|  | 130,469     | 130,469     | 4.64      | 3,262    | 7.52%      |
|  | 18,000      | 18,000      | 0.64      | 450      | 1.04%      |
|  | 28,690      | 0           | 0.00      | 0        | 0.00%      |
|  | 186,484     | 220,033     | 7.82      | 5,501    | 12.68%     |
|  | 10,000      | 10,000      | 0.36      | 250      | 0.58%      |
|  | 10,127      | 0           | 0.00      | 0        | 0.00%      |
|  | \$1,738,790 | \$1,734,922 | \$61.70   | \$43,373 | 100.00%    |
|  | \$1,048,639 | \$1,050,039 | \$37.34   | \$26,251 | 60.52%     |

|  | TDHCA       | APPLICANT   | RECOMMENDED |                            |
|--|-------------|-------------|-------------|----------------------------|
|  | \$224,381   | \$224,381   | \$212,746   | Developer Fee Available    |
|  | 515,566     | 515,566     | 515,566     | \$214,273                  |
|  | 87,000      | 87,000      | 87,000      |                            |
|  | 0           | 0           | 10,630      |                            |
|  | 913,975     | 913,975     | 912,848     | % of Dev. Fee Deferred     |
|  | 0           | 0           |             | 0%                         |
|  | (2,132)     | (6,000)     | 0           | 15-Yr Cumulative Cash Flow |
|  | \$1,738,790 | \$1,734,922 | \$1,738,790 | \$216,386                  |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Clifton Manor Apartments, Clifton, 9% HTC/HOME/HTF #05236**

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$537,700 | Amort | 600  |
| Int Rate       | 1.00%     | DCR   | 3.52 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$515,566 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.40 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$87,000 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.27 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$15,024        |
| Secondary Debt Service  | 22,868          |
| Additional Debt Service | 3,859           |
| <b>NET CASH FLOW</b>    | <b>\$11,169</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$537,700 | Amort | 600  |
| Int Rate       | 1.00%     | DCR   | 3.52 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$515,566 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.40 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$87,000 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.27 |

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

| INCOME at 3.00%               | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | YEAR 10          | YEAR 15          | YEAR 20          | YEAR 30          |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT          | \$175,560        | \$180,827        | \$186,252        | \$191,839        | \$197,594        | \$229,066        | \$265,550        | \$307,846        | \$413,719        |
| Secondary Income              | 2,400            | 2,472            | 2,546            | 2,623            | 2,701            | 3,131            | 3,630            | 4,208            | 5,656            |
| Contractor's Profit           | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME        | 177,960          | 183,299          | 188,798          | 194,462          | 200,296          | 232,197          | 269,180          | 312,054          | 419,374          |
| Vacancy & Collection Loss     | (13,344)         | (13,747)         | (14,160)         | (14,585)         | (15,022)         | (17,415)         | (20,189)         | (23,404)         | (31,453)         |
| Developer's G & A             | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$164,616</b> | <b>\$169,551</b> | <b>\$174,638</b> | <b>\$179,877</b> | <b>\$185,273</b> | <b>\$214,783</b> | <b>\$248,992</b> | <b>\$288,650</b> | <b>\$387,921</b> |
| EXPENSES at 4.00%             |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| General & Administrative      | \$8,860          | \$9,214          | \$9,583          | \$9,966          | \$10,365         | \$12,611         | \$15,343         | \$18,667         | \$27,631         |
| Management                    | 15,840           | 16314.9027       | 16804.34975      | 17308.48024      | 17827.73465      | 20667.23058      | 23958.9846       | 27775.02969      | 37327.31734      |
| Payroll & Payroll Tax         | 7,200            | 7,488            | 7,788            | 8,099            | 8,423            | 10,248           | 12,468           | 15,169           | 22,454           |
| Repairs & Maintenance         | 25,650           | 26,676           | 27,743           | 28,853           | 30,007           | 36,508           | 44,418           | 54,041           | 79,993           |
| Utilities                     | 2,100            | 2,184            | 2,271            | 2,362            | 2,457            | 2,989            | 3,637            | 4,424            | 6,549            |
| Water, Sewer & Trash          | 13,500           | 14,040           | 14,602           | 15,186           | 15,793           | 19,215           | 23,378           | 28,442           | 42,102           |
| Insurance                     | 10,286           | 10,697           | 11,125           | 11,570           | 12,033           | 14,640           | 17,812           | 21,671           | 32,078           |
| Property Tax                  | 15,661           | 16,287           | 16,939           | 17,616           | 18,321           | 22,290           | 27,120           | 32,995           | 48,841           |
| Reserve for Replacements      | 17,409           | 18,105           | 18,830           | 19,583           | 20,366           | 24,778           | 30,147           | 36,678           | 54,293           |
| Other                         | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                |
| <b>TOTAL EXPENSES</b>         | <b>\$116,506</b> | <b>\$121,008</b> | <b>\$125,685</b> | <b>\$130,544</b> | <b>\$135,593</b> | <b>\$163,946</b> | <b>\$198,280</b> | <b>\$239,863</b> | <b>\$351,269</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$48,110</b>  | <b>\$48,544</b>  | <b>\$48,953</b>  | <b>\$49,333</b>  | <b>\$49,681</b>  | <b>\$50,836</b>  | <b>\$50,712</b>  | <b>\$48,787</b>  | <b>\$36,652</b>  |
| DEBT SERVICE                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| First Lien Financing          | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         | \$15,024         |
| Second Lien                   | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           | 22,868           |
| Other Financing               | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            | 3,859            |
| <b>NET CASH FLOW</b>          | <b>\$6,360</b>   | <b>\$6,793</b>   | <b>\$7,203</b>   | <b>\$7,583</b>   | <b>\$7,930</b>   | <b>\$9,086</b>   | <b>\$8,962</b>   | <b>\$7,036</b>   | <b>(\$5,099)</b> |
| DEBT COVERAGE RATIO           | 1.15             | 1.16             | 1.17             | 1.18             | 1.19             | 1.22             | 1.21             | 1.17             | 0.88             |

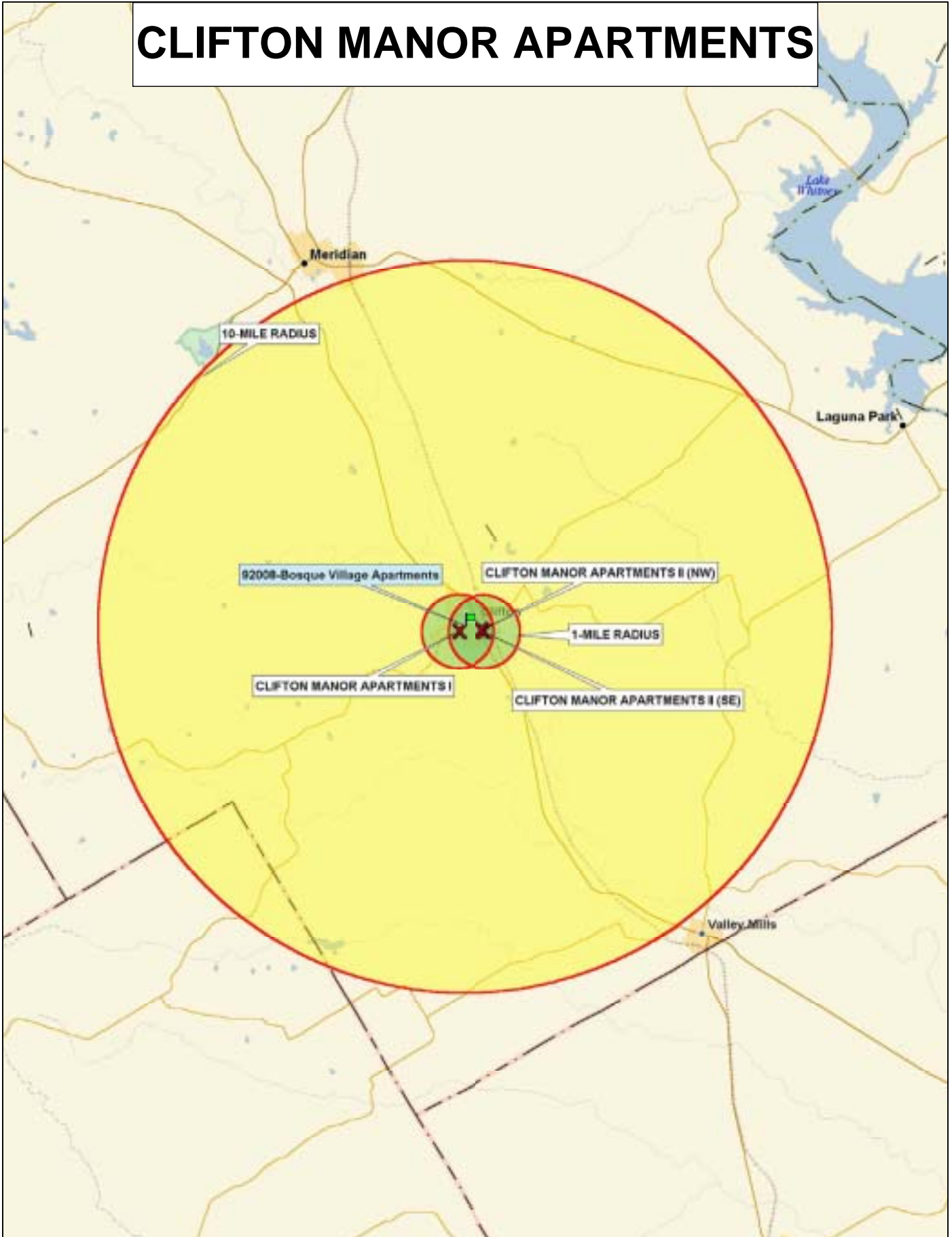
LIHTC Allocation Calculation - Clifton Manor Apartments, Clifton, 9% HTC/HOME/HTF #05236

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$36,000                        | \$61,000                  |  |  |  |                                      |
| Purchase of buildings                                 | \$270,381                       | \$245,381                 | \$270,381                                    | \$245,381                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$18,000                        | \$18,000                  |  |  | \$18,000                                   | \$18,000                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$893,087                       | \$893,087                 |  |  | \$893,087                                  | \$893,087                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$18,422                        | \$18,222                  |  |  | \$18,222                                   | \$18,222                             |
| Contractor profit                                     | \$55,265                        | \$54,665                  |  |  | \$54,665                                   | \$54,665                             |
| General requirements                                  | \$55,265                        | \$54,665                  |  |  | \$54,665                                   | \$54,665                             |
| <b>(5) Contingencies</b>                              | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(6) Eligible Indirect Fees</b>                     | \$130,469                       | \$130,469                 | \$6,000                                      | \$6,000                                | \$124,469                                  | \$124,469                            |
| <b>(7) Eligible Financing Fees</b>                    | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(8) All Ineligible Costs</b>                       | \$18,000                        | \$18,000                  |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
| Developer overhead                                    |                                 | \$28,690                  |  | \$41,457                               | \$36,807                                   | \$177,466                            |
| Developer fee   | \$220,033                       | \$186,484                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   |                                 | \$10,127                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | \$1,734,922                     | \$1,738,790               | \$317,838                                    | \$288,188                              | \$1,360,574                                | \$1,360,574                          |

| <b>Deduct from Basis:</b>                                  |  |  |           |           |             |             |
|--|--|--|-----------|-----------|-------------|-------------|
| 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)             |  |  |           |           |             |             |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$317,838 | \$288,188 | \$1,360,574 | \$1,360,574 |
| High Cost Area Adjustment                                  |  |  |           |           | 100%        | 100%        |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$317,838 | \$288,188 | \$1,360,574 | \$1,360,574 |
| Applicable Fraction  |  |  | 100%      | 100%      | 100%        | 100%        |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$317,838 | \$288,188 | \$1,360,574 | \$1,360,574 |
| Applicable Percentage                                      |  |  | 3.53%     | 3.53%     | 8.10%       | 8.10%       |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$11,220  | \$10,173  | \$110,207   | \$110,207   |

|  |        |          |          |           |           |
|--|--------|----------|----------|-----------|-----------|
| Syndication Proceeds                         | 0.7599 | \$85,261 | \$77,307 | \$837,486 | \$837,486 |
| <b>Total Credits (Eligible Basis Method)</b> |        |          |          | \$121,426 | \$120,380 |
| Syndication Proceeds                         |        |          |          | \$922,747 | \$914,793 |
| Requested Credits                            |        |          |          | \$120,260 |           |
| Syndication Proceeds                         |        |          |          | \$913,885 |           |
| <b>Gap of Syndication Proceeds Needed</b>    |        |          |          | \$908,980 | \$912,848 |
| Credit Amount                                |        |          |          | \$119,615 | \$120,124 |

# CLIFTON MANOR APARTMENTS







MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Bel Aire Manor Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 300 W. Otte Development #: 05237  
 City: Brady Region: 12 Population Served: Elderly  
 County: McCulloch Zip Code: 76825 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Brady-Charger Properties, LP  
 Bonita Williams Phone (936) 560-2636  
 Developer: Louis Williams & Associates, Inc.  
 Housing General Contractor: Louis Williams & Associates, Inc.  
 Architect: Pat Dismukes  
 Market Analyst: N/A  
 Syndicator: Michel Associates Ltd.  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |            |                          |            |                         |             |
|----------------------------------|------------|--------------------------|------------|-------------------------|-------------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u>               | <u>60%</u> | Total Restricted Units: | 16          |
| 0                                | 0          | 12                       | 4          | Market Rate Units:      | 0           |
| Type of Building:                | Duplex     | Owner/Employee Units:    |            |                         | 0           |
| Number of Residential Buildings: | 8          | Total Development Units: |            |                         | 16          |
|                                  |            | Total Development Cost:  |            |                         | \$1,023,603 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$61,169                 | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$51,026                 | \$51,344                   | 30           | 30          | 0%          |
| HOME Fund Loan Amount:          | \$319,808                | \$285,664                  | 30           | 30          | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Bel Aire Manor Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24

S

Points: N/A

US Representative: Conaway, District 11, NC

TX Representative: Hilderbran, District 53

S

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Clarence Fria, Mayor, N

Resolution of Support from Local Government

Nathan Davis, City Administrator, S

Individuals/Businesses: In Support: 0

In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Fraser expressed his support for the Development as one that will serve the senior citizens of Brady. Representative Hilderbran expressed his support for the Development as one that will provide safe and sanitary units for the city and will be a benefit to its residents. The City of Brady expressed its support for the Development.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment of HOME funds from TDHCA in the amount of at least \$319,808 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Bel Aire Manor Apartments**

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

9% HTC Competitive Cycle:  Score: **155**  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$285,664

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

Housing Trust Fund Loan: Loan Amount: \$51,344

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A

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

**DATE:** June 30, 2005

**PROGRAM:** 9% HTC

**FILE NUMBER:** 05237

**DEVELOPMENT NAME**

Bel Aire Manor Apartments

**APPLICANT**

**Name:** Brady-Charger Properties, L.P. **Type:** For-profit  
**Address:** 410 County Road 198 **City:** Nacogdoches **State:** TX  
**Zip:** 75965 **Contact:** Bonita Williams **Phone:** (936) 560-2636 **Fax:** (936) 560-2636

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|   |                        |  |
|---|------------------------|--|
| <b>Name:</b> <u>Charger Affiliates, LLC</u>               | <b>(%):</b> <u>1.0</u> | <b>Title:</b> <u>Managing General Partner</u>                      |
| <b>Name:</b> <u>Louis Williams &amp; Associates, Inc.</u> | <b>(%):</b> <u>N/A</u> | <b>Title:</b> <u>Developer</u>                                     |
| <b>Name:</b> <u>Bonita Williams</u>                       | <b>(%):</b> <u>N/A</u> | <b>Title:</b> <u>Sole member of MGP &amp; Developer, Guarantor</u> |
| <b>Name:</b> <u>Louis Williams</u>                        | <b>(%):</b> <u>N/A</u> | <b>Title:</b> <u>Co-Guarantor</u>                                  |

**PROPERTY LOCATION**

**Location:** 300 West Otte Street  **QCT**  **DDA**  
**City:** Brady **County:** McCulloch **Zip:** 76824

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| 1) \$61,169   | N/A                  | N/A                 | N/A         |
| 2) \$285,664  | 2%                   | 30 yrs              | 30 yrs      |
| 3) \$51,344   | 2%                   | 30 yrs              | 30 yrs      |

**Other Requested Terms:** 1) Annual ten-year allocation of housing tax credits.  
2) HOME Program loan. Original request: \$319,808  
3) Housing Trust Fund loan. Original request: \$51,026.

**Proposed Use of Funds:** Acquisition & rehabilitation **Property Type:** Multifamily

**Special Purpose (s):** Elderly, At-Risk, Rural, USDA-RD

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$60,567 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$285,664, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$51,344, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30

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

YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed changes in rental rates, prior to substantiation of the HTC 10% test;
2. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan;
3. Receipt, review and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and reflects fully funding the USDA required reserve amount as a use of funds.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |            |                       |               |             |              |                |          |            |  |
|-------------------------|---------------|---------------------------|------------|-----------------------------|------------|-----------------------|---------------|-------------|--------------|----------------|----------|------------|--|
| <b>Total Units:</b>     | <u>16</u>     | <b># Rental Buildings</b> | <u>8</u>   | <b># Non-Res. Buildings</b> | <u>1</u>   | <b># of Floors</b>    | <u>1</u>      | <b>Age:</b> | <u>2</u> yrs | <b>Vacant:</b> | <u>2</u> | at ?/ ?/ ? |  |
| <b>Net Rentable SF:</b> | <u>12,944</u> | <b>Av Un SF:</b>          | <u>809</u> | <b>Common Area SF:</b>      | <u>475</u> | <b>Gross Bldg SF:</b> | <u>13,419</u> |             |              |                |          |            |  |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior wall surfaces are comprised of 80% brick veneer & 20% wood siding. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating and air conditioning.

**ONSITE AMENITIES**

A new 475-square foot community building will be constructed which will include a management office, toilet, & laundry facilities. The community building will be located at the rear of the south tract.

|                           |           |        |                  |           |        |                 |          |        |
|---------------------------|-----------|--------|------------------|-----------|--------|-----------------|----------|--------|
| <b>Uncovered Parking:</b> | <u>32</u> | spaces | <b>Carports:</b> | <u>16</u> | spaces | <b>Garages:</b> | <u>0</u> | spaces |
|---------------------------|-----------|--------|------------------|-----------|--------|-----------------|----------|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bel Aire Manor Apartments is an 11-unit per acre acquisition and rehabilitation development of 16 units of affordable housing located in southern Brady. The development was built in 1975 and is comprised of eight evenly distributed duplex residential buildings.

**Existing Subsidies:** The property does not currently operate under any project-based subsidy, but the Applicant intends to apply for ten units of USDA-RD Rental Assistance. The Applicant's proposed rental rates represent significant increases (36% and 78% for the 50% and 60% AMI units, respectively) from the current USDA-RD-approved Basic Rent, but as of the date of this report these rents have not been approved by USDA-RD. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in the rental rate, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** As of December 2004 the buildings were 94% occupied and, according to the Appraiser, in fair to average condition. According to §49.9(f)(6)(E) of the 2005 QAP, "For developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment." No specific criterion for the age of the checklist is

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

indicated. The TX-USDA-RHS unit-by-unit inspection in January of 2005 indicated the following items requiring attention in the event of rehabilitation: replace exterior door weatherstripping and damaged or missing door hardware and stops, recaulk exterior doors, windows, and brick/trim joints, provide mini-blinds and storm windows on all windows, replace missing window locks and closet shelves, provide grease splashes adjacent to stoves, install GFI outlets in kitchens and bathrooms, replace missing or damaged light fixtures, provide hard-wired smoke alarms, clean air conditioning ducts, and replace/repair toilet seats and float valves. The USDA checklist provided no estimate for the cost of these necessary improvements. The Applicant also provided a work write-up which includes construction of the new community building, foundation and flatwork repairs, accessibility enhancements, sheetrock repair, asbestos abatement, replacement of flooring, replacement of all kitchen appliances and kitchen and bathroom cabinets, replacement of all bathroom sinks, faucets, and toilets, installation of ceiling fans, and replacement of signage. A 30-year projection of future repairs was not provided, however, USDA closely monitors reserve balances and property conditions and any excess cash flow from operations must typically first go to fully fund the minimum reserve balance of 10% of the outstanding USDA loan.

Interior renovation will be completed only in vacant units. The Applicant plans to suspend leasing of vacant units upon acquisition of the property, and existing tenants will be moved to renovated units. No tenants will be permanently displaced from the property. The Applicant has forecasted a total relocation cost of \$2K, which has been included in the total development cost schedule.

**Architectural Review:**

The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of a similar age. They appear to provide acceptable access and storage.

| SITE ISSUES      |   |                    |                                       |
|------------------|---|--------------------|---------------------------------------|
| SITE DESCRIPTION |   |                    |                                       |
| <b>Size:</b>     | 1.51 acres  | 65,776 square feet | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>   | SF-5, Single-Family Residential (non-conforming use, appraiser reports that use will be considered conforming as long as property is government-financed) |                    |                                       |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Brady is located in central Texas, approximately 100 miles northwest of Austin in McCulloch County. The site consists of two rectangularly-shaped parcels located in the southern area of the city, approximately one mile from the central business district. The two tracts are situated on the opposing north and south sides of Otte Street and are between Pine Street on the west and High Street on the east.

**Adjacent Land Uses:** The subject is surrounded by single-family residential uses on all sides.

**Site Access:** Access to the property is from the east or west along Otte Street which bisects the property or the north or south from South High Street. The development has uncovered parking directly off both sides of Otte street as well as covered parking at the rear of the tracts which is accessed by east-west alleys off of High Street. Access to U.S. Highway 377 is two blocks east, which provides connections to all other roads serving the Brady area as well as surrounding communities.

**Public Transportation:** Public transportation is not available in Brady.

**Shopping & Services:** The site is within one-half mile of a grocery/pharmacy and three miles of all the facilities and services available in Brady.

**Special Adverse Site Characteristics:** The following issue has been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The property is a legal non-conforming use under the current zoning of single-family residential, and in the case of total or partial destruction exceeding 50% of its total appraised value could not be reconstructed.

**Site Inspection Findings:** USDA-RD staff performed a site inspection on April 13, 2004 and found the location to be acceptable for the proposed rehabilitation. Although numerous repair and replacement items were noted, the only unacceptable findings were numerous inoperative smoke alarms.

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

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All of the units will be reserved for low-income elderly tenants. Thirteen of the units (82%) will be reserved for households earning 50% or less of AMGI and the remaining three units (18%) will be reserved for households earning 60% or less of AMGI.

**MAXIMUM ELIGIBLE INCOMES**

|                   | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>60% of AMI</b> | \$17,820        | \$20,340         | \$22,920         | \$25,440         | \$27,480         | \$29,520         |

**MARKET HIGHLIGHTS**

A market study report was not included, as USDA-RD financed projects are not required to submit this report, but an “as-is” appraisal dated November 7, 2004 prepared by Sherrill & Associates, Inc. (“Appraiser”) was provided which contained the following information:.

**Market Rent Comparables:** The Market Analyst surveyed three comparable apartment properties totaling 23 units in the market area.

**RENT ANALYSIS (net tenant-paid rents)**

| <b>Unit Type (% AMI)</b> | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
|--------------------------|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>2-Bedroom (50%)</b>   | \$374           | \$374 (HOME)       | \$0                 | \$380              | -\$6                |
| <b>2-Bedroom (60%)</b>   | \$492           | \$374 (HOME)       | +\$118              | \$380              | -\$112              |

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

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, stabilized, rent-restricted development that is currently +/-95% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** As discussed above, the Applicant’s rent projections are significantly above the current USDA-RD-approved Basic Rent of \$276 and will require approval by USDA-RD prior to implementation. The proposed rent of \$492 for the three 60% units is \$112 above the Appraiser’s estimated market rent of \$380, and USDA-RD approval of rents in excess of the market rent is unlikely. It is also against USDA-RD policy to have more than one rent per unit size/configuration, and as the subject’s units are all of one type the Applicant cannot use more than one rent. Furthermore, the Appraiser’s estimated market rent is \$6 in excess of the maximum Low HOME rent of \$374; therefore, the Underwriter has used the maximum Low HOME rent for all the units in this analysis. If the requested USDA-RD project-based Rental Assistance subsidy is awarded the Applicant will be able to increase rents above the Low HOME maximum rents (with USDA-RD approval). The Applicant’s estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines; the Underwriter used a vacancy and collection loss estimate of 6% in light of the property’s current occupancy rate. As a result of the difference in potential gross rental income estimates the Applicant’s effective gross income estimate is \$2,842 (4.2%) greater than the Underwriter’s

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

estimate.

**Expenses:** (NOTE: The Applicant indicated that the seller has not been able to provide historical operating expense data due to health reasons, and the Underwriter was also unable to source actual expense information from USDA-RD. Therefore, the Underwriter has used the TDHCA and IREM expense databases in estimating the subject's expenses.)

The Applicant's total expense estimate of \$2,785 per unit is less than 1% lower than the Underwriter's database-derived estimate of \$2,809 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$2.1K lower), payroll (\$3.4K lower), repairs and maintenance (\$3.2K higher), utilities (\$0.9K lower), water, sewer, and trash (\$1.6K lower), insurance (\$1.1K higher), and property tax (\$3.2K higher).

**Conclusion:** Although the Applicant's income and total operating expense estimates are consistent with the Underwriter's expectations, the Applicant's net operating income (NOI) estimate 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 anticipated rental income, the Underwriter's estimated debt coverage ratio (DCR) of 0.92 is significantly less than the program minimum standard of 1.10. Therefore, the debt service for this development should be limited to the maximum extent possible.

| ACQUISITION VALUATION INFORMATION  |                                  |                                    |                                     |                                  |   |
|--|----------------------------------|------------------------------------|-------------------------------------|----------------------------------|---|
| APPRAISED VALUE  |                                  |                                    |                                     |                                  |   |
| Land Only: 1.51 acres  | \$36,000                         | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| Existing Buildings: "as is"  | \$229,340                        | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| Value of Favorable Financing:  | \$123,660                        | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| Total Development: "as is"   | \$353,000                        | <b>Date of Valuation:</b>          | 10/                                 | 25/                              | 2004  |
| <b>Appraiser:</b> Sherrill & Associates, Inc.  | <b>City:</b> Arlington           | <b>Phone:</b>                      | (817)                               | 557-1791                         |   |
| APPRAISAL ANALYSIS/CONCLUSIONS   |                                  |                                    |                                     |                                  |   |
| The Appraiser used four comparable land sales in Brady since February 2003 to derive the underlying land valuation of \$0.55/square foot. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value. |                                  |                                    |                                     |                                  |   |
| The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The sales approach was not used.  |                                  |                                    |                                     |                                  |   |
| ASSESSED VALUE   |                                  |                                    |                                     |                                  |   |
| <b>Land:</b>   | \$30,360                         | <b>Assessment for the Year of:</b> | 2004                                |                                  |   |
| <b>Buildings:</b>  | \$128,010                        | <b>Valuation by:</b>               | McCulloch County Appraisal District |                                  |   |
| <b>Total Assessed Value:</b>   | \$158,370                        | <b>Tax Rate:</b>                   | 2.498301                            |                                  |   |
| EVIDENCE of SITE or PROPERTY CONTROL   |                                  |                                    |                                     |                                  |   |
| <b>Type of Site Control:</b>   | Option to purchase real property |                                    |                                     |                                  |   |
| <b>Contract Expiration Date:</b>   | 1/                               | 12/                                | 2006                                | <b>Anticipated Closing Date:</b> | 10/ 31/ 2005                                  |
| <b>Acquisition Cost:</b>   | \$351,000                        |                                    |                                     | <b>Other Terms/Conditions:</b>   | \$500 earnest money                           |
| <b>Seller:</b> Gilbert Theriot   |                                  |                                    |                                     |                                  | <b>Related to Development Team Member:</b> No |

| CONSTRUCTION COST ESTIMATE EVALUATION   |
|---|
| <b>Acquisition Value:</b> The acquisition price of \$351,000 is based on assumption of the outstanding balances on two existing USDA loans, accrued interest and property taxes through the proposed closing date, and the remainder in equity to the current owner. An attachment to the contract estimated this equity transfer to be \$132,049. The sales price is substantiated by the appraised value of \$353,000 (including the value of the |



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

USDA favorable financing). The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.

The Applicant claimed acquisition eligible basis based upon the appraised land value of \$36,000 subtracted from the purchase price. The Underwriter has used the most conservative building value approach of using the appraised value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$315,000, or 90% of the total value of the subject property.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,842 per unit.

**Direct Construction Cost:** Per Section 49.9(f)(6)(E) of the 2005 QAP, "For Developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment [PCA]". The Applicant provided a copy of the checklist, however, as this checklist contains no cost estimation data it provides no substantiation for the Applicant's proposed direct rehabilitation costs. Therefore, the Underwriter has used the Applicant's direct construction cost estimate of \$364,541 or \$22,784/unit, which easily complies with the TDHCA minimum rehabilitation cost guideline of \$6K/unit.

The Applicant included \$10,000 in "owner's allowance" as a direct construction cost line item and explained that this was a construction contingency allowance, so the Underwriter has moved it to contingency allowance.

**Fees:** The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the \$10K reduction in direct construction costs discussed above the eligible basis portion of these fees now exceed the maximum by \$1,610 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

**Reserves:** The Applicant did not include any reserves in the cost schedule and did not include the existing reserves as a source of funds; the Underwriter has included as a cost item an amount of \$8,140 which is the fully-funded "approved level" replacement reserve amount required by the USDA-RD loan agreement. The March 2005 balance of this account was \$9,629, which should be included as a source of funds.

**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$969,222 is used to estimate a credit allocation of \$61,815 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

| FINANCING STRUCTURE            |  |   |  |
|--------------------------------|--|---|--|
| <b>PERMANENT FINANCING</b>     |  |   |  |
| <b>Source:</b>                 | USDA-RD (2 existing loans)                                 |   | <b>Contact:</b> Mary Graves  |
| <b>Original Amount:</b>        | \$203,700  | <b>Interest Rate:</b>                                 | Subsidized to 1%   |
| <b>Current Balance:</b>        | \$216,663*   |   |  |
| <b>Additional Information:</b> | *Reamortized   |   |  |
| <b>Amortization:</b>           | 50 yrs   | <b>Term:</b>  | 50 yrs <b>Commitment:</b> <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| <b>Annual Payment:</b>         | \$10,504   | <b>Lien Priority:</b>                                 | 1st <b>Date:</b> 1975  |
| <b>TAX CREDIT SYNDICATION</b>  |  |   |  |
| <b>Source:</b>                 | Michel Associates, Ltd.                                    |   | <b>Contact:</b> Chip Holmes  |
| <b>Net Proceeds:</b>           | \$464,881  | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> | 76¢  |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI <input type="checkbox"/> Firm | <input checked="" type="checkbox"/> Conditional       | <b>Date:</b> 5/ 11/ 2005   |
| <b>Additional Information:</b> |  |   |  |



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

- The proposed transfer has not been approved by USDA-RD.
- The project-based rent subsidy to be requested by the Applicant may not be awarded.
- The Applicant's proposed direct construction costs are not substantiated by a third party.
- A Phase I Environmental Site Assessment report was not available for review, and significant environmental issues may exist which could affect the feasibility of the transaction as proposed.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 30, 2005  
\_\_\_\_\_

**Director of Real Estate Analysis:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** June 30, 2005  
\_\_\_\_\_

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Bel Aire Manor Apartments, Brady, 9% HTC #05237**

| 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 |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|----------------|---------------|----------------|----------------|
| LH, TC 50%    | 13        | 2        | 1               | 809        | \$454           | \$374             | \$4,862        | \$0.46        | \$80.00        | \$21.50        |
| LH, TC 60%    | 3         | 2        | 1               | 809        | 454             | \$374             | 1,122          | 0.46          | 80.00          | 21.50          |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
| <b>TOTAL:</b> | <b>16</b> |          | <b>AVERAGE:</b> | <b>809</b> | <b>\$454</b>    | <b>\$374</b>      | <b>\$5,984</b> | <b>\$0.46</b> | <b>\$80.00</b> | <b>\$21.50</b> |

**INCOME** Total Net Rentable Sq Ft: 12,944

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00

Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -6.00%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

| TDHCA    | APPLICANT |
|----------|-----------|
| \$71,808 | \$76,056  |
| 960      | 960       |
| 0        | 0         |
| \$72,768 | \$77,016  |
| (4,366)  | (5,772)   |
| 0        | 0         |
| \$68,402 | \$71,244  |

Comptroller's Region 12

IREM Region

Per Unit Per Month

-7.49% of Potential Gross Rent

**EXPENSES**

|                          | % OF EGI      | PER UNIT       | PER SQ FT     |
|--------------------------|---------------|----------------|---------------|
| General & Administrative | 5.86%         | \$250          | 0.31          |
| Management               | 8.31%         | 355            | 0.44          |
| Payroll & Payroll Tax    | 11.93%        | 510            | 0.63          |
| Repairs & Maintenance    | 8.54%         | 365            | 0.45          |
| Utilities                | 3.88%         | 166            | 0.20          |
| Water, Sewer, & Trash    | 5.84%         | 250            | 0.31          |
| Property Insurance       | 3.60%         | 154            | 0.19          |
| Property Tax 2.498301    | 8.15%         | 349            | 0.43          |
| Reserve for Replacements | 8.77%         | 375            | 0.46          |
| Other: compliance fees   | 0.94%         | 40             | 0.05          |
| <b>TOTAL EXPENSES</b>    | <b>65.81%</b> | <b>\$2,814</b> | <b>\$3.48</b> |
| <b>NET OPERATING INC</b> | <b>34.19%</b> | <b>\$1,462</b> | <b>\$1.81</b> |

|  | PER SQ FT | PER UNIT | % OF EGI |
|--|-----------|----------|----------|
|  | 68,376    |          |          |
|  | \$1,900   | \$119    | 2.67%    |
|  | 6,336     | 396      | 8.89%    |
|  | 4,800     | 300      | 6.74%    |
|  | 9,000     | 563      | 12.63%   |
|  | 1,800     | 113      | 2.53%    |
|  | 2,400     | 150      | 3.37%    |
|  | 3,600     | 225      | 5.05%    |
|  | 8,728     | 546      | 12.25%   |
|  | 6,000     | 375      | 8.42%    |
|  | 0         | 0        | 0.00%    |
|  | \$44,564  | \$2,785  | 62.55%   |
|  | \$26,680  | \$1,668  | 37.45%   |

**DEBT SERVICE**

| Existing USDA Loan                     | 15.36%        | \$657          | \$0.81          |             |
|--|---------------|----------------|-----------------|-------------|
| TDHCA HOME Loan                        | 18.52%        | \$792          | \$0.98          |             |
| TDHCA HTF Loan                         | 3.33%         | \$142          | \$0.18          |             |
| <b>NET CASH FLOW</b>                   | <b>-3.02%</b> | <b>(\$129)</b> | <b>(\$0.16)</b> |             |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>   |               |                |                 | <b>0.92</b> |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b> |               |                |                 | <b>1.08</b> |

| TDHCA            | APPLICANT      | PER SQ FT     | PER UNIT     | % OF EGI     |
|------------------|----------------|---------------|--------------|--------------|
| \$10,504         | \$10,500       | \$0.81        | \$656        | 14.74%       |
| 12,670           | 11,026         | \$0.85        | \$689        | 15.48%       |
| 2,277            | 1,982          | \$0.15        | \$124        | 2.78%        |
| <b>(\$2,068)</b> | <b>\$3,172</b> | <b>\$0.25</b> | <b>\$198</b> | <b>4.45%</b> |

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 34.29%         | \$21,938        | \$27.12        |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 2.88%          | 1,842           | 2.28           |
| Direct Construction                  |        | 35.61%         | 22,784          | 28.16          |
| Contingency 2.54%                    |        | 0.98%          | 625             | 0.77           |
| General Req'ts 6.00%                 |        | 2.31%          | 1,478           | 1.83           |
| Contractor's G & A 2.00%             |        | 0.77%          | 493             | 0.61           |
| Contractor's Profit 6.00%            |        | 2.31%          | 1,478           | 1.83           |
| Indirect Construction                |        | 6.25%          | 4,001           | 4.95           |
| Ineligible Costs                     |        | 0.96%          | 612             | 0.76           |
| Developer's G & A 2.00%              |        | 1.65%          | 1,054           | 1.30           |
| Developer's Profit 13.00%            |        | 10.71%         | 6,851           | 8.47           |
| Interim Financing                    |        | 0.49%          | 313             | 0.39           |
| Reserves                             |        | 0.80%          | 509             | 0.63           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$63,975</b> | <b>\$79.08</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>44.86%</b>  | <b>\$28,699</b> | <b>\$35.47</b> |

| TDHCA              | APPLICANT          | PER SQ FT      | PER UNIT        | % of TOTAL     |
|--------------------|--------------------|----------------|-----------------|----------------|
| \$351,000          | \$351,000          | \$27.12        | \$21,938        | 34.50%         |
| 0                  | 0                  | 0.00           | 0               | 0.00%          |
| 29,478             | 29,478             | 2.28           | 1,842           | 2.90%          |
| 364,541            | 364,541            | 28.16          | 22,784          | 35.83%         |
| 10,000             | 10,000             | 0.77           | 625             | 0.98%          |
| 23,641             | 24,241             | 1.87           | 1,515           | 2.38%          |
| 7,880              | 8,080              | 0.62           | 505             | 0.79%          |
| 23,641             | 24,241             | 1.87           | 1,515           | 2.38%          |
| 64,011             | 64,011             | 4.95           | 4,001           | 6.29%          |
| 9,791              | 9,791              | 0.76           | 612             | 0.96%          |
| 16,864             | 0                  | 0.00           | 0               | 0.00%          |
| 109,615            | 127,139            | 9.82           | 7,946           | 12.49%         |
| 5,000              | 5,000              | 0.39           | 313             | 0.49%          |
| 8,140              | 0                  | 0.00           | 0               | 0.00%          |
| <b>\$1,023,603</b> | <b>\$1,017,522</b> | <b>\$78.61</b> | <b>\$63,595</b> | <b>100.00%</b> |
| <b>\$459,182</b>   | <b>\$460,581</b>   | <b>\$35.58</b> | <b>\$28,786</b> | <b>45.26%</b>  |

**SOURCES OF FUNDS**

| Existing USDA Loan              | 21.24% | \$13,591 | \$16.80 |
|---------------------------------|--------|----------|---------|
| TDHCA HOME Loan                 | 27.91% | \$17,854 | \$22.07 |
| TDHCA HTF Loan                  | 5.02%  | \$3,209  | \$3.97  |
| Existing Reserves               | 0.00%  | \$0      | \$0.00  |
| HTC Syndication Proceeds        | 45.24% | \$28,941 | \$35.77 |
| Deferred Developer Fees         | 0.00%  | \$0      | \$0.00  |
| Additional (Excess) Funds Req'd | 0.59%  | \$380    | \$0.47  |
| <b>TOTAL SOURCES</b>            |        |          |         |

|                      |                    | RECOMMENDED        |                    |
|----------------------|--------------------|--------------------|--------------------|
|                      | \$217,456          | \$217,456          | \$216,663          |
|                      | 285,664            | 285,664            | 285,664            |
|                      | 51,344             | 51,344             | 51,344             |
|                      | 0                  | 0                  | 9,629              |
|                      | 463,059            | 463,059            | 460,303            |
|                      | 0                  | 0                  | 0                  |
|                      | 6,080              | (1)                | 0                  |
| <b>TOTAL SOURCES</b> | <b>\$1,023,603</b> | <b>\$1,017,522</b> | <b>\$1,023,603</b> |

Developer Fee Available \$126,029

% of Dev. Fee Deferred

0%

15-Yr Cumulative Cash Flow \$51,428

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Bel Aire Manor Apartments, Brady, 9% HTC #05237**

**PAYMENT COMPUTATION**

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Primary</b>    | \$203,700 | Amort         | 600  |
| Int Rate          | 1.00%     | DCR           | 2.23 |
| <b>Secondary</b>  |           |               |      |
|                   | \$285,664 | Amort         | 360  |
| Int Rate          | 2.00%     | Subtotal DCR  | 1.01 |
| <b>Additional</b> |           |               |      |
|                   | \$51,344  | Amort         | 360  |
| Int Rate          | 2.00%     | Aggregate DCR | 0.92 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                |
|-------------------------|----------------|
| Primary Debt Service    | \$10,504       |
| Secondary Debt Service  | 9,522          |
| Additional Debt Service | 1,711          |
| <b>NET CASH FLOW</b>    | <b>\$1,647</b> |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Primary</b>    | \$216,663 | Amort         | 277  |
| Int Rate          | 1.00%     | DCR           | 2.23 |
| <b>Secondary</b>  |           |               |      |
|                   | \$285,664 | Amort         | 360  |
| Int Rate          | 0.00%     | Subtotal DCR  | 1.17 |
| <b>Additional</b> |           |               |      |
|                   | \$51,344  | Amort         | 360  |
| Int Rate          | 0.00%     | Aggregate DCR | 1.08 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%                | YEAR 1   | YEAR 2   | YEAR 3   | YEAR 4   | YEAR 5   | YEAR 10  | YEAR 15   | YEAR 20   | YEAR 30   |
|--------------------------------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|
| POTENTIAL GROSS RENT           | \$71,808 | \$73,962 | \$76,181 | \$78,467 | \$80,821 | \$93,693 | \$108,616 | \$125,916 | \$169,220 |
| Secondary Income               | 960      | 989      | 1,018    | 1,049    | 1,080    | 1,253    | 1,452     | 1,683     | 2,262     |
| Other Support Income: (describ | 0        | 0        | 0        | 0        | 0        | 0        | 0         | 0         | 0         |
| POTENTIAL GROSS INCOME         | 72,768   | 74,951   | 77,200   | 79,516   | 81,901   | 94,946   | 110,068   | 127,599   | 171,483   |
| Vacancy & Collection Loss      | (4,366)  | (4,497)  | (4,632)  | (4,771)  | (4,914)  | (5,697)  | (6,604)   | (7,656)   | (10,289)  |
| Employee or Other Non-Rental   | 0        | 0        | 0        | 0        | 0        | 0        | 0         | 0         | 0         |
| EFFECTIVE GROSS INCOME         | \$68,402 | \$70,454 | \$72,568 | \$74,745 | \$76,987 | \$89,249 | \$103,464 | \$119,943 | \$161,194 |
| EXPENSES at 4.00%              |          |          |          |          |          |          |           |           |           |
| General & Administrative       | \$4,007  | \$4,167  | \$4,334  | \$4,507  | \$4,687  | \$5,703  | \$6,938   | \$8,442   | \$12,496  |
| Management                     | 5,681    | 5,852    | 6,027    | 6,208    | 6,394    | 7,413    | 8,593     | 9,962     | 13,388    |
| Payroll & Payroll Tax          | 8,162    | 8,488    | 8,828    | 9,181    | 9,548    | 11,617   | 14,134    | 17,196    | 25,454    |
| Repairs & Maintenance          | 5,841    | 6,074    | 6,317    | 6,570    | 6,833    | 8,313    | 10,114    | 12,305    | 18,215    |
| Utilities                      | 2,653    | 2,760    | 2,870    | 2,985    | 3,104    | 3,777    | 4,595     | 5,590     | 8,275     |
| Water, Sewer & Trash           | 3,997    | 4,157    | 4,324    | 4,497    | 4,676    | 5,690    | 6,922     | 8,422     | 12,466    |
| Insurance                      | 2,459    | 2,558    | 2,660    | 2,766    | 2,877    | 3,500    | 4,259     | 5,182     | 7,670     |
| Property Tax                   | 5,577    | 5,800    | 6,032    | 6,274    | 6,525    | 7,938    | 9,658     | 11,750    | 17,394    |
| Reserve for Replacements       | 6,000    | 6,240    | 6,490    | 6,749    | 7,019    | 8,540    | 10,390    | 12,641    | 18,712    |
| Other                          | 640      | 666      | 692      | 720      | 749      | 911      | 1,108     | 1,348     | 1,996     |
| TOTAL EXPENSES                 | \$45,018 | \$46,762 | \$48,574 | \$50,456 | \$52,412 | \$63,401 | \$76,712  | \$92,838  | \$136,065 |
| NET OPERATING INCOME           | \$23,384 | \$23,692 | \$23,994 | \$24,288 | \$24,575 | \$25,848 | \$26,753  | \$27,105  | \$25,128  |
| DEBT SERVICE                   |          |          |          |          |          |          |           |           |           |
| First Lien Financing           | \$10,504 | \$10,504 | \$10,504 | \$10,504 | \$10,504 | \$10,504 | \$10,504  | \$10,504  | \$10,504  |
| Second Lien                    | 9,522    | 9,522    | 9,522    | 9,522    | 9,522    | 9,522    | 9,522     | 9,522     | 9,522     |
| Other Financing                | 1,711    | 1,711    | 1,711    | 1,711    | 1,711    | 1,711    | 1,711     | 1,711     | 1,711     |
| NET CASH FLOW                  | \$1,647  | \$1,955  | \$2,256  | \$2,551  | \$2,837  | \$4,111  | \$5,015   | \$5,367   | \$3,391   |
| DEBT COVERAGE RATIO            | 1.08     | 1.09     | 1.10     | 1.12     | 1.13     | 1.19     | 1.23      | 1.25      | 1.16      |

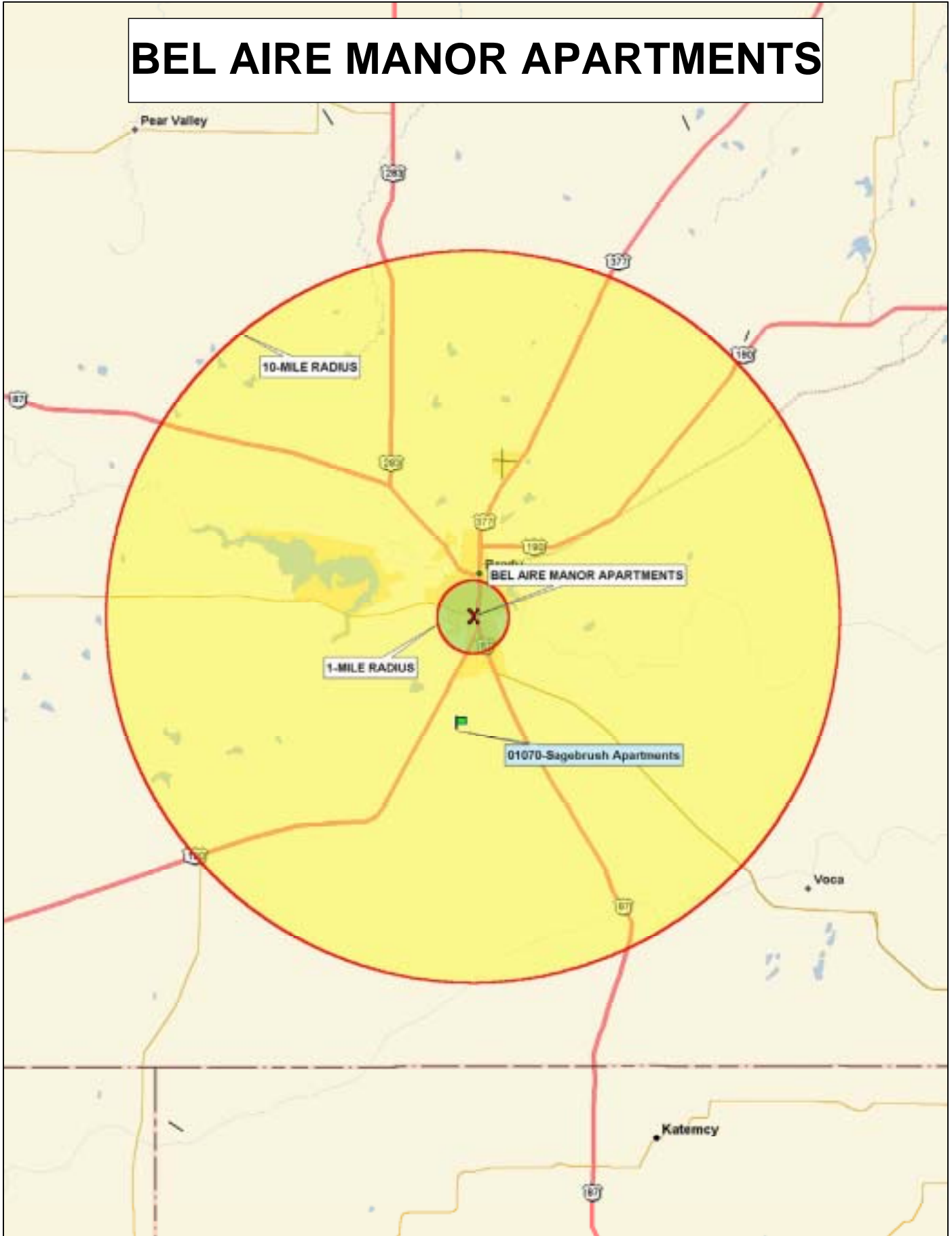
LIHTC Allocation Calculation - Bel Aire Manor Apartments, Brady, 9% HTC #05237

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$36,000                        | \$36,000                  |  |  |  |                                      |
| Purchase of buildings                                 | \$315,000                       | \$315,000                 | \$315,000                                    | \$315,000                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$29,478                        | \$29,478                  |  |  | \$29,478                                   | \$29,478                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$364,541                       | \$364,541                 |  |  | \$364,541                                  | \$364,541                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$8,080                         | \$7,880                   |  |  | \$7,880                                    | \$7,880                              |
| Contractor profit                                     | \$24,241                        | \$23,641                  |  |  | \$23,641                                   | \$23,641                             |
| General requirements                                  | \$24,241                        | \$23,641                  |  |  | \$23,641                                   | \$23,641                             |
| <b>(5) Contingencies</b>                              |                                 |                           |  |  |  |                                      |
|   | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |  |  |                                      |
|   | \$64,011                        | \$64,011                  | \$3,000                                      | \$3,000                                | \$61,011                                   | \$61,011                             |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |  |  |                                      |
|   | \$5,000                         | \$5,000                   |  |  | \$5,000                                    | \$5,000                              |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |  |  |                                      |
|   | \$9,791                         | \$9,791                   |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
|   |                                 |                           | \$47,700                                     | \$47,250                               | \$78,779                                   | \$78,779                             |
| Developer overhead                                    |                                 | \$16,864                  |  |  |  |                                      |
| Developer fee   | \$127,139                       | \$109,615                 |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   |                                 | \$8,140                   |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$1,017,522</b>              | <b>\$1,023,603</b>        | <b>\$365,700</b>                             | <b>\$365,250</b>                       | <b>\$603,972</b>                           | <b>\$603,972</b>                     |

| <b>Deduct from Basis:</b>                                  |  |  |                  |                  |                  |                  |
|--|--|--|------------------|------------------|------------------|------------------|
| 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)             |  |  |                  |                  |                  |                  |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | <b>\$365,700</b> | <b>\$365,250</b> | <b>\$603,972</b> | <b>\$603,972</b> |
| High Cost Area Adjustment                                  |  |  |                  |                  | 100%             | 100%             |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | <b>\$365,700</b> | <b>\$365,250</b> | <b>\$603,972</b> | <b>\$603,972</b> |
| Applicable Fraction  |  |  | 100%             | 100%             | 100%             | 100%             |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | <b>\$365,700</b> | <b>\$365,250</b> | <b>\$603,972</b> | <b>\$603,972</b> |
| Applicable Percentage                                      |  |  | 3.53%            | 3.53%            | 8.10%            | 8.10%            |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | <b>\$12,909</b>  | <b>\$12,893</b>  | <b>\$48,922</b>  | <b>\$48,922</b>  |

|  |        |          |          |                 |                  |
|--|--------|----------|----------|-----------------|------------------|
| Syndication Proceeds                         | 0.7600 | \$98,109 | \$97,989 | \$371,802       | \$371,802        |
| <b>Total Credits (Eligible Basis Method)</b> |        |          |          | <b>\$61,831</b> | <b>\$61,815</b>  |
| Syndication Proceeds                         |        |          |          | \$469,911       | \$469,791        |
| Requested Credits                            |        |          |          | \$61,169        |                  |
| Syndication Proceeds                         |        |          |          | \$464,881       |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        |          |          |                 | <b>\$460,303</b> |
| Credit Amount                                |        |          |          |                 | <b>\$60,567</b>  |

# BEL AIRE MANOR APARTMENTS





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hamilton Manor Apartments**

BASIC DEVELOPMENT INFORMATION

Site Address: 702 S. College St. Development #: 05238  
 City: Hamilton Region: 8 Population Served: Family  
 County: Hamilton Zip Code: 76531 Allocation: Rural  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Hamilton-Charger Properties, LP  
 Bonita Williams Phone (936) 560-2636  
 Developer: Louis Williams & Associates, Inc.  
 Housing General Contractor: Louis Williams & Associates, Inc.  
 Architect: Pat Dismukes  
 Market Analyst: N/A  
 Syndicator: Michel Associates Ltd.  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |            |            |            |                         |                          |           |
|----------------------------------|------------|------------|------------|-------------------------|--------------------------|-----------|
| <u>30%</u>                       | <u>40%</u> | <u>50%</u> | <u>60%</u> | Total Restricted Units: | 18                       |           |
| 0                                | 0          | 18         | 0          | Market Rate Units:      | 0                        |           |
| Type of Building:                |            |            |            | Fourplex                | Owner/Employee Units:    | 0         |
| Number of Residential Buildings: |            |            |            | 5                       | Total Development Units: | 18        |
|                                  |            |            |            |                         | Total Development Cost:  | \$845,922 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$58,476                 | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$41,352                 | \$45,743                   | 30           | 30          | 2%          |
| HOME Fund Loan Amount:          | \$296,869                | \$255,517                  | 30           | 30          | 2%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Hamilton Manor Apartments

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24

S

Points: N/A

US Representative: Carter, District 31, NC

TX Representative: Miller, District 59

S

Points: N/A

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Roy Rumsey, Mayor, S

Resolution of Support from Local Government

Individuals/Businesses:

In Support: 0

In Opposition: 0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Fraser expressed his support for the Development as rental housing is in short supply in Hamilton and a project like this one is badly needed. Representative Miller expressed his support for the Development as one that will benefit the City of Hamilton. The City of Hamilton expressed its support for the Development as it will help to fulfill the need for affordable rental housing.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Receipt, review, and acceptance of evidence of a commitment for HOME funds from TDHCA in the amount of at least \$296,869 or an amount necessary to substantiate points awarded for this item pursuant to the 2005 Qualified Allocation Plan (QAP). If this funding commitment from the local political subdivision applied for under Section 49.9(f)(5)(A) of the 2005 QAP has not been received by the date the Department's Commitment Notice is required to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be re-evaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hamilton Manor Apartments**

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

9% HTC Competitive Cycle:  Score: **171**  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$255,517

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

Housing Trust Fund Loan: Loan Amount: \$45,743

Recommendation: Recommendation is conditioned upon award of Housing Tax Credits and final Real Estate Analysis report.

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A

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

9% HTC

DATE: June 30, 2005      PROGRAM: HOME      FILE NUMBER: 05238  
HTF

**DEVELOPMENT NAME**  
Hamilton Manor Apartments

| APPLICANT       |                                   |                 |                 |               |                |
|-----------------|-----------------------------------|-----------------|-----------------|---------------|----------------|
| <b>Name:</b>    | Hamilton-Charger Properties, L.P. | <b>Type:</b>    | For-profit      |               |                |
| <b>Address:</b> | 410 County Road 198               | <b>City:</b>    | Nacogdoches     | <b>State:</b> | TX             |
| <b>Zip:</b>     | 75965                             | <b>Contact:</b> | Bonita Williams | <b>Phone:</b> | (936) 560-2636 |
|                 |                                   | <b>Fax:</b>     | (936)           | 560-2636      |                |

| PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS |                                   |             |     |               |   |
|---|-----------------------------------|-------------|-----|---------------|---|
| <b>Name:</b>                                  | Charger Affiliates, LLC           | <b>(%):</b> | 1.0 | <b>Title:</b> | Managing General Partner                  |
| <b>Name:</b>                                  | Louis Williams & Associates, Inc. | <b>(%):</b> | N/A | <b>Title:</b> | Developer                                 |
| <b>Name:</b>                                  | Bonita Williams                   | <b>(%):</b> | N/A | <b>Title:</b> | Sole member of MGP & Developer, guarantor |
| <b>Name:</b>                                  | Louis Williams                    | <b>(%):</b> | N/A | <b>Title:</b> | Co-guarantor                              |

| PROPERTY LOCATION |                          |                          |            |                          |            |
|-------------------|--------------------------|--------------------------|------------|--------------------------|------------|
| <b>Location:</b>  | 702 South College Street | <input type="checkbox"/> | <b>QCT</b> | <input type="checkbox"/> | <b>DDA</b> |
| <b>City:</b>      | Hamilton                 | <b>County:</b>           | Hamilton   | <b>Zip:</b>              | 76531      |

| REQUEST                       |  |                       |             |
|-------------------------------|--|-----------------------|-------------|
| <u>Amount</u>                 | <u>Interest Rate</u>   | <u>Amortization</u>   | <u>Term</u> |
| 1) \$58,236                   | N/A  | N/A                   | N/A         |
| 2) \$255,517                  | 2%   | 30 yrs                | 30 yrs      |
| 3) \$45,743                   | 2%   | 30 yrs                | 30 yrs      |
| <b>Other Requested Terms:</b> | 1) Annual ten-year allocation of housing tax credits<br>2) HOME Program loan<br>3) Housing Trust Fund loan |                       |             |
| <b>Proposed Use of Funds:</b> | Acquisition/rehabilitation   | <b>Property Type:</b> | Multifamily |
| <b>Special Purposes:</b>      | General Population, At-Risk, Rural, USDA-RD  |                       |             |

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$58,236 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$255,517, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST, SUBJECT TO CONDITIONS.

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

- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$45,743, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test; and
2. Receipt, review, and acceptance of evidence of USDA-RD approval of the same rates and terms transfer of the loan.
3. Receipt, review and acceptance of documentation from the Applicant that reflects including the existing reserves as a source of funds and reflects fully funding the USDA required reserve amount as a use of funds.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                           |            |                             |            |                       |               |             |               |                |           |    |                     |
|-------------------------|---------------|---------------------------|------------|-----------------------------|------------|-----------------------|---------------|-------------|---------------|----------------|-----------|----|---------------------|
| <b>Total Units:</b>     | <u>18</u>     | <b># Rental Buildings</b> | <u>5</u>   | <b># Non-Res. Buildings</b> | <u>1</u>   | <b># of Floors</b>    | <u>1</u>      | <b>Age:</b> | <u>29</u> yrs | <b>Vacant:</b> | <u>0%</u> | at | <u>12/ 31/ 2004</u> |
| <b>Net Rentable SF:</b> | <u>12,740</u> | <b>Av Un SF:</b>          | <u>708</u> | <b>Common Area SF:</b>      | <u>475</u> | <b>Gross Bldg SF:</b> | <u>13,215</u> |             |               |                |           |    |                     |

**STRUCTURAL MATERIALS**

The structures are wood-framed on concrete slabs on grade. The exterior wall finish is comprised of 50% brick veneer & 50% wood siding. The interior wall surfaces are drywall & the pitched roofs are finished with composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, & individual heating & air conditioning.

**ONSITE AMENITIES**

A new 475-square foot community building will be constructed which will include a management office, toilet, & laundry facilities. The community building will be located at the entrance to the property.

**Uncovered Parking:** 36 spaces    **Carpports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Hamilton Manor Apartments is a 19-unit per acre acquisition and rehabilitation development of 18 units of affordable housing located in southwest Hamilton. The development was built in 1976 and is comprised of five evenly distributed, garden style residential buildings as follows:

- Two buildings with four two-bedroom/one-bath units;
- Two buildings with two one-bedroom/one-bath units and two two-bedroom/one-bath units; and
- One building with two two-bedroom/one-bath units.

**Existing Subsidies:** The property currently operates under a USDA-RD project-based Rental Assistance Agreement for 13 of the 18 units, although the rental rates for the other five units are also effectively restricted to the basic rents. The Applicant intends to continue the rental assistance contracts for all 13 units. The proposed rental rates as reflected in the income and expense summary represent significant increases (58% and 49% for the one- and two-bedroom units, respectively) from the current USDA-RD-approved Basic Rents, but as of the date of this report these rents have not been approved by USDA-RD. Receipt,

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

review, and acceptance of documentation from USDA-RD verifying the approval of the proposed increase in rental rates, prior to substantiation of the HTC 10% test, is a condition of this report.

**Development Plan:** The buildings were 100% occupied as of December 1, 2004 and in average condition, according to the appraiser. According to §49.9(f)(6)(E) of the 2005 QAP, "For developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment." No specific criterion for the age of the checklist is indicated. The TX-USDA-RHS unit-by-unit inspection in January of 2005 indicated the following items requiring attention in the event of rehabilitation: replace exterior door weatherstripping and damaged or missing door hardware and stops, recaulk exterior doors, windows, and brick/trim joints, provide mini-blinds and storm windows on all windows, replace missing window locks and closet shelves, provide grease splashes adjacent to stoves, install GFI outlets in kitchens and bathrooms, replace missing or damaged light fixtures, provide hard-wired smoke alarms, clean air conditioning ducts, and replace/repair toilet seats and float valves. The USDA checklist provided no estimate for the cost of these necessary improvements. The Applicant also provided a work write-up which includes construction of the new community buildings, foundation and flatwork repairs, accessibility enhancements, sheetrock repair, asbestos abatement, replacement of flooring, replacement of all kitchen appliances and kitchen and bathroom cabinets, replacement of all bathroom sinks, faucets, and toilets, installation of ceiling fans, and replacement of signage. A 30-year projection of future repairs was not provided, however, USDA closely monitors reserve balances and property conditions and any excess cash flow from operations must typically first go to fully fund the minimum reserve balance of 10% of the outstanding USDA loan.

Interior renovation will be completed only in vacant units. The Applicant plans to suspend leasing of vacant units upon acquisition of the property, and existing tenants will be moved to renovated units. No tenants will be permanently displaced from the property. The Applicant has forecasted a total relocation cost of \$2K, which has been included in the total development cost schedule.

**Architectural Review:** The buildings and units are of good design, sufficient size, and are comparable to other apartment developments of a similar age.

| SITE ISSUES      |                       |                    |                                       |
|------------------|-----------------------|--------------------|---------------------------------------|
| SITE DESCRIPTION |                       |                    |                                       |
| <b>Size:</b>     | 0.94 acres            | 40,946 square feet | <b>Flood Zone Designation:</b> Zone X |
| <b>Zoning:</b>   | No zoning in Hamilton |                    |                                       |

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Hamilton is located in north central Texas, approximately 60 miles west of Waco in Hamilton County. The site is a rectangularly-shaped parcel located in the southwestern area of the city, approximately one-half mile from the central business district. The site is situated on the east side of College Street.

**Adjacent Land Uses:**

- **North:** single-family residential and a public high school;
- **South:** a child daycare center;
- **East:** commercial property; and
- **West:** South College Street.

**Site Access:** Access to the property is from the north or south from College Street, from which the development has a single main entry as well as 12 parking spaces directly perpendicular to that street.. Access to U.S. Highway 281 is one block east, which provides connections to all other roads serving the Hamilton area as well as surrounding communities.

**Public Transportation:** Public transportation is not available in Hamilton.

**Shopping & Services:** The site is within 1.5 miles of all the facilities and services available in Hamilton.

**Site Inspection Findings:** USDA-RD staff performed a site inspection on January 11, 2005 and documented a significant number of deficiencies in interior and exterior maintenance.

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**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit 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, although as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI. All of the units will be reserved for low-income households earning 50% or less of AMGI.

**MAXIMUM ELIGIBLE INCOMES**

|                   | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
|-------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>60% of AMI</b> | \$15,800        | \$18,100         | \$20,350         | \$22,600         | \$24,400         | \$26,200         |

**MARKET HIGHLIGHTS**

For applications in the TX-USDA-RHS set-aside, the required appraisal is sufficient to satisfy the requirement for a market analysis and no additional market analysis is required. The Applicant submitted an “as-is” appraisal dated February 12, 2005 and prepared by Sherrill & Associates, Inc. (“Appraiser”) which contained the following market information.

**Market Rent Comparables:** The Appraiser surveyed three comparable apartment properties totaling 147 units in the market area (two in Hillsboro and one in Temple).

**RENT ANALYSIS (net tenant-paid rents)**

| <b>Unit Type (% AMI)</b> | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
|--------------------------|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>1-Bedroom (50%)</b>   | \$329           | \$326 (HOME)       | +\$3                | \$345              | -\$16               |
| <b>2-Bedroom (50%)</b>   | \$388           | \$409 (HOME/HTC)   | -\$21               | \$410              | -\$22               |

(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)

Ref: p. 35

**Market Conclusions:** The Underwriter found the information provided by the Appraiser to provide sufficient market information on which to base a funding recommendation. Regarding the subject development, as an existing, stabilized, rent-restricted development that is currently +/-100% occupied with a rental subsidy, it is likely the existing tenants will choose to remain at the property and that the proposed rehabilitation will not have a significant detrimental effect upon other existing properties in the market.

**OPERATING PROFORMA ANALYSIS**

**Income:** As discussed above, the Applicant’s rent projections are significantly above the current USDA-RD-approved Basic Rents and will require approval by USDA-RD prior to implementation. The proposed one-bedroom rent of \$329 is \$3 in excess of the maximum Low HOME rent limit, which is permissible as long as the property has a property-based rent subsidy. The subject’s USDA-RD Rental Assistance Agreement fulfills this requirement. The proposed two-bedroom rent of \$388 is \$21 below the maximum HOME/HTC rent, and there is the potential for additional income (approximately \$3.4K) if the Applicant is able to increase rents to the maximum allowed, and the market study information suggests that the market could support rents at the rent limit maximums. The Applicant used a secondary income estimate of \$4/unit; the Underwriter has used the TDHCA minimum underwriting guideline of \$5/unit based on the income potential from the new laundry facilities. The Applicant’s estimate of vacancy and collection losses is in line with TDHCA underwriting guidelines. As a result of the difference in secondary income estimates the Applicant’s effective gross income estimate is \$206 less than the Underwriter’s estimate.

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**Expenses:** The Applicant's total expense estimate of \$2,892 per unit is 6.9% higher than the Underwriter's database- and historically-derived estimate of \$2,706 per unit for comparably-sized developments in this area. The Applicant's payroll estimate is the only expense line item estimate that deviates significantly when compared to the historical averages (\$1.2K higher). Although the property has had an ongoing USDA-RD replacement reserve requirement of \$2,443/year, the Applicant has increased this amount to \$8,270/year based on a recent USDA-RD requirement that replacement reserve funding equal 1% of the total development cost. The Underwriter has used a lower replacement reserve estimate of \$5,456 based on the current USDA-RD requirement plus 1% of the additional HOME and Housing Trust Fund debt. The Applicant did not include any TDHCA compliance fees; the Underwriter included \$40/unit.

**Conclusion:** Although the Applicant's income estimate is consistent with the Underwriter's expectation, the Applicant's total operating expense and net operating income (NOI) estimates are 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   |   |  |                             |                                    |  |
|---|---|--|-----------------------------|------------------------------------|--|
| APPRAISED VALUE   |   |  |                             |                                    |  |
| Land Only: 0.94 acres   | \$8,000                                       |  | Date of Valuation:          | 2/                                 | 10/ 2005                               |
| Existing Building(s): "as is"   | \$213,000                                     |  | Date of Valuation:          | 2/                                 | 10/ 2005                               |
| Value of Favorable Financing:   | \$109,000                                     |  | Date of Valuation:          | 2/                                 | 10/ 2005                               |
| Total Development: "as is"  | \$330,000                                     |  | Date of Valuation:          | 2/                                 | 10/ 2005                               |
| Appraiser: Sherrill & Associates, Inc.  | City: Arlington                               |  | Phone:                      | (817)                              | 557-1791                               |
| APPRAISAL ANALYSIS/CONCLUSIONS  |   |  |                             |                                    |  |
| <p>The Appraiser used three comparable land sales in Hamilton since September 2003 to derive the underlying land valuation of \$8,500/acre. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.</p> <p>The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The sales approach was not used.</p> |   |  |                             |                                    |  |
| ASSESSED VALUE  |   |  |                             |                                    |  |
| Land: 0.94 acres  | \$11,250                                      |  | Assessment for the Year of: | 2005                               |  |
| Buildings:  | \$238,570                                     |  | Valuation by:               | Hamilton County Appraisal District |  |
| Total Assessed Value:   | \$249,820                                     |  | Tax Rate:                   | 2.486                              |  |
| EVIDENCE of SITE or PROPERTY CONTROL  |   |  |                             |                                    |  |
| Type of Site Control:   | Option to purchase real property (0.94 acres) |  |                             |                                    |  |
| Contract Expiration Date:   | 1/ 25/ 2006                                   |  | Anticipated Closing Date:   | 10/ 1/ 2005                        |  |
| Acquisition Cost:   | \$122,657                                     |  | Other Terms/Conditions:     | \$500 earnest money                |  |
| Seller: Statewide Investments, Inc./Nancy R. Duncan   |   |  |                             |                                    | Related to Development Team Member: No |

| CONSTRUCTION COST ESTIMATE EVALUATION  |  |
|--|--|
| <p><b>Acquisition Value:</b> The acquisition price of \$122,657 is based on assumption of the outstanding balances on two existing USDA loans, accrued interest and property taxes through the proposed closing date, and \$2,050 per unit to the current owner. The sales price is significantly lower than the appraised value of \$330,000 (including the value of the USDA favorable financing), which the Applicant attributes to the motivation of the elderly seller. The transaction has been represented as arm's-length; therefore, the acquisition price proposed should be acceptable.</p> |  |

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The Applicant claimed acquisition eligible basis based upon the appraised land value of \$8,000 subtracted from the purchase price. As called for in 10TAC 1.32(e)(1)(C), the Underwriter has determined building value conservatively by using the actual assessed value for the land and subtracted from the sales price to conclude a value for the existing buildings of \$111,407, or 91% of the total value of the subject property.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,352 per unit.

**Direct Construction Cost:** Per Section 49.9(f)(6)(E) of the 2005 QAP, "For Developments receiving financing from TX-USDA-RHS, a copy of the checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment [PCA]". The Applicant provided a copy of the checklist, however, as this checklist contains no cost estimation data it provides no substantiation for the Applicant's proposed direct rehabilitation costs. Therefore, the Underwriter has used the Applicant's sitework and direct construction cost estimate of \$439,538 or \$24,419/unit, which easily complies with the TDHCA minimum rehabilitation cost guideline of \$6K/unit.

The Applicant included \$10,000 in "owner's allowance" as a direct construction cost line item and explained that this was a construction contingency allowance, so the Underwriter moved it to contingency.

**Fees:** The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the \$10K reduction in direct construction costs discussed above the eligible basis portion of these fees now exceed the maximum by \$2,061 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

**Reserves:** The Applicant did not include any reserves in the cost schedule and did not include the existing reserves as a source of funds; the Underwriter has included as a cost item an amount of \$24,430 which is the fully-funded replacement reserve amount required by the USDA-RD loan agreement. The March 2005 balance of this account was \$4,913, which should be included as a source of funds.

**Conclusion:** Although the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, due to the Underwriter's higher funding requirement caused by the inclusion of the replacement reserve funding the Underwriter's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$800,001 is used to estimate a credit allocation of \$58,808 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

The Applicant's total development cost estimate is within the HUD 221(d)(3) HOME subsidy limit of \$64,492 per unit.

| FINANCING STRUCTURE  |  |
|--|--|
| PERMANENT FINANCING  |  |
| <b>Source:</b> <u>USDA-RD (existing)</u>   | <b>Contact:</b> <u>Mary Graves</u>                               |
| <b>Principal Amount:</b> <u>\$79,568</u>   | <b>Interest Rate:</b> <u>9%, subsidized to 1%</u>                |
| <b>Additional Information:</b> <u>Assumption of current owner's original permanent USDA loans at same rates &amp; terms, original combined loan amount \$244,300</u> |  |
| <b>Amortization:</b> <u>50</u> yrs   | <b>Term:</b> <u>50</u> yrs                                       |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional  |  |
| <b>Annual Payment:</b> <u>\$7,596</u>  | <b>Lien Priority:</b> <u>1st</u> <b>Date:</b> <u>8/ 10/ 1976</u> |
| TAX CREDIT SYNDICATION   |  |
| <b>Source:</b> <u>Michel Associates, Ltd.</u>  | <b>Contact:</b> <u>Chip Holmes</u>                               |
| <b>Net Proceeds:</b> <u>\$444,414</u>  | <b>Net Syndication Rate (per \$1.00 of 10-yr HTC)</b> <u>76¢</u> |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional <b>Date:</b> <u>2/ 28/ 2005</u>        |  |
| <b>Additional Information:</b>   |  |





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environmental issues may exist which could affect the feasibility of the transaction as proposed.

- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.

**Underwriter:**

*Jim Anderson*

**Date:** June 30, 2005

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 30, 2005

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Hamilton Manor Apartments, Hamilton, 9% HTC/HOME/HTF #05238**

| 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 |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|----------------|---------------|----------------|----------------|
| LH, TC 50%    | 4         | 1        | 1               | 574        | \$402           | \$329             | \$1,316        | \$0.57        | \$76.00        | \$57.00        |
| LH, TC 50%    | 14        | 2        | 1               | 746        | 508             | \$388             | 5,432          | 0.52          | 99.00          | 61.00          |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
|               |           |          |                 |            |                 |                   |                |               |                |                |
| <b>TOTAL:</b> | <b>18</b> |          | <b>AVERAGE:</b> | <b>708</b> | <b>\$484</b>    | <b>\$375</b>      | <b>\$6,748</b> | <b>\$0.53</b> | <b>\$93.89</b> | <b>\$60.11</b> |

| <b>INCOME</b>                                     |       |                              |        | <b>Total Net Rentable Sq Ft: 12,740</b> |                 | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>Comptroller's Region 8</b> |                 |                         |               |
|---|-------|------------------------------|--------|---|-----------------|------------------|------------------|-------------------------------|-----------------|-------------------------|---------------|
| <b>POTENTIAL GROSS RENT</b>                       |       |                              |        |   |                 | <b>\$80,976</b>  | <b>\$80,976</b>  |                               |                 | <b>IREM Region</b>      |               |
| Secondary Income                                  |       | Per Unit Per Month:          | \$5.00 |   |                 | 1,080            | 864              | \$4.00                        |                 | Per Unit Per Month      |               |
| Other Support Income:                             |       |                              |        |   |                 | 0                | 0                |                               |                 |                         |               |
| <b>POTENTIAL GROSS INCOME</b>                     |       |                              |        |   |                 | <b>\$82,056</b>  | <b>\$81,840</b>  |                               |                 |                         |               |
| Vacancy & Collection Loss                         |       | % of Potential Gross Income: | -7.50% |   |                 | (6,154)          | (6,144)          | -7.51%                        |                 | of Potential Gross Rent |               |
| Employee or Other Non-Rental Units or Concessions |       |                              |        |   |                 | 0                | 0                |                               |                 |                         |               |
| <b>EFFECTIVE GROSS INCOME</b>                     |       |                              |        |   |                 | <b>\$75,902</b>  | <b>\$75,696</b>  |                               |                 |                         |               |
| <b>EXPENSES</b>                                   |       |                              |        | <b>% OF EGI</b>                         | <b>PER UNIT</b> | <b>PER SQ FT</b> |                  | <b>PER SQ FT</b>              | <b>PER UNIT</b> | <b>% OF EGI</b>         |               |
| General & Administrative                          |       |                              |        | 5.36%                                   | \$226           | 0.32             | \$4,067          | \$3,970                       | \$0.31          | \$221                   | 5.24%         |
| Management  |       |                              |        | 8.50%                                   | 358             | 0.51             | 6,450            | 7,128                         | 0.56            | 396                     | 9.42%         |
| Payroll & Payroll Tax                             |       |                              |        | 2.75%                                   | 116             | 0.16             | 2,090            | 3,300                         | 0.26            | 183                     | 4.36%         |
| Repairs & Maintenance                             |       |                              |        | 13.94%                                  | 588             | 0.83             | 10,584           | 10,180                        | 0.80            | 566                     | 13.45%        |
| Utilities   |       |                              |        | 4.13%                                   | 174             | 0.25             | 3,133            | 4,000                         | 0.31            | 222                     | 5.28%         |
| Water, Sewer, & Trash                             |       |                              |        | 6.02%                                   | 254             | 0.36             | 4,566            | 3,800                         | 0.30            | 211                     | 5.02%         |
| Property Insurance                                |       |                              |        | 6.50%                                   | 274             | 0.39             | 4,931            | 4,900                         | 0.38            | 272                     | 6.47%         |
| Property Tax                                      | 2.486 |                              |        | 8.84%                                   | 373             | 0.53             | 6,712            | 6,513                         | 0.51            | 362                     | 8.60%         |
| Reserve for Replacements                          |       |                              |        | 7.19%                                   | 303             | 0.43             | 5,456            | 8,270                         | 0.65            | 459                     | 10.93%        |
| Other: compliance fees                            |       |                              |        | 0.95%                                   | 40              | 0.06             | 720              | 0                             | 0.00            | 0                       | 0.00%         |
| <b>TOTAL EXPENSES</b>                             |       |                              |        | <b>64.17%</b>                           | <b>\$2,706</b>  | <b>\$3.82</b>    | <b>\$48,708</b>  | <b>\$52,061</b>               | <b>\$4.09</b>   | <b>\$2,892</b>          | <b>68.78%</b> |
| <b>NET OPERATING INC</b>                          |       |                              |        | <b>35.83%</b>                           | <b>\$1,511</b>  | <b>\$2.13</b>    | <b>\$27,194</b>  | <b>\$23,635</b>               | <b>\$1.86</b>   | <b>\$1,313</b>          | <b>31.22%</b> |
| <b>DEBT SERVICE</b>                               |       |                              |        |   |                 |                  |                  |                               |                 |                         |               |
| Existing USDA Loans                               |       |                              |        | 10.01%                                  | \$422           | \$0.60           | \$7,596          | \$7,596                       | \$0.60          | \$422                   | 10.03%        |
| TDHCA HOME Loan                                   |       |                              |        | 14.93%                                  | \$630           | \$0.89           | 11,333           | 11,332                        | \$0.89          | \$630                   | 14.97%        |
| Housing Trust Fund Loan                           |       |                              |        | 2.67%                                   | \$113           | \$0.16           | 2,029            | 1,832                         | \$0.14          | \$102                   | 2.42%         |
| <b>NET CASH FLOW</b>                              |       |                              |        | <b>8.22%</b>                            | <b>\$346</b>    | <b>\$0.49</b>    | <b>\$6,236</b>   | <b>\$2,875</b>                | <b>\$0.23</b>   | <b>\$160</b>            | <b>3.80%</b>  |
| <b>AGGREGATE DEBT COVERAGE RATIO</b>              |       |                              |        |   |                 |                  | 1.30             | 1.14                          |                 |                         |               |
| <b>RECOMMENDED DEBT COVERAGE RATIO</b>            |       |                              |        |   |                 |                  | 1.30             |                               |                 |                         |               |

| <b>CONSTRUCTION COST</b>             |        |                |                 |                | <b>TDHCA</b>     | <b>APPLICANT</b> | <b>PER SQ FT</b> | <b>PER UNIT</b> | <b>% of TOTAL</b> |
|--------------------------------------|--------|----------------|-----------------|----------------|------------------|------------------|------------------|-----------------|-------------------|
| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |                  |                  |                  |                 |                   |
| Acquisition Cost (site or bldg)      |        | 14.50%         | \$6,814         | \$9.63         | \$122,657        | \$122,657        | \$9.63           | \$6,814         | 14.88%            |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           | 0                | 0                | 0.00             | 0               | 0.00%             |
| Sitework                             |        | 2.88%          | 1,352           | 1.91           | 24,340           | 24,340           | 1.91             | 1,352           | 2.95%             |
| Direct Construction                  |        | 49.08%         | 23,067          | 32.59          | 415,198          | 415,198          | 32.59            | 23,067          | 50.39%            |
| Contingency                          | 2.28%  | 1.18%          | 556             | 0.78           | 10,000           | 10,000           | 0.78             | 556             | 1.21%             |
| General Req'ts                       | 6.00%  | 3.12%          | 1,465           | 2.07           | 26,372           | 26,972           | 2.12             | 1,498           | 3.27%             |
| Contractor's G & A                   | 2.00%  | 1.04%          | 488             | 0.69           | 8,791            | 8,991            | 0.71             | 500             | 1.09%             |
| Contractor's Profit                  | 6.00%  | 3.12%          | 1,465           | 2.07           | 26,372           | 26,972           | 2.12             | 1,498           | 3.27%             |
| Indirect Construction                |        | 8.11%          | 3,809           | 5.38           | 68,564           | 68,564           | 5.38             | 3,809           | 8.32%             |
| Ineligible Costs                     |        | 1.16%          | 544             | 0.77           | 9,791            | 9,791            | 0.77             | 544             | 1.19%             |
| Developer's G & A                    | 2.00%  | 1.65%          | 773             | 1.09           | 13,921           | 0                | 0.00             | 0               | 0.00%             |
| Developer's Profit                   | 13.00% | 10.70%         | 5,027           | 7.10           | 90,486           | 105,555          | 8.29             | 5,864           | 12.81%            |
| Interim Financing                    |        | 0.59%          | 278             | 0.39           | 5,000            | 5,000            | 0.39             | 278             | 0.61%             |
| Reserves                             |        | 2.89%          | 1,357           | 1.92           | 24,430           | 0                | 0.00             | 0               | 0.00%             |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$46,996</b> | <b>\$66.40</b> | <b>\$845,922</b> | <b>\$824,040</b> | <b>\$64.68</b>   | <b>\$45,780</b> | <b>100.00%</b>    |
| <b>Recap-Hard Construction Costs</b> |        | <b>60.42%</b>  | <b>\$28,393</b> | <b>\$40.12</b> | <b>\$511,073</b> | <b>\$512,473</b> | <b>\$40.23</b>   | <b>\$28,471</b> | <b>62.19%</b>     |

| <b>SOURCES OF FUNDS</b>         |        |          |         |  | <b>RECOMMENDED</b> |                  |                  |                            |
|---------------------------------|--------|----------|---------|--|--------------------|------------------|------------------|----------------------------|
| Existing USDA Loans             | 9.48%  | \$4,455  | \$6.29  |  | \$80,188           | \$80,188         | \$79,568         | Developer Fee Available    |
| TDHCA HOME Loan                 | 30.21% | \$14,195 | \$20.06 |  | 255,517            | 255,517          | 255,517          | \$103,957                  |
| Housing Trust Fund Loan         | 5.41%  | \$2,541  | \$3.59  |  | 45,743             | 45,743           | 45,743           |                            |
| Existing Reserves               | 0.00%  | \$0      | \$0.00  |  | 0                  | 0                | 4,913            |                            |
| HTC Syndication Proceeds        | 52.32% | \$24,588 | \$34.74 |  | 442,592            | 442,592          | 444,414          | % of Dev. Fee Deferred     |
| Deferred Developer Fees         | 0.00%  | \$0      | \$0.00  |  | 0                  | 0                | 15,767           | 15%                        |
| Additional (Excess) Funds Req'd | 2.59%  | \$1,216  | \$1.72  |  | 21,882             | 0                | 0                | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>            |        |          |         |  | <b>\$845,922</b>   | <b>\$824,040</b> | <b>\$845,922</b> | <b>\$129,363</b>           |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Hamilton Manor Apartments, Hamilton, 9% HTC/HOME/HTF #05238**

**PAYMENT COMPUTATION**

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$244,300 | Amort | 480  |
| Int Rate       | 1.00%     | DCR   | 3.58 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$255,517 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.44 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$45,743 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.30 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                |
|-------------------------|----------------|
| Primary Debt Service    | \$7,596        |
| Secondary Debt Service  | 11,333         |
| Additional Debt Service | 2,029          |
| <b>NET CASH FLOW</b>    | <b>\$6,236</b> |

|                |           |       |      |
|----------------|-----------|-------|------|
| <b>Primary</b> | \$244,300 | Amort | 480  |
| Int Rate       | 1.00%     | DCR   | 3.58 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$255,517 | Amort        | 360  |
| Int Rate         | 2.00%     | Subtotal DCR | 1.44 |

|                   |          |               |      |
|-------------------|----------|---------------|------|
| <b>Additional</b> | \$45,743 | Amort         | 360  |
| Int Rate          | 2.00%    | Aggregate DCR | 1.30 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

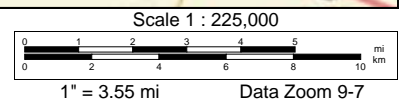
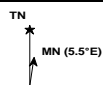
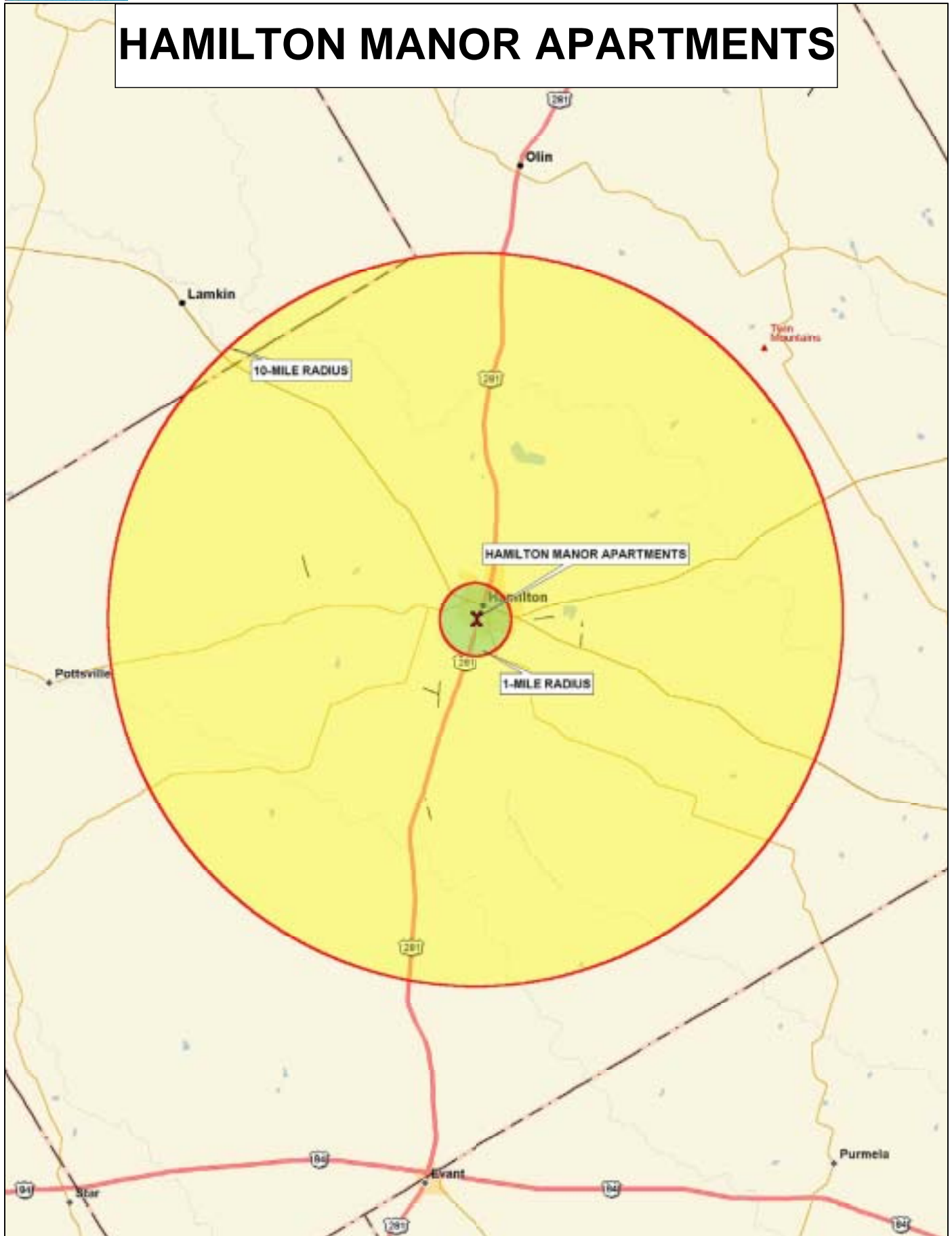
| INCOME at 3.00%               | YEAR 1          | YEAR 2          | YEAR 3          | YEAR 4          | YEAR 5          | YEAR 10         | YEAR 15          | YEAR 20          | YEAR 30          |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT          | \$80,976        | \$83,405        | \$85,907        | \$88,485        | \$91,139        | \$105,655       | \$122,483        | \$141,992        | \$190,825        |
| Secondary Income              | 1,080           | 1,112           | 1,146           | 1,180           | 1,216           | 1,409           | 1,634            | 1,894            | 2,545            |
| Other Support Income:         | 0               | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME        | 82,056          | 84,518          | 87,053          | 89,665          | 92,355          | 107,064         | 124,117          | 143,886          | 193,370          |
| Vacancy & Collection Loss     | (6,154)         | (6,339)         | (6,529)         | (6,725)         | (6,927)         | (8,030)         | (9,309)          | (10,791)         | (14,503)         |
| Employee or Other Non-Rental  | 0               | 0               | 0               | 0               | 0               | 0               | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$75,902</b> | <b>\$78,179</b> | <b>\$80,524</b> | <b>\$82,940</b> | <b>\$85,428</b> | <b>\$99,035</b> | <b>\$114,808</b> | <b>\$133,094</b> | <b>\$178,868</b> |
| <b>EXPENSES at 4.00%</b>      |                 |                 |                 |                 |                 |                 |                  |                  |                  |
| General & Administrative      | \$4,067         | \$4,230         | \$4,399         | \$4,575         | \$4,758         | \$5,789         | \$7,043          | \$8,569          | \$12,684         |
| Management                    | 6,450           | 6,644           | 6,843           | 7,048           | 7,260           | 8,416           | 9,756            | 11,310           | 15,200           |
| Payroll & Payroll Tax         | 2,090           | 2,174           | 2,261           | 2,351           | 2,445           | 2,975           | 3,619            | 4,403            | 6,518            |
| Repairs & Maintenance         | 10,584          | 11,007          | 11,447          | 11,905          | 12,381          | 15,064          | 18,327           | 22,298           | 33,006           |
| Utilities                     | 3,133           | 3,258           | 3,388           | 3,524           | 3,665           | 4,459           | 5,424            | 6,600            | 9,769            |
| Water, Sewer & Trash          | 4,566           | 4,749           | 4,939           | 5,136           | 5,342           | 6,499           | 7,907            | 9,620            | 14,240           |
| Insurance                     | 4,931           | 5,128           | 5,333           | 5,546           | 5,768           | 7,018           | 8,538            | 10,388           | 15,377           |
| Property Tax                  | 6,712           | 6,981           | 7,260           | 7,550           | 7,852           | 9,554           | 11,623           | 14,142           | 20,933           |
| Reserve for Replacements      | 5,456           | 5,674           | 5,901           | 6,137           | 6,382           | 7,765           | 9,447            | 11,494           | 17,014           |
| Other                         | 720             | 749             | 779             | 810             | 842             | 1,025           | 1,247            | 1,517            | 2,245            |
| <b>TOTAL EXPENSES</b>         | <b>\$48,708</b> | <b>\$50,591</b> | <b>\$52,549</b> | <b>\$54,582</b> | <b>\$56,695</b> | <b>\$68,562</b> | <b>\$82,933</b>  | <b>\$100,341</b> | <b>\$146,987</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$27,194</b> | <b>\$27,587</b> | <b>\$27,976</b> | <b>\$28,358</b> | <b>\$28,733</b> | <b>\$30,473</b> | <b>\$31,876</b>  | <b>\$32,754</b>  | <b>\$31,881</b>  |
| <b>DEBT SERVICE</b>           |                 |                 |                 |                 |                 |                 |                  |                  |                  |
| First Lien Financing          | \$7,596         | \$7,596         | \$7,596         | \$7,596         | \$7,596         | \$7,596         | \$7,596          | \$7,596          | \$7,596          |
| Second Lien                   | 11,333          | 11,333          | 11,333          | 11,333          | 11,333          | 11,333          | 11,333           | 11,333           | 11,333           |
| Other Financing               | 2,029           | 2,029           | 2,029           | 2,029           | 2,029           | 2,029           | 2,029            | 2,029            | 2,029            |
| <b>NET CASH FLOW</b>          | <b>\$6,236</b>  | <b>\$6,629</b>  | <b>\$7,017</b>  | <b>\$7,400</b>  | <b>\$7,775</b>  | <b>\$9,515</b>  | <b>\$10,917</b>  | <b>\$11,796</b>  | <b>\$10,923</b>  |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.30</b>     | <b>1.32</b>     | <b>1.33</b>     | <b>1.35</b>     | <b>1.37</b>     | <b>1.45</b>     | <b>1.52</b>      | <b>1.56</b>      | <b>1.52</b>      |

LIHTC Allocation Calculation - Hamilton Manor Apartments, Hamilton, 9% HTC/HOME/HTF #05238

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land                                      | \$8,000                         | \$11,250                  |  |  |  |                                      |
| Purchase of buildings                                 | \$114,657                       | \$111,407                 | \$114,657                                    | \$111,407                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$24,340                        | \$24,340                  |  |  | \$24,340                                   | \$24,340                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$415,198                       | \$415,198                 |  |  | \$415,198                                  | \$415,198                            |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$8,991                         | \$8,791                   |  |  | \$8,791                                    | \$8,791                              |
| Contractor profit                                     | \$26,972                        | \$26,372                  |  |  | \$26,372                                   | \$26,372                             |
| General requirements                                  | \$26,972                        | \$26,372                  |  |  | \$26,372                                   | \$26,372                             |
| <b>(5) Contingencies</b>                              |                                 |                           |  |  |  |                                      |
|   | \$10,000                        | \$10,000                  |  |  | \$10,000                                   | \$10,000                             |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |  |  |                                      |
|   | \$68,564                        | \$68,564                  | \$3,000                                      | \$3,000                                | \$65,564                                   | \$65,564                             |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |  |  |                                      |
|   | \$5,000                         | \$5,000                   |  |  | \$5,000                                    | \$5,000                              |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |  |  |                                      |
|   | \$9,791                         | \$9,791                   |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |  |  |                                      |
|   |                                 |                           | \$17,649                                     | \$16,711                               | \$87,246                                   | \$87,246                             |
| Developer overhead                                    |                                 | \$13,921                  |  |  |  |                                      |
| Developer fee   | \$105,555                       | \$90,486                  |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |  |  |                                      |
|   |                                 | \$24,430                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$824,040</b>                | <b>\$845,922</b>          | <b>\$135,306</b>                             | <b>\$131,118</b>                       | <b>\$668,883</b>                           | <b>\$668,883</b>                     |

| <b>Deduct from Basis:</b>                                  |        |  |           |           |           |           |
|--|--------|--|-----------|-----------|-----------|-----------|
| 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)             |        |  |           |           |           |           |
| <b>TOTAL ELIGIBLE BASIS</b>                                |        |  | \$135,306 | \$131,118 | \$668,883 | \$668,883 |
| High Cost Area Adjustment                                  |        |  |           |           | 100%      | 100%      |
| <b>TOTAL ADJUSTED BASIS</b>                                |        |  | \$135,306 | \$131,118 | \$668,883 | \$668,883 |
| Applicable Fraction  |        |  | 100%      | 100%      | 100%      | 100%      |
| <b>TOTAL QUALIFIED BASIS</b>                               |        |  | \$135,306 | \$131,118 | \$668,883 | \$668,883 |
| Applicable Percentage                                      |        |  | 3.53%     | 3.53%     | 8.10%     | 8.10%     |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |        |  | \$4,776   | \$4,628   | \$54,180  | \$54,180  |
| Syndication Proceeds                                       | 0.7600 |  | \$36,299  | \$35,176  | \$411,761 | \$411,761 |
| <b>Total Credits (Eligible Basis Method)</b>               |        |  |           |           | \$58,956  | \$58,808  |
| Syndication Proceeds                                       |        |  |           |           | \$448,060 | \$446,937 |
| Requested Credits  |        |  |           |           | \$58,476  |           |
| Syndication Proceeds                                       |        |  |           |           | \$444,414 |           |
| <b>Gap of Syndication Proceeds Needed</b>                  |        |  |           |           |           | \$510,837 |
| Credit Amount  |        |  |           |           |           | \$67,216  |

# HAMILTON MANOR APARTMENTS





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Villas at Henderson Place**

BASIC DEVELOPMENT INFORMATION

Site Address: 1648 W. Henderson Development #: 05246  
 City: Cleburne Region: 3 Population Served: Family  
 County: Johnson Zip Code: 76031 Allocation: Urban/Exurban  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: NC  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Cleburne Villas Apartments, LP  
 Granger MacDonald Phone (830) 257-5323  
 Developer: N/A  
 Housing General Contractor: G.G. MacDonald, Inc.  
 Architect: ARCHON Corporation  
 Market Analyst: Mark Temple Real Estate Services  
 Syndicator: Boston Capital  
 Supportive Services: Texas Neighborhood Services  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |                          |            |            |                          |     |
|----------------------------------|--------------------------|------------|------------|--------------------------|-----|
| <u>30%</u>                       | <u>40%</u>               | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 180 |
| 9                                | 0                        | 0          | 171        | Market Rate Units:       | 0   |
| Type of Building:                | 5 units or more/Fourplex |            |            | Owner/Employee Units:    | 0   |
| Number of Residential Buildings: | 19                       |            |            | Total Development Units: | 180 |
|                                  |                          |            |            | Total Development Cost:  | \$0 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$700,000                | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$700,000                | \$700,000                  | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$0                      | \$0                        | 0            | 0           | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Villas at Henderson Place

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22

S

Points: N/A

US Representative: Edwards, District 17, NC

TX Representative: Orr, District 58

S

Points: N/A

US Senator:

NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals/Businesses:

In Support:

0

In Opposition:

0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Averitt expressed his support for the Development as one that will provide assistance in an area where current resources are limited. Representative Orr expressed his support for the Development as one that will bring affordable facilities offering many families the opportunity to raise the children in a healthier environment.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Reciept, review and approval of 4% housing tax credits and bonds.





MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Villas at Henderson Place**

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

9% HTC Competitive Cycle:  Score:  Meeting a Required Set-Aside Credit Amount: N/A

Recommendation: N/A

HOME Loan: Loan Amount: \$0

Recommendation: N/A

Housing Trust Fund Loan: Loan Amount: \$700,000

Recommendation: Conditioned upon final Real Estate Analysis report and future award of 4% Credits and bonds.

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$0

Recommendation: N/A

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**The Villas at Costa Tarragona**

BASIC DEVELOPMENT INFORMATION

Site Address: Southwest corner between State Highway 358 & McBride Lan      Development #: 05257  
 City: Corpus Christi      Region: 10      Population Served: Family  
 County: Nueces      Zip Code: 78408      Allocation: Urban/Exurban  
 HTC Set Asides:  At-Risk     Nonprofit     USDA      Purpose/Activity: N/A  
 HOME Set Asides:  CHDO     Preservation     General  
 Bond Issuer: N/A  
 HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Costa Tarragona I, Ltd.  
           Nacy Vera      Phone (361) 548-2878  
 Developer: Four Star Scholarship Corporation  
 Housing General Contractor: NRP Contractors, LLC  
 Architect: Alamo Architects  
 Market Analyst: Apartment Market Data Research Service  
 Syndicator: Paramount Financial Group  
 Supportive Services: N/A  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |     |
|----------------------------------|-----------------|------------|------------|--------------------------|-----|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 250 |
| 0                                | 0               | 6          | 244        | Market Rate Units:       | 0   |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0   |
| Number of Residential Buildings: | 15              |            |            | Total Development Units: | 250 |
|                                  |                 |            |            | Total Development Cost:  | \$0 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$0                      | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$170,000                | \$170,000                  | 0            | 0           | 0%          |
| HOME Fund Loan Amount:          | \$0                      | \$0                        | 0            | 0           | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

The Villas at Costa Tarragona

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20

S

Points: N/A

US Representative: Ortiz, District 27, NC

TX Representative: Herrero, District 34

S

Points: N/A

US Senator:

NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals/Businesses:

In Support:

0

In Opposition:

0

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

General Summary of Comment:

Senator Hinojosa expressed his support for the Development as one that will assist in the redevelopment and development of more affordable housing in the Corpus Christi area. Representative Herrero expressed his support for the Development as one that will be an added enhancement to a growing community and will provide a specifically designed complex for low income citizens.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.
2. Reciept, review and approval of 4% housing tax credits and bonds.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**The Villas at Costa Tarragona**

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

|  |   |                |           |
|--|---|----------------|-----------|
| 9% HTC Competitive Cycle: <input checked="" type="checkbox"/> Score: | <input type="checkbox"/> Meeting a Required Set-Aside   | Credit Amount: | N/A       |
| Recommendation:  | N/A   |                |           |
| HOME Loan:   |   | Loan Amount:   | \$0       |
| Recommendation:  | N/A   |                |           |
| Housing Trust Fund Loan:   |   | Loan Amount:   | \$170,000 |
| Recommendation:  | Recommendation is conditioned upon final underwriting report and future award of 4% Housing Tax Credits |                |           |
| 4% Housing Tax Credits with Bond Issuance:                           |   | Credit Amount: | \$0       |
| Recommendation:  | N/A   |                |           |
| Private Activity Bond Issuance with TDHCA:                           |   | Bond Amount:   | \$0       |
| Recommendation:  | N/A   |                |           |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hearthside**

BASIC DEVELOPMENT INFORMATION

Site Address: 7101 I-35 N Development #: 05258  
 City: Austin Region: 7 Population Served: Transitional  
 County: Travis Zip Code: 78752 Allocation: Urban/Exurban  
 HTC Set Asides:  At-Risk  Nonprofit  USDA Purpose/Activity: ACQ/R  
 HOME Set Asides:  CHDO  Preservation  General  
 Bond Issuer: N/A

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Foundation Communities, Inc.  
 Jennifer Daughtrey Phone (512) 447-2026  
 Developer: Foundation Communities, Inc.  
 Housing General Contractor: N/A  
 Architect: Foundation Communities  
 Market Analyst: Butler Burgher, Inc.  
 Syndicator: N/A  
 Supportive Services: Caritas  
 Consultant: N/A

UNIT/BUILDING INFORMATION

|                                  |                 |            |            |                          |             |
|----------------------------------|-----------------|------------|------------|--------------------------|-------------|
| <u>30%</u>                       | <u>40%</u>      | <u>50%</u> | <u>60%</u> | Total Restricted Units:  | 140         |
| 14                               | 0               | 5          | 121        | Market Rate Units:       | 0           |
| Type of Building:                | 5 units or more |            |            | Owner/Employee Units:    | 0           |
| Number of Residential Buildings: | 1               |            |            | Total Development Units: | 140         |
|                                  |                 |            |            | Total Development Cost:  | \$4,236,399 |

Note: Specific bedroom breakdowns and development costs will be available upon finalization of an underwriting report.

FUNDING INFORMATION

|                                 | <u>Applicant Request</u> | <u>Department Analysis</u> | <u>Amort</u> | <u>Term</u> | <u>Rate</u> |
|---------------------------------|--------------------------|----------------------------|--------------|-------------|-------------|
| Housing Tax Credits:            | \$0                      | N/A                        | N/A          | N/A         | N/A         |
| Housing Trust Fund Loan Amount: | \$218,457                | \$218,457                  | 5            | 5           | 0%          |
| HOME Fund Loan Amount:          | \$1,250,000              | \$1,250,000                | 5            | 5           | 0%          |
| Bond Allocation Amount:         | \$0                      | \$0                        | 0            | 0           | 0%          |



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hearthside**

**PUBLIC COMMENT SUMMARY**

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

**State/Federal Officials with Jurisdiction:**

TX Senator: Barrientos, District 14

NC

Points: N/A

US Representative: McCaul, District 10, NC

TX Representative: Strama, District 50

NC

Points: N/A

US Senator:

NC

**Local Officials and Other Public Officials:**

Mayor/Judge: NC

Resolution of Support from Local Government

**Individuals/Businesses:**

In Support:

In Opposition:

**Neighborhood Input:**

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that inelible letters received a score of 12.

**General Summary of Comment:**

No letters of support or opposition were received for this Development.

**CONDITIONS OF COMMITMENT**

Note: Additional conditions may be added upon finalization of an underwriting report.

1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Hearthside**

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

|   |   |                |             |
|---|---|----------------|-------------|
| 9% HTC Competitive Cycle: <input checked="" type="checkbox"/> Score:                  | <input type="checkbox"/> Meeting a Required Set-Aside | Credit Amount: | N/A         |
| Recommendation: N/A   |   |                |             |
| HOME Loan:  |   | Loan Amount:   | \$1,250,000 |
| Recommendation: Recommendation is conditioned upon final Real Estate Analysis report. |   |                |             |
| Housing Trust Fund Loan:  |   | Loan Amount:   | \$218,457   |
| Recommendation: Recommendation is conditioned upon final Real Estate Analysis report. |   |                |             |
| 4% Housing Tax Credits with Bond Issuance:  |   | Credit Amount: | \$0         |
| Recommendation: N/A   |   |                |             |
| Private Activity Bond Issuance with TDHCA:  |   | Bond Amount:   | \$0         |
| Recommendation: N/A   |   |                |             |

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

DATE: July 6, 2005

PROGRAM: HOME/HTF

FILE NUMBER: 05258

**DEVELOPMENT NAME**

Hearthside Single Room Occupancy (SRO)

**APPLICANT**

**Name:** Foundation Communities, Inc. **Type:** Non-Profit  
**Address:** 3036 South 1<sup>st</sup> Street, Suite 200 **City:** Austin **State:** TX  
**Zip:** 78704 **Contact:** Jennifer Daughtrey **Phone:** (512) 447-2026 **Fax:** (512) 447-0288

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Hearthside Housing Corporation **(%):** N/A **Title:** Non-Profit Affiliate of FC  
**Name:** Foundation Communities, Inc. (FC) **(%):** N/A **Title:** Applicant, Developer, 100% Owner of  
Hearthside Housing Corporation

**PROPERTY LOCATION**

**Location:** 7101 IH-35 North  **QCT**  **DDA**  
**City:** Austin **County:** Travis **Zip:** 78752

**REQUEST**

| <u>Amount</u>  | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|----------------|----------------------|---------------------|-------------|
| 1) \$1,250,000 | N/A                  | N/A                 | N/A         |
| 2) \$218,457   | N/A                  | N/A                 | N/A         |

**Other Requested Terms:** 1) HOME grant or non-performing loan  
2) Housing Trust Fund grant or non-performing loan

**Proposed Use of Funds:** Acquisition **Property Type:** Single Room Occupancy

**Special Purpose (s):** General Population, Urban/Exurban

**RECOMMENDATION**

- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$1,250,000, STRUCTURED AS A 5-YEAR TERM, NON-AMORTIZING LOAN, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$218,457, STRUCTURED AS A 5-YEAR TERM, NON-AMORTIZING LOAN, SUBJECT TO CONDITIONS.

**CONDITIONS**

- Any excess cash flow from the operations of the property should be placed in a restricted reserve account to fund future extraordinary repairs and potential operations losses. At the end of the 5-year loan term, the performance of the project should be reviewed and the potential for repayment and need for reserves should be re-evaluated.
- Review, receipt, and acceptance of proof of appropriate zoning.
- Receipt, review, and acceptance of final commitments and documentation of sufficient financing to rehabilitate and operate the development.
- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.



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**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |            |                           |               |                             |          |                    |                        |               |                       |                |                   |
|-------------------------|------------|---------------------------|---------------|-----------------------------|----------|--------------------|------------------------|---------------|-----------------------|----------------|-------------------|
| <b>Total Units:</b>     | <u>140</u> | <b># Rental Buildings</b> | <u>1</u>      | <b># Non-Res. Buildings</b> | <u>0</u> | <b># of Floors</b> | <u>3</u>               | <b>Age:</b>   | <u>6</u> yrs          | <b>Vacant:</b> | <u>N/A</u> at / / |
| <b>Net Rentable SF:</b> |            |                           | <u>42,419</u> | <b>Av Un SF:</b>            |          | <u>303</u>         | <b>Common Area SF:</b> | <u>28,186</u> | <b>Gross Bldg SF:</b> | <u>70,605</u>  |                   |

**STRUCTURAL MATERIALS**

The structure is wood frame on slab on grade. According to the plans provided in the application the exterior is comprised as follows: 30% masonry/brick veneer/70% cement fiber siding, and wood trim. The interior wall surfaces are drywall and the pitched roof is finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring is a combination of carpeting & ceramic tile. Each unit will include: refrigerator, microwave oven, fiberglass tub/shower, laminated counter tops, hot water heaters, individual heat pumps and cable.

**ONSITE AMENITIES**

The building will include management offices, maintenance, laundry facilities, fitness room, community room, a kitchen, restrooms, a computer/business center.

**Uncovered Parking:** 154 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Hearthside is an acquisition and rehabilitation project proposing single room occupancy housing located in central Austin. The existing three-story structure was built in 1999 and is currently a 145-unit extended stay hotel. Rehabilitation work will include converting the hotel rooms to 140 units at an average of 303 square feet each.

**Development Plan:** The building will continue to function as an extended stay hotel until all financing for the acquisition and rehabilitation is committed. The Applicant intends to perform the following rehabilitation work in order to convert the property into a single room occupancy supportive housing development for individuals transitioning from homelessness:

- Exterior: demolition, paving and landscaping
- Interior: electrical, plumbing, HVAC, drywall, appliances, painting, carpeting, countertop repair, kitchen and bathrooms, and doors and cabinetry replacement.

**Supportive Services:** Several local service agencies (Front Steps, Caritas, and Goodwill Industries) will provide the following supportive services to tenants: case management, job services, education programs, health services, and training program. These services will be provided at no cost to tenants.

**Architectural Review:** The building and unit plans are of sufficient size and appear to provide acceptable access and storage. The elevations reflect a modest building.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 2.5 acres    108,900 square feet    **Flood Zone Designation:** Zone X  
**Zoning:** Light Industrial and General Commercial Service

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is a rectangular parcel located in the central area of Austin, approximately five miles from the central business district. The site is situated on the east side of IH 35 North.

**Adjacent Land Uses:**

- **North:** East St. Johns Avenue immediately adjacent and retail beyond;

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- **South:** office immediately adjacent;
- **East:** industrial immediately adjacent; and
- **West:** IH-35 North immediately adjacent and retail beyond.

**Site Access:** Access to the property is from the east or west along St. Johns Avenue or the north or south from IH 35 North. Access to Interstate Highway immediately to the west of the subject, which provides connections to all other major roads serving the Austin area.

**Public Transportation:** Public transportation to the area is provided by Capital Metro. The location of the nearest stop is in front of the subject.

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

**Special Adverse Site Characteristics:** The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The site is currently zoned Light Industrial and General Commercial Service. The Applicant is seeking a zoning change to General Commercial Services-Mixed Use combined zoning. This zoning will allow for the renovation of the subject and conversion to permanent supportive housing. Receipt, review and acceptance of proof of appropriate zoning is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 11, 2005 and found the location to be acceptable for the proposed development.

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)**

A Phase I Environmental Site Assessment report dated April 9, 2004 was prepared by MACTEC Engineering & Consulting, Inc. and contained the following findings and recommendations:

**Findings:** (p. 21)

- “Review of historical information did not indicate environmental concerns to the subject property from former activities on the subject property.”
- “Review of the regulatory agency information and area reconnaissance did not indicate sources of environmental concern to the subject property.”
- “Previous Phase I ESAs, performed in 1997 and 2002, for the Central Freight Terminal, which is hydrologically in a downgradient position relative to the subject property addressed in this report, did not identify recognized environmental conditions associated with the subject property.”

**Recommendations:** “Based on available information from this assessment, no evidence of recognized environmental conditions has been identified in connection with the subject property. No further environmental assessment is recommended at this time” (p. 21).

**POPULATIONS TARGETED**

**Income Set-Aside:** According to the application, 100% of the units will be reserved for low-income single adults. Fourteen (10% of the total) will be HTF units reserved for households earning 30% or less of AMGI, five HTF and Low HOME units (4%) will be reserved for households earning 50% or less of AMGI, 20 HTF and High HOME units will be at 60% or less of AMGI, and 101 HTF units (86%) will be reserved for households earning 60% or less of AMGI.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$29,880        | \$34,140         | \$38,400         | \$42,660         | \$46,080         | \$49,500         |

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**MARKET HIGHLIGHTS**

A market feasibility study dated April 1, 2005 was prepared by Butler Burgher, Inc. (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “For the purpose of the demand and capture rate analysis of the market study, the Primary Market Area is defined as the Austin-Round Rock MSA. According to TDHCA’s guidelines, the population range is suggested to be no more than 100,000 persons. However, these guidelines are primarily designed to accommodate patterns for residents who typically lease traditional affordable units. As the subject will be for homeless persons and very low-income persons, the entire Austin-Round Rock MSA was considered reasonable” (p.29). “Although the overall population falls outside the demographic parameters set by TDHCA, the residents being served will typically move greater distances to locate affordable housing than a traditional household; thus, the PMA represents a reasonable draw area” (p. 41). The area encompasses approximately 4,224 square miles and is equivalent to a circle with a radius of 37 miles.

**Population:** The estimated 2004 population of the primary market area was 1,413,673 and is expected to increase by 14.4% to approximately 1,617,267 by 2009. Within the primary market area there were estimated to be 530,399 households in 2004.

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 18,741 qualified households in the PMA, based on the current estimate of 530,399 households, renter households estimated at 40.13% of the population, income-qualified households estimated at 12.06%, and an annual renter turnover rate of 67.3% (p. 40). The Market Analyst used an income band of \$10,800 to \$24,900.

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 0                      | N/A                      | 190                    | 4%                       |
| Resident Turnover                                      | 17,281                 | 92%                      | 5,085                  | 96%                      |
| Other Sources: 2 years future demand                   | 1,460                  | 8%                       | 0                      | N/A                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>18,741</b>          | <b>100%</b>              | <b>5,275</b>           | <b>100%</b>              |

Ref: p. 40

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 0.75% based upon 18,741 units of demand and 140 unstabilized affordable housing in the PMA (including the subject) (p. 40). The Underwriter calculated an inclusive capture rate of 2.65% based upon a supply of unstabilized comparable affordable units of 140 (the subject) divided by a revised demand of 5,275.

**Local Housing Authority Waiting List Information:** “...the Housing Authority of the City of Austin, which administers public housing units and vouchers, has a waiting list of over 4,500 families seeking housing as of March 1, 2005” (p. 35).

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 215 units in the market area (p. 42).

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |                    |                     |
|--|-----------------|--------------------|---------------------|--------------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Est. Market</b> | <b>Differential</b> |
| <b>Efficiency (30%/256 SF)</b>               | \$315           | \$373              | -\$58               | \$395              | -\$80               |
| <b>Efficiency (LH/256 SF)</b>                | \$315           | \$622              | -\$307              | \$395              | -\$80               |
| <b>Efficiency (60%/256 SF)</b>               | \$315           | \$747              | -\$432              | \$395              | -\$80               |
| <b>Efficiency (60%/315 SF)</b>               | \$315           | \$747              | -\$432              | \$400              | -\$85               |
| <b>Efficiency (60%/377 and 393 SF)</b>       | \$315           | \$747              | -\$432              | \$405              | -\$90               |
| <b>Efficiency (60%/435 SF)</b>               | \$315           | \$747              | -\$432              | \$410              | -\$95               |

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

**Primary Market Occupancy Rates:** “The comparable transitional housing units had a weighted average

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occupancy of 93%. However, Rent 1 is the most comparable property due to age and supportive services provided. This property is 100% occupied with a waiting list of 95 applicants. The Austin multifamily market was averaging 90.5% occupancy, while the NC submarket was averaging 92.8%, in December 2004” (p. 46).

**Absorption Projections:** “...up until 2001, absorption of multifamily units had been sufficient to keep pace with increases in supply. From 2001 through 2003, however, additions to supply outpaced absorption by a significant margin. However, absorption during 2004 totaled 4,133, which was 1,819 units more than the number of completions...absorption, remains positive, averaging 310 units per month in the last half of 2004...” (p. 28).

**Known Planned Development:** “Currently there are no other similar type transitional housing projects under construction or planned in the Austin-Round Rock area” (p. 41).

**Market Study Analysis/Conclusions:** The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant has indicated that 25 of the 140 units will be restricted under HOME program limits, and all of the units will be restricted under HTF program limits. The Applicant’s rent projections (\$315/unit) are lower than both the maximum rents allowed under program guidelines and the market rents, reflecting the Applicant’s desire to maintain the affordability of the units. According to a letter from the Applicant dated June 7, 2005, the subject development will target three general populations: “1) Persons, homeless and housed, who are working in low-wage jobs and unable to afford market rate housing. 2) Persons with disabilities who are receiving SSI and unable to locate affordable housing within their budget. 3) Homeless persons who have shown significant commitment to addressing long-term issues related to their homelessness, such as substance abuse, mental health treatment, job training/education, etc. through case management and other programs.” According to the Applicant, the proposed subject rents are comparable to the unsubsidized rents charged at Garden Terrace (HOME #2001-0189), a similar single room occupancy development also located in Austin. The slightly smaller units at Garden Terrace rent for \$300/unit.

There is the potential for additional income (approximately \$137K) if the Applicant chooses to increase rents to the market rents, and the Market Study information suggests that the market could support rents higher than those proposed by the Applicant but still within the HOME and HTF program rent restrictions.

Estimates of secondary income are in line with TDHCA underwriting guidelines. The Applicant utilized a higher vacancy rate of 8.23% rather than the typical underwriting guideline of 7.5%. As a result of these differences the Applicant’s effective gross income estimate is \$130K less than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,401 per unit 6% less than the Underwriter’s database-derived estimate of \$3,618 per unit, adjusted for actual operating expense information received from the Applicant for Garden Terrace (HOME #2001-0189). The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative (\$6K lower), repairs and maintenance (\$7K lower), and utilities (\$7K lower). The Applicant anticipates an approximately 50% property tax reduction due to the supportive housing nature of the development. Information from the Texas County Appraisal District indicates that the square footage valuation for the development will be similar to a US Housing and Urban Development (HUD) housing project (\$20-25 per square foot rather than \$30 per square foot for housing tax credit developments).

**Conclusion:** The higher income estimates of the Underwriter are somewhat mitigated by the slightly higher expense estimates; overall however, the Applicant’s estimated operating proforma is inconsistent with the Underwriter’s expectations. The Underwriter projects a greater amount of net operating income than the Applicant, suggesting the ability of the project to support debt service. Under the Applicant’s proposed financing structure, there will be no debt to service. The Applicant has expressed a strong desire to maximize the potential for success by creating a debt free or at least a debt service free project. This would appear to be a prudent course of action for the short term until an operating history for the project can be established. Moreover, any net income from this property should be restricted in a reserve account for future repairs and

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potential operating losses.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

|                              |             |                                    |                                  |
|------------------------------|-------------|------------------------------------|----------------------------------|
| <b>Land: 2.529 acres</b>     | \$881,648   | <b>Assessment for the Year of:</b> | 2004                             |
| <b>Building:</b>             | \$2,018,352 | <b>Valuation by:</b>               | Travis County Appraisal District |
| <b>Total Assessed Value:</b> | \$2,900,000 | <b>Tax Rate:</b>                   | 2.7211                           |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                                  |   |     |      |                                  |                                       |     |      |
|----------------------------------|---|-----|------|----------------------------------|---------------------------------------|-----|------|
| <b>Type of Site Control:</b>     | Earnest Money Contract (2.53 acres)                               |     |      |                                  |                                       |     |      |
| <b>Contract Expiration Date:</b> | 5/  | 13/ | 2005 | <b>Anticipated Closing Date:</b> | 5/                                    | 13/ | 2005 |
| <b>Acquisition Cost:</b>         | \$2,850,000   |     |      | <b>Other Terms/Conditions:</b>   | N/A                                   |     |      |
| <b>Seller:</b>                   | Austin CSAI, LP sold to affiliate of Foundation Communities, Inc. |     |      |                                  | <b>Related to Devel. Team Member:</b> | No  |      |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition cost of \$2.85M (\$40.36/SF) is substantiated by the appraisal/tax assessed value of \$2.9M. An affiliate of Foundation Communities, Inc., FC Ashford Mutual Housing Corporation, purchased the property from Austin CSAI, LP for an acquisition cost of \$2.85M. The Applicant provided a copy of the settlement statement dated May 13, 2005 showing an acquisition cost of \$2.85M. According to the Applicant, a non-profit CHDO affiliate of Foundation Communities, Inc. yet to be created, will purchase the property. A draft of the Earnest Money Contract between FC Ashford Mutual Housing Corporation and Foundation Communities, Inc. and/or assigns indicating a sale price of \$2.85M was provided by the Applicant. The total acquisition cost of \$2.99M indicated in the development cost schedule includes the sales price, \$40K in closing costs and legal fees, and \$100K in holding costs. The holding costs consist of \$189K for 12 months of loan payment minus an estimated cash flow from the current interim hotel operations of the subject property of \$96K.

**Sitework Cost:** Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$279 per unit.

**Direct Construction Cost:** The Applicant is requesting funding for acquisition and therefore was not required to submit a property condition assessment. Therefore, the Applicant's direct construction cost estimate of \$381K is considered reasonable as submitted. Moreover, the planned renovations are minor as the property is in good physical shape and will not require significant renovation work to operate as transitional housing.

**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 fees exceed the maximum 15% allowed by TDHCA guidelines and have been adjusted. The Underwriter excluded land costs from the calculation of developer fees and, in order to partially offset the overstated fees, adjusted the contingency amount to the 10% maximum Department guideline.

**Conclusion:** The Applicant's total project cost estimate is within 5% of the Underwriter's total costs, though few of the Applicant's costs could be independently verified by the Underwriter.

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| FINANCING STRUCTURE            |   |                               |   |
|--------------------------------|---|-------------------------------|---|
| INTERIM CONSTRUCTION FINANCING |   |                               |   |
| <b>Source:</b>                 | Neighborhood Housing Services of America  | <b>Contact:</b>               | Barry Black                                     |
| <b>Principal Amount:</b>       | \$2,850,000   | <b>Interest Rate:</b>         | 6.5%  |
| <b>Additional Information:</b> | Used to acquire property and hold in operation until funds for SRO project raised |                               |   |
| <b>Amortization:</b>           | N/A yrs   | <b>Term:</b>                  | 1 yrs   |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI  | <input type="checkbox"/> Firm | <input checked="" type="checkbox"/> Conditional |

| PERMANENT FINANCING            |   |                               |   |
|--------------------------------|---|-------------------------------|---|
| <b>Source:</b>                 | Austin Housing Finance Corporation  | <b>Contact:</b>               | Paul Hilgers                                    |
| <b>Principal Amount:</b>       | \$1,000,000   | <b>Interest Rate:</b>         |   |
| <b>Additional Information:</b> | Grant / Forgivable Loan from Rental Housing Development Assistance (RHDA) program |                               |   |
| <b>Amortization:</b>           | _____ yrs   | <b>Term:</b>                  | _____ yrs                                       |
| <b>Commitment:</b>             | <input type="checkbox"/> LOI  | <input type="checkbox"/> Firm | <input checked="" type="checkbox"/> Conditional |
| <b>Addl Information:</b>       | Notification Date: August 2005  |                               |   |
| <b>Disbursement Date:</b>      | November 2005   | <b>Commitment Date</b>        | 4/ 28/ 2005                                     |

| GRANT                          |                             |                         |  |
|--------------------------------|-----------------------------|-------------------------|--|
| <b>Source:</b>                 | FHLB Atlanta – Compass Bank | <b>Contact:</b>         | Toni Koonce  |
| <b>Principal Amount:</b>       | \$500,000                   | <b>Commitment:</b>      | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
| <b>Additional Information:</b> | AHP Program / Application   |                         |  |
| <b>Notification Date:</b>      | June 2005                   |                         |  |
| <b>Disbursement Date:</b>      | September 2005              | <b>Application Date</b> | 3/ / 2005  |

| GRANT                          |                              |                    |  |
|--------------------------------|------------------------------|--------------------|--|
| <b>Source:</b>                 | NeighborWorks America        | <b>Contact:</b>    | Mickey Landy   |
| <b>Principal Amount:</b>       | \$358,000                    | <b>Commitment:</b> | <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Disbursement Date: July 2005 |                    |  |
| <b>Commitment Date</b>         | 2/ 28/ 2005                  |                    |  |

| GRANT                          |                                |                         |  |
|--------------------------------|--------------------------------|-------------------------|--|
| <b>Source:</b>                 | Enterprise Green Communities   | <b>Contact:</b>         |  |
| <b>Principal Amount:</b>       | \$50,000                       | <b>Commitment:</b>      | <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Notification Date: August 2005 |                         |  |
| <b>Disbursement Date:</b>      | October 2005                   | <b>Application Date</b> | 3/ / 2005  |

| GRANT                          |                                  |                    |  |
|--------------------------------|----------------------------------|--------------------|--|
| <b>Source:</b>                 | Austin CDC/Enterprise Foundation | <b>Contact:</b>    | Rory M. O'Malley   |
| <b>Principal Amount:</b>       | \$30,000                         | <b>Commitment:</b> | <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Disbursement Date: June 2005     |                    |  |
| <b>Commitment Date</b>         | 4/ 11/ 2005                      |                    |  |

| GRANT                          |                                     |                    |  |
|--------------------------------|-------------------------------------|--------------------|--|
| <b>Source:</b>                 | NeighborWorks Home Depot Foundation | <b>Contact:</b>    |  |
| <b>Principal Amount:</b>       | \$37,500                            | <b>Commitment:</b> | <input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional |
| <b>Additional Information:</b> | Disbursement Date: July 2005        |                    |  |
| <b>Application Date</b>        | 3/ / 2005                           |                    |  |

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| GRANT   |   |  |  |
|---|---|--|--|
| <b>Source:</b> <u>Topfer Family Foundation</u>                        | <b>Contact:</b> _____                       |  |  |
| <b>Principal Amount:</b> \$100,000                                    | <b>Commitment:</b> <input type="checkbox"/> | LOI <input checked="" type="checkbox"/>  | Firm <input type="checkbox"/> Conditional <input type="checkbox"/> |
| <b>Additional Information:</b> <u>Disbursement Date: October 2005</u> |   | <b>Application Date</b> <u>3/ / 2005</u> |  |

| GRANT  |   |                                   |  |
|--|---|-----------------------------------|--|
| <b>Source:</b> <u>Other Fundraising</u>                    | <b>Contact:</b> <u>N/A</u>                  |                                   |  |
| <b>Principal Amount:</b> \$555,000                         | <b>Commitment:</b> <input type="checkbox"/> | LOI <input type="checkbox"/>      | Firm <input type="checkbox"/> Conditional <input type="checkbox"/> |
| <b>Additional Information:</b> <u>Fundraising Campaign</u> |   | <b>Commitment Date</b> <u>N/A</u> |  |

| APPLICANT EQUITY                |   |
|---------------------------------|---|
| <b>Amount:</b> <u>\$270,000</u> | <b>Source:</b> <u>Deferred Developer Fee (\$70K) and Cash Equity (\$200K)</u> |

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development from several sources: TDHCA HOME, TDHCA Housing Trust Fund, an Affordable Housing Program grant from the Federal Reserve Bank of Atlanta, a Rental Housing Development Assistance (RHDA) forgivable loan from the Austin Housing Finance Corporation, other fundraising, and equity provided by the Applicant.

**HOME:** The Applicant is requesting funds from the TDHCA HOME Program in the form of a grant or non-performing loan in the amount of \$1.25M to provide the majority of acquisition funding.

The Multifamily Production Division has informed the Applicant that the maximum amount of HOME funding available to this application is limited to 18% of the total Development Costs, or \$786,446.28. This restricted amount is based on the Department’s limitations on HOME funds in Participating Jurisdictions; Section 2306.111 (c) of the Texas Government Code; and maximum funding requirements under federal HOME rules clarified in notice CPD 94-01. The maximum subsidy is calculated based on the number of HOME-assisted units in the structure times the allowable per unit subsidy amount. In addition, the maximum subsidy may not exceed the actual development cost of the HOME-assisted units based on their proportionate share of the total development cost.

The Applicant has requested that, due to the unique and dramatic need for the development, the Department consider using unsubscribed HOME CHDO Rental Development Funds or Housing Trust Funds to comprise the full HOME CHDO Rental Development Funds requested (\$1.25M).

Because of the uniqueness of this project it is recommended that an award be structured as a loan at zero percent interest with a five year maturity. Any cash flow from the property should be accumulated in a restricted reserve account for future capital repair needs and/or operating losses. Prior to maturity, the loan and project should be re-evaluated based upon actual performance and a loan repayment structure and or proposed amount of debt forgiveness be established. It should be noted that this represents a very speculative transaction and there is potential that the entire loan amount will need to be forgiven at some time in the future.

**Housing Trust Fund:** The Applicant is requesting \$218,457 from TDHCA’s Housing Trust Fund in the form of a grant or non-performing loan. Similar to the HOME award, zero percent interest rate loan with a five year maturity is recommended. The development should be re-evaluated based upon actual performance and the loan structure revisited before the end of the five-year term.

**Other Sources:** The Applicant has applied for a \$1M grant or forgivable loan from the Austin Housing Finance Corporation’s Rental Housing Development Assistance program and a forgivable loan of \$500K from the Federal Reserve Bank of Atlanta. An application for \$50K from Enterprise Green Communities is under consideration. The Applicant has received \$358K in grant funds from the Neighborhood Reinvestment Corporation (NRC); \$30K from the Enterprise Foundation; \$38K from NeighborWorks Home Depot Foundation; and \$100K from the Topfer Family Foundation.

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**Fundraising:** The Applicant is conducting a campaign to raise \$555K with foundations, corporations, and individuals. A previous fundraising campaign for a similar development (Garden Terrace) raised \$475K.

**Applicant Equity:** The Applicant is donating \$200,000 in cash equity to the project to fund any gaps in rent-up and operating reserves with this project. The Applicant has provided a letter dated May 9, 2005 from Maxwell Lock & Ritter, LLP, Accountants and Consultants, verifying that the Applicant has the capacity to provide \$200,000 in financing. The Applicant provided a letter dated May 6, 2005 from Compass Bank indicated that \$200,000 has been deposited in a separate account for operating reserves for the subject.

**Deferred Developer's Fees:** The Applicant's proposes to defer total developer's fees of \$70,000.

**Financing Conclusions:** Although only a few of the permanent financing options are firm at this time, the Applicant has committed to provide some funds from its own cash reserves to complete the project. As noted in the Financial Highlights section below, the Applicant's cash reserves of \$2.58M would appear sufficient to accomplish the project and, therefore, mitigate the risk associated with the unconfirmed funding sources. In addition, due to the limit on developer fee the need for funds is reduced by \$133K. The \$1,250,000 HOME award and the \$218,475 HTF award are recommended to be in the form of non-amortizing zero percent loans with a maturity of five years. Receipt, review, and acceptance of final commitments and documentation of sufficient firm financing commitments to rehabilitate and operate the development is a condition of this report.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, Architect, and Property Manager are all related entities. These are common relationships for rental housing developments.

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

**Financial Highlights:**

- The Applicant, Foundation Communities, Inc. and Affiliates, submitted an unaudited financial statement as of December 31, 2004. The financial statement reports total assets of \$41.1M, consisting of \$2.58M in cash, \$5.49M in receivables, \$26K in deposits, \$27.7 in long term assets, \$1.1M in partnership investments, \$356K in other current assets, \$1.5M in restricted assets, and \$2.28M in reserves. Liabilities total \$23.1M, resulting in net assets of \$17.9M.

**Background & Experience:** Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The majority of the anticipated funding sources are unconfirmed.
- The Applicant's operating proforma is 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 program rents can be achieved in this market.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

**Underwriter:**

*Brenda Hull*

**Date:** July 6, 2005

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** July 6, 2005



**MULTIFAMILY COMPARATIVE ANALYSIS**

**Hearthside SRO, Austin, HOME and HTF, #05258**

| Type of Unit  | Number     | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Utility        | Wtr, Swr, Trash |
|---------------|------------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|-----------------|
| HTF (30%)     | 14         | 0        | 1               | 256        | \$373           | \$373             | \$5,222         | \$1.46        | \$45.00        | \$31.00         |
| LH/HTF (50%)  | 5          | 0        | 1               | 256        | 622             | \$395             | 1,975           | 1.54          | 45.00          | 31.00           |
| HH/HTF (60%)  | 20         | 0        | 1               | 256        | 656             | \$395             | 7,900           | 1.54          | 45.00          | 31.00           |
| HTF (60%)     | 38         | 0        | 1               | 256        | 747             | \$395             | 15,010          | 1.54          | 45.00          | 31.00           |
| HTF (60%)     | 24         | 0        | 1               | 315        | 747             | 400               | 9,600           | 1.27          | 45.00          | 31.00           |
| HTF (60%)     | 27         | 0        | 1               | 377        | 747             | 405               | 10,935          | 1.07          | 45.00          | 31.00           |
| HTF (60%)     | 6          | 0        | 1               | 393        | 747             | 405               | 2,430           | 1.03          | 45.00          | 31.00           |
| HTF (60%)     | 6          | 0        | 1               | 435        | 747             | 410               | 2,460           | 0.94          | 45.00          | 31.00           |
| <b>TOTAL:</b> | <b>140</b> |          | <b>AVERAGE:</b> | <b>303</b> | <b>\$692</b>    | <b>\$397</b>      | <b>\$55,532</b> | <b>\$1.31</b> | <b>\$45.00</b> | <b>\$31.00</b>  |

**INCOME**

Total Net Rentable Sq Ft: 42,419

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$5.75  
Other Support Income: none

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                                  | % OF EGI      | PER UNIT       | PER SQ FT      |
|----------------------------------|---------------|----------------|----------------|
| General & Administrative         | 5.36%         | \$240          | 0.79           |
| Management                       | 5.00%         | 223            | 0.74           |
| Payroll & Payroll Tax            | 21.09%        | 942            | 3.11           |
| Repairs & Maintenance            | 5.14%         | 230            | 0.76           |
| Utilities                        | 12.09%        | 540            | 1.78           |
| Water, Sewer, & Trash            | 6.18%         | 276            | 0.91           |
| Property Insurance               | 4.22%         | 189            | 0.62           |
| Property Tax 2.7211              | 6.31%         | 282            | 0.93           |
| Reserve for Replacements         | 6.72%         | 300            | 0.99           |
| Other: compl, cable tv, security | 8.89%         | 397            | 1.31           |
| <b>TOTAL EXPENSES</b>            | <b>81.01%</b> | <b>\$3,618</b> | <b>\$11.94</b> |
| <b>NET OPERATING INC</b>         | <b>18.99%</b> | <b>\$848</b>   | <b>\$2.80</b>  |

**DEBT SERVICE**

| TDHCA HOME               | 0.00%         | \$0          | \$0.00        |
|--------------------------|---------------|--------------|---------------|
| TDHCA Housing Trust Fund | 0.00%         | \$0          | \$0.00        |
| Additional Financing     | 0.00%         | \$0          | \$0.00        |
| <b>NET CASH FLOW</b>     | <b>18.99%</b> | <b>\$848</b> | <b>\$2.80</b> |

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 70.58%         | \$21,357        | \$70.49        |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 0.92%          | 279             | 0.92           |
| Direct Construction                  |        | 8.99%          | 2,721           | 8.98           |
| Contingency                          | 10.00% | 0.99%          | 300             | 0.99           |
| General Req'ts                       | 6.00%  | 0.59%          | 180             | 0.59           |
| Contractor's G & A                   | 2.00%  | 0.20%          | 60              | 0.20           |
| Contractor's Profit                  | 6.00%  | 0.59%          | 180             | 0.59           |
| Indirect Construction                |        | 1.64%          | 496             | 1.64           |
| Ineligible Costs                     |        | 0.35%          | 107             | 0.35           |
| Developer's G & A                    | 15.00% | 9.42%          | 2,852           | 9.41           |
| Developer's Profit                   | 0.00%  | 0.00%          | 0               | 0.00           |
| Interim Financing                    |        | 1.25%          | 379             | 1.25           |
| Reserves                             |        | 4.46%          | 1,349           | 4.45           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$30,260</b> | <b>\$99.87</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>12.29%</b>  | <b>\$3,720</b>  | <b>\$12.28</b> |

**SOURCES OF FUNDS**

| TDHCA HOME                      | 29.51% | \$8,929  | \$29.47  |
|---------------------------------|--------|----------|----------|
| TDHCA Housing Trust Fund        | 5.16%  | \$1,560  | \$5.15   |
| Fundraising Proceeds            | 62.10% | \$18,791 | \$62.02  |
| Cash Equity                     | 4.72%  | \$1,429  | \$4.71   |
| Deferred Developer Fee          | 1.65%  | \$500    | \$1.65   |
| Additional (Excess) Funds Req'd | -3.13% | (\$948)  | (\$3.13) |
| <b>TOTAL SOURCES</b>            |        |          |          |

| TDHCA     | APPLICANT |
|-----------|-----------|
| \$666,384 | \$529,200 |
| 9,660     | 9,660     |
| 0         |           |
| \$676,044 | \$538,860 |
| (50,703)  | (44,328)  |
| 0         |           |
| \$625,341 | \$494,532 |
| \$33,541  | \$27,322  |
| 31,267    | 27,355    |
| 131,880   | 133,458   |
| 32,153    | 25,217    |
| 75,600    | 68,817    |
| 38,668    | 41,766    |
| 26,404    | 26,814    |
| 39,456    | 38,327    |
| 42,000    | 35,000    |
| 55,619    | 52,119    |
| \$506,588 | \$476,195 |
| \$118,753 | \$18,337  |
| \$0       | \$0       |
| 0         | 0         |
| 0         | 0         |
| \$118,753 | \$18,337  |
| N/A       | N/A       |
| N/A       |           |

| PER SQ FT | PER UNIT | % OF EGI |
|-----------|----------|----------|
| \$0.64    | \$195    | 5.52%    |
| 0.64      | 195      | 5.53%    |
| 3.15      | 953      | 26.99%   |
| 0.59      | 180      | 5.10%    |
| 1.62      | 492      | 13.92%   |
| 0.98      | 298      | 8.45%    |
| 0.63      | 192      | 5.42%    |
| 0.90      | 274      | 7.75%    |
| 0.83      | 250      | 7.08%    |
| 1.23      | 372      | 10.54%   |
| \$11.23   | \$3,401  | 96.29%   |
| \$0.43    | \$131    | 3.71%    |
| \$0.00    | \$0      | 0.00%    |
| \$0.00    | \$0      | 0.00%    |
| \$0.00    | \$0      | 0.00%    |
| \$0.43    | \$131    | 3.71%    |
| N/A       |          |          |
| N/A       |          |          |

| TDHCA       | APPLICANT   |
|-------------|-------------|
| \$2,990,000 | \$2,990,000 |
| 0           | 0           |
| 39,000      | 39,000      |
| 381,000     | 381,000     |
| 42,000      | 21,000      |
| 25,200      | 25,200      |
| 8,400       | 8,400       |
| 25,200      | 25,200      |
| 69,500      | 69,500      |
| 15,000      | 15,000      |
| 399,248     | 541,845     |
| 0           | 0           |
| 53,000      | 53,000      |
| 188,851     | 200,000     |
| \$4,236,399 | \$4,369,145 |

| PER SQ FT   | PER UNIT    | % of TOTAL |
|-------------|-------------|------------|
| \$70.49     | \$21,357    | 68.43%     |
| 0.00        | 0           | 0.00%      |
| 0.92        | 279         | 0.89%      |
| 8.98        | 2,721       | 8.72%      |
| 0.50        | 150         | 0.48%      |
| 0.59        | 180         | 0.58%      |
| 0.20        | 60          | 0.19%      |
| 0.59        | 180         | 0.58%      |
| 1.64        | 496         | 1.59%      |
| 0.35        | 107         | 0.34%      |
| 12.77       | 3,870       | 12.40%     |
| 0.00        | 0           | 0.00%      |
| 1.25        | 379         | 1.21%      |
| 4.71        | 1,429       | 4.58%      |
| \$103.00    | \$31,208    | 100.00%    |
| \$11.78     | \$3,570     | 11.44%     |
| \$1,250,000 | \$1,250,000 |            |
| 218,457     | 218,457     |            |
| 2,630,688   | 2,630,688   |            |
| 200,000     | 200,000     |            |
| 70,000      | 70,000      |            |
| (132,746)   | 0           |            |
| \$4,236,399 | \$4,369,145 |            |
| \$1,250,000 |             |            |
| 218,457     |             |            |
| 2,567,942   |             |            |
| 200,000     |             |            |
| 0           |             |            |
| \$4,236,399 | \$1,542,699 |            |

**RECOMMENDED**

|             |
|-------------|
| \$1,250,000 |
| 218,457     |
| 2,567,942   |
| 200,000     |
| 70,000      |
| 0           |
| \$4,236,399 |

15-Yr Cumulative Cash Flow

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)  
**Hearthside SRO, Austin, HOME and HTF, #05258**

**PAYMENT COMPUTATION**

|                   |             |               |     |
|-------------------|-------------|---------------|-----|
| <b>Primary</b>    | \$1,250,000 | Amort         |     |
| Int Rate          |             | DCR           | N/A |
| <b>Secondary</b>  | \$218,457   | Amort         |     |
| Int Rate          |             | Subtotal DCR  | N/A |
| <b>Additional</b> | \$2,630,688 | Amort         |     |
| Int Rate          |             | Aggregate DCR | N/A |

**RECOMMENDED FINANCING STRUCTURE:**

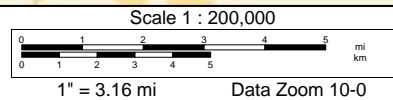
|                         |                  |
|-------------------------|------------------|
| Primary Debt Service    | \$0              |
| Secondary Debt Service  | 0                |
| Additional Debt Service | 0                |
| <b>NET CASH FLOW</b>    | <b>\$118,753</b> |

|                   |             |               |     |
|-------------------|-------------|---------------|-----|
| <b>Primary</b>    | \$1,250,000 | Amort         | 0   |
| Int Rate          | 0.00%       | DCR           | N/A |
| <b>Secondary</b>  | \$218,457   | Amort         | 0   |
| Int Rate          | 0.00%       | Subtotal DCR  | N/A |
| <b>Additional</b> | \$2,630,688 | Amort         | 0   |
| Int Rate          | 0.00%       | Aggregate DCR | N/A |

**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            | \$666,384        | \$686,376        | \$706,967        | \$728,176        | \$750,021        | \$869,480        | \$1,007,966      | \$1,168,508        | \$1,570,378        |
| Secondary Income                | 9,660            | 9,950            | 10,248           | 10,556           | 10,872           | 12,604           | 14,612           | 16,939             | 22,764             |
| Other Support Income: none      | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| POTENTIAL GROSS INCOME          | 676,044          | 696,325          | 717,215          | 738,732          | 760,893          | 882,084          | 1,022,577        | 1,185,447          | 1,593,142          |
| Vacancy & Collection Loss       | (50,703)         | (52,224)         | (53,791)         | (55,405)         | (57,067)         | (66,156)         | (76,693)         | (88,909)           | (119,486)          |
| Employee or Other Non-Rental Un | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| <b>EFFECTIVE GROSS INCOME</b>   | <b>\$625,341</b> | <b>\$644,101</b> | <b>\$663,424</b> | <b>\$683,327</b> | <b>\$703,826</b> | <b>\$815,928</b> | <b>\$945,884</b> | <b>\$1,096,539</b> | <b>\$1,473,656</b> |
| EXPENSES at 4.00%               |                  |                  |                  |                  |                  |                  |                  |                    |                    |
| General & Administrative        | \$33,541         | \$34,882         | \$36,277         | \$37,729         | \$39,238         | \$47,739         | \$58,081         | \$70,665           | \$104,601          |
| Management                      | 31,267           | 32,205           | 33,171           | 34,166           | 35,191           | 40,796           | 47,294           | 54,827             | 73,683             |
| Payroll & Payroll Tax           | 131,880          | 137,155          | 142,641          | 148,347          | 154,281          | 187,706          | 228,373          | 277,851            | 411,288            |
| Repairs & Maintenance           | 32,153           | 33,439           | 34,777           | 36,168           | 37,615           | 45,764           | 55,679           | 67,742             | 100,275            |
| Utilities                       | 75,600           | 78,624           | 81,769           | 85,040           | 88,441           | 107,602          | 130,915          | 159,278            | 235,770            |
| Water, Sewer & Trash            | 38,668           | 40,215           | 41,823           | 43,496           | 45,236           | 55,037           | 66,960           | 81,468             | 120,592            |
| Insurance                       | 26,404           | 27,460           | 28,559           | 29,701           | 30,889           | 37,581           | 45,723           | 55,629             | 82,345             |
| Property Tax                    | 39,456           | 41,034           | 42,676           | 44,383           | 46,158           | 56,158           | 68,325           | 83,128             | 123,049            |
| Reserve for Replacements        | 42,000           | 43,680           | 45,427           | 47,244           | 49,134           | 59,779           | 72,730           | 88,488             | 130,983            |
| Other                           | 55,619           | 57,844           | 60,158           | 62,564           | 65,066           | 79,163           | 96,314           | 117,181            | 173,456            |
| <b>TOTAL EXPENSES</b>           | <b>\$506,588</b> | <b>\$526,539</b> | <b>\$547,278</b> | <b>\$568,837</b> | <b>\$591,249</b> | <b>\$717,326</b> | <b>\$870,396</b> | <b>\$1,056,256</b> | <b>\$1,556,042</b> |
| <b>NET OPERATING INCOME</b>     | <b>\$118,753</b> | <b>\$117,562</b> | <b>\$116,146</b> | <b>\$114,489</b> | <b>\$112,577</b> | <b>\$98,602</b>  | <b>\$75,488</b>  | <b>\$40,283</b>    | <b>(\$82,386)</b>  |
| <b>DEBT SERVICE</b>             |                  |                  |                  |                  |                  |                  |                  |                    |                    |
| First Lien Financing            | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0                | \$0                |
| Second Lien                     | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| Other Financing                 | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| <b>NET CASH FLOW</b>            | <b>\$118,753</b> | <b>\$117,562</b> | <b>\$116,146</b> | <b>\$114,489</b> | <b>\$112,577</b> | <b>\$98,602</b>  | <b>\$75,488</b>  | <b>\$40,283</b>    | <b>(\$82,386)</b>  |
| DEBT COVERAGE RATIO             | N/A              | N/A              | N/A              | N/A              | N/A              | N/A              | N/A              | N/A                | N/A                |

# Hearthside SRO







MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

Fenner Square

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Armbrister, District 18 [NC] Points: N/A US Representative:Hinojosa, District 15, NC

TX Representative: Gonzalez Toureilles, District [S] Points: N/A US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: William J. Schaefer, Mayor, O Resolution of Support from Local Government [ ]

Individuals/Businesses: In Support: [0] In Opposition: [0]

Neighborhood Input:

All Comments from neighborhoods that submitted letters for Quantifiable Community Participation, whether scored or not, are summarized below. If this section is blank, no letters were received for Quantifiable Community Participation. Note that ineligible letters received a score of 12.

General Summary of Comment:

Representative Toureilles expressed her support for the Development as one that is an eagerly welcomed addition to the community. The City of Brady expressed its support for the Development.

There were no letters of opposition.

CONDITIONS OF COMMITMENT

Note: Additional conditions may be added upon finalization of an underwriting report.

- 1. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence was not provided in the application and is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.



MULTIFAMILY FINANCE PRODUCTION DIVISION

July 14, 2005

Development Information, Public Input and Board Summary

**Fenner Square**

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

|  |   |                |           |
|--|---|----------------|-----------|
| 9% HTC Competitive Cycle: <input checked="" type="checkbox"/> Score: | <input type="checkbox"/> Meeting a Required Set-Aside                 | Credit Amount: | N/A       |
| Recommendation:  | N/A   |                |           |
| HOME Loan:   |   | Loan Amount:   | \$0       |
| Recommendation:  | N/A   |                |           |
| Housing Trust Fund Loan:   |   | Loan Amount:   | \$110,000 |
| Recommendation:  | Recommendation is conditioned upon final Real Estate Analysis report. |                |           |
| 4% Housing Tax Credits with Bond Issuance:                           |   | Credit Amount: | \$0       |
| Recommendation:  | N/A   |                |           |
| Private Activity Bond Issuance with TDHCA:                           |   | Bond Amount:   | \$0       |
| Recommendation:  | N/A   |                |           |



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

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

**ADDENDUM**

Fenner Square was submitted and underwritten in the 2004 9% HTC cycle. The underwriting analysis recommended the project be approved subject to conditions that have been resolved save:

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

**Background:** The Addendum is being submitted to the department for additional funding in the form of \$110,000 in HTF funds. Costs have increased and the Applicant feels that he will need this additional funding to build the proposed development. The Applicant has further submitted amendments to the Department altering the application from its original form. Those alterations include changing ceiling height from 9-foot to 8-foot, and increasing total unit square footage amounts from 30,032 to 32,218. Also, all two-bedroom units will now have one-bathroom instead of two, according to the most recent plans.

The remainder of this report and analysis reflects the changes from the original application.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |               |                            |              |                             |              |                       |               |             |                |                |                   |
|-------------------------|---------------|----------------------------|--------------|-----------------------------|--------------|-----------------------|---------------|-------------|----------------|----------------|-------------------|
| <b>Total Units:</b>     | <u>32</u>     | <b># Rental Buildings:</b> | <u>8</u>     | <b># Common Area Bldgs:</b> | <u>1</u>     | <b># of Floors:</b>   | <u>1</u>      | <b>Age:</b> | <u>N/A</u> yrs | <b>Vacant:</b> | <u>N/A</u> at / / |
| <b>Net Rentable SF:</b> | <u>32,218</u> | <b>Av Un SF:</b>           | <u>1,007</u> | <b>Common Area SF:</b>      | <u>1,597</u> | <b>Gross Bldg SF:</b> | <u>33,815</u> |             |                |                |                   |

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION FINANCING**

|  |   |
|--|---|
| <b>Source:</b> <u>Centennial Mortgage, Inc</u>   | <b>Contact:</b> <u>Matthew Kane</u>   |
| <b>Principal Amount:</b> <u>\$950,000</u>  | <b>Interest Rate:</b> <u>Estimated to be 6.75% fixed with a USDA interest rate subsidy to the Applicable Federal Rate (AFR) estimated to be 4.48%</u> |
| <b>Additional Information:</b> <u>The United States Department of Agriculture (USDA) has provided a conditional commitment guarantee to cover 90% of the approved loan through their Section 538 Guaranteed Rural Rental Housing Program</u> |   |
| <b>Amortization:</b> <u>N/A</u> yrs  | <b>Term:</b> <u>Unk</u> yrs   |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional  |   |

**PERMANENT FINANCING**

|  |   |
|--|---|
| <b>Source:</b> <u>Centennial Mortgage, Inc</u>   | <b>Contact:</b> <u>Matthew Kane</u>   |
| <b>Principal Amount:</b> <u>\$950,000</u>  | <b>Interest Rate:</b> <u>Estimated to be 6.75% fixed with a USDA interest rate subsidy to the Applicable Federal Rate (AFR) estimated to be 4.48%</u> |
| <b>Additional Information:</b> <u>The United States Department of Agriculture (USDA) has provided a conditional commitment guarantee to cover 90% of the approved loan through their Section 538 Guaranteed Rural Rental Housing Program</u> |   |
| <b>Amortization:</b> <u>40</u> yrs   | <b>Term:</b> <u>40</u> yrs  |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional  |   |
| <b>Annual Payment:</b> <u>\$42,700 est.</u>  | <b>Lien Priority:</b> <u>1st</u>  |
| <b>Commitment Date:</b> <u>6/ 30/ 2005</u>   |   |

**TAX CREDIT SYNDICATION**

|   |  |
|---|--|
| <b>Source:</b> <u>WNC &amp; Associates</u>  | <b>Contact:</b> <u>Wilfred Cooper</u>                                  |
| <b>Address:</b> <u>17782 Sky Park Circle</u>  | <b>City:</b> <u>Irvine</u>   |
| <b>State:</b> <u>California</u>   | <b>Zip:</b> <u>92614</u>   |
| <b>Phone:</b> <u>(714) 662-5565</u>   | <b>Fax:</b> <u>(714) 662-4412</u>                                      |
| <b>Net Proceeds:</b> <u>\$1,770,011</u>   | <b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC):</b> <u>90.75¢</u> |
| <b>Commitment:</b> <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional |  |
| <b>Date:</b> <u>4/ 4/ 2005</u>  |  |



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

**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$75,000                      **Source:** Deferred developer fee

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's most recent rent projections are below the maximum rents allowed under HTC program guidelines because the Applicant used utility allowances that are above those that were used in the original application and the original underwriting report. The Applicant indicates that only electric utilities will be provided for the development. The utility allowances available from the Goliad Housing Authority are incomplete with respect to electric utilities. The Underwriter therefore used the utility allowances available from the Victoria Housing Authority which is the closest major community 25 miles east, while the Applicant used an amalgamation of figures from Corpus Christi, 60 miles southeast. The result is that the Underwriter's projected utility allowances are less than the Applicant's. Also, the market analyst opines that the market cannot support the 60% net rents in accordance with the program maximum, and as such those units are limited to the achievable market rents of \$425 (1 BR), \$500 (2 BR), \$600 (3 BR). The Underwriter limited rents accordingly though the Applicant limited rents to levels below the adjusted market rents in the area. The net rents used by the Underwriter are within 1% of the rents used in last year's analysis, while the Applicant's rents are 9% lower than the already understated rents from the original application. These factors result in a potential gross rent estimate which is 11.6% higher than the Applicant's. Estimates of secondary income and vacancy and collection losses are consistent with TDHCA underwriting guidelines. As a result, the Applicant's effective gross income estimate is \$20,025 or 11.6% lower than the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,133 per unit is 9.5% lower than the Underwriter's database-derived estimate of \$3,458 per unit for comparably-sized developments. The Underwriter's expenses went up 6% over last years estimate, while the Applicant's expenses rose 4%. The Applicant's budget shows several line item estimates, that deviate significantly when compared to the Underwriter's estimate, particularly general and administrative (\$2K higher), payroll (\$3K higher), and utilities (\$2K higher). The Applicant's expenses have increased slightly from the original application, as have TDHCA estimates. This difference originally exceeded and remains out of line with Department expectations.

**Conclusion:** The Applicant's estimate of effective gross income and operating expenses are inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due to the differences in utility allowance and expense estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.14 will be used as it is acceptable, falling within department limits of 1.10 and 1.30.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Direct Construction Cost:** The Applicant's revised direct construction cost estimate is \$111K or 6% higher than the Underwriter's revised Marshall & Swift *Residential Cost Handbook*-derived estimate, even after all Applicant justification was considered. This would suggest that the Applicant's new direct construction costs are overstated. The Underwriter evaluated the development as part townhouse/ part single-story standard apartment given the revised building plans.

**Conclusion:** Despite the higher direct construction costs, 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 is acceptable, so that consideration for HTF funds can proceed.

**FINANCING STRUCTURE ANALYSIS**

**Interim and Permanent Debt Financing:** The interim and permanent debt financing commitment shows

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

an estimated market rate of 6.75% that will be reduced via a USDA interest rate subsidy to the Applicable Federal Rate (AFR) monthly rate to be fixed at the time of closing (estimated to be 4.26% in July 2005 for underwriting purposes). This debt will also be guaranteed by USDA through the Section 538 program and is said to be one of the first Section 538/ HTC developments in Texas. These terms are generally consistent with the terms reflected in the sources and uses of funds listed in the application.

**HTC Syndication:** The Applicant's claimed tax credit syndication proceeds increased due to the change in syndication rate from .7997 to .9075 per tax credit. Also the syndicator changed from Economic Social Investment Corporation to WNC & Associates. A new commitment is consistent with the revised sources of funds.

**Local Funds:** The Applicant's original sources of funds schedule includes the receipt of a grant from the Goliad Sales Tax Development Corporation in the amount of \$70,000. This funding source has been eliminated in the latest funding information. In-kind equity was claimed by the Applicant for \$117,659, but has since reduced that amount to \$10,000, which was included in the cost schedule as a use of funds. That amount (\$10,000) was included as a source of funds and is attributed to the removal of the "HALO pad infrastructure on the site" as detailed in a Goliad County Commissions' Court resolution provided by the Applicant.

**Financing Conclusions:** The 2004 HTC allocation of \$195,062 will remain in place but now produces \$1,770,188 in equity. While \$75,000 was originally budgeted for deferred developer fee, the Underwriter's analysis reflects that the Applicant will not be required to defer any portion of developer fee. The Applicant's request for HTC funds will be recommended in the form of a 40-year loan, at 1%, in the amount of \$110,000. The Underwriter calculates that the Applicant will need only \$877,187 in conventional financing after the HTF loan is included in the financing structure. Moreover the Applicant has expressed concern that the full \$950,000 in USDA guaranteed funds will not ultimately be available. In fact the Applicant's own sources and uses reflects an excess source of funds if the entire \$950,000 is included. The lender was contacted and indicated that the final amount of the loan will not exceed \$950,000 but could be as low as \$918,000 depending upon the AFR at the time the loan closes. At this lower lender predicted minimum amount of first lien debt, the need for HTF funds is reduced to \$69,187. The Underwriter has independently calculated the potential USDA guaranteed debt to be as low as \$871,895 at the current AFR of 4.26% and an Applicant's debt service of \$45K per year. Therefore, as a condition of this report, the HTF award should be reduced dollar-for-dollar for each dollar the first lien permanent loan is increased above \$877,187.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- ⊘ The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- ⊘ The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

|  |                      |              |              |
|--|----------------------|--------------|--------------|
| <b>Underwriter:</b>                      | _____                | <b>Date:</b> | July 7, 2005 |
|  | <i>Phillip Drake</i> |              |              |
| <b>Director of Real Estate Analysis:</b> | _____                | <b>Date:</b> | July 7, 2005 |
|  | <i>Tom Gouris</i>    |              |              |

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Fenner Square Apartments, Goliad, 9% HTC #04082**

| 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 HTF 60  | 2         | 1        | 1               | 730          | \$344           | \$295             |  | \$590           | \$0.40        | \$49.00        | \$45.00        |
| TC 50 HTF 60  | 2         | 1        | 1               | 730          | 430             | \$381             |  | 762             | 0.52          | 49.00          | 45.00          |
| TC 60 HTF 60  | 4         | 1        | 1               | 730          | 516             | \$425             |  | 1,700           | 0.58          | 49.00          | 45.00          |
| TC 40 HTF 60  | 2         | 2        | 1               | 1,077        | 413             | \$353             |  | 706             | 0.33          | 60.00          | 48.00          |
| TC 50 HTF 60  | 2         | 2        | 1               | 1,077        | 516             | \$456             |  | 912             | 0.42          | 60.00          | 48.00          |
| TC 60 HTF 60  | 10        | 2        | 1               | 1,077        | 619             | \$500             |  | 5,000           | 0.46          | 60.00          | 48.00          |
| TC 50 HTF 60  | 4         | 3        | 2               | 1,130        | 596             | \$522             |  | 2,088           | 0.46          | 74.00          | 48.00          |
| TC 60 HTF 60  | 6         | 3        | 2               | 1,130        | 716             | 600               |  | 3,600           | 0.53          | 74.00          | 48.00          |
| <b>TOTAL:</b> | <b>32</b> |          | <b>AVERAGE:</b> | <b>1,007</b> | <b>\$573</b>    | <b>\$480</b>      |  | <b>\$15,358</b> | <b>\$0.48</b> | <b>\$61.63</b> | <b>\$47.25</b> |

**INCOME**

Total Net Rentable Sq Ft: **32,218**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$6.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
 Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

|                             | % OF EGI      | PER UNIT       | PER SQ FT     |
|-----------------------------|---------------|----------------|---------------|
| General & Administrative    | 5.36%         | \$289          | 0.29          |
| Management                  | 7.06%         | 381            | 0.38          |
| Payroll & Payroll Tax       | 13.19%        | 711            | 0.71          |
| Repairs & Maintenance       | 7.79%         | 420            | 0.42          |
| Utilities                   | 2.84%         | 153            | 0.15          |
| Water, Sewer, & Trash       | 7.79%         | 420            | 0.42          |
| Property Insurance          | 6.31%         | 340            | 0.34          |
| Property Tax 3.08           | 4.28%         | 231            | 0.23          |
| Reserve for Replacements    | 3.71%         | 200            | 0.20          |
| Services, Cable, Compliance | 5.79%         | 313            | 0.31          |
| <b>TOTAL EXPENSES</b>       | <b>64.12%</b> | <b>\$3,458</b> | <b>\$3.44</b> |
| <b>NET OPERATING INC</b>    | <b>35.88%</b> | <b>\$1,935</b> | <b>\$1.92</b> |

**DEBT SERVICE**

|                      |              |              |               |
|----------------------|--------------|--------------|---------------|
| First Lien Mortgage  | 29.61%       | \$1,597      | \$1.59        |
| Local Grant          | 1.93%        | \$104        | \$0.10        |
| Additional Financing | 0.00%        | \$0          | \$0.00        |
| <b>NET CASH FLOW</b> | <b>4.34%</b> | <b>\$234</b> | <b>\$0.23</b> |

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 0.85%          | \$723           | \$0.72         |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 8.40%          | 7,142           | 7.09           |
| Direct Construction                  |        | 55.89%         | 47,538          | 47.22          |
| Contingency 5.00%                    |        | 3.21%          | 2,734           | 2.72           |
| General Req'ts 6.00%                 |        | 3.86%          | 3,281           | 3.26           |
| Contractor's G & A 2.00%             |        | 1.29%          | 1,094           | 1.09           |
| Contractor's Profit 6.00%            |        | 3.86%          | 3,281           | 3.26           |
| Indirect Construction                |        | 5.75%          | 4,894           | 4.86           |
| Ineligible Costs                     |        | 1.48%          | 1,261           | 1.25           |
| Developer's G & A 9.96%              |        | 8.45%          | 7,188           | 7.14           |
| Developer's Profit 3.03%             |        | 2.57%          | 2,188           | 2.17           |
| Interim Financing                    |        | 2.55%          | 2,172           | 2.16           |
| Reserves                             |        | 1.84%          | 1,563           | 1.55           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$85,057</b> | <b>\$84.48</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>76.50%</b>  | <b>\$65,070</b> | <b>\$64.63</b> |

**SOURCES OF FUNDS**

|                                    |        |           |          |
|------------------------------------|--------|-----------|----------|
| First Lien Mortgage                | 34.90% | \$29,688  | \$29.49  |
| Local Grant                        | 0.00%  | \$0       | \$0.00   |
| HTF Loan                           | 4.04%  | \$3,438   | \$3.41   |
| In Kind Contributions              | 0.37%  | \$313     | \$0.31   |
| HTC Syndication Proceeds           | 65.03% | \$55,313  | \$54.94  |
| Deferred Developer Fees            | 2.76%  | \$2,344   | \$2.33   |
| Additional (excess) Funds Required | -7.10% | (\$6,037) | (\$6.00) |
| <b>TOTAL SOURCES</b>               |        |           |          |

| TDHCA     | TDHCA ORIG | ORIG APPL | APPLICANT |
|-----------|------------|-----------|-----------|
| \$184,296 | \$183,120  | \$178,368 | \$162,648 |
| 2,304     | 2,004      | 2,004     | 2,304     |
| 0         | 0          | 0         | 0         |
| \$186,600 | \$185,124  | \$180,372 | \$164,952 |
| (13,995)  | (13,884)   | (13,524)  | (12,372)  |
| 0         | 0          | 0         | 0         |
| \$172,605 | \$171,240  | \$166,848 | \$152,580 |
| \$9,253   | \$8,910    | \$8,100   | \$7,000   |
| 12,193    | 11,726     | 8,342     | 9,000     |
| 22,759    | 21,902     | 25,000    | 20,000    |
| 13,441    | 13,441     | 12,500    | 12,500    |
| 4,904     | 4,720      | 2,500     | 3,000     |
| 13,439    | 12,929     | 11,000    | 14,000    |
| 10,890    | 7,508      | 6,000     | 10,000    |
| 7,392     | 7,392      | 6,822     | 6,750     |
| 6,400     | 6,400      | 6,400     | 8,000     |
| 10,000    | 9,900      | 9,900     | 10,000    |
| \$110,669 | \$104,828  | \$96,564  | \$100,250 |
| \$61,936  | \$66,411   | \$70,284  | \$52,330  |
| \$51,104  | \$60,971   | \$60,971  | \$50,503  |
| 3,338     | 0          | 0         | 2,342     |
| 0         | 0          | 0         | 0         |
| \$7,494   | \$5,440    | \$9,313   | (\$515)   |
| 1.14      | 1.09       | 1.15      | 0.99      |
| 1.26      | 1.10       |           |           |

|                         |                |          |
|-------------------------|----------------|----------|
| Comptroller's Region    | 10             |          |
| IREM Region             | Corpus Christi |          |
| Per Unit Per Month      | \$6.00         |          |
| of Potential Gross Rent | -7.50%         |          |
| PER SQ FT               | PER UNIT       | % OF EGI |
| \$0.22                  | \$219          | 4.59%    |
| 0.28                    | 281            | 5.90%    |
| 0.62                    | 625            | 13.11%   |
| 0.39                    | 391            | 8.19%    |
| 0.09                    | 94             | 1.97%    |
| 0.43                    | 438            | 9.18%    |
| 0.31                    | 313            | 6.55%    |
| 0.21                    | 211            | 4.42%    |
| 0.25                    | 250            | 5.24%    |
| 0.31                    | 313            | 6.55%    |
| \$3.11                  | \$3,133        | 65.70%   |
| \$1.62                  | \$1,635        | 34.30%   |
| \$1.57                  | \$1,578        | 33.10%   |
| \$0.07                  | \$73           | 1.53%    |
| \$0.00                  | \$0            | 0.00%    |
| (\$0.02)                | (\$16)         | -0.34%   |

| TDHCA       | TDHCA ORIG  | ORIG APPL   | APPLICANT   |
|-------------|-------------|-------------|-------------|
| \$23,137    | \$23,000    | \$23,000    | \$23,137    |
| 0           | 0           | 0           | 0           |
| 228,550     | 239,500     | 239,500     | 228,550     |
| 1,521,230   | 1,279,289   | 1,433,800   | 1,632,238   |
| 87,489      | 75,939      | 0           | 0           |
| 104,987     | 55,000      | 55,000      | 110,000     |
| 34,996      | 22,000      | 22,000      | 38,000      |
| 104,987     | 90,000      | 90,000      | 119,000     |
| 156,600     | 135,700     | 135,700     | 156,600     |
| 40,350      | 52,598      | 147,350     | 40,350      |
| 230,000     | 234,295     | 250,000     | 230,000     |
| 70,000      | 70,000      | 70,000      | 70,000      |
| 69,500      | 131,202     | 36,450      | 69,500      |
| 50,000      | 34,443      | 0           | 50,000      |
| \$2,721,826 | \$2,442,967 | \$2,502,800 | \$2,767,375 |
| \$2,082,239 | \$1,761,729 | \$1,840,300 | \$2,127,788 |

|                            | RECOMMENDED |             |
|----------------------------|-------------|-------------|
| Developer Fee Available    | \$877,187   |             |
| \$0                        | 0           | \$0         |
|                            | 110,000     | 110,000     |
|                            | 10,000      | 10,000      |
| % of Dev. Fee Deferred     | 1,770,188   |             |
| #DIV/0!                    | 75,000      | 108,606     |
|                            | (193,185)   | (59,833)    |
| 15-Yr Cumulative Cash Flow | 0           | (147,636)   |
| \$271,868                  | \$2,767,375 | \$2,767,375 |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Fenner Square Apartments, Goliad, 9% HTC #04082**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|---------|-------------|----------------|--------------------|
| Base Cost                              |         |             | \$ 47.88       | \$1,542,659        |
| <b>Adjustments</b>                     |         |             |                |                    |
| Exterior Wall Finish                   | 8.00%   |             | \$3.83         | \$123,413          |
| 9-Ft. Ceilings                         | 0.00%   |             | 0.00           | 0                  |
| Roofing                                |         |             | 0.78           | 25,130             |
| Subfloor                               |         |             | (2.03)         | (65,403)           |
| Floor Cover                            |         |             | 2.00           | 64,436             |
| Porches/Balconies                      | \$16.36 | 5,567       | 2.83           | 91,081             |
| Plumbing                               | \$605   | 30          | 0.56           | 18,150             |
| Built-In Appliances                    | \$1,650 | 33          | 1.69           | 54,450             |
| Stairs/Fireplaces                      |         |             | 0.00           | 0                  |
| Floor Insulation                       |         |             | 0.00           | 0                  |
| Heating/Cooling                        |         |             | 1.53           | 49,294             |
| Garages/Carports                       |         | 0           | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$69.27 | 1,597       | 3.43           | 110,618            |
| Other:                                 |         |             | 0.00           | 0                  |
| <b>SUBTOTAL</b>                        |         |             | <b>62.51</b>   | <b>2,013,828</b>   |
| Current Cost Multiplier                | 1.11    |             | 6.88           | 221,521            |
| Local Multiplier                       | 0.82    |             | (11.25)        | (362,489)          |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$58.13</b> | <b>\$1,872,860</b> |
| Plans, specs, survy, bld prmts         | 3.90%   |             | (\$2.27)       | (\$73,042)         |
| Interim Construction Interest          | 3.38%   |             | (1.96)         | (63,209)           |
| Contractor's OH & Profit               | 11.50%  |             | (6.69)         | (215,379)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$47.22</b> | <b>\$1,521,230</b> |

**PAYMENT COMPUTATION**

| Primary           | \$950,000 | Amort         | 480  |
|-------------------|-----------|---------------|------|
| Int Rate          | 4.48%     | DCR           | 1.21 |
| <b>Secondary</b>  |           |               |      |
|                   | \$110,000 | Amort         | 480  |
| Int Rate          | 1.00%     | Subtotal DCR  | 1.14 |
| <b>Additional</b> |           |               |      |
|                   |           | Amort         |      |
| Int Rate          |           | Aggregate DCR | 1.14 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$45,711        |
| Secondary Debt Service  | 3,338           |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$12,888</b> |

| Primary           | \$877,187 | Amort         | 480  |
|-------------------|-----------|---------------|------|
| Int Rate          | 4.26%     | DCR           | 1.35 |
| <b>Secondary</b>  |           |               |      |
|                   | \$110,000 | Amort         | 480  |
| Int Rate          | 1.00%     | Subtotal DCR  | 1.26 |
| <b>Additional</b> |           |               |      |
|                   | \$0       | Amort         | 0    |
| Int Rate          | 0.00%     | Aggregate DCR | 1.26 |

**ERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

| INCOME at 3.00%                  | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| POTENTIAL GROSS RENT             | \$184,296        | \$189,825        | \$195,520        | \$201,385        | \$207,427        |
| Secondary Income                 | 2,304            | 2,373            | 2,444            | 2,518            | 2,593            |
| Other Support Income: (describe) | 0                | 0                | 0                | 0                | 0                |
| POTENTIAL GROSS INCOME           | 186,600          | 192,198          | 197,964          | 203,903          | 210,020          |
| Vacancy & Collection Loss        | (13,995)         | (14,415)         | (14,847)         | (15,293)         | (15,751)         |
| Employee or Other Non-Rental U   | 0                | 0                | 0                | 0                | 0                |
| <b>EFFECTIVE GROSS INCOME</b>    | <b>\$172,605</b> | <b>\$177,783</b> | <b>\$183,117</b> | <b>\$188,610</b> | <b>\$194,269</b> |
| <b>EXPENSES at 4.00%</b>         |                  |                  |                  |                  |                  |
| General & Administrative         | \$9,253          | \$9,623          | \$10,008         | \$10,408         | \$10,824         |
| Management                       | 12,193           | 12,559           | 12,935           | 13,323           | 13,723           |
| Payroll & Payroll Tax            | 22,759           | 23,669           | 24,616           | 25,600           | 26,624           |
| Repairs & Maintenance            | 13,441           | 13,978           | 14,537           | 15,119           | 15,724           |
| Utilities                        | 4,904            | 5,100            | 5,304            | 5,516            | 5,737            |
| Water, Sewer & Trash             | 13,439           | 13,976           | 14,535           | 15,117           | 15,721           |
| Insurance                        | 10,890           | 11,326           | 11,779           | 12,250           | 12,740           |
| Property Tax                     | 7,392            | 7,688            | 7,995            | 8,315            | 8,648            |
| Reserve for Replacements         | 6,400            | 6,656            | 6,922            | 7,199            | 7,487            |
| Other                            | 10,000           | 10,400           | 10,816           | 11,249           | 11,699           |
| <b>TOTAL EXPENSES</b>            | <b>\$110,669</b> | <b>\$114,974</b> | <b>\$119,447</b> | <b>\$124,096</b> | <b>\$128,927</b> |
| <b>NET OPERATING INCOME</b>      | <b>\$61,936</b>  | <b>\$62,809</b>  | <b>\$63,669</b>  | <b>\$64,514</b>  | <b>\$65,342</b>  |
| <b>DEBT SERVICE</b>              |                  |                  |                  |                  |                  |
| First Lien Financing             | \$45,711         | \$45,711         | \$45,711         | \$45,711         | \$45,711         |
| Second Lien                      | 3,338            | 3,338            | 3,338            | 3,338            | 3,338            |
| Other Financing                  | 0                | 0                | 0                | 0                | 0                |
| <b>NET CASH FLOW</b>             | <b>\$12,888</b>  | <b>\$13,761</b>  | <b>\$14,621</b>  | <b>\$15,466</b>  | <b>\$16,294</b>  |
| <b>DEBT COVERAGE RATIO</b>       | <b>1.26</b>      | <b>1.28</b>      | <b>1.30</b>      | <b>1.32</b>      | <b>1.33</b>      |

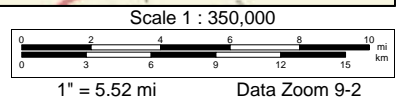
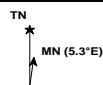
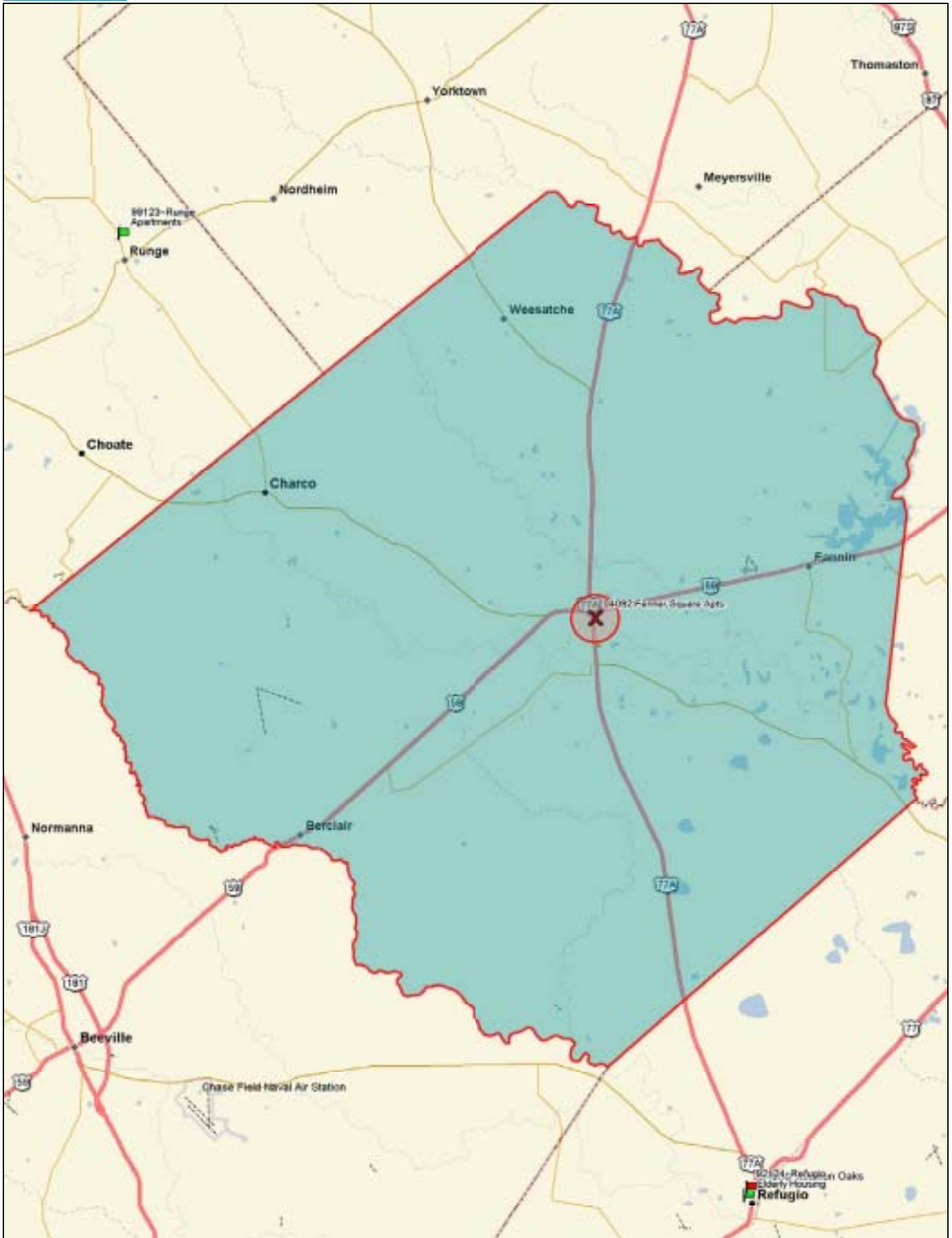
| YEAR 10          | YEAR 15          | YEAR 20          | YEAR 30          |
|------------------|------------------|------------------|------------------|
| \$240,464        | \$278,764        | \$323,164        | \$434,306        |
| 3,006            | 3,485            | 4,040            | 5,430            |
| 0                | 0                | 0                | 0                |
| 243,471          | 282,249          | 327,204          | 439,735          |
| (18,260)         | (21,169)         | (24,540)         | (32,980)         |
| 0                | 0                | 0                | 0                |
| <b>\$225,210</b> | <b>\$261,081</b> | <b>\$302,664</b> | <b>\$406,755</b> |
| \$13,169         | \$16,023         | \$19,494         | \$28,856         |
| 15,909           | 18,443           | 21,380           | 28,733           |
| 32,393           | 39,411           | 47,949           | 70,977           |
| 19,130           | 23,275           | 28,317           | 41,916           |
| 6,980            | 8,492            | 10,332           | 15,294           |
| 19,127           | 23,271           | 28,313           | 41,910           |
| 15,500           | 18,858           | 22,943           | 33,962           |
| 10,521           | 12,801           | 15,574           | 23,053           |
| 9,109            | 11,083           | 13,484           | 19,959           |
| 14,233           | 17,317           | 21,068           | 31,187           |
| <b>\$156,071</b> | <b>\$188,972</b> | <b>\$228,855</b> | <b>\$335,847</b> |
| <b>\$69,139</b>  | <b>\$72,109</b>  | <b>\$73,809</b>  | <b>\$70,908</b>  |
| \$45,711         | \$45,711         | \$45,711         | \$45,711         |
| 3,338            | 3,338            | 3,338            | 3,338            |
| 0                | 0                | 0                | 0                |
| <b>\$20,091</b>  | <b>\$23,060</b>  | <b>\$24,761</b>  | <b>\$21,860</b>  |
| 1.41             | 1.47             | 1.50             | 1.45             |

**LIHTC Allocation Calculation - Fenner Square Apartments, Goliad, 9% HTC #04082**

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$23,137                        | \$23,137                  |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$228,550                       | \$228,550                 | \$228,550                                  | \$228,550                            |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$1,632,238                     | \$1,521,230               | \$1,632,238                                | \$1,521,230                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$38,000                        | \$34,996                  | \$37,216                                   | \$34,996                             |
| Contractor profit                                     | \$119,000                       | \$104,987                 | \$111,647                                  | \$104,987                            |
| General requirements                                  | \$110,000                       | \$104,987                 | \$110,000                                  | \$104,987                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   |                                 | \$87,489                  |  |                                      |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$156,600                       | \$156,600                 | \$156,600                                  | \$156,600                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$69,500                        | \$69,500                  | \$69,500                                   | \$69,500                             |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$40,350                        | \$40,350                  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
| Developer overhead                                    | \$230,000                       | \$230,000                 | \$230,000                                  | \$230,000                            |
| Developer fee   | \$70,000                        | \$70,000                  | \$70,000                                   | \$70,000                             |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$50,000                        | \$50,000                  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$2,767,375</b>              | <b>\$2,721,826</b>        | <b>\$2,645,751</b>                         | <b>\$2,520,850</b>                   |

| <b>Deduct from Basis:</b>                                  |  |  |             |             |
|--|--|--|-------------|-------------|
| 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)             |  |  |             |             |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$2,645,751 | \$2,520,850 |
| High Cost Area Adjustment                                  |  |  | 100%        | 100%        |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$2,645,751 | \$2,520,850 |
| Applicable Fraction  |  |  | 100%        | 100%        |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$2,645,751 | \$2,520,850 |
| Applicable Percentage                                      |  |  | 8.16%       | 8.16%       |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$215,893   | \$205,701   |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.9075 | \$1,959,232        | \$1,866,739      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$215,893</b>   | <b>\$205,701</b> |
| Syndication Proceeds                         |        | \$1,959,232        | \$1,866,739      |
| Requested Credits                            |        | <b>\$195,062</b>   |                  |
| Syndication Proceeds                         |        | \$1,770,188        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$1,890,188</b> |                  |
| Credit Amount                                |        | \$208,285          |                  |



**Financial Administration Division  
Board Action Request  
July 14, 2005**

**Action Item**

The Department staff will present the FY 2006 Draft Operating Budget.

**Required Action**

The Board to consider for discussion purposes the attached FY 2006 Draft Operating Budget for fiscal year beginning September 1, 2005 through August 31, 2006. A final draft will be presented for approval at the July 27<sup>th</sup> Board Meeting.

**Background**

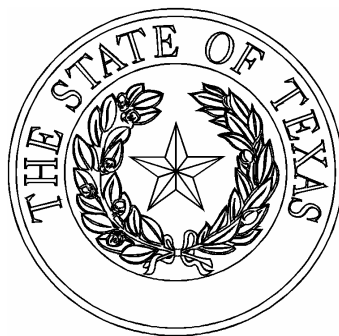
The Operating Budget for FY 2006 is within the appropriations approved by the 79<sup>th</sup> Legislature but does not include the pass-through grant funds.

**Recommendation**

The Board to approve the “draft” FY 2006 Operating Budget.

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# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS



## FY-2006 DRAFT OPERATING BUDGET

*(September 1, 2005 through August 31, 2006)*

July 6, 2005

*Prepared by the Financial Administration Division*

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
FY-2006 DRAFT OPERATING BUDGET**

**T A B L E O F C O N T E N T S**

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
FY-2006 DRAFT OPERATING BUDGET**

**T A B L E O F C O N T E N T S (Continued)**

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\* \* \* \* \*

Comparison by Division

Method of Finance Chart

Comparison by Expense Object

FTEs by Division

Capital Budget

Capital Budget by Project

Move Related Budget

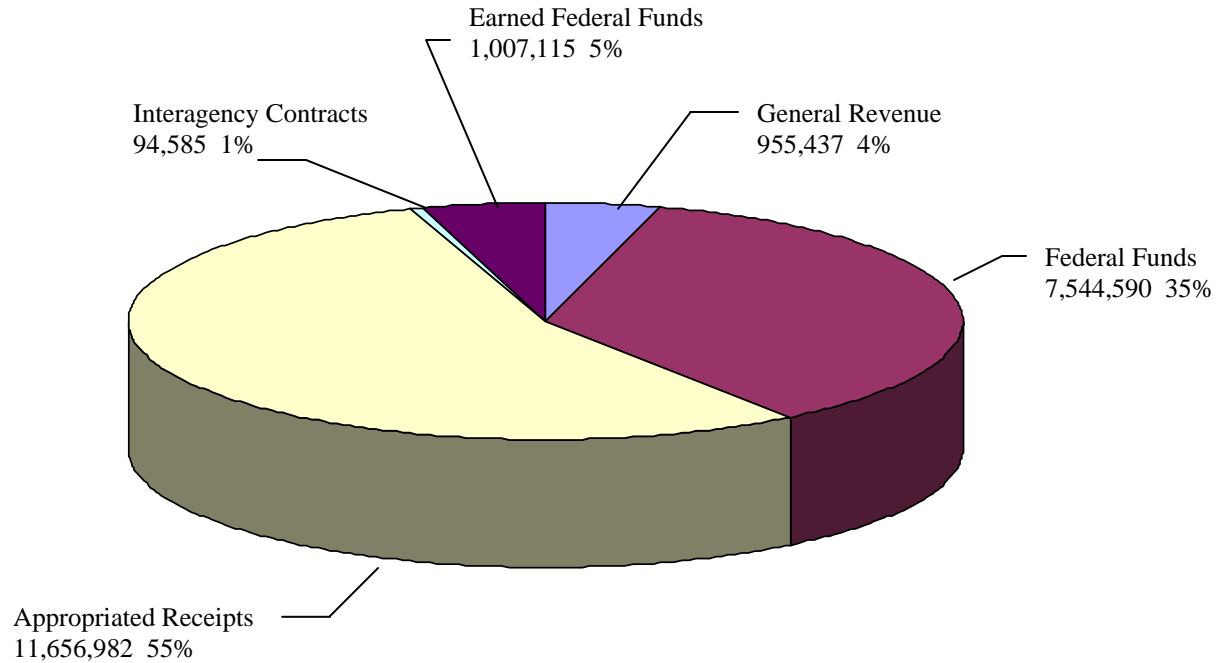
Texas Department of Housing and Community Affairs  
 Comparison by Division  
 Appropriation Years 2005 and 2006

|   | FY05<br>Budget<br>(a) | FY06<br>Budget<br>(b) | Variance<br>(b-a) | Percentage<br>Change | FY05<br>FTEs | FY06<br>FTEs | FTE<br>Variance |
|---|-----------------------|-----------------------|-------------------|----------------------|--------------|--------------|-----------------|
| <b>Housing Programs Division:</b>                       |                       |                       |                   |                      |              |              |                 |
| Office of Colonia Initiatives                           | \$ 573,079            | \$ 584,016            | \$ 10,937         | 1.9%                 | 8.0          | 8.0          | 0.0             |
| Community Affairs Administration                        | 223,048               | 240,707               | 17,659            | 7.9%                 | 3.0          | 3.0          | 0.0             |
| Community Services Programs                             | 947,094               | 984,108               | 37,013            | 3.9%                 | 15.0         | 15.0         | 0.0             |
| Energy Assistance                                       | 1,167,887             | 1,302,108             | 134,221           | 11.5%                | 16.0         | 16.0         | 0.0             |
| Section 8   | 488,371               | 464,497               | (23,873)          | -4.9%                | 8.0          | 7.0          | (1.0)           |
| Multifamily Finance Production                          | 958,267               | 1,028,033             | 69,766            | 7.3%                 | 13.0         | 14.0         | 1.0             |
| Single Family Finance Production                        | 1,160,150             | 1,204,961             | 44,810            | 3.9%                 | 13.0         | 13.0         | 0.0             |
| <b>Subtotal, Housing Programs Division</b>              | <b>5,517,896</b>      | <b>5,808,430</b>      | <b>290,534</b>    | <b>5.3%</b>          | <b>76.0</b>  | <b>76.0</b>  | <b>0.0</b>      |
| <b>Housing Operations Division:</b>                     |                       |                       |                   |                      |              |              |                 |
| Real Estate Analysis                                    | 708,222               | 808,271               | 100,049           | 14.1%                | 10.0         | 11.0         | 1.0             |
| Center for Housing Research, Planning and Communication |                       |                       | -                 |                      |              |              |                 |
| Portfolio Management and Compliance                     | 3,780,822             | 3,829,197             | 48,375            | 1.3%                 | 44.0         | 44.0         | 0.0             |
| Bond Finance  | 388,512               | 395,714               | 7,202             | 1.9%                 | 4.0          | 4.0          | 0.0             |
| <b>Subtotal, Housing Operations Division</b>            | <b>4,877,556</b>      | <b>5,033,182</b>      | <b>155,626</b>    | <b>3.2%</b>          | <b>58.0</b>  | <b>59.0</b>  | <b>1.0</b>      |
| <b>Executive Administration</b>                         |                       |                       |                   |                      |              |              |                 |
| Executive Office  | 646,968               | 677,511               | 30,543            | 4.7%                 | 6.0          | 6.0          | 0.0             |
| Board   | 80,300                | 77,600                | (2,700)           | -3.4%                |              |              |                 |
| Legal Services  | 711,328               | 723,569               | 12,241            | 1.7%                 | 6.0          | 6.0          | 0.0             |
| Internal Audit  | 213,228               | 274,165               | 60,937            | 28.6%                | 3.0          | 4.0          | 1.0             |
| Policy and Public Affairs                               | 1,089,415             | 1,014,223             | (75,191)          | -6.9%                | 14.0         | 13.0         | (1.0)           |
| <b>Subtotal, Executive Administration</b>               | <b>2,741,238</b>      | <b>2,767,067</b>      | <b>25,829</b>     | <b>0.9%</b>          | <b>29.0</b>  | <b>29.0</b>  | <b>0.0</b>      |
| <b>Agency Administration:</b>                           |                       |                       |                   |                      |              |              |                 |
| Director's Office of Financial Administration           | 447,200               | 481,994               | 34,794            | 7.8%                 | 6.0          | 6.0          | 0.0             |
| Accounting Operations                                   | 714,625               | 760,291               | 45,666            | 6.4%                 | 12.0         | 12.0         | 0.0             |
| Financial Services                                      | 1,049,187             | 1,080,195             | 31,008            | 3.0%                 | 15.0         | 15.0         | 0.0             |
| Purchasing  | 244,584               | 226,049               | (18,535)          | -7.6%                | 4.0          | 4.0          | 0.0             |
| Human Resources   | 368,209               | 359,264               | (8,945)           | -2.4%                | 6.0          | 5.0          | (1.0)           |
| Facilities and Space Management                         | 284,648               | 293,286               | 8,638             | 3.0%                 | 5.0          | 5.0          | 0.0             |
| Information Systems                                     | 1,302,564             | 1,331,965             | 29,401            | 2.3%                 | 18.0         | 18.0         | 0.0             |
| <b>Subtotal, Agency Administration</b>                  | <b>4,411,015</b>      | <b>4,533,043</b>      | <b>122,027</b>    | <b>2.8%</b>          | <b>66.0</b>  | <b>65.0</b>  | <b>(1.0)</b>    |
| Capital Budget (Note: \$10,000 in MH budget)            | 490,000               | 695,000               | 205,000           | 41.8%                |              |              |                 |
| Payroll Related Costs                                   | 2,719,777             | 2,912,036             | 192,259           | 7.1%                 |              |              |                 |
| <b>Total, Department</b>                                | <b>\$ 20,757,481</b>  | <b>\$ 21,748,757</b>  | <b>\$ 991,276</b> | <b>4.8%</b>          | <b>229.0</b> | <b>229.0</b> | <b>0.0</b>      |
| <b>Method of Finance:</b>                               |                       |                       |                   |                      |              |              |                 |
| General Revenue   | \$ 914,053            | \$ 955,437            | 41,384            | 4.5%                 |              |              |                 |
| Earned Federal Funds                                    | 1,006,351             | 1,007,115             | 764               | 0.1%                 |              |              |                 |
| Federal Funds   | 7,009,482             | 7,544,590             | 535,108           | 7.6%                 |              |              |                 |
| Bond Admin Fees   | 5,220,806             | 5,361,874             | 141,068           | 2.7%                 |              |              |                 |
| LIHTC Fees  | 5,018,265             | 5,303,788             | 285,523           | 5.7%                 |              |              |                 |
| Affordable Housing Disposition Fees                     | 986,744               | 991,320               | 4,576             | 0.5%                 |              |              |                 |
| Interagency Contract (ORCA)                             | 101,781               | 94,585                | (7,195)           | -7.1%                |              |              |                 |
| Appropriated Receipts - MH                              | 500,000               | 490,048               | (9,951)           | -2.0%                |              |              |                 |
| <b>Total, Method of Finance</b>                         | <b>\$ 20,757,481</b>  | <b>\$ 21,748,757</b>  | <b>\$ 991,276</b> | <b>4.8%</b>          |              |              |                 |

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

## FY 2006 Method of Finance

**Total Budget \$21,258,709**



| <u>Type</u>           | <u>2005</u>             | <u>2006</u>             |
|-----------------------|-------------------------|-------------------------|
| General Revenue       | 914,053                 | 955,437                 |
| Federal Funds         | 7,009,482               | 7,544,590               |
| Appropriated Receipts | 11,225,815              | 11,656,982              |
| Interagency Contracts | 101,781                 | 94,585                  |
| Earned Federal Funds  | 1,006,350               | 1,007,115               |
|                       | <hr/>                   | <hr/>                   |
|                       | 20,257,481              | 21,258,709              |
| MH Support            | 500,000                 | 490,048                 |
| <b>Total MOF</b>      | <hr/> <b>20,757,481</b> | <hr/> <b>21,748,757</b> |

Texas Department of Housing and Community Affairs  
 Comparison by Expense Object  
 Appropriation Years 2005 and 2006

|                                     | FY05<br>Budget<br>(a) | FY06<br>Budget<br>(b) | Variance<br>(b-a) | Percentage<br>Change | One Time<br>Move<br>Related |
|-------------------------------------|-----------------------|-----------------------|-------------------|----------------------|-----------------------------|
| Salaries and Wages                  | \$ 11,807,586         | \$ 12,661,026         | \$ 853,441        | 7.2%                 |                             |
| Payroll Related Costs               | 2,719,777             | 2,912,036             | 192,259           | 7.1%                 |                             |
| Travel In-State                     | 520,387               | 500,587               | (19,800)          | -3.8%                |                             |
| Travel Out-of-State                 | 100,315               | 100,315               | -                 | 0.0%                 |                             |
| Professional Fees                   | 1,841,400             | 2,281,300             | 439,900           | 23.9%                |                             |
| Material and Supplies               | 407,889               | 436,799               | 28,910            | 7.1%                 |                             |
| Repairs/Maintenance                 | 249,936               | 415,503               | 165,567           | 66.2%                | 70,329                      |
| Printing and Reproduction           | 131,536               | 130,791               | (745)             | -0.6%                |                             |
| Rentals and Leases                  | 1,732,435             | 745,411               | (987,024)         | -57.0%               |                             |
| Membership Fees                     | 78,065                | 79,975                | 1,910             | 2.4%                 |                             |
| Fees and Other Charges              | 284,317               | 310,168               | 25,851            | 9.1%                 |                             |
| Employee Tuition                    | 9,700                 | 11,000                | 1,300             | 13.4%                |                             |
| Advertising                         | 75,600                | 75,000                | (600)             | -0.8%                |                             |
| Freight/Delivery                    | 22,350                | 24,350                | 2,000             | 8.9%                 |                             |
| Temporary Help                      | 219,175               | 388,545               | 169,370           | 77.3%                | 148,503                     |
| Furniture and Equipment             | 57,000                | 270,531               | 213,531           | 374.6%               | 218,786                     |
| Communication and Utilities         | 264,852               | 215,258               | (49,594)          | -18.7%               |                             |
| Capital Outlay                      | 175,000               | 130,000               | (45,000)          | -25.7%               |                             |
| State Office of Risk Management     | 60,162                | 60,162                | -                 | 0.0%                 |                             |
| <b>Total Department</b>             | <b>\$ 20,757,481</b>  | <b>\$ 21,748,757</b>  | <b>\$ 991,276</b> | <b>4.8%</b>          | <b>\$ 437,618</b>           |
| FTE's                               | 229.00                | 229.00                | 0.00              |                      |                             |
| Method of Finance:                  |                       |                       |                   |                      |                             |
| General Revenue                     | \$ 914,053            | \$ 955,437            | 41,384            | 4.5%                 |                             |
| Earned Federal Funds                | 1,006,351             | 1,007,115             | 764               | 0.1%                 |                             |
| Federal Funds                       | 7,009,482             | 7,544,590             | 535,108           | 7.6%                 |                             |
| Bond Admin fees                     | 5,220,806             | 5,361,874             | 141,068           | 2.7%                 |                             |
| Housing Tax Credit                  | 5,018,265             | 5,303,788             | 285,523           | 5.7%                 |                             |
| Affordable Housing Disposition Fees | 986,744               | 991,320               | 4,576             | 0.5%                 |                             |
| Interagency Contracts               | 101,781               | 94,585                | (7,195)           | -7.1%                |                             |
| Appropriated Receipts - MH          | 500,000               | 490,048               | (9,951)           | -2.0%                |                             |
| <b>Total, Method of Finance</b>     | <b>20,757,481</b>     | <b>21,748,757</b>     | <b>991,276</b>    | <b>4.8%</b>          |                             |

Note: Total move related costs are estimated at \$525,000. Manufactured Housing is estimated at \$87,382.

Texas Department of Housing and Community Affairs  
 FTEs by Division  
 Internal Operating Budget  
 Fiscal Year 2006

|   |                      |
|---|----------------------|
| Executive Administration:                     |                      |
| Executive Office                              | 6.00                 |
| Legal Services                                | 6.00                 |
| Internal Audit                                | 4.00                 |
| Policy and Public Affairs                     | 13.00                |
| Total, Executive Administration               | <u>29.00</u>         |
| Agency Administration:                        |                      |
| Human Resources                               | 5.00                 |
| Facilities                                    | 5.00                 |
| Information Services                          | 18.00                |
| Director's Office of Financial Administration | 6.00                 |
| Accounting Operations                         | 12.00                |
| Financial Services                            | 15.00                |
| Purchasing                                    | 4.00                 |
| Total, Agency Administration                  | <u>65.00</u>         |
| Housing Programs Division:                    |                      |
| Office of Colonia Initiatives                 | 8.00                 |
| Division Administration-Community Affairs     | 3.00                 |
| Community Services                            | 15.00                |
| Energy Assistance                             | 16.00                |
| Section 8                                     | 7.00                 |
| Multi Family Finance Production               | 14.00                |
| Single Family Finance Production              | 13.00                |
| Total, Housing Programs Division              | <u>76.00</u>         |
| Housing Operations Division:                  |                      |
| Real Estate Analysis                          | 11.00                |
| Portfolio Management and Compliance           | 44.00                |
| Bond Finance                                  | 4.00                 |
| Total, Housing Operations Division            | <u>59.00</u>         |
| Subtotal, Housing and Community Affairs       | 229.00               |
| Manufactured Housing                          | 64.00                |
| Total, Agency Wide                            | <u><u>293.00</u></u> |

Note: The Department is limited to 298 FTEs.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 CAPITAL BUDGET  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | FEDERAL FUNDS | LIHTC   | AHDP | BOND ADMIN FEES |
|---------------------------------|----------|---------------|---------|------|-----------------|
| Salaries                        |          |               |         |      |                 |
| Payroll Related Costs           |          |               |         |      |                 |
| Travel In-State                 |          |               |         |      |                 |
| Travel Out-of-State             |          |               |         |      |                 |
| Professional Fees               | 565,000  | 365,000       | 100,000 |      | 100,000         |
| Materials/Supplies              | 0        |               |         |      |                 |
| Repairs/Maintenance             | 0        |               |         |      |                 |
| Printing and Reproduction       | 0        |               |         |      |                 |
| Rental/Lease                    | 0        |               |         |      |                 |
| Membership Dues                 | 0        |               |         |      |                 |
| Fees and Other Charges          | 0        |               |         |      |                 |
| Employee Tuition                | 0        |               |         |      |                 |
| Advertising                     | 0        |               |         |      |                 |
| Freight/Delivery                | 0        |               |         |      |                 |
| Temporary Help                  | 0        |               |         |      |                 |
| Furniture/Equipment             | 0        |               |         |      |                 |
| Communications/Utilities        | 0        |               |         |      |                 |
| Capital Outlay                  | 130,000  | 42,000        | 88,000  | 0    | 0               |
| State Office of Risk Management |          |               |         |      |                 |
| Total                           | 695,000  | 407,000       | 188,000 | 0    | 100,000         |

Notes:

1. Capital Outlay Category is Normal Growth/Integrate Systems.
2. Professional Fees include the PeopleSoft 8.8 Implementation, Community Services/Energy Assistance System and the Section 8 system.
3. Does not tie to the Capital Budget Rider due to \$10,000 budgeted in Manufactured Housing for Normal Growth



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 CAPITAL BUDGET by PROJECT  
 FISCAL YEAR 2006

| <u>Project Name</u>                           | <u>Federal<br/>Funds</u> | <u>Appropriated<br/>Receipts</u> | <u>Total</u>   | <u>Professional<br/>Services</u> | <u>Capital<br/>Outlay</u> |
|---|--------------------------|----------------------------------|----------------|----------------------------------|---------------------------|
| Normal Growth/Integrate Sysyems               | 42,000                   | 98,000                           | 140,000        |                                  | 140,000                   |
| PeopleSoft 8.8 Implementation                 | 200,000                  | 200,000                          | 400,000        | 400,000                          |                           |
| Community Services/Energy Assistance Contract | 100,000                  |                                  | 100,000        | 100,000                          |                           |
| Section 8 Sysytem                             | 65,000                   |                                  | 65,000         | 65,000                           |                           |
| <br>  |                          |                                  |                |                                  |                           |
| Total, Fiscal Year 2006                       | <u>407,000</u>           | <u>298,000</u>                   | <u>705,000</u> | <u>565,000</u>                   | <u>140,000</u>            |

Texas Department of Housing and Community Affairs  
 Move Related Budget  
 Appropriation Year 2006

|  | Design Fees   | Renovation Finishout | Move Office Contents | Subtotal Temporary Help | Furn/Equip Modular POD Parts | Furn/Equip Director's Cubes | Subtotal Furn/Equip | Maint/Repair Telephone Move-Set Up | Maint/Repair Cabling | Subtotal Maint/Repair | Total          |
|--|---------------|----------------------|----------------------|-------------------------|------------------------------|-----------------------------|---------------------|------------------------------------|----------------------|-----------------------|----------------|
| <b>Executive Administration:</b>             |               |                      |                      |                         |                              |                             |                     |                                    |                      |                       |                |
| Executive Office                             | 410           | 2,048                | 1,433                | 3,891                   | 2,457                        | 9,615                       | 12,072              | 819                                | 1,024                | 1,843                 | 17,806         |
| Legal Services                               | 410           | 2,048                | 1,433                | 3,891                   | 2,457                        |                             | 2,457               | 819                                | 1,024                | 1,843                 | 8,191          |
| Internal Audit                               | 274           | 1,365                | 956                  | 2,595                   | 1,638                        | 9,615                       | 11,253              | 546                                | 683                  | 1,229                 | 15,077         |
| Policy and Public Affairs                    | 886           | 4,437                | 3,106                | 8,429                   | 5,324                        | 9,620                       | 14,944              | 1,760                              | 2,218                | 3,978                 | 27,351         |
| <b>Total, Executive Administration</b>       | <b>1,980</b>  | <b>9,898</b>         | <b>6,928</b>         | <b>18,806</b>           | <b>11,876</b>                | <b>28,850</b>               | <b>40,726</b>       | <b>3,944</b>                       | <b>4,949</b>         | <b>8,893</b>          | <b>68,425</b>  |
| <b>Agency Administration:</b>                |               |                      |                      |                         |                              |                             |                     |                                    |                      |                       |                |
| Human Resources                              | 342           | 1,706                | 1,195                | 3,243                   | 2,048                        | 9,615                       | 11,663              | 683                                | 853                  | 1,536                 | 16,442         |
| Facilities and Space Management              | 342           | 1,706                | 1,195                | 3,243                   | 2,048                        |                             | 2,048               | 683                                | 853                  | 1,536                 | 6,827          |
| Information Services                         | 1,228         | 6,143                | 4,300                | 11,671                  | 7,372                        | 9,615                       | 16,987              | 2,457                              | 3,072                | 5,529                 | 34,187         |
| Director's Office - Financial Administration | 410           | 2,048                | 1,433                | 3,891                   | 2,457                        | 9,615                       | 12,072              | 819                                | 1,024                | 1,843                 | 17,806         |
| Accounting Operations                        | 820           | 4,096                | 2,867                | 7,783                   | 4,915                        |                             | 4,915               | 1,638                              | 2,048                | 3,686                 | 16,384         |
| Financial Services                           | 1,024         | 5,119                | 3,584                | 9,727                   | 6,143                        |                             | 6,143               | 2,048                              | 2,560                | 4,608                 | 20,478         |
| Purchasing                                   | 274           | 1,365                | 956                  | 2,595                   | 1,638                        |                             | 1,638               | 546                                | 683                  | 1,229                 | 5,462          |
| <b>Total, Agency Administration</b>          | <b>4,440</b>  | <b>22,183</b>        | <b>15,530</b>        | <b>42,153</b>           | <b>26,621</b>                | <b>28,845</b>               | <b>55,466</b>       | <b>8,874</b>                       | <b>11,093</b>        | <b>19,967</b>         | <b>117,586</b> |
| <b>Housing Programs Division:</b>            |               |                      |                      |                         |                              |                             |                     |                                    |                      |                       |                |
| Office of Colonia Initiatives                | 546           | 2,730                | 1,911                | 5,187                   | 3,276                        | 9,615                       | 12,891              | 1,092                              | 1,365                | 2,457                 | 20,535         |
| Community Affairs - Administration           | 204           | 1,024                | 717                  | 1,945                   | 1,229                        | 9,615                       | 10,844              | 410                                | 512                  | 922                   | 13,711         |
| Community Services                           | 1,024         | 5,119                | 3,584                | 9,727                   | 6,143                        |                             | 6,143               | 2,048                              | 2,560                | 4,608                 | 20,478         |
| Energy Assistance                            | 1,092         | 5,461                | 3,823                | 10,376                  | 6,553                        |                             | 6,553               | 2,184                              | 2,730                | 4,914                 | 21,843         |
| Section 8                                    | 478           | 2,389                | 1,672                | 4,539                   | 2,867                        |                             | 2,867               | 956                                | 1,195                | 2,151                 | 9,557          |
| Multi Family Housing Production              | 956           | 4,778                | 3,345                | 9,079                   | 5,734                        | 9,615                       | 15,349              | 1,911                              | 2,389                | 4,300                 | 28,728         |
| Single Family Housing Production             | 888           | 4,437                | 3,106                | 8,431                   | 5,324                        | 9,615                       | 14,939              | 1,775                              | 2,218                | 3,993                 | 27,363         |
| <b>Total, Housing Programs Division</b>      | <b>5,188</b>  | <b>25,938</b>        | <b>18,158</b>        | <b>49,284</b>           | <b>31,126</b>                | <b>38,460</b>               | <b>69,586</b>       | <b>10,376</b>                      | <b>12,969</b>        | <b>23,345</b>         | <b>142,215</b> |
| <b>Housing Operation Division:</b>           |               |                      |                      |                         |                              |                             |                     |                                    |                      |                       |                |
| Real Estate Analysis                         | 750           | 3,754                | 2,628                | 7,132                   | 4,505                        | 9,615                       | 14,120              | 1,502                              | 1,877                | 3,379                 | 24,631         |
| Portfolio Management and Compliance          | 3,004         | 15,017               | 10,512               | 28,533                  | 18,020                       | 9,615                       | 27,635              | 6,007                              | 7,509                | 13,516                | 69,684         |
| Bond Finance                                 | 274           | 1,365                | 956                  | 2,595                   | 1,638                        | 9,615                       | 11,253              | 546                                | 683                  | 1,229                 | 15,077         |
| <b>Total, Housing Operations Division</b>    | <b>4,028</b>  | <b>20,136</b>        | <b>14,096</b>        | <b>38,260</b>           | <b>24,163</b>                | <b>28,845</b>               | <b>53,008</b>       | <b>8,055</b>                       | <b>10,069</b>        | <b>18,124</b>         | <b>109,392</b> |
| <b>Subtotal, Department</b>                  | <b>15,636</b> | <b>78,155</b>        | <b>54,712</b>        | <b>148,503</b>          | <b>93,786</b>                | <b>125,000</b>              | <b>218,786</b>      | <b>31,249</b>                      | <b>39,080</b>        | <b>70,329</b>         | <b>437,618</b> |
| Manufactured Housing Division                | 4,364         | 21,845               | 15,288               | 41,497                  | 26,214                       | 0                           |                     | 8,751                              | 10,920               | 19,671                | 87,382         |
| <b>Total, Department</b>                     | <b>20,000</b> | <b>100,000</b>       | <b>70,000</b>        | <b>190,000</b>          | <b>120,000</b>               | <b>125,000</b>              | <b>218,786</b>      | <b>40,000</b>                      | <b>50,000</b>        | <b>90,000</b>         | <b>525,000</b> |

# Executive Administration Division

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS  
EXECUTIVE ADMINISTRATION  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | MANUFACT.<br>HOUSING<br>APP REC | LIHTC            | AHDP     |
|---------------------------------|------------------|----------------------------|-----------------------|---------------------------------|------------------|----------|
| Salaries                        | 1,914,960        | 109,510                    | 649,525               | 52,839                          | 966,703          | 0        |
|                                 |                  |                            |                       |                                 | 0                |          |
| Travel In-State                 | 73,075           | 7,230                      | 28,223                | 0                               | 32,523           | 0        |
| Travel Out-of-State             | 30,100           | 4,070                      | 10,360                | 0                               | 14,920           | 0        |
| Professional Fees               | 275,000          | 625                        | 272,625               | 0                               | 1,750            | 0        |
| Materials/Supplies              | 87,243           | 22,764                     | 28,284                | 0                               | 31,968           | 0        |
| Repairs/Maintenance             | 37,366           | 7,957                      | 11,933                | 0                               | 13,981           | 0        |
| Printing and Reproduction       | 25,416           | 1,088                      | 11,654                | 0                               | 6,363            | 0        |
| Rental/Lease                    | 101,456          | 16,826                     | 36,573                | 0                               | 40,445           | 0        |
| Membership Dues                 | 8,500            | 2,325                      | 2,225                 | 0                               | 3,800            | 0        |
| Fees and Other Charges          | 74,919           | 13,105                     | 24,590                | 0                               | 34,366           | 0        |
| Employee Tuition                | 1,700            | 1,020                      | 0                     | 0                               | 680              | 0        |
| Advertising                     | 1,200            | 340                        | 370                   | 0                               | 490              | 0        |
| Freight/Delivery                | 7,100            | 990                        | 2,380                 | 0                               | 3,580            | 0        |
| Temporary Help                  | 52,053           | 7,104                      | 20,248                | 0                               | 20,067           | 0        |
| Furniture/Equipment             | 46,221           | 12,188                     | 11,492                | 0                               | 21,374           | 0        |
| Communications/Utilities        | 30,758           | 6,428                      | 9,203                 | 0                               | 12,841           | 0        |
| Capital Outlay                  | 0                | 0                          | 0                     | 0                               | 0                | 0        |
| State Office of Risk Management | 0                | 0                          | 0                     | 0                               | 0                | 0        |
| <b>Total</b>                    | <b>2,767,067</b> | <b>213,570</b>             | <b>1,119,685</b>      | <b>52,839</b>                   | <b>1,205,850</b> | <b>0</b> |

Note:

Executive Administration Includes:

- Executive Office
- Board
- Legal Services
- Internal Audit
- Policy and Public Affairs

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
EXECUTIVE OFFICE  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | AHDP | LIHTC   |
|---------------------------------|----------|----------------------------|-----------------------|------|---------|
| Salaries                        | 546,592  | 0                          | 133,742               | 0    | 412,850 |
| Travel In-State                 | 20,000   | 5,000                      | 3,000                 |      | 12,000  |
| Travel Out-of-State             | 11,800   | 2,950                      | 1,770                 |      | 7,080   |
| Professional Fees               | 2,500    | 625                        | 375                   |      | 1,500   |
| Materials/Supplies              | 12,109   | 3,027                      | 1,816                 |      | 7,265   |
| Repairs/Maintenance             | 7,958    | 1,990                      | 1,194                 |      | 4,775   |
| Printing and Reproduction       | 1,655    | 414                        | 248                   |      | 993     |
| Rental/Lease                    | 16,025   | 4,006                      | 2,404                 |      | 9,615   |
| Membership Dues                 | 2,500    | 625                        | 375                   |      | 1,500   |
| Fees and Other Charges          | 22,532   | 5,633                      | 3,380                 |      | 13,519  |
| Employee Tuition                | 0        | 0                          | 0                     |      | 0       |
| Advertising                     | 0        | 0                          | 0                     |      | 0       |
| Freight/Delivery                | 3,000    | 750                        | 450                   |      | 1,800   |
| Temporary Help                  | 6,956    | 1,739                      | 1,043                 |      | 4,174   |
| Furniture/Equipment             | 13,572   | 3,393                      | 2,036                 |      | 8,143   |
| Communications/Utilities        | 10,312   | 2,578                      | 1,547                 |      | 6,187   |
| Capital Outlay                  | 0        | 0                          | 0                     |      | 0       |
| State Office of Risk Management | 0        |                            |                       |      |         |
| Total                           | 677,511  | 32,730                     | 153,380               | 0    | 491,401 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 BOARD  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | LIHTC  |
|---------------------------------|----------|----------------------------|-----------------------|--------|
| Salaries                        |          |                            |                       |        |
| Payroll Related Costs           |          |                            |                       |        |
| Travel In-State                 | 19,000   |                            | 9,500                 | 9,500  |
| Travel Out-of-State             | 8,600    |                            | 4,300                 | 4,300  |
| Professional Fees               | 500      |                            | 250                   | 250    |
| Materials/Supplies              | 4,000    |                            | 2,000                 | 2,000  |
| Repairs/Maintenance             | 1,000    |                            | 500                   | 500    |
| Printing and Reproduction       | 1,000    |                            | 500                   | 500    |
| Rental/Lease                    | 2,000    |                            | 1,000                 | 1,000  |
| Membership Dues                 | 1,000    |                            | 500                   | 500    |
| Fees and Other Charges          | 21,000   |                            | 10,500                | 10,500 |
| Employee Tuition                | 0        |                            | 0                     | 0      |
| Advertising                     | 500      |                            | 250                   | 250    |
| Freight/Delivery                | 3,000    |                            | 1,500                 | 1,500  |
| Temporary Help                  | 15,000   |                            | 7,500                 | 7,500  |
| Furniture/Equipment             | 1,000    |                            | 500                   | 500    |
| Communications/Utilities        | 0        |                            | 0                     | 0      |
| Capital Outlay                  | 0        |                            |                       |        |
| State Office of Risk Management |          |                            |                       |        |
| Total                           | 77,600   | 0                          | 38,800                | 38,800 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 LEGAL SERVICES  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | AHDP | LIHTC   | MANUFACT.<br>HOUSING<br>APP REC |
|---------------------------------|----------|----------------------------|-----------------------|------|---------|---------------------------------|
| Salaries                        | 423,295  | 41,522                     | 145,328               | 0    | 236,445 | 0                               |
| Travel In-State                 | 4,075    | 1,630                      | 1,223                 |      | 1,223   |                                 |
| Travel Out-of-State             | 2,800    | 1,120                      | 840                   |      | 840     |                                 |
| Professional Fees               | 200,000  |                            | 200,000               |      |         |                                 |
| Materials/Supplies              | 40,109   | 16,044                     | 12,033                |      | 12,033  |                                 |
| Repairs/Maintenance             | 7,558    | 3,023                      | 2,267                 |      | 2,267   |                                 |
| Printing and Reproduction       | 655      | 262                        | 197                   |      | 197     |                                 |
| Rental/Lease                    | 16,025   | 6,410                      | 4,808                 |      | 4,808   |                                 |
| Membership Dues                 | 2,000    | 800                        | 600                   |      | 600     |                                 |
| Fees and Other Charges          | 9,327    | 3,731                      | 2,798                 |      | 2,798   |                                 |
| Employee Tuition                | 0        | 0                          | 0                     |      | 0       |                                 |
| Advertising                     | 400      | 160                        | 120                   |      | 120     |                                 |
| Freight/Delivery                | 600      | 240                        | 180                   |      | 180     |                                 |
| Temporary Help                  | 8,456    | 3,382                      | 2,537                 |      | 2,537   |                                 |
| Furniture/Equipment             | 3,457    | 1,383                      | 1,037                 |      | 1,037   |                                 |
| Communications/Utilities        | 4,812    | 1,925                      | 1,444                 |      | 1,444   |                                 |
| Capital Outlay                  | 0        |                            |                       |      |         |                                 |
| State Office of Risk Management | 0        | 0                          | 0                     |      | 0       |                                 |
| Total                           | 723,569  | 81,632                     | 375,410               | 0    | 266,527 | 0                               |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
INTERNAL AUDIT  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED       | EARNED<br>FEDERAL<br>FUNDS | AHDP     | MANUFACT.<br>HOUSING<br>APP REC | LIHTC          |
|---------------------------------|----------------|----------------------------|----------|---------------------------------|----------------|
| Salaries                        | 222,131        | 36,936                     | 0        | 21,788                          | 163,407        |
| Travel In-State                 | 1,000          | 600                        |          |                                 | 400            |
| Travel Out-of-State             | 0              | 0                          |          |                                 | 0              |
| Professional Fees               | 0              | 0                          |          |                                 | 0              |
| Materials/Supplies              | 6,156          | 3,694                      |          |                                 | 2,462          |
| Repairs/Maintenance             | 4,907          | 2,944                      |          |                                 | 1,963          |
| Printing and Reproduction       | 687            | 412                        |          |                                 | 275            |
| Rental/Lease                    | 10,683         | 6,410                      |          |                                 | 4,273          |
| Membership Dues                 | 1,500          | 900                        |          |                                 | 600            |
| Fees and Other Charges          | 6,235          | 3,741                      |          |                                 | 2,494          |
| Employee Tuition                | 1,700          | 1,020                      |          |                                 | 680            |
| Advertising                     | 300            | 180                        |          |                                 | 120            |
| Freight/Delivery                | 0              | 0                          |          |                                 | 0              |
| Temporary Help                  | 3,305          | 1,983                      |          |                                 | 1,322          |
| Furniture/Equipment             | 12,353         | 7,412                      |          |                                 | 4,941          |
| Communications/Utilities        | 3,208          | 1,925                      |          |                                 | 1,283          |
| Capital Outlay                  | 0              | 0                          |          |                                 | 0              |
| State Office of Risk Management | 0              | 0                          |          |                                 | 0              |
| <b>Total</b>                    | <b>274,165</b> | <b>68,157</b>              | <b>0</b> | <b>21,788</b>                   | <b>184,220</b> |



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 POLICY AND PUBLIC AFFAIRS  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED  | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | MANUFACT.<br>HOUSING<br>APP REC | LIHTC   | HOME    |
|---------------------------------|-----------|----------------------------|-----------------------|---------------------------------|---------|---------|
| Salaries                        | 722,943   | 31,052                     | 370,455               | 31,052                          | 154,002 | 136,382 |
|                                 | 0         |                            | 0                     |                                 | 0       | 0       |
| Travel In-State                 | 29,000    |                            | 14,500                |                                 | 9,400   | 5,100   |
| Travel Out-of-State             | 6,900     |                            | 3,450                 |                                 | 2,700   | 750     |
| Professional Fees               | 72,000    |                            | 72,000                |                                 | 0       | 0       |
| Materials/Supplies              | 24,869    |                            | 12,435                |                                 | 8,208   | 4,227   |
| Repairs/Maintenance             | 15,943    |                            | 7,972                 |                                 | 4,476   | 3,495   |
| Printing and Reproduction       | 21,419    |                            | 10,710                |                                 | 4,398   | 6,311   |
| Rental/Lease                    | 56,723    |                            | 28,362                |                                 | 20,749  | 7,612   |
| Membership Dues                 | 1,500     |                            | 750                   |                                 | 600     | 150     |
| Fees and Other Charges          | 15,825    |                            | 7,913                 |                                 | 5,055   | 2,858   |
| Employee Tuition                | 0         |                            | 0                     |                                 | 0       | 0       |
| Advertising                     | 0         |                            | 0                     |                                 | 0       | 0       |
| Freight/Delivery                | 500       |                            | 250                   |                                 | 100     | 150     |
| Temporary Help                  | 18,336    |                            | 9,168                 |                                 | 4,534   | 4,634   |
| Furniture/Equipment             | 15,839    |                            | 7,920                 |                                 | 6,752   | 1,167   |
| Communications/Utilities        | 12,426    |                            | 6,213                 |                                 | 3,927   | 2,286   |
| Capital Outlay                  | 0         |                            | 0                     |                                 | 0       | 0       |
| State Office of Risk Management | 0         |                            | 0                     |                                 | 0       | 0       |
| Total                           | 1,014,223 | 31,052                     | 552,095               | 31,052                          | 224,902 | 175,122 |

# Housing Programs Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HOUSING PROGRAMS DIVISION  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | GENERAL<br>REVENUE<br>OCI | GENERAL<br>REVENUE<br>HTF | ORCA<br>IAC   | FEDERAL<br>FUNDS | LIHTC          | MULTI<br>FAMILY<br>BOND<br>ADMIN<br>FEES | SINGLE<br>FAMILY<br>BOND<br>ADMIN<br>FEES |
|---------------------------------|------------------|---------------------------|---------------------------|---------------|------------------|----------------|--|---|
| Salaries                        | 3,877,441        | 40,555                    | 164,504                   | 76,899        | 2,710,834        | 231,383        | 214,777                                  | 438,490                                   |
| Travel In-State                 | 252,562          | 40,000                    | 6,250                     | 0             | 175,912          | 6,250          | 5,750                                    | 18,400                                    |
| Travel Out-of-State             | 34,330           | 3,000                     | 2,875                     | 0             | 20,643           | 2,875          | 2,645                                    | 2,292                                     |
| Professional Fees               | 452,900          | 0                         | 1,800                     | 0             | 404,424          | 1,800          | 1,656                                    | 43,220                                    |
| Materials/Supplies              | 172,053          | 0                         | 7,981                     | 0             | 129,412          | 7,981          | 7,342                                    | 19,338                                    |
| Repairs/Maintenance             | 162,210          | 0                         | 4,293                     | 0             | 134,759          | 4,293          | 3,949                                    | 14,917                                    |
| Printing and Reproduction       | 63,297           | 0                         | 1,132                     | 0             | 42,232           | 1,132          | 1,041                                    | 17,760                                    |
| Rental/Lease                    | 274,660          | 0                         | 10,911                    | 0             | 187,260          | 10,911         | 10,038                                   | 55,540                                    |
| Membership Dues                 | 21,005           | 0                         | 500                       | 0             | 17,895           | 500            | 460                                      | 1,650                                     |
| Fees and Other Charges          | 72,210           | 0                         | 3,674                     | 0             | 49,628           | 3,674          | 3,380                                    | 11,854                                    |
| Employee Tuition                | 3,200            | 0                         | 500                       | 0             | 990              | 500            | 460                                      | 750                                       |
| Advertising                     | 59,100           | 0                         | 625                       | 0             | 5,575            | 625            | 575                                      | 51,700                                    |
| Freight/Delivery                | 8,700            | 0                         | 875                       | 0             | 5,295            | 875            | 805                                      | 850                                       |
| Temporary Help                  | 143,172          | 0                         | 16,491                    | 0             | 78,032           | 16,491         | 15,172                                   | 16,986                                    |
| Furniture/Equipment             | 100,186          | 0                         | 3,962                     | 0             | 69,943           | 3,962          | 3,645                                    | 18,673                                    |
| Communications/Utilities        | 76,456           | 0                         | 2,807                     | 0             | 49,494           | 2,807          | 2,583                                    | 18,764                                    |
| Capital Outlay                  | 0                | 0                         | 0                         | 0             | 0                | 0              | 0  | 0   |
| State Office of Risk Management | 34,948           | 259                       | 1,144                     | 0             | 21,557           | 4,825          | 976                                      | 6,187                                     |
| <b>Total</b>                    | <b>5,808,430</b> | <b>83,814</b>             | <b>230,323</b>            | <b>76,899</b> | <b>4,103,885</b> | <b>300,883</b> | <b>275,255</b>                           | <b>737,371</b>                            |

Note:

Housing Programs Division Includes:

Office of Colonia Initiatives

Community Affairs

Multi Family Finance Production

Single Family Finance Production

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
OFFICE OF COLONIA INITIATIVES  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED       | HOME          | IAC<br>ORCA   | GENERAL<br>REVENUE | BOND<br>ADMIN<br>FEES |
|---------------------------------|----------------|---------------|---------------|--------------------|-----------------------|
| Salaries                        | 412,570        | 77,055        | 76,899        | 40,555             | 218,062               |
| Travel In-State                 | 40,000         |               |               | 40,000             |                       |
| Travel Out-of-State             | 3,000          |               |               | 3,000              |                       |
| Professional Fees               | 6,000          | 900           |               |                    | 5,100                 |
| Materials/Supplies              | 12,812         | 1,922         |               |                    | 10,890                |
| Repairs/Maintenance             | 9,811          | 1,472         |               |                    | 8,339                 |
| Printing and Reproduction       | 1,873          | 281           |               |                    | 1,592                 |
| Rental/Lease                    | 41,284         | 6,193         |               |                    | 35,091                |
| Membership Dues                 | 1,000          | 150           |               |                    | 850                   |
| Fees and Other Charges          | 6,969          | 1,045         |               |                    | 5,924                 |
| Employee Tuition                | 600            | 90            |               |                    | 510                   |
| Advertising                     | 2,000          | 300           |               |                    | 1,700                 |
| Freight/Delivery                | 1,000          | 150           |               |                    | 850                   |
| Temporary Help                  | 12,107         | 1,816         |               |                    | 10,291                |
| Furniture/Equipment             | 14,891         | 2,234         |               |                    | 12,657                |
| Communications/Utilities        | 16,416         | 2,462         |               |                    | 13,954                |
| Capital Outlay                  | 0              | 0             |               |                    | 0                     |
| State Office of Risk Management | 1,683          |               |               | 259                | 1,424                 |
| <b>Total</b>                    | <b>584,016</b> | <b>96,069</b> | <b>76,899</b> | <b>83,814</b>      | <b>327,234</b>        |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
COMMUNITY AFFAIRS  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED  |   | GENERAL<br>REVENUE<br>ENTERP | FEDERAL<br>FUNDS |
|---------------------------------|-----------|---|------------------------------|------------------|
| Salaries                        | 1,977,051 | 0 | 0                            | 1,977,051        |
| Travel In-State                 | 141,562   | 0 | 0                            | 141,562          |
| Travel Out-of-State             | 14,100    | 0 | 0                            | 14,100           |
| Professional Fees               | 264,400   | 0 | 0                            | 264,400          |
| Materials/Supplies              | 106,199   | 0 | 0                            | 106,199          |
| Repairs/Maintenance             | 118,785   | 0 | 0                            | 118,785          |
| Printing and Reproduction       | 16,477    | 0 | 0                            | 16,477           |
| Rental/Lease                    | 138,611   | 0 | 0                            | 138,611          |
| Membership Dues                 | 16,005    | 0 | 0                            | 16,005           |
| Fees and Other Charges          | 35,719    | 0 | 0                            | 35,719           |
| Employee Tuition                | 0         | 0 | 0                            | 0                |
| Advertising                     | 4,600     | 0 | 0                            | 4,600            |
| Freight/Delivery                | 4,200     | 0 | 0                            | 4,200            |
| Temporary Help                  | 48,363    | 0 | 0                            | 48,363           |
| Furniture/Equipment             | 54,407    | 0 | 0                            | 54,407           |
| Communications/Utilities        | 36,784    | 0 | 0                            | 36,784           |
| Capital Outlay                  | 0         | 0 | 0                            | 0                |
| State Office of Risk Management | 14,157    | 0 | 0                            | 14,157           |
| Total                           | 2,991,420 | 0 | 0                            | 2,991,420        |

Note:

Community Affairs Includes:  
Administration - Community Affairs  
Community Services Program  
Energy Assistance Program  
Section 8

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 ADMINISTRATION-COMMUNITY AFFAIRS  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | CSBG    | DOE<br>GRANTEE | LIHEAP  |
|---------------------------------|----------|---------|----------------|---------|
| Salaries                        | 186,890  | 78,035  | 0              | 108,855 |
| Travel In-State                 | 5,000    | 2,500   |                | 2,500   |
| Travel Out-of-State             | 5,000    | 2,500   |                | 2,500   |
| Professional Fees               | 1,000    | 500     |                | 500     |
| Materials/Supplies              | 3,555    | 1,778   |                | 1,778   |
| Repairs/Maintenance             | 4,180    | 2,090   |                | 2,090   |
| Printing and Reproduction       | 1,328    | 664     |                | 664     |
| Rental/Lease                    | 9,113    | 4,557   |                | 4,557   |
| Membership Dues                 | 1,500    | 750     |                | 750     |
| Fees and Other Charges          | 4,114    | 2,057   |                | 2,057   |
| Employee Tuition                | 0        | 0       |                | 0       |
| Advertising                     | 0        | 0       |                | 0       |
| Freight/Delivery                | 500      | 250     |                | 250     |
| Temporary Help                  | 4,477    | 2,239   |                | 2,239   |
| Furniture/Equipment             | 11,644   | 5,822   |                | 5,822   |
| Communications/Utilities        | 2,406    | 1,203   |                | 1,203   |
| Capital Outlay                  | 0        | 0       |                | 0       |
| State Office of Risk Management | 0        | 0       |                | 0       |
| Total                           | 240,707  | 104,943 | 0              | 135,763 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
COMMUNITY SERVICES PROGRAM  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | COMM SRVC<br>BLK GRNT | EMERGENCY<br>SHELTER |
|---------------------------------|----------|-----------------------|----------------------|
| Salaries                        | 737,239  | 583,130               | 154,108              |
| Travel In-State                 | 50,000   | 32,500                | 17,500               |
| Travel Out-of-State             | 3,100    | 2,015                 | 1,085                |
| Professional Fees               | 18,800   | 18,800                |                      |
| Materials/Supplies              | 23,773   | 23,773                |                      |
| Repairs/Maintenance             | 18,397   | 18,397                |                      |
| Printing and Reproduction       | 7,638    | 7,638                 |                      |
| Rental/Lease                    | 61,065   | 61,065                |                      |
| Membership Dues                 | 7,050    | 7,050                 |                      |
| Fees and Other Charges          | 11,568   | 11,568                |                      |
| Employee Tuition                | 0        | 0                     |                      |
| Advertising                     | 0        | 0                     |                      |
| Freight/Delivery                | 1,000    | 1,000                 |                      |
| Temporary Help                  | 17,389   | 17,389                |                      |
| Furniture/Equipment             | 8,043    | 8,043                 |                      |
| Communications/Utilities        | 13,531   | 13,531                |                      |
| Capital Outlay                  | 0        | 0                     |                      |
| State Office of Risk Management | 5,515    | 5,515                 |                      |
| Total                           | 984,108  | 811,414               | 172,693              |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
ENERGY ASSISTANCE PROGRAM  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED  | DOE<br>T&TA | DOE<br>GRANTEE | LIHEAP  |
|---------------------------------|-----------|-------------|----------------|---------|
| Salaries                        | 745,795   | 84,765      | 112,297        | 548,733 |
| Travel In-State                 | 73,562    | 14,712      | 22,069         | 36,781  |
| Travel Out-of-State             | 3,800     | 760         | 1,140          | 1,900   |
| Professional Fees               | 177,600   | 53,280      | 53,280         | 71,040  |
| Materials/Supplies              | 65,310    | 22,859      | 22,859         | 19,593  |
| Repairs/Maintenance             | 87,622    |             |                | 87,622  |
| Printing and Reproduction       | 3,747     |             |                | 3,747   |
| Rental/Lease                    | 49,736    |             |                | 49,736  |
| Membership Dues                 | 6,455     |             |                | 6,455   |
| Fees and Other Charges          | 13,439    |             |                | 13,439  |
| Employee Tuition                | 0         |             |                | 0       |
| Advertising                     | 4,000     |             |                | 4,000   |
| Freight/Delivery                | 2,500     |             |                | 2,500   |
| Temporary Help                  | 16,216    |             |                | 16,216  |
| Furniture/Equipment             | 30,553    |             |                | 30,553  |
| Communications/Utilities        | 15,233    |             |                | 15,233  |
| Capital Outlay                  | 0         |             |                | 0       |
| State Office of Risk Management | 6,540     | 0           | 0              | 6,540   |
| Total                           | 1,302,108 | 176,376     | 211,644        | 914,088 |



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
SECTION 8 - RENTAL ASSISTANCE PROGRAM  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | SECTION 8 |
|---------------------------------|----------|-----------|
| Salaries                        | 307,127  | 307,127   |
| Travel In-State                 | 13,000   | 13,000    |
| Travel Out-of-State             | 2,200    | 2,200     |
| Professional Fees               | 67,000   | 67,000    |
| Materials/Supplies              | 13,561   | 13,561    |
| Repairs/Maintenance             | 8,586    | 8,586     |
| Printing and Reproduction       | 3,764    | 3,764     |
| Rental/Lease                    | 18,697   | 18,697    |
| Membership Dues                 | 1,000    | 1,000     |
| Fees and Other Charges          | 6,598    | 6,598     |
| Employee Tuition                | 0        | 0         |
| Advertising                     | 600      | 600       |
| Freight/Delivery                | 200      | 200       |
| Temporary Help                  | 10,281   | 10,281    |
| Furniture/Equipment             | 4,167    | 4,167     |
| Communications/Utilities        | 5,614    | 5,614     |
| Capital Outlay                  | 0        | 0         |
| State Office of Risk Management | 2,102    | 2,102     |
| Total                           | 464,497  | 464,497   |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 MULTIFAMILY FINANCE PRODUCTION  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | MULTI<br>FAMILY |                    |                | GENERAL        |
|---------------------------------|------------------|-----------------|--------------------|----------------|----------------|
|                                 |                  | LIHTC<br>FEES   | BOND ADMIN<br>FEES | HOME           | REVENUE<br>HTF |
| Salaries                        | 762,386          | 231,383         | 214,777            | 151,723        | 164,504        |
| Travel In-State                 | 25,000           | 6,250           | 5,750              | 6,750          | 6,250          |
| Travel Out-of-State             | 11,500           | 2,875           | 2,645              | 3,105          | 2,875          |
| Professional Fees               | 7,200            | 1,800           | 1,656              | 1,944          | 1,800          |
| Materials/Supplies              | 31,922           | 7,981           | 7,342              | 8,619          | 7,981          |
| Repairs/Maintenance             | 17,170           | 4,293           | 3,949              | 4,636          | 4,293          |
| Printing and Reproduction       | 4,528            | 1,132           | 1,041              | 1,223          | 1,132          |
| Rental/Lease                    | 43,643           | 10,911          | 10,038             | 11,784         | 10,911         |
| Membership Dues                 | 2,000            | 500             | 460                | 540            | 500            |
| Fees and Other Charges          | 14,697           | 3,674           | 3,380              | 3,968          | 3,674          |
| Employee Tuition                | 2,000            | 500             | 460                | 540            | 500            |
| Advertising                     | 2,500            | 625             | 575                | 675            | 625            |
| Freight/Delivery                | 3,500            | 875             | 805                | 945            | 875            |
| Temporary Help                  | 65,964           | 16,491          | 15,172             | 17,810         | 16,491         |
| Furniture/Equipment             | 15,849           | 3,962           | 3,645              | 4,279          | 3,962          |
| Communications/Utilities        | 11,229           | 2,807           | 2,583              | 3,032          | 2,807          |
| Capital Outlay                  | 0                | 0               | 0                  | 0              | 0              |
| State Office of Risk Management | 6,945            | 4,825           | 976                |                | 1,144          |
| <b>Total</b>                    | <b>1,028,033</b> | <b>300,883</b>  | <b>275,255</b>     | <b>221,572</b> | <b>230,323</b> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 SINGLE FAMILY FINANCE PRODUCTION  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED  | HOME    | SINGLE<br>FAMILY<br>BOND ADMIN<br>FEES |
|---------------------------------|-----------|---------|--|
| Salaries                        | 725,434   | 505,006 | 220,428                                |
| Travel In-State                 | 46,000    | 27,600  | 18,400                                 |
| Travel Out-of-State             | 5,730     | 3,438   | 2,292                                  |
| Professional Fees               | 175,300   | 137,180 | 38,120                                 |
| Materials/Supplies              | 21,120    | 12,672  | 8,448                                  |
| Repairs/Maintenance             | 16,444    | 9,866   | 6,578                                  |
| Printing and Reproduction       | 40,419    | 24,251  | 16,168                                 |
| Rental/Lease                    | 51,122    | 30,673  | 20,449                                 |
| Membership Dues                 | 2,000     | 1,200   | 800                                    |
| Fees and Other Charges          | 14,825    | 8,895   | 5,930                                  |
| Employee Tuition                | 600       | 360     | 240                                    |
| Advertising                     | 50,000    |         | 50,000                                 |
| Freight/Delivery                | 0         | 0       | 0                                      |
| Temporary Help                  | 16,738    | 10,043  | 6,695                                  |
| Furniture/Equipment             | 15,039    | 9,023   | 6,016                                  |
| Communications/Utilities        | 12,027    | 7,216   | 4,811                                  |
| Capital Outlay                  | 0         | 0       | 0                                      |
| State Office of Risk Management | 12,163    | 7,400   | 4,763                                  |
| Total                           | 1,204,961 | 794,824 | 410,137                                |

# Housing Operations Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HOUSING OPERATIONS DIVISION  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | SINGLE<br>FAMILY<br>BOND<br>ADMIN<br>FEES | MULTI<br>FAMILY<br>BOND<br>ADMIN<br>FEES | FEDERAL<br>FUNDS | GENERAL<br>REVENUE<br>HTF | AHDP           | IAC - BOND<br>REVIEW<br>BOARD | LIHTC<br>FEES    |
|---------------------------------|------------------|---|--|------------------|---------------------------|----------------|-------------------------------|------------------|
| Salaries                        | 3,311,393        | 273,212                                   | 81,078                                   | 1,383,632        | 135,851                   | 320,716        | 0                             | 1,116,904        |
|                                 |                  | 0   |  | 0                |                           |                |                               | 0                |
| Travel In-State                 | 140,500          | 6,500                                     | 0  | 66,000           | 1,000                     | 26,000         | 0                             | 41,000           |
| Travel Out-of-State             | 27,850           | 9,101                                     | 0  | 1,063            | 1,063                     | 5,800          | 0                             | 10,824           |
| Professional Fees               | 851,500          | 4,000                                     | 0  | 194,000          | 0                         | 405,000        | 0                             | 248,500          |
| Materials/Supplies              | 86,656           | 8,258                                     | 0  | 16,874           | 2,934                     | 21,089         | 0                             | 37,501           |
| Repairs/Maintenance             | 73,962           | 5,407                                     | 0  | 3,798            | 3,498                     | 21,706         | 0                             | 39,554           |
| Printing and Reproduction       | 27,191           | 1,187                                     | 0  | 20,300           | 300                       | 1,921          | 0                             | 3,482            |
| Rental/Lease                    | 190,784          | 10,683                                    | 0  | 14,601           | 7,345                     | 57,386         | 0                             | 100,769          |
| Membership Dues                 | 43,850           | 35,000                                    | 0  | 3,500            | 125                       | 1,990          | 0                             | 3,235            |
| Fees and Other Charges          | 57,865           | 9,350                                     | 0  | 13,046           | 3,046                     | 10,533         | 0                             | 21,891           |
| Employee Tuition                | 2,600            | 2,000                                     | 0  | 150              | 150                       | 0              | 0                             | 300              |
| Advertising                     | 10,600           | 10,000                                    | 0  | 150              | 150                       | 0              | 0                             | 300              |
| Freight/Delivery                | 3,500            | 1,250                                     | 0  | 1,063            | 63                        | 400            | 0                             | 725              |
| Temporary Help                  | 86,831           | 3,305                                     | 0  | 18,046           | 5,546                     | 19,537         | 0                             | 40,397           |
| Furniture/Equipment             | 59,858           | 11,253                                    | 0  | 10,283           | 3,705                     | 10,883         | 0                             | 23,734           |
| Communications/Utilities        | 50,821           | 5,208                                     | 0  | 2,506            | 2,206                     | 14,596         | 0                             | 26,306           |
| Capital Outlay                  | 0                | 0   | 0  | 0                | 0                         | 0              | 0                             | 0                |
| State Office of Risk Management | 7,421            | 0   | 0  | 0                | 0                         | 0              | 0                             | 7,421            |
| <b>Total</b>                    | <b>5,033,182</b> | <b>395,714</b>                            | <b>81,078</b>                            | <b>1,749,011</b> | <b>166,981</b>            | <b>917,555</b> | <b>0</b>                      | <b>1,722,843</b> |

Note:

Housing Operations Division Includes:

- Real Estate Analysis
- Portfolio Management and Compliance
- Bond Finance

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 REAL ESTATE ANALYSIS  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | LIHTC   | HOME    | GENERAL<br>REVENUE<br>HTF | MULTI<br>FAMILY<br>BOND<br>ADMIN FEES |
|---------------------------------|----------|---------|---------|---------------------------|---------------------------------------|
| Salaries                        | 657,753  | 352,821 | 135,612 | 135,851                   | 33,470                                |
| Travel In-State                 | 4,000    | 2,000   | 1,000   | 1,000                     |                                       |
| Travel Out-of-State             | 4,250    | 2,125   | 1,063   | 1,063                     |                                       |
| Professional Fees               | 26,000   | 26,000  |         |                           |                                       |
| Materials/Supplies              | 11,736   | 5,868   | 2,934   | 2,934                     |                                       |
| Repairs/Maintenance             | 13,991   | 6,996   | 3,498   | 3,498                     |                                       |
| Printing and Reproduction       | 1,201    | 601     | 300     | 300                       |                                       |
| Rental/Lease                    | 29,380   | 14,690  | 7,345   | 7,345                     |                                       |
| Membership Dues                 | 500      | 250     | 125     | 125                       |                                       |
| Fees and Other Charges          | 12,183   | 6,092   | 3,046   | 3,046                     |                                       |
| Employee Tuition                | 600      | 300     | 150     | 150                       |                                       |
| Advertising                     | 600      | 300     | 150     | 150                       |                                       |
| Freight/Delivery                | 250      | 125     | 63      | 63                        |                                       |
| Temporary Help                  | 22,184   | 11,092  | 5,546   | 5,546                     |                                       |
| Furniture/Equipment             | 14,820   | 7,410   | 3,705   | 3,705                     |                                       |
| Communications/Utilities        | 8,823    | 4,412   | 2,206   | 2,206                     |                                       |
| Capital Outlay                  | 0        | 0       | 0       | 0                         |                                       |
| State Office of Risk Management | 0        | 0       | 0       | 0                         |                                       |
| Total                           | 808,271  | 441,080 | 166,741 | 166,981                   | 33,470                                |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 PORTFOLIO MANAGEMENT and COMPLIANCE  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | GENERAL REVENUE |                  |               |                | MULTI FAMILY BOND |                | TAX CREDIT       |
|---------------------------------|------------------|-----------------|------------------|---------------|----------------|-------------------|----------------|------------------|
|                                 |                  | HTF             | HOME             | CSBG          | LIHEAP         | ADMIN FEES        | AHDP           |                  |
| Salaries                        | 2,380,428        |                 | 1,012,793        | 47,609        | 187,619        | 47,609            | 320,716        | 764,083          |
| Travel In-State                 | 130,000          |                 | 65,000           |               |                |                   | 26,000         | 39,000           |
| Travel Out-of-State             | 14,499           |                 |                  |               |                |                   | 5,800          | 8,699            |
| Professional Fees               | 821,500          |                 | 194,000          |               |                |                   | 405,000        | 222,500          |
| Materials/Supplies              | 66,662           |                 | 13,940           |               |                |                   | 21,089         | 31,633           |
| Repairs/Maintenance             | 54,564           |                 | 300              |               |                |                   | 21,706         | 32,558           |
| Printing and Reproduction       | 24,803           |                 | 20,000           |               |                |                   | 1,921          | 2,882            |
| Rental/Lease                    | 150,721          |                 | 7,256            |               |                |                   | 57,386         | 86,079           |
| Membership Dues                 | 8,350            |                 | 3,375            |               |                |                   | 1,990          | 2,985            |
| Fees and Other Charges          | 36,332           |                 | 10,000           |               |                |                   | 10,533         | 15,799           |
| Employee Tuition                | 0                |                 |                  |               |                |                   | 0              | 0                |
| Advertising                     | 0                |                 |                  |               |                |                   | 0              | 0                |
| Freight/Delivery                | 2,000            |                 | 1,000            |               |                |                   | 400            | 600              |
| Temporary Help                  | 61,342           |                 | 12,500           |               |                |                   | 19,537         | 29,305           |
| Furniture/Equipment             | 33,785           |                 | 6,578            |               |                |                   | 10,883         | 16,324           |
| Communications/Utilities        | 36,790           |                 | 300              |               |                |                   | 14,596         | 21,894           |
| Capital Outlay                  | 0                |                 |                  |               |                |                   | 0              | 0                |
| State Office of Risk Management | 7,421            |                 |                  |               |                |                   |                | 7,421            |
| <b>Total</b>                    | <b>3,829,197</b> | <b>0</b>        | <b>1,347,042</b> | <b>47,609</b> | <b>187,619</b> | <b>47,609</b>     | <b>917,555</b> | <b>1,281,763</b> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 BOND FINANCE  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | SINGLE<br>FAMILY<br>BOND<br>ADMIN FEES |
|---------------------------------|----------|--|
| Salaries                        | 273,212  | 273,212                                |
| Travel In-State                 | 6,500    | 6,500                                  |
| Travel Out-of-State             | 9,101    | 9,101                                  |
| Professional Fees               | 4,000    | 4,000                                  |
| Materials/Supplies              | 8,258    | 8,258                                  |
| Repairs/Maintenance             | 5,407    | 5,407                                  |
| Printing and Reproduction       | 1,187    | 1,187                                  |
| Rental/Lease                    | 10,683   | 10,683                                 |
| Membership Dues                 | 35,000   | 35,000                                 |
| Fees and Other Charges          | 9,350    | 9,350                                  |
| Employee Tuition                | 2,000    | 2,000                                  |
| Advertising                     | 10,000   | 10,000                                 |
| Freight/Delivery                | 1,250    | 1,250                                  |
| Temporary Help                  | 3,305    | 3,305                                  |
| Furniture/Equipment             | 11,253   | 11,253                                 |
| Communications/Utilities        | 5,208    | 5,208                                  |
| Capital Outlay                  | 0        | 0                                      |
| State Office of Risk Management | 0        | 0                                      |
| Total                           | 395,714  | 395,714                                |



Agency Administration Division

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS  
 AGENCY ADMINISTRATION  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | GENERAL REVENUE | EARNED FEDERAL FUNDS | BOND ADMIN FEES  | MANUFACT. HOUSING APP REC | LIHTC            | HOME           |
|---------------------------------|------------------|-----------------|----------------------|------------------|---------------------------|------------------|----------------|
| Salaries                        | 3,557,233        | 244,249         | 544,109              | 1,376,312        | 345,574                   | 936,032          | 110,957        |
| Travel In-State                 | 34,450           | 4,200           | 4,200                | 20,150           | 0                         | 5,900            | 0              |
| Travel Out-of-State             | 8,035            | 720             | 910                  | 5,165            | 0                         | 1,240            | 0              |
| Professional Fees               | 136,900          | 0               | 3,500                | 123,400          | 0                         | 10,000           | 0              |
| Materials/Supplies              | 90,847           | 13,242          | 9,253                | 42,481           | 0                         | 25,872           | 0              |
| Repairs/Maintenance             | 141,965          | 11,847          | 11,353               | 97,544           | 0                         | 21,221           | 0              |
| Printing and Reproduction       | 14,887           | 1,536           | 3,017                | 6,847            | 0                         | 3,488            | 0              |
| Rental/Lease                    | 178,511          | 21,823          | 22,436               | 92,533           | 0                         | 41,719           | 0              |
| Membership Dues                 | 6,620            | 540             | 490                  | 3,990            | 0                         | 1,600            | 0              |
| Fees and Other Charges          | 105,174          | 11,331          | 17,818               | 55,107           | 0                         | 20,918           | 0              |
| Employee Tuition                | 3,500            | 1,200           | 630                  | 1,550            | 0                         | 120              | 0              |
| Advertising                     | 4,100            | 780             | 840                  | 1,660            | 0                         | 820              | 0              |
| Freight/Delivery                | 5,050            | 360             | 350                  | 3,650            | 0                         | 690              | 0              |
| Temporary Help                  | 106,489          | 13,043          | 11,139               | 51,158           | 0                         | 31,149           | 0              |
| Furniture/Equipment             | 64,266           | 6,859           | 4,001                | 29,390           | 0                         | 24,017           | 0              |
| Communications/Utilities        | 57,223           | 6,976           | 6,738                | 29,819           | 0                         | 13,690           | 0              |
| Capital Outlay                  | 0                | 0               | 0                    | 0                | 0                         | 0                | 0              |
| State Office of Risk Management | 17,793           | 1,027           | 2,430                | 14,336           | 0                         | 0                | 0              |
| <b>Total</b>                    | <b>4,533,043</b> | <b>339,733</b>  | <b>643,212</b>       | <b>1,955,091</b> | <b>345,574</b>            | <b>1,138,476</b> | <b>110,957</b> |

Note:

Agency Administration Includes:  
 Human Resources  
 Facilities and Space Management  
 Information Systems  
 Financial Administration

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HUMAN RESOURCES  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | GENERAL<br>REVENUE | AHDP | LIHTC   | MANUFACT.<br>HOUSING<br>APP REC |
|---------------------------------|----------|--------------------|------|---------|---------------------------------|
| Salaries                        | 289,635  | 0                  | 0    | 237,882 | 51,753                          |
| Travel In-State                 | 500      |                    |      | 500     |                                 |
| Travel Out-of-State             | 0        |                    |      | 0       |                                 |
| Professional Fees               | 6,200    |                    |      | 6,200   |                                 |
| Materials/Supplies              | 8,757    |                    |      | 8,757   |                                 |
| Repairs/Maintenance             | 6,132    |                    |      | 6,132   |                                 |
| Printing and Reproduction       | 896      |                    |      | 896     |                                 |
| Rental/Lease                    | 13,355   |                    |      | 13,355  |                                 |
| Membership Dues                 | 880      |                    |      | 880     |                                 |
| Fees and Other Charges          | 5,856    |                    |      | 5,856   |                                 |
| Employee Tuition                | 0        |                    |      | 0       |                                 |
| Advertising                     | 0        |                    |      | 0       |                                 |
| Freight/Delivery                | 150      |                    |      | 150     |                                 |
| Temporary Help                  | 10,630   |                    |      | 10,630  |                                 |
| Furniture/Equipment             | 12,263   |                    |      | 12,263  |                                 |
| Communications/Utilities        | 4,010    |                    |      | 4,010   |                                 |
| Capital Outlay                  | 0        |                    |      | 0       |                                 |
| State Office of Risk Management | 0        |                    |      |         |                                 |
| Total                           | 359,264  | 0                  | 0    | 307,511 | 51,753                          |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 FACILITIES AND SPACE MANAGEMENT  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | GENERAL<br>REVENUE | BOND<br>ADMIN<br>FEES | LIHTC   | MANUFACT.<br>HOUSING<br>APP REC |
|---------------------------------|----------|--------------------|-----------------------|---------|---------------------------------|
| Salaries                        | 228,172  | 0                  | 88,688                | 106,226 | 33,258                          |
| Travel In-State                 | 1,000    |                    | 500                   | 500     |                                 |
| Travel Out-of-State             | 0        |                    | 0                     | 0       |                                 |
| Professional Fees               | 0        |                    | 0                     | 0       |                                 |
| Materials/Supplies              | 5,757    |                    | 2,879                 | 2,879   |                                 |
| Repairs/Maintenance             | 6,882    |                    | 3,441                 | 3,441   |                                 |
| Printing and Reproduction       | 2,096    |                    | 1,048                 | 1,048   |                                 |
| Rental/Lease                    | 13,955   |                    | 6,978                 | 6,978   |                                 |
| Membership Dues                 | 340      |                    | 170                   | 170     |                                 |
| Fees and Other Charges          | 5,856    |                    | 2,928                 | 2,928   |                                 |
| Employee Tuition                | 0        |                    | 0                     | 0       |                                 |
| Advertising                     | 0        |                    | 0                     | 0       |                                 |
| Freight/Delivery                | 100      |                    | 50                    | 50      |                                 |
| Temporary Help                  | 17,130   |                    | 8,565                 | 8,565   |                                 |
| Furniture/Equipment             | 5,548    |                    | 2,774                 | 2,774   |                                 |
| Communications/Utilities        | 5,450    |                    | 2,725                 | 2,725   |                                 |
| Capital Outlay                  | 0        |                    | 0                     | 0       |                                 |
| State Office of Risk Management | 1,000    |                    | 1,000                 |         |                                 |
| Total                           | 293,286  | 0                  | 121,745               | 138,283 | 33,258                          |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 INFORMATION SYSTEMS  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | GENERAL<br>REVENUE | BOND<br>ADMIN<br>FEES | MANUFACT.<br>HOUSING<br>APP REC | LIHTC          |
|---------------------------------|------------------|--------------------|-----------------------|---------------------------------|----------------|
| Salaries                        | 1,094,846        | 113,091            | 376,884               | 107,681                         | 497,189        |
| Travel In-State                 | 10,000           | 3,000              | 3,500                 |                                 | 3,500          |
| Travel Out-of-State             | 2,400            | 720                | 840                   |                                 | 840            |
| Professional Fees               | 0                | 0                  | 0                     |                                 | 0              |
| Materials/Supplies              | 36,327           | 10,898             | 12,714                |                                 | 12,714         |
| Repairs/Maintenance             | 29,076           | 8,723              | 10,177                |                                 | 10,177         |
| Printing and Reproduction       | 3,465            | 1,040              | 1,213                 |                                 | 1,213          |
| Rental/Lease                    | 51,377           | 15,413             | 17,982                |                                 | 17,982         |
| Membership Dues                 | 1,000            | 300                | 350                   |                                 | 350            |
| Fees and Other Charges          | 31,681           | 9,504              | 11,088                |                                 | 11,088         |
| Employee Tuition                | 0                | 0                  | 0                     |                                 | 0              |
| Advertising                     | 2,000            | 600                | 700                   |                                 | 700            |
| Freight/Delivery                | 1,000            | 300                | 350                   |                                 | 350            |
| Temporary Help                  | 30,866           | 9,260              | 10,803                |                                 | 10,803         |
| Furniture/Equipment             | 18,187           | 5,456              | 6,365                 |                                 | 6,365          |
| Communications/Utilities        | 16,837           | 5,051              | 5,893                 |                                 | 5,893          |
| Capital Outlay                  | 0                |                    | 0                     |                                 | 0              |
| State Office of Risk Management | 2,903            | 567                | 2,336                 |                                 |                |
| <b>Total</b>                    | <b>1,331,965</b> | <b>183,923</b>     | <b>461,196</b>        | <b>107,681</b>                  | <b>579,165</b> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 FINANCIAL ADMINISTRATION  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED         | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | LIHTC          | HOME           | MANUFACT.<br>HOUSING<br>APP REC | GENERAL<br>REVENUE |
|---------------------------------|------------------|----------------------------|-----------------------|----------------|----------------|---------------------------------|--------------------|
| Salaries                        | 1,944,580        | 544,109                    | 910,740               | 94,735         | 110,957        | 152,882                         | 131,158            |
| Travel In-State                 | 22,950           | 4,200                      | 16,150                | 1,400          | 0              | 0                               | 1,200              |
| Travel Out-of-State             | 5,635            | 910                        | 4,325                 | 400            | 0              | 0                               | 0                  |
| Professional Fees               | 130,700          | 3,500                      | 123,400               | 3,800          | 0              | 0                               | 0                  |
| Materials/Supplies              | 40,006           | 9,253                      | 26,888                | 1,522          | 0              | 0                               | 2,344              |
| Repairs/Maintenance             | 99,875           | 11,353                     | 83,927                | 1,472          | 0              | 0                               | 3,124              |
| Printing and Reproduction       | 8,430            | 3,017                      | 4,586                 | 331            | 0              | 0                               | 496                |
| Rental/Lease                    | 99,824           | 22,436                     | 67,574                | 3,405          | 0              | 0                               | 6,410              |
| Membership Dues                 | 4,400            | 490                        | 3,470                 | 200            | 0              | 0                               | 240                |
| Fees and Other Charges          | 61,781           | 17,818                     | 41,091                | 1,045          | 0              | 0                               | 1,827              |
| Employee Tuition                | 3,500            | 630                        | 1,550                 | 120            | 0              | 0                               | 1,200              |
| Advertising                     | 2,100            | 840                        | 960                   | 120            | 0              | 0                               | 180                |
| Freight/Delivery                | 3,800            | 350                        | 3,250                 | 140            | 0              | 0                               | 60                 |
| Temporary Help                  | 47,863           | 11,139                     | 31,790                | 1,151          | 0              | 0                               | 3,783              |
| Furniture/Equipment             | 28,268           | 4,001                      | 20,250                | 2,614          | 0              | 0                               | 1,403              |
| Communications/Utilities        | 30,926           | 6,738                      | 21,201                | 1,062          | 0              | 0                               | 1,925              |
| Capital Outlay                  | 0                | 0                          | 0                     | 0              | 0              | 0                               | 0                  |
| State Office of Risk Management | 13,890           | 2,430                      | 11,000                | 0              | 0              | 0                               | 460                |
| <b>Total</b>                    | <b>2,548,528</b> | <b>643,212</b>             | <b>1,372,151</b>      | <b>113,518</b> | <b>110,957</b> | <b>152,882</b>                  | <b>155,810</b>     |

Note:

Financial Administration Includes:

- Director's Office
- Accounting Operations
- Financial Services
- Purchasing

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 DIRECTOR'S OFFICE of FINANCIAL ADMINISTRATION  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED       | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | LIHTC          | AHDP     | MANUFACT.<br>HOUSING<br>APP REC | GENERAL<br>REVENUE |
|---------------------------------|----------------|----------------------------|-----------------------|----------------|----------|---------------------------------|--------------------|
| Salaries                        | 376,858        | 36,661                     | 118,619               | 94,735         | 0        | 49,000                          | 77,842             |
| Travel In-State                 | 7,000          |                            | 5,600                 | 1,400          |          |                                 |                    |
| Travel Out-of-State             | 2,000          |                            | 1,600                 | 400            |          |                                 |                    |
| Professional Fees               | 19,000         |                            | 15,200                | 3,800          |          |                                 |                    |
| Materials/Supplies              | 7,609          |                            | 6,087                 | 1,522          |          |                                 |                    |
| Repairs/Maintenance             | 7,358          |                            | 5,886                 | 1,472          |          |                                 |                    |
| Printing and Reproduction       | 1,655          |                            | 1,324                 | 331            |          |                                 |                    |
| Rental/Lease                    | 17,025         |                            | 13,620                | 3,405          |          |                                 |                    |
| Membership Dues                 | 1,000          |                            | 800                   | 200            |          |                                 |                    |
| Fees and Other Charges          | 5,227          |                            | 4,182                 | 1,045          |          |                                 |                    |
| Employee Tuition                | 600            |                            | 480                   | 120            |          |                                 |                    |
| Advertising                     | 600            |                            | 480                   | 120            |          |                                 |                    |
| Freight/Delivery                | 700            |                            | 560                   | 140            |          |                                 |                    |
| Temporary Help                  | 5,756          |                            | 4,605                 | 1,151          |          |                                 |                    |
| Furniture/Equipment             | 13,072         |                            | 10,458                | 2,614          |          |                                 |                    |
| Communications/Utilities        | 5,312          |                            | 4,250                 | 1,062          |          |                                 |                    |
| Capital Outlay                  | 0              |                            | 0                     | 0              |          |                                 |                    |
| State Office of Risk Management | 11,222         |                            | 11,000                |                |          |                                 | 222                |
| <b>Total</b>                    | <b>481,994</b> | <b>36,661</b>              | <b>204,750</b>        | <b>113,518</b> | <b>0</b> | <b>49,000</b>                   | <b>78,064</b>      |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
ACCOUNTING OPERATIONS  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED | EARNED<br>FEDERAL<br>FUNDS | BOND<br>ADMIN<br>FEES | LIHTC | AHDP | MANUFACT.<br>HOUSING<br>APP REC |
|---------------------------------|----------|----------------------------|-----------------------|-------|------|---------------------------------|
| Salaries                        | 619,757  | 507,448                    | 31,036                | 0     | 0    | 81,273                          |
| Travel In-State                 | 6,000    | 4,200                      | 1,800                 |       |      |                                 |
| Travel Out-of-State             | 1,300    | 910                        | 390                   |       |      |                                 |
| Professional Fees               | 5,000    | 3,500                      | 1,500                 |       |      |                                 |
| Materials/Supplies              | 13,218   | 9,253                      | 3,965                 |       |      |                                 |
| Repairs/Maintenance             | 16,218   | 11,353                     | 4,865                 |       |      |                                 |
| Printing and Reproduction       | 4,310    | 3,017                      | 1,293                 |       |      |                                 |
| Rental/Lease                    | 32,051   | 22,436                     | 9,615                 |       |      |                                 |
| Membership Dues                 | 700      | 490                        | 210                   |       |      |                                 |
| Fees and Other Charges          | 25,454   | 17,818                     | 7,636                 |       |      |                                 |
| Employee Tuition                | 900      | 630                        | 270                   |       |      |                                 |
| Advertising                     | 1,200    | 840                        | 360                   |       |      |                                 |
| Freight/Delivery                | 500      | 350                        | 150                   |       |      |                                 |
| Temporary Help                  | 15,913   | 11,139                     | 4,774                 |       |      |                                 |
| Furniture/Equipment             | 5,715    | 4,001                      | 1,715                 |       |      |                                 |
| Communications/Utilities        | 9,625    | 6,738                      | 2,888                 |       |      |                                 |
| Capital Outlay                  | 0        | 0                          | 0                     |       |      |                                 |
| State Office of Risk Management | 2,430    | 2,430                      |                       |       |      |                                 |
| Total                           | 760,291  | 606,551                    | 72,467                | 0     | 0    | 81,273                          |



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
 FINANCIAL SERVICES  
 ANNUAL OPERATING BUDGET  
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED  | BOND<br>ADMIN<br>FEES | HOME    |
|---------------------------------|-----------|-----------------------|---------|
| Salaries                        | 762,474   | 651,517               | 110,957 |
| Travel In-State                 | 7,950     | 7,950                 |         |
| Travel Out-of-State             | 2,335     | 2,335                 |         |
| Professional Fees               | 106,700   | 106,700               |         |
| Materials/Supplies              | 15,273    | 15,273                |         |
| Repairs/Maintenance             | 71,092    | 71,092                |         |
| Printing and Reproduction       | 1,638     | 1,638                 |         |
| Rental/Lease                    | 40,065    | 40,065                |         |
| Membership Dues                 | 2,300     | 2,300                 |         |
| Fees and Other Charges          | 28,055    | 28,055                |         |
| Employee Tuition                | 0         | 0                     |         |
| Advertising                     | 0         | 0                     |         |
| Freight/Delivery                | 2,500     | 2,500                 |         |
| Temporary Help                  | 19,889    | 19,889                |         |
| Furniture/Equipment             | 7,143     | 7,143                 |         |
| Communications/Utilities        | 12,781    | 12,781                |         |
| Capital Outlay                  | 0         | 0                     |         |
| State Office of Risk Management | 0         | 0                     |         |
| Total                           | 1,080,195 | 969,238               | 110,957 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
PURCHASING  
ANNUAL OPERATING BUDGET  
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

| BUDGET CATEGORIES               | BUDGETED       | GENERAL<br>REVENUE | BOND<br>ADMIN<br>FEES | LIHTC    | AHDP     | MANUFACT.<br>HOUSING<br>APP REC |
|---------------------------------|----------------|--------------------|-----------------------|----------|----------|---------------------------------|
| Salaries                        | 185,492        | 53,316             | 109,567               |          |          | 22,609                          |
| Travel In-State                 | 2,000          | 1,200              | 800                   |          |          |                                 |
| Travel Out-of-State             | 0              | 0                  | 0                     |          |          |                                 |
| Professional Fees               | 0              | 0                  | 0                     |          |          |                                 |
| Materials/Supplies              | 3,906          | 2,344              | 1,562                 |          |          |                                 |
| Repairs/Maintenance             | 5,207          | 3,124              | 2,083                 |          |          |                                 |
| Printing and Reproduction       | 827            | 496                | 331                   |          |          |                                 |
| Rental/Lease                    | 10,683         | 6,410              | 4,273                 |          |          |                                 |
| Membership Dues                 | 400            | 240                | 160                   |          |          |                                 |
| Fees and Other Charges          | 3,045          | 1,827              | 1,218                 |          |          |                                 |
| Employee Tuition                | 2,000          | 1,200              | 800                   |          |          |                                 |
| Advertising                     | 300            | 180                | 120                   |          |          |                                 |
| Freight/Delivery                | 100            | 60                 | 40                    |          |          |                                 |
| Temporary Help                  | 6,305          | 3,783              | 2,522                 |          |          |                                 |
| Furniture/Equipment             | 2,338          | 1,403              | 935                   |          |          |                                 |
| Communications/Utilities        | 3,208          | 1,925              | 1,283                 |          |          |                                 |
| Capital Outlay                  | 0              | 0                  |                       |          |          |                                 |
| State Office of Risk Management | 238            | 238                |                       |          |          |                                 |
| <b>Total</b>                    | <b>226,049</b> | <b>77,745</b>      | <b>125,695</b>        | <b>0</b> | <b>0</b> | <b>22,609</b>                   |

**Financial Administration Division**  
**Board Action Request**  
**July 14, 2005**

**Action Item**

The Department staff will present the FY 2006 Draft Housing Finance Operating Budget.

**Required Action**

The Board to consider for discussion purposes the attached FY 2006 Draft Housing Finance Operating Budget for fiscal year beginning September 1, 2005 through August 31, 2006. A final draft will be presented for approval at the July 27<sup>th</sup> Board Meeting.

**Background**

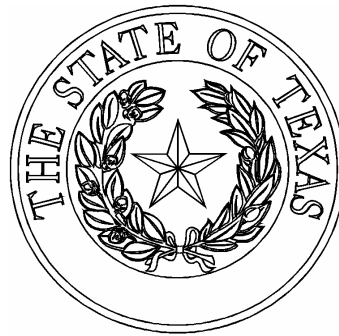
The Housing Finance Operating Budget for FY 2006 is within the appropriations approved by the 79<sup>th</sup> Legislature. This budget is a subset of the whole operating budget and shows the Housing Finance revenues that support the budget.

**Recommendation**

The Board to approve the “draft” FY 2006 Operating Budget for Housing Finance.-

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY  
AFFAIRS**



**DRAFT  
ANNUAL HOUSING FINANCE OPERATING BUDGET  
FISCAL YEAR 2006**

*Prepared by the Financial Administration Division*

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Texas Department of Housing and Community Affairs  
Housing Finance Budget  
Appropriated Receipts  
Fiscal Year 2006

| Budget Category                     | Executive Administration | Agency Administration | Housing Programs Division | Housing Operations Division | Capital Budget | Payroll Related Costs | Total Appropriated Receipts |
|-------------------------------------|--------------------------|-----------------------|---------------------------|-----------------------------|----------------|-----------------------|-----------------------------|
| Salaries                            | 1,616,228                | 2,312,343             | 884,650                   | 1,791,909                   |                |                       | 6,605,130                   |
| Payroll Related Costs               |                          |                       |                           |                             |                | 1,519,180             | 1,519,180                   |
| Travel In-State                     | 60,745                   | 26,050                | 30,400                    | 73,500                      |                |                       | 190,695                     |
| Travel Out-of-State                 | 25,280                   | 6,405                 | 7,812                     | 25,725                      |                |                       | 65,222                      |
| Professional Fees                   | 274,375                  | 133,400               | 46,676                    | 657,500                     | 200,000        |                       | 1,311,951                   |
| Materials/Supplies                  | 60,252                   | 68,353                | 34,661                    | 66,848                      |                |                       | 230,113                     |
| Repairs/Maintenance                 | 25,914                   | 118,765               | 23,159                    | 66,667                      |                |                       | 234,504                     |
| Printing and Reproduction           | 18,017                   | 10,334                | 19,933                    | 6,591                       |                |                       | 54,875                      |
| Rental/Lease                        | 77,018                   | 134,252               | 76,489                    | 168,838                     |                |                       | 456,597                     |
| Membership Dues                     | 6,025                    | 5,590                 | 2,610                     | 40,225                      |                |                       | 54,450                      |
| Fees and Other Charges              | 58,956                   | 76,025                | 18,908                    | 41,774                      |                |                       | 195,663                     |
| Employee Tuition                    | 680                      | 1,670                 | 1,710                     | 2,300                       |                |                       | 6,360                       |
| Advertising                         | 860                      | 2,480                 | 52,900                    | 10,300                      |                |                       | 66,540                      |
| Freight/Delivery                    | 5,960                    | 4,340                 | 2,530                     | 2,375                       |                |                       | 15,205                      |
| Temporary Help                      | 40,315                   | 82,307                | 48,649                    | 63,239                      |                |                       | 234,510                     |
| Furniture/Equipment                 | 32,866                   | 53,407                | 26,280                    | 45,870                      |                |                       | 158,423                     |
| Communications/Utilities            | 22,045                   | 43,510                | 24,154                    | 46,110                      |                |                       | 135,818                     |
| Capital Outlay                      | 0                        | 0                     | 0                         | 0                           | 88,000         |                       | 88,000                      |
| State Office of Risk Management     | 0                        | 14,336                | 11,988                    | 7,421                       | 0              |                       | 33,745                      |
| <b>Total, Appropriated Receipts</b> | <b>2,325,535</b>         | <b>3,093,567</b>      | <b>1,313,509</b>          | <b>3,117,190</b>            | <b>288,000</b> | <b>1,519,180</b>      | <b>11,656,981</b>           |

Method of Finance:

|   |                   |
|---|-------------------|
| Bond Administration Fees                    | 5,361,874         |
| Low Income Housing Tax Credit Fees          | 5,303,788         |
| Affordable Housing Disposition Program Fees | 991,320           |
| <b>Total, Method of Finance</b>             | <b>11,656,981</b> |

THIS ITEM HAS BEEN PULLED  
FROM THE AGENDA

**BOND FINANCE DIVISION**

**BOARD ACTION REQUEST**

**July 14, 2005**

**Action Items**

Market Rate Mortgage Program.

**Required Action**

Final approval of TDHCA's Market Rate Mortgage Program.

**Background**

In January 2004 and February 2005, the Bond Finance Division presented to TDHCA's Board a new product concept encompassing a market rate mortgage loan program offering products that may serve segments of the Texas homebuyer market currently not served by TDHCA's present tax-exempt program. Since that time, the Bond Finance and Single Family Production Divisions and CitiMortgage have been working on developing this product for TDHCA. The attached table outlines the features offered by TDHCA's Market Rate Mortgage Program. Various participating lenders statewide will originate the mortgage loans. Fannie Mae requires that the My Community Program be delivered by a non-profit or housing finance agency. TDHCA's partnership with CitiMortgage therefore qualifies this program for Fannie Mae's My Community Program and consequently will increase single family homeownership opportunities for low and moderate income Texans. An essential component of the Market Rate Mortgage Program is the downpayment assistance achieved through a Fannie Mae My Community second lien mortgage and delivered by participating lenders.

The Market Rate Program will offer conventional, conforming first lien purchase mortgage loans, at market level interest rates, with second lien amortizing loans providing 8% downpayment assistance. Target populations include low and moderate income homebuyers and families who may or may not have previously owned a home requiring downpayment assistance and seeking minimal paperwork. TDHCA anticipates using this program to serve moderate income populations who require downpayment assistance. A Term Sheet outlining the parameters of the Market Rate Mortgage Program is attached.

TDHCA currently does not offer any mortgage refinancing options and anticipates that this program will provide a platform for refinancing higher interest rate loans. In approximately six months, TDHCA anticipates offering conforming first lien refinance mortgage loans for homeowners with good credit seeking to refinance out of higher interest rate loans (possibly predatory loans) or change the maturity of their loan. Another component of the Market Rate Mortgage Program to be released on a future date includes a Predatory Loan Remediation product. Second lien mortgage proceeds under these additional program features will be used to mitigate prepayment penalties typically associated with high interest rate loans. Bond Finance

and Single Family Production will continue to work with CitiMortgage and Fannie Mae to develop these two additional products and will update the Board next quarter.

The Market Rate Program will use funding sources provided by external market sources and will not require any TDHCA or state funding sources. TDHCA will finance these mortgage loans through CitiMortgage's mortgage funding and warehousing facilities. Under CitiMortgage's proposal, these products would not require the issuance of bonds. However, they will provide a separate source of funding for higher levels of downpayment assistance, will offer mortgage loans with standardized terms, will provide another source of revenue for TDHCA, and will diversify TDHCA's single family mortgage product offerings. TDHCA will not be required to issue bonds to fund these mortgages, therefore, eliminating negative arbitrage, interest rate risk and pipeline risk. CitiMortgage and the Single Family Finance Production Division will provide training for participating lenders throughout the state.

### **Recommendation**

Approval of TDHCA's Market Rate Mortgage Program.



**MULTIFAMILY FINANCE PRODUCTION DIVISION  
 QUARTERLY REPORT OF CHANGES IN OWNERSHIP  
 (Covers changes from last report on April 7, 2005 through June 24, 2005)**

| Dev. No. | Date Approved | Development           | City                    | County     | Region | Entity Departing or Replaced<br>(GP=general partner,<br>O=owner, SLP=special limited<br>partner, NP=Nonprofit) | New Member or Owner                                | Type of Ownership Change (S=sale. FS=sale<br>involving foreclosure. R=restructure.<br>D=default/removal of GP. NC=name change.<br>L=change of limited partner)  |
|----------|---------------|-----------------------|-------------------------|------------|--------|--|--|---|
| 04118    | 4/1/05        | Churchill at Commerce | Commerce                | Hunt       | 3      | NA   | LifeNet Commerce GP, L.L.C.                        | R - LifeNet Community Behavioral Healthcare will continue to be the sole member of the GP.  |
| 70079    | 4/22/05       | Emerald Run Apts.     | North<br>Richland Hills | Tarrant    | 3      | Richard Properties, LP (O)   | Michael Anderson, an individual investor (O)       | S - Sale to a new investor.   |
| 04157    | 5/6/05        | Samaritan House       | Fort Worth              | Tarrant    | 6      | National Housing Advisors, LLC (SLP)   | 929 Hemphill, L.P. (SLP)                           | R - New SLP replace original SLP. Both are wholly owned by the same owner.  |
| 04160    | 5/6/05        | Village on Hobbs Road | League City             | Galveston  | 6      | National Housing Advisors, LLC (SLP)   | 600 Hobbs Road, L.P. (SLP)                         | R - New SLP replace original SLP. Both are wholly owned by the same owner. (Transfer was approved but not consummated. Transferee was changed to SGI Ventures, Inc. See below.)   |
| 04147    | 5/27/05       | Shiloh Village Apts.  | Dallas                  | Dallas     | 3      | Shiloh Village Associates, LLC (O)   | Shiloh Village Associates, Limited Partnership (O) | R - To avoid invalidating the acquisition credits under the 10 year rule, the carryover allocation was made to the GP. Now, the 10 years have passed and the GP is transferring its position as owner to a partnership. |
| 04160    | 6/17/05       | Village on Hobbs Road | League City             | Galveston  | 6      | National Housing Advisors, LLC (SLP)   | SGI Ventures, Inc. (SLP)                           | R - New SLP replace original SLP. Both are wholly owned by the same owner.  |
| 06627    | 6/17/05       | Eastern Oaks I        | Abilene                 | Taylor     | 2      | E.O. Apartments, Ltd. (O)  | Mesquite Square, LLC (O)                           | S - Gregg Pritchard sold to Freddy Pauline Hill.  |
| 00053    | 6/17/05       | Cedar Park Townhomes  | Cedar Park              | Williamson | 7      | Glenn Lynch, 100% owner of GP  | Operation Relief Center, Inc., 100% owner of GP    | R - Glen Lynch departing as GP but remaining as guarantor. Nonprofit is incoming GP.  |
| 04109    | 6/20/05       | Frazier Fellowship    | Dallas                  | Dallas     | 3      | Frazier Fellowship GP, Inc. (D)  | The Housing Authority of the City of Dallas (D)    | R - PHA replaced the PHA's wholly owned subsidiary.   |

**MULTIFAMILY FINANCE PRODUCTION DIVISION  
 QUARTERLY REPORT OF CHANGES IN OWNERSHIP  
 (Covers changes from last report on April 7, 2005 through June 24, 2005)**

| Dev. No.                 | Date Approved | Development                 | City    | County | Region | Entity Departing or Replaced   | New Member or Owner               | Type of Ownership Change (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner) |
|--------------------------|---------------|-----------------------------|---------|--------|--------|--|-----------------------------------|---|
|                          |               |                             |         |        |        | (GP=general partner, O=owner, SLP=special limited partner, NP=Nonprofit) |                                   |   |
| 70131<br>(1990<br>award) | 6/24/05       | Coppertree Village<br>Apts. | Houston | Harris | 6      | Longbranch Associates, L.P.<br>(O)                                       | 2005 West Gulf Complex, LP<br>(O) | S - Sale to a new investor.   |