

**Report 2A: At-Risk and USDA Awarded and Active Applications (“At-Risk A/R/N”)
2008 Competitive Housing Tax Credit Program
(As of July 24, 2008, the recommendations may change due to pending appeals)**

Estimated State Ceiling to be Allocated: \$7,205,380 *(Calculation Based on Annual State Ceiling including 2007 Carry Forward and National Pool but Excluding Any Credit Returns)*

Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP AR	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
	08078	5 A	Joaquin Apartments	Rt. 1, Box 141, Hwy 84	Joaquin	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	31	32	G	RH	<input checked="" type="checkbox"/>	\$3,233	Murray Calhoun	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08072	8 A	Clifton Manor Apartments I and II	610 S. Ave. F; 115 S. Ave. P	Clifton	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	40	40	G	RH	<input checked="" type="checkbox"/>	\$630	Louis Williams	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08074	8 A	Hamilton Manor Apartments	702 S. College St.	Hamilton	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	18	18	G	RH	<input checked="" type="checkbox"/>	\$1,395	Louis Williams	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08037	9 A	Vista Verde I & II Apartments	810 & 910 N. Frio	San Antonio	Urban	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	190	190	G	RH	<input checked="" type="checkbox"/>	\$63,584	Ronald C. Anderson	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08052	10 A	Hampton Port Apartments	6130 Wooldridge Rd.	Corpus Christi	Urban	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	110	110	G	RH	<input checked="" type="checkbox"/>	\$36,404	Richard Franco	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08023	11 A	Alamo Village	504 N. 9th St.	Alamo	Urban	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	56	56	G	RH	<input checked="" type="checkbox"/>	\$5,186	Betty Morris	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08029	11 A	San Juan Village	400 N. Iowa	San Juan	Urban	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	86	86	G	RH	<input checked="" type="checkbox"/>	\$6,871	Betty Morris	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08021	11 A	Santa Rosa Village	FM 506 at Colorado	Santa Rosa	Rural	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	53	53	G	RH	<input checked="" type="checkbox"/>	\$1,674	Betty Morris	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08035	12 A	Country Village Apartments	2401 N. Lillie St.	San Angelo	Urban	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	160	160	G	RH	<input checked="" type="checkbox"/>	\$33,850	Doug Gurkin	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08003	12 A	Oasis Apartments	1501 N. Marshall Rd.	Fort Stockton	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	56	56	G	RH	<input checked="" type="checkbox"/>	\$1,946	Gary L. Kersch	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08002	13 A	Villa Apartments	1901 Golf Course Rd.	Marfa	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	24	24	G	RH	<input checked="" type="checkbox"/>	\$1,143	Gary L. Kersch	<input type="checkbox"/>	300.0	Binding Allocation Agreement
	08001	13 A	Mountainview Apartments	801 N. Orange Rd.	Alpine	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	56	56	G	RH	<input checked="" type="checkbox"/>	\$2,010	Gary L. Kersch	<input type="checkbox"/>	300.0	Binding Allocation Agreement
							Total:	880	881			\$157,926					
	08150	9 R	Oak Manor/Oak Village Apartments	2330/2334 Austin Hwy	San Antonio	Urban	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	229	229	G	RH	<input checked="" type="checkbox"/>	\$1,200,000	Gilbert M. Piette	<input type="checkbox"/>	206.0	Competitive in At-Risk Set-Aside
	08149	10 R	American GI Forum Village I & II	1801 Bosquez St., Box 81	Robstown	Rural	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	76	76	G	RH	<input checked="" type="checkbox"/>	\$735,000	Walter Martinez	<input checked="" type="checkbox"/>	202.0	Competitive in At-Risk Set-Aside
	08201	5 R	First Huntington Arms	415 N. Hwy 69	Huntington	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	40	40	G	RH	<input checked="" type="checkbox"/>	\$367,559	Louis Williams	<input checked="" type="checkbox"/>	201.0	Competitive in USDA Allocation

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5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.

6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.

7 = Comment: Reason for Recommendation

* = Recommended Credit: Development is displaying the requested amount because a real estate analysis has not yet been completed.

File #	Region Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP AR	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
08298	3 R	Residences on Stalcup	3828 Stalcup	Fort Worth	Urban	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	92	92	G	RH	<input checked="" type="checkbox"/>	\$762,356	Dan Allgeier	<input type="checkbox"/>	199.0	Competitive in At-Risk Set-Aside
08195	6 R	Chateau Village Apartments	3815 Fuqua St. W.	Houston	Urban	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	150	150	G	RH	<input checked="" type="checkbox"/>	\$1,093,892	Mark S. Moorhouse	<input type="checkbox"/>	197.0	Competitive in At-Risk Set-Aside
08220	4 R	Northview Apartments	331 N. Longview St.	Kilgore	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	72	72	I	RH	<input checked="" type="checkbox"/>	\$238,654	James W. Fieser	<input checked="" type="checkbox"/>	190.0	Competitive in USDA Allocation
08260	6 R	Harris Manor Apartments	2216 E. Harris Rd.	Pasadena	Urban	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	193	201	G	RH	<input checked="" type="checkbox"/>	\$725,011	Daniel Betsalel	<input type="checkbox"/>	190.0	Competitive in At-Risk Set-Aside
08128	6 R	Mid-Towne Apartments	820 E. Carrell St.	Tomball	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	54	54	G	RH	<input checked="" type="checkbox"/>	\$280,619	Dennis Hoover	<input type="checkbox"/>	190.0	Competitive in USDA Allocation
08215	3 R	Quail Run Apartments	1906 S. College Ave.	Decatur	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	40	40	G	RH	<input checked="" type="checkbox"/>	\$137,531	James W. Fieser	<input checked="" type="checkbox"/>	189.0	Competitive in USDA Allocation
08130	9 R	Jourdanton Square Apartments	2701 Zanderson	Jourdanton	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	52	52	G	RH	<input checked="" type="checkbox"/>	\$222,957	Dennis Hoover	<input checked="" type="checkbox"/>	188.0	Competitive in USDA Allocation
08106	6 R	Brookhollow Manor	3444 Depot St.	Brookshire	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	48	48	G	RH	<input checked="" type="checkbox"/>	\$204,759	James W. Fieser	<input checked="" type="checkbox"/>	186.0	Competitive in USDA Allocation
08216	3 R	Chisum Trail Apartments	1100 Austin	Sanger	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	40	40	G	RH	<input checked="" type="checkbox"/>	\$133,940	James W. Fieser	<input checked="" type="checkbox"/>	184.0	Competitive in USDA Allocation
08129	7 R	Alta Vista Apartments	1001 Pecan Valley Dr.	Marble Falls	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	64	64	G	RH	<input checked="" type="checkbox"/>	\$312,199	Dennis Hoover	<input type="checkbox"/>	180.0	Competitive in USDA Allocation
08182	13 R	Suncrest Apartments	611 Rubin Dr.	El Paso	Urban	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	100	100	G	RH	<input checked="" type="checkbox"/>	\$359,146	Kevin Ruf	<input type="checkbox"/>	173.0	Competitive in At-Risk Set-Aside
08297	3 R	St. Charles Place	1408 Longhorn Tr.	Crowley	Urban	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	52	52	G	RH	<input checked="" type="checkbox"/>	\$221,592	Patrick A. Barbolla	<input checked="" type="checkbox"/>	169.5	Competitive in USDA Set-Aside
08226	8 R	Whispering Oaks Apartments	1209 W. 8th St.	Goldthwaite	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	24	24	E	RH	<input checked="" type="checkbox"/>	\$135,597	Patrick A. Barbolla	<input checked="" type="checkbox"/>	163.0	Competitive in USDA Allocation
08296	8 R	Prairie Village Apartments	611 Paul St.	Rogers	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	24	24	G	RH	<input checked="" type="checkbox"/>	\$104,992	Patrick A. Barbolla	<input checked="" type="checkbox"/>	152.0	Competitive in USDA Allocation
Total:							1,350	1,358				\$7,235,804				
08147	11 N	Northside Apartments	1800 N. Texas Blvd.	Weslaco	Urban	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	289	289	G	RH	<input checked="" type="checkbox"/>	\$979,901*	David Marquez	<input type="checkbox"/>	165.0	Not Recommended
08121	8 N	Cherrywood Apartments	1301 I-35 S.	West	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	20	20	E	RH	<input checked="" type="checkbox"/>	\$110,304*	Gary Maddock	<input checked="" type="checkbox"/>	157.0	Not Recommended
08120	8 N	Applewood Apartments, LP	701 Tokio Rd.	West	Rural	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	24	24	E	RH	<input checked="" type="checkbox"/>	\$127,059*	Gary Maddock	<input checked="" type="checkbox"/>	152.0	Not Recommended
Total:							333	333				\$1,217,264				
32 Total Applications							2,563	2,572				\$8,610,994				

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Report 2B: Regional Awarded and Active Applications ("Regional A/R/N")
2008 Competitive Housing Tax Credit Program
(As of July 24, 2008, the recommendations may change due to pending appeals)

Estimated State Ceiling to be Allocated: \$42,185,336 *(Calculation Based on Annual State Ceiling including 2007 Carry Forward and National Pool but Excluding Any Credit Returns)*

Region File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Target ⁴ Units	Housing ⁵ Pop	Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
Region: 1																
Allocation Information for Region 1:		Total Credits Available for Region: \$1,864,733					Urban Allocation: \$1,156,687			Rural Allocation: \$708,046						
Applications Submitted in Region 1: Urban																
08031	1 A	Cathy's Pointe	2701 N. Grand St.	Amarillo	Urban	<input type="checkbox"/> <input type="checkbox"/>	120	120	G	NC	<input type="checkbox"/>	\$72,827	Donald Pace	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08038	1 A	TownParc at Amarillo	Woodward Ave. & Kirkland Dr.	Amarillo	Urban	<input type="checkbox"/> <input type="checkbox"/>	144	144	G	NC	<input type="checkbox"/>	\$86,710	Christopher C. Finlay	<input type="checkbox"/>	300.0	Binding Allocation Agreement
							Total:	264	264			\$159,537				
							Total:	264	264			\$159,537				
Applications Submitted in Region 1: Rural																
08091	1 A	StoneLeaf at Dalhart	1719 E. 1st St.	Dalhart	Rural	<input type="checkbox"/> <input type="checkbox"/>	76	76	G	NC	<input type="checkbox"/>	\$687,957	Mike Sugrue	<input type="checkbox"/>	301.0	Forward Commitment of 2008 Credits Made in 2007
08007	1 A	Central Place	402 W. 4th St.	Hereford	Rural	<input type="checkbox"/> <input type="checkbox"/>	32	32	G	NC	<input type="checkbox"/>	\$20,089	Christopher Paul Rhodes	<input type="checkbox"/>	300.0	Binding Allocation Agreement
							Total:	108	108			\$708,046				
08112	1 N	Cedar Street Apartments	N. Cedar St. N. of Hwy 380	Brownfield	Rural	<input type="checkbox"/> <input type="checkbox"/>	48	48	G	NC	<input type="checkbox"/>	\$441,361 *	Justin Zimmerman	<input type="checkbox"/>	136.0	Sub-region over allocated by forward commitment in 2007
							Total:	48	48			\$441,361				
							Total:	156	156			\$1,149,407				
5 Applications in Region					Region Total:		420	420			\$1,308,944					

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 2

Allocation Information for Region 2:	Total Credits Available for Region:	\$973,154	Urban Allocation:	\$419,512	Rural Allocation:	\$553,642
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Applications Submitted in Region 2: Urban																		
08042	2	A	Arbors at Rose Park	2702 S. 7th St.	Abilene	Urban	<input type="checkbox"/>	<input type="checkbox"/>	77	80	E	NC	<input type="checkbox"/>	\$43,281	Diana McIver	<input type="checkbox"/>	300.0	Binding Allocation Agreement
									Total:	77	80			\$43,281				
08142	2	R	Anson Park Seniors	Ambrocio Flores Jr. Rd. & Vogel Ave.	Abilene	Urban	<input type="checkbox"/>	<input type="checkbox"/>	80	80	E	NC	<input type="checkbox"/>	\$776,637	Theresa Martin-Holder	<input type="checkbox"/>	201.0	Significant Sub-Regional Shortfall in State Collapse
									Total:	80	80			\$776,637				
08236	2	N	Green Briar Village Phase II	E. Side of SH 240, S. of Intersection of Airport Dr.	Wichita Falls	Urban	<input type="checkbox"/>	<input type="checkbox"/>	36	36	G	NC	<input type="checkbox"/>	\$362,341	* Randy Stevenson	<input type="checkbox"/>	177.0	Not Competitive in Region
									Total:	36	36			\$362,341				
									Total:	193	196			\$1,182,259				
Applications Submitted in Region 2: Rural																		
08139	2	R	Arizona Avenue Apartments	Intersection of NW. E. Arizona Ave. & I-20	Sweetwater	Rural	<input type="checkbox"/>	<input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$717,150	Leslie Clark	<input type="checkbox"/>	190.0	Significant Sub-Regional Shortfall in Rural Collapse
									Total:	80	80			\$717,150				
									Total:	80	80			\$717,150				
4 Applications in Region							Region Total:		273	276			\$1,899,409					

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 3

Allocation Information for Region 3:	Total Credits Available for Region: \$8,911,426	Urban Allocation: \$8,247,815	Rural Allocation: \$663,611
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Applications Submitted in Region 3: Urban																	
08096	3 A	Villas on Raiford	Raiford Rd.	Carrollton	Urban	<input type="checkbox"/>	<input type="checkbox"/>	172	180	E	NC	<input type="checkbox"/>	\$734,466	Chan Il Pak	<input type="checkbox"/>	301.0	Forward Commitment of 2008 Credits Made in 2007
08053	3 A	Lakeview Park	Hwy 91, S. of 1916 State Hwy 91	Denison	Urban	<input type="checkbox"/>	<input type="checkbox"/>	76	76	G	NC	<input type="checkbox"/>	\$41,622	Steve Rumsey	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08004	3 A	Samuel's Place	SE. Corner of Samuel's Ave. & Poindexter St.	Fort Worth	Urban	<input type="checkbox"/>	<input type="checkbox"/>	36	36	G	NC	<input type="checkbox"/>	\$20,734	Barbara Holston	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08036	3 A	Wahoo Frazier Townhomes	E. Side of Blks 4700-4900 Hatcher St.	Dallas	Urban	<input type="checkbox"/>	<input type="checkbox"/>	95	118	G	NC	<input type="checkbox"/>	\$63,797	Lester Nevels	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08005	3 A	Cambridge Courts	8124 Calmont Ave.	Fort Worth	Urban	<input type="checkbox"/>	<input type="checkbox"/>	330	330	G	RH	<input checked="" type="checkbox"/>	\$105,777	Barbara Holston	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08015	3 A	Cimarron Springs Apartments	SE. Corner of Kilpatrick & Donaho	Cleburne	Urban	<input type="checkbox"/>	<input type="checkbox"/>	149	156	G	NC	<input type="checkbox"/>	\$79,351	Ron Hance	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08025	3 A	Sphinx at Luxar	3110 Cockrell Hill Rd.	Dallas	Urban	<input type="checkbox"/>	<input type="checkbox"/>	96	100	G	NC	<input type="checkbox"/>	\$60,091	Jay O. Oji	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08027	3 A	Oak Timbers-Fort Worth South	300 E. Terrell Ave.	Fort Worth	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	160	168	E	NC	<input type="checkbox"/>	\$89,227	A. V. Mitchell	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08030	3 A	Sphinx At Reese Court	1201 Ewing Ave.	Dallas	Urban	<input type="checkbox"/>	<input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$50,175	Jay O. Oji	<input type="checkbox"/>	300.0	Binding Allocation Agreement
Total: 1,194 1,244												\$1,245,240					
08207	3 R	Carpenter's Point	3326 Mingo St.	Dallas	Urban	<input type="checkbox"/>	<input type="checkbox"/>	150	150	E	NC	<input type="checkbox"/>	\$1,200,000	George King, Jr.	<input type="checkbox"/>	203.0	Competitive in Region
08223	3 R	Evergreen at The Colony	NW. Corner of SH 121 & Morning Star	The Colony	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	145	145	E	NC	<input type="checkbox"/>	\$1,200,000	Brad Forslund	<input checked="" type="checkbox"/>	203.0	Competitive in Region
08193	3 R	Sphinx at Fiji Senior	201 Fran Way	Dallas	Urban	<input type="checkbox"/>	<input type="checkbox"/>	130	130	E	NC	<input type="checkbox"/>	\$1,200,000	Joseph Agumadu	<input type="checkbox"/>	200.0	Competitive in Region
08233	3 R	Heritage Park Vista	8500 Ray White Rd.	Fort Worth	Urban	<input type="checkbox"/>	<input type="checkbox"/>	135	140	E	NC	<input type="checkbox"/>	\$1,106,616	Dan Allgeier	<input type="checkbox"/>	200.0	Competitive in Region
08205	3 R	Wind River	8725 Calmont Ave.	Fort Worth	Urban	<input type="checkbox"/>	<input type="checkbox"/>	168	168	G	RH	<input checked="" type="checkbox"/>	\$1,188,738	Barbara Holston	<input type="checkbox"/>	199.0	Competitive in Region

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08278	3 R	Vista Bella Ranch	1300 W. Taylor St.	Sherman	Urban	<input type="checkbox"/> <input type="checkbox"/>	200	200	G	NC	<input type="checkbox"/>	\$950,000	* Manish Verma	<input type="checkbox"/>	197.0	Competitive in Region	
Total:							928	933				\$6,845,354					
08234	3 N	Central Park Senior Village	3101 S. Center St.	Arlington	Urban	<input type="checkbox"/> <input type="checkbox"/>	140	140	E	NC	<input type="checkbox"/>	\$1,162,693	* Randy Stevenson	<input type="checkbox"/>	196.0	Not Competitive in Region	
08252	3 N	LifeNet-Supportive Housing SRO Community, L.P.	2731 Clarence; 3 Acres of Multiple Lots in 2700-2800 Blk Grand Ave. & Clarence	Dallas	Urban	<input type="checkbox"/> <input checked="" type="checkbox"/>	125	125	G	NC	<input type="checkbox"/>	\$788,415	* Liam Mulvaney	<input type="checkbox"/>	191.0	Not Competitive in Region	
08217	3 N	Merritt Homes	E. Side of N. Tennessee & W. White Ave.	McKinney	Urban	<input type="checkbox"/> <input type="checkbox"/>	178	178	E	NC	<input type="checkbox"/>	\$1,200,000	* Beth Bentley	<input type="checkbox"/>	190.0	Not Competitive in Region	
08273	3 N	Four Seasons at Clear Creek	Oak Grove Shelby & S. Race St.	Fort Worth	Urban	<input type="checkbox"/> <input type="checkbox"/>	92	96	G	NC	<input type="checkbox"/>	\$841,368	* Susan Sheeran	<input type="checkbox"/>	187.0	Not Competitive in Region	
08274	3 N	Casa Bella	3217 Beltline Rd.	Sunnyvale	Urban	<input type="checkbox"/> <input type="checkbox"/>	138	144	E	NC	<input type="checkbox"/>	\$918,441	* Manish Verma	<input type="checkbox"/>	184.0	Not Competitive in Region	
08124	3 N	Mill Stone Apartments	8600 Randoll Mill Rd.	Fort Worth	Urban	<input type="checkbox"/> <input type="checkbox"/>	144	144	G	NC	<input type="checkbox"/>	\$1,200,000	* Bert Magill	<input type="checkbox"/>	160.0	Not Competitive in Region	
Total:							817	827				\$6,110,917					
Total:							2,939	3,004				\$14,201,511					
Applications Submitted in Region 3:		Rural															
08058	3 A	Windvale Park	44th St. off W. Park Row	Corsicana	Rural	<input type="checkbox"/> <input checked="" type="checkbox"/>	76	76	G	NC	<input type="checkbox"/>	\$46,255	Jason Bienski	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
Total:							76	76				\$46,255					
08184	3 R	Washington Hotel Lofts	2612 Washington St.	Greenville	Rural	<input type="checkbox"/> <input type="checkbox"/>	36	36	G	ADR	<input checked="" type="checkbox"/>	\$390,225	Bill Scantland	<input type="checkbox"/>	207.0	Competitive in Region	
08264	3 R	Cambridge Crossing	Bragg Ave. & Cambridge St.	Corsicana	Rural	<input type="checkbox"/> <input type="checkbox"/>	58	60	E	NC	<input type="checkbox"/>	\$578,144	Diana McIver	<input checked="" type="checkbox"/>	205.0	Significant Sub-Regional Shortfall in State Collapse	
Total:							94	96				\$968,369					
08255	3 N	West Park Senior Housing	W. Park Row & 44th St.	Corsicana	Rural	<input type="checkbox"/> <input type="checkbox"/>	48	48	E	NC	<input type="checkbox"/>	\$507,268	* Emanuel H. Glockzin, Jr.	<input checked="" type="checkbox"/>	205.0	Not Competitive in Region	
08154	3 N	Mineral Wells Pioneer Crossing	2509 E. Hubbard	Mineral Wells	Rural	<input type="checkbox"/> <input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$805,355	* Noor Allah Jooma	<input checked="" type="checkbox"/>	198.0	Not Competitive in Region	
08100	3 N	Grand Reserve Seniors - Waxahachie Community	Park Hills Dr. (New Street Being Constructed)	Waxahachie	Rural	<input type="checkbox"/> <input type="checkbox"/>	80	80	E	NC	<input type="checkbox"/>	\$891,368	* Kenneth Mitchell	<input type="checkbox"/>	197.0	Not Competitive in Region	

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7 = Comment: Reason for Recommendation

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File #	Region Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷	
08256	3 N	Westway Place	44th St. off West Park Row	Corsicana	Rural	<input type="checkbox"/> <input type="checkbox"/>	40	40	G	NC	<input type="checkbox"/>	\$478,392	* Emanuel H. Glockzin, Jr.	<input checked="" type="checkbox"/>	195.0	Not Competitive in Region	
							Total:	248	248			\$2,682,383					
							Total:	418	420			\$3,697,007					
28 Applications in Region							Region Total:	3,357	3,424			\$17,898,518					

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Region: 4

Allocation Information for Region 4:	Total Credits Available for Region: \$2,132,624	Urban Allocation: \$900,840	Rural Allocation: \$1,231,784
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Applications Submitted in Region 4: Urban																		
08019	4 A	Longview Senior Apt Community	1600 Blk E. Whaley	Longview	Urban	<input type="checkbox"/>	<input type="checkbox"/>	100	100	E	NC	<input type="checkbox"/>	\$61,873	Brad Forslund	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
								Total:	100	100			\$61,873					
08284	4 R	North Eastman Residential	1400 N. Eastman Dr.	Longview	Urban	<input type="checkbox"/>	<input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$877,271	Stuart Shaw	<input type="checkbox"/>	204.0	Significant Sub-Regional Shortfall in State Collapse	
								Total:	80	80			\$877,271					
08262	4 N	Lake View Apartment Homes	N. Broadway at Loop 323	Tyler	Urban	<input type="checkbox"/>	<input type="checkbox"/>	134	140	E	NC	<input type="checkbox"/>	\$1,150,000	* Michael Lankford	<input type="checkbox"/>	203.0	Not Recommended	
								Total:	134	140			\$1,150,000					
								Total:	314	320			\$2,089,144					

Applications Submitted in Region 4: Rural																		
08013	4 A	Timber Village Apartments	2707 Norwood St.	Marshall	Rural	<input type="checkbox"/>	<input type="checkbox"/>	76	76	G	NC	<input type="checkbox"/>	\$43,961	Rick J. Deyoe	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
								Total:	76	76			\$43,961					
08157	4 R	SilverLeaf at Chandler	801 FM 2010	Chandler	Rural	<input type="checkbox"/>	<input type="checkbox"/>	80	80	E	NC	<input type="checkbox"/>	\$761,465	Mike Sugrue	<input checked="" type="checkbox"/>	204.0	Competitive in Region	
08258	4 R	Lexington Court Phase II	3509 US Hwy 259 N.	Kilgore	Rural	<input type="checkbox"/>	<input checked="" type="checkbox"/>	76	76	G	NC	<input type="checkbox"/>	\$693,584	Emanuel H. Glockzin, Jr.	<input checked="" type="checkbox"/>	200.0	Significant Sub-Regional Shortfall in Rural Collapse	
								Total:	156	156			\$1,455,049					
08110	4 N	Paris Big Sandy Apartments	Lamar Ave., 1 Mile E. of Loop 289	Paris	Rural	<input type="checkbox"/>	<input type="checkbox"/>	63	64	G	NC	<input type="checkbox"/>	\$612,210	* Justin Zimmerman	<input type="checkbox"/>	199.0	Not Competitive in Region	
08240	4 N	Timber Village Apartments II	2707 Norwood St.	Marshall	Rural	<input type="checkbox"/>	<input type="checkbox"/>	72	72	G	NC	<input type="checkbox"/>	\$687,886	* Rick J. Deyoe	<input type="checkbox"/>	195.0	Not Competitive in Region	
08185	4 N	Historic Lofts of Palestine	201 W. Oak St.; 314 S. Queen St.; 201 E. Oak St.; 119 E. Oak St.	Palestine	Rural	<input type="checkbox"/>	<input type="checkbox"/>	65	65	G	NC	<input type="checkbox"/>	\$647,682	* Bill Scantland	<input type="checkbox"/>	186.0	Not Competitive in Region	
								Total:	200	201			\$1,947,778					
								Total:	432	433			\$3,446,788					

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File #	Region Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
9 Applications in Region						Region Total:	746	753				\$5,535,932				

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 5

Allocation Information for Region 5:	Total Credits Available for Region: \$1,337,999	Urban Allocation: \$397,377	Rural Allocation: \$940,622
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Applications Submitted in Region 5: Urban																		
08061	5	A	Southwood Crossing Apartments	3901 Hwy 73	Port Arthur	Urban	<input type="checkbox"/> <input type="checkbox"/>	120	120	G	NC	<input type="checkbox"/>	\$59,326	K.T. (Ike) Akbari	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
Total:								120	120			\$59,326						
08133	5	R	Timber Creek Senior Living	Proposed Sienna Trails Dr. & Timber Creek Loop	Beaumont	Urban	<input type="checkbox"/> <input type="checkbox"/>	115	120	E	NC	<input type="checkbox"/>	\$1,110,256	Ofelia Elizondo	<input type="checkbox"/>	193.0	Significant Sub-Regional Shortfall in State Collapse	
Total:								115	120			\$1,110,256						
Total:								235	240			\$1,169,582						
Applications Submitted in Region 5: Rural																		
08049	5	A	Timber Pointe Apt Homes	I-69 Hwy at Loop 287	Lufkin	Rural	<input type="checkbox"/> <input type="checkbox"/>	74	76	E	NC	<input type="checkbox"/>	\$40,362	Alicia Morgan	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
Total:								74	76			\$40,362						
08174	5	R	Oakleaf Estates	1195 Hwy 327 & E. Tennison Ln.	Silsbee	Rural	<input type="checkbox"/> <input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$736,782	K.T. (Ike) Akbari	<input type="checkbox"/>	169.0	Significant Sub-Regional Shortfall in Rural Collapse	
Total:								80	80			\$736,782						
08179	5	N	Homes at Cypress Ridge	100 SE. Stallings Dr.	Nacogdoches	Rural	<input type="checkbox"/> <input type="checkbox"/>	54	54	G	NC	<input type="checkbox"/>	\$670,625	Anita M. Kegley	<input type="checkbox"/>	151.0	Not Recommended	
Total:								54	54			\$670,625						
Total:								208	210			\$1,447,769						
5 Applications in Region							Region Total:		443	450			\$2,617,351					

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Region: 6

Allocation Information for Region 6:	Total Credits Available for Region: \$8,996,579	Urban Allocation: \$8,269,342	Rural Allocation: \$727,237
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Applications Submitted in Region 6: Urban																		
08009	6 A	Enclave	S. Side of 1200 & 2300 Blks of W. Tidwell	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	40	40	G	NC	<input type="checkbox"/>	\$35,880	Isaac Matthews	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08065	6 A	Kingwood Senior Village	200 N. Pines	Houston	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	192	193	E	NC	<input type="checkbox"/>	\$87,431	Stephan Fairfield	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08062	6 A	Ambassador North Apartments	8210 Bauman Rd.	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	100	100	G	RH	<input checked="" type="checkbox"/>	\$48,989	David Marquez	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08051	6 A	Lincoln Park Apartments	790 W. Little York	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	200	250	G	NC	<input type="checkbox"/>	\$114,621	Horace Allison	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08060	6 A	Olive Grove Manor	101 Normandy	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	160	160	E	NC	<input type="checkbox"/>	\$89,097	H. Elizabeth Young	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08008	6 A	Waterside Court	S. Side of Approx. 500 Blk West Rd.	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	112	118	G	NC	<input type="checkbox"/>	\$100,100	W. Barry Kahn	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
Total:								804	861									\$476,118
08303	6 R	Heritage Square	520 3rd Ave. N.	Texas City	Urban	<input type="checkbox"/>	<input type="checkbox"/>	50	50	E	RH	<input checked="" type="checkbox"/>	\$349,923	Chad Asarch	<input type="checkbox"/>	211.0	Competitive in Region	
08140	6 R	Premier on Woodfair	9502 Woodfair Dr.	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	390	408	G	RH	<input type="checkbox"/>	\$1,200,000 *	Ruth Gaus	<input type="checkbox"/>	206.0	Competitive in Region	
08101	6 R	Jackson Village Retirement Center	200 Abner Jackson Blvd.	Lake Jackson	Urban	<input type="checkbox"/>	<input type="checkbox"/>	92	96	E	NC	<input type="checkbox"/>	\$881,320	Ofelia Elizondo	<input type="checkbox"/>	205.0	Competitive in Region	
08244	6 R	TownePlace Reserve	W. Side of Cullen Blvd, S. of FM 518	Pearland	Urban	<input type="checkbox"/>	<input type="checkbox"/>	115	120	E	NC	<input type="checkbox"/>	\$1,189,754	Les Kilday	<input type="checkbox"/>	204.0	Competitive in Region	
08251	6 R	HomeTowne on Wayside	SW Corner of Wayside & Ley Rd.	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	123	128	E	NC	<input type="checkbox"/>	\$950,000	Kenneth W. Fambro	<input type="checkbox"/>	203.0	Competitive in Region	
08232	6 R	Sakowitz Apartments	2300 Sakowitz	Houston	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	166	166	G	NC	<input type="checkbox"/>	\$740,419	Joy Horak-Brown	<input type="checkbox"/>	203.0	Competitive in Region	
08126	6 R	South Acres Ranch	E. Side of Approx. 11500 Blk Scott	Houston	Urban	<input type="checkbox"/>	<input type="checkbox"/>	77	80	G	NC	<input type="checkbox"/>	\$1,200,000	W. Barry Kahn	<input type="checkbox"/>	200.0	Competitive in Region	
08198	6 R	Highland Manor	300 Blk Newman Rd.	La Marque	Urban	<input type="checkbox"/>	<input type="checkbox"/>	134	141	E	NC	<input type="checkbox"/>	\$1,200,000	David Koogler	<input type="checkbox"/>	200.0	Competitive in Region	
Total:								1,147	1,189									\$7,711,416

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File #	Region Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	Housing ⁵ ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷	
08295	6 N	Vista Bonita Apartments	9313 Tallyho Rd.	Houston	Urban	<input type="checkbox"/> <input type="checkbox"/>	118	118	G	RH	<input checked="" type="checkbox"/>	\$1,078,293	* Amay Inamdar	<input type="checkbox"/>	197.0	Not Competitive in Region	
08228	6 N	Chelsea Senior Community	3350 W. Little York Rd.	Houston	Urban	<input type="checkbox"/> <input type="checkbox"/>	36	36	E	NC	<input type="checkbox"/>	\$506,036	* Cherno Njie	<input type="checkbox"/>	191.0	Not Competitive in Region	
Total:							154	154				\$1,584,329					
Total:							2,105	2,204					\$9,771,863				
Applications Submitted in Region 6:		Rural															
08304	6 R	Park Place Apartments	100 Campbell St.	Cleveland	Rural	<input type="checkbox"/> <input type="checkbox"/>	60	60	I	RH	<input checked="" type="checkbox"/>	\$485,633	Chad Asarch	<input type="checkbox"/>	199.0	Competitive in Region	
08254	6 R	Montgomery Meadows Phase II	Corner of Old Montgomery Rd. & Cline	Huntsville	Rural	<input type="checkbox"/> <input type="checkbox"/>	48	48	E	NC	<input type="checkbox"/>	\$498,997	Emanuel H. Glockzin, Jr.	<input type="checkbox"/>	194.0	Significant Sub-Regional Shortfall in Rural Collapse	
Total:							108	108				\$984,630					
Total:							108	108					\$984,630				
18 Applications in Region							Region Total: 2,213 2,312					\$10,756,493					

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Target ⁴ Units	Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 7

Allocation Information for Region 7:	Total Credits Available for Region: \$2,231,028	Urban Allocation: \$1,695,133	Rural Allocation: \$535,895
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Applications Submitted in Region 7:		Urban															
08063	7 A Parker Lane Seniors Apartments	2000 Woodward	Austin	Urban	<input type="checkbox"/>	<input type="checkbox"/>	68	70	E	NC	<input type="checkbox"/>	\$44,241	Keith Hoffpauir	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08059	7 A San Gabriel Senior Village	1900, 1906 & 1910 Leander St.	Georgetown	Urban	<input type="checkbox"/>	<input type="checkbox"/>	100	100	E	NC	<input type="checkbox"/>	\$64,206	Colby Denison	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08024	7 A Cambridge Villas	800 Dessau Rd.	Pflugerville	Urban	<input type="checkbox"/>	<input type="checkbox"/>	200	208	E	NC	<input type="checkbox"/>	\$115,908	Keith Hoffpauir	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
							Total:	368	378			\$224,355					
08253	7 R Creekside Villas Senior Village	10.962 Acres on FM 967, On Onion Creek	Buda	Urban	<input type="checkbox"/>	<input type="checkbox"/>	144	144	E	NC	<input type="checkbox"/>	\$1,200,000	Colby Denison	<input checked="" type="checkbox"/>	209.0	Competitive in Region	
							Total:	144	144			\$1,200,000					
08134	7 N Huntington	FM 118, 1550' N. of FM 2001	Buda	Urban	<input type="checkbox"/>	<input type="checkbox"/>	116	120	E	NC	<input type="checkbox"/>	\$888,471	* Ofelia Elizondo	<input type="checkbox"/>	202.0	Not Competitive in Region	
08271	7 N Manor Road SRO	5908 Manor Rd.	Austin	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	110	110	G	NC	<input type="checkbox"/>	\$628,653	* Frank Fernandez	<input type="checkbox"/>	177.0	Not Competitive in Region	
							Total:	226	230			\$1,517,124					
							Total:	738	752			\$2,941,479					

Applications Submitted in Region 7:		Rural															
08016	7 A Gardens of Taylor, LP	317 Sloan St.	Taylor	Rural	<input type="checkbox"/>	<input type="checkbox"/>	36	36	E	NC	<input type="checkbox"/>	\$26,325	George D. Hopper	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
							Total:	36	36			\$26,325					
08229	7 R Fairwood Commons Senior Apartments	S. Side of Old Austin Hwy Approx. 250' E. of Hasler Blvd.	Bastrop	Rural	<input type="checkbox"/>	<input type="checkbox"/>	63	66	E	NC	<input type="checkbox"/>	\$485,611	David G. Rae	<input checked="" type="checkbox"/>	199.0	Competitive in Region-Tie Break Won	
							Total:	63	66			\$485,611					
08263	7 N Villas at Lost Pines	1000' N. of Hwy 71 & Hwy 95 Intersection	Bastrop	Rural	<input type="checkbox"/>	<input type="checkbox"/>	64	66	E	NC	<input type="checkbox"/>	\$497,168	Diana McIver	<input checked="" type="checkbox"/>	199.0	Not Competitive-Tie Break Loss	
08181	7 N Park Ridge Apartments	SE. Corner of Legend Hills Blvd. & RM 152	Llano	Rural	<input type="checkbox"/>	<input type="checkbox"/>	62	64	G	NC	<input type="checkbox"/>	\$585,392	* Mark Mayfield	<input checked="" type="checkbox"/>	191.0	Not Competitive in Region	
							Total:	126	130			\$1,082,560					

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File #	Region Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
						Total:	225	232				\$1,594,496				
10 Applications in Region						Region Total:	963	984				\$4,535,975				

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 8

Allocation Information for Region 8:	Total Credits Available for Region: \$2,562,336	Urban Allocation: \$2,017,303	Rural Allocation: \$545,033
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Applications Submitted in Region 8: Urban																		
08006	8 A	Country Lane Seniors-Temple Community	SE. H.K. Dodgen Loop, W. of MLK Jr. Dr.	Temple	Urban	<input type="checkbox"/>	<input type="checkbox"/>	98	102	E	NC	<input type="checkbox"/>	\$63,226	Kenneth Mitchell	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08050	8 A	Ridge Pointe Apartments	1600 Blk Bacon Ranch Rd.	Killeen	Urban	<input type="checkbox"/>	<input type="checkbox"/>	164	172	G	NC	<input type="checkbox"/>	\$97,664	Michael Lankford	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
								Total:	262	274			\$160,890					
08257	8 R	Constitution Court	Constitution Dr. off US Hwy 190	Copperas Cove	Urban	<input type="checkbox"/>	<input type="checkbox"/>	108	108	G	NC	<input type="checkbox"/>	\$947,423	Emanuel H. Glockzin, Jr.	<input checked="" type="checkbox"/>	206.0	Competitive in Region	
08261	8 R	Towne Center Apartments Homes	1301 Prairie Dr.	Bryan	Urban	<input type="checkbox"/>	<input type="checkbox"/>	141	148	E	NC	<input type="checkbox"/>	\$935,850	Michael Lankford	<input type="checkbox"/>	200.0	Significant Sub-Regional Shortfall in State Collapse	
								Total:	249	256			\$1,883,273					
08208	8 N	Mansions at Briar Creek	1600 Blk Prairie Dr.	Bryan	Urban	<input type="checkbox"/>	<input type="checkbox"/>	171	171	E	NC	<input type="checkbox"/>	\$1,187,937	Robert R. Burchfield	<input type="checkbox"/>	201.0	Not Recommended	
08280	8 N	Costa Esmeralda	Gurley Ln. & S. 16th St.	Waco	Urban	<input type="checkbox"/>	<input type="checkbox"/>	112	112	G	NC	<input type="checkbox"/>	\$993,175	* Mark Mayfield	<input type="checkbox"/>	196.0	Not Competitive in Region	
								Total:	283	283			\$2,181,112					
								Total:	794	813			\$4,225,275					
Applications Submitted in Region 8: Rural																		
08076	8 A	Villas of Hubbard	NW. Corner of Magnolia Ave. & S. 4th St.	Hubbard	Rural	<input type="checkbox"/>	<input type="checkbox"/>	36	36	E	NC	<input type="checkbox"/>	\$16,284	Deborah A. Griffin	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
								Total:	36	36			\$16,284					
								Total:	36	36			\$16,284					
7 Applications in Region								Region Total:	830	849			\$4,241,559					

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5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Reason for Recommendation
* = Recommended Credit: Development is displaying the requested amount because a real estate analysis has not yet been completed.

Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Target ⁴ Units Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 9

Allocation Information for Region 9:	Total Credits Available for Region: \$2,999,101	Urban Allocation: \$2,456,059	Rural Allocation: \$543,042
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Applications Submitted in Region 9: Urban																	
08093	9 A	San Juan Square II	S. Calaveras St. & Brady Blvd.	San Antonio	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	138	144	G	RC	<input type="checkbox"/>	\$1,200,000	Henry A. Alvarez III	<input type="checkbox"/>	301.0	Forward Commitment of 2008 Credits Made in 2007
08047	9 A	San Juan Square	Corner of S. Zarzamora St. & Ceralvo St.	San Antonio	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	137	143	G	NC	<input type="checkbox"/>	\$85,948	Henry A. Alvarez III	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08048	9 A	Alhambra	7100 Blk New Laredo Hwy	San Antonio	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	134	140	E	NC	<input type="checkbox"/>	\$79,507	Henry A. Alvarez III	<input type="checkbox"/>	300.0	Binding Allocation Agreement
Total:								409	427			\$1,365,455					
08200	9 R	Ingram Square Apartments	5901 Flynn Dr.	San Antonio	Urban	<input type="checkbox"/>	<input type="checkbox"/>	120	120	G	RH	<input checked="" type="checkbox"/>	\$752,115	Paul Patierno	<input type="checkbox"/>	213.0	Competitive in Region
Total:								120	120			\$752,115					
08269	9 N	Darson Marie Terrace	3142 Weir Ave.	San Antonio	Urban	<input type="checkbox"/>	<input type="checkbox"/>	54	57	E	NC	<input type="checkbox"/>	\$571,824	* Richard Washington	<input type="checkbox"/>	189.0	Not Competitive in Region
08190	9 N	Sutton Homes	909 Runnels	San Antonio	Urban	<input type="checkbox"/>	<input type="checkbox"/>	186	194	G	RH	<input type="checkbox"/>	\$1,200,000	* Ryan Wilson	<input type="checkbox"/>	187.0	Not Competitive in Region
Total:								240	251			\$1,771,824					
Total:								769	798			\$3,889,394					
Applications Submitted in Region 9: Rural																	
08135	9 R	Gardens at Clearwater	400 Block of Clearwater Paseo	Kerrville	Rural	<input type="checkbox"/>	<input type="checkbox"/>	80	80	E	NC	<input type="checkbox"/>	\$760,867	Lucille Jones	<input type="checkbox"/>	193.0	Significant Sub-Regional Shortfall in Rural Collapse
Total:								80	80			\$760,867					
Total:								80	80			\$760,867					
7 Applications in Region						Region Total:		849	878			\$4,650,261					

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Target ⁴ Units	Housing ⁵ Pop	Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 10

Allocation Information for Region 10:	Total Credits Available for Region: \$1,735,190	Urban Allocation: \$982,692	Rural Allocation: \$752,498
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Applications Submitted in Region 10: Urban																		
08040	10	A	Navigation Pointe	909 S. Navigation Blvd.	Corpus Christi	Urban	<input type="checkbox"/>	<input type="checkbox"/>	124	124	G	NC	<input type="checkbox"/>	\$67,974	Manish Verma	<input type="checkbox"/>	300.0	Binding Allocation Agreement
									Total:	124	124			\$67,974				
08235	10	R	Buena Vida Senior Village	4650 Old Brownsville Rd.	Corpus Christi	Urban	<input type="checkbox"/>	<input type="checkbox"/>	100	100	E	NC	<input type="checkbox"/>	\$857,951	Randy Stevenson	<input type="checkbox"/>	199.0	Significant Sub-Regional Shortfall in State Collapse
									Total:	100	100			\$857,951				
08145	10	N	Oasis at the Park	420 N. Port	Corpus Christi	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	80	80	G	ADR	<input type="checkbox"/>	\$291,222	David Marquez	<input type="checkbox"/>	197.0	Not Competitive in Region
08194	10	N	D.N Leathers Townhomes	1001 Coke St.	Corpus Christi	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	130	130	G	NC	<input type="checkbox"/>	\$1,200,000 *	Richard Franco	<input type="checkbox"/>	195.0	Not Competitive in Region
									Total:	210	210			\$1,491,222				
									Total:	434	434			\$2,417,147				
Applications Submitted in Region 10: Rural																		
08010	10	A	Figueroa Apartments	998 Ruben Chavez St.	Robstown	Rural	<input type="checkbox"/>	<input type="checkbox"/>	44	44	G	RH	<input checked="" type="checkbox"/>	\$16,592	Rick J. Deyoe	<input type="checkbox"/>	300.0	Binding Allocation Agreement
									Total:	44	44			\$16,592				
08152	10	R	Heights at Corral	1000 W. Corral Ave.	Kingsville	Rural	<input type="checkbox"/>	<input type="checkbox"/>	80	80	G	RH	<input type="checkbox"/>	\$784,000	Socorro (Cory) Hinojosa	<input type="checkbox"/>	217.0	Significant Sub-Regional Shortfall in Rural Collapse
									Total:	80	80			\$784,000				
									Total:	124	124			\$800,592				
6 Applications in Region							Region Total:		558	558			\$3,217,739					

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Target ⁴ Units	Housing ⁵ Pop	Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 11

Allocation Information for Region 11:	Total Credits Available for Region: \$5,770,541	Urban Allocation: \$3,251,553	Rural Allocation: \$2,518,988
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Applications Submitted in Region 11:		Urban																
08095	11 A	Bluebonnet Senior Village	1201 W. Austin Ln.	Alamo	Urban	<input type="checkbox"/>	<input type="checkbox"/>	36	36	E	NC	<input type="checkbox"/>	\$360,000	Mary Vela	<input type="checkbox"/>	301.0	Forward Commitment of 2008 Credits Made in 2007	
08094	11 A	Sunset Terrace	920 W. Villegas	Pharr	Urban	<input type="checkbox"/>	<input type="checkbox"/>	100	100	G	RC	<input type="checkbox"/>	\$975,319	J. Fernando Lopez	<input type="checkbox"/>	301.0	Forward Commitment of 2008 Credits Made in 2007	
08039	11 A	La Villita Apartments Phase II	2828 Rockwell Dr.	Brownsville	Urban	<input type="checkbox"/>	<input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$17,785	Mark Musemeche	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08028	11 A	Vida Que Canta Apartments	500' N. of S. Mile Rd. on Inspiration Rd.	Mission	Urban	<input type="checkbox"/>	<input type="checkbox"/>	160	160	G	NC	<input type="checkbox"/>	\$87,318	Ketinna Williams	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08011	11 A	Poinsetta Apartments	Between N. 9th St. & N. 10th St. at Duranta Ave.	Alamo	Urban	<input type="checkbox"/>	<input type="checkbox"/>	100	100	G	NC	<input type="checkbox"/>	\$54,564	Rick J. Deyoe	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08014	11 A	Sevilla Apartments	600 N. Airport Dr.	Weslaco	Urban	<input type="checkbox"/>	<input type="checkbox"/>	80	80	G	RH	<input checked="" type="checkbox"/>	\$25,386	Rick J. Deyoe	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
								Total:	556	556								\$1,520,372
08151	11 R	Parkview Terrace	211 W. Audrey	Pharr	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	100	100	G	RH	<input type="checkbox"/>	\$985,000	J. Fernando Lopez	<input type="checkbox"/>	214.0	Competitive in Region	
08158	11 R	Villas at Beaumont	2200 Beaumont Ave.	McAllen	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	36	36	E	NC	<input type="checkbox"/>	\$376,000	Joe Saenz	<input type="checkbox"/>	200.0	Competitive in Region	
								Total:	136	136								\$1,361,000
								Total:	692	692								\$2,881,372

Applications Submitted in Region 11:		Rural																
08032	11 A	Madison Pointe	US 81 & Las Palmas Dr.	Cotulla	Rural	<input type="checkbox"/>	<input type="checkbox"/>	76	76	G	NC	<input type="checkbox"/>	\$45,165	Donald Pace	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08012	11 A	Mesa Vista Apartments	Salinas St. at Stites St.	Donna	Rural	<input type="checkbox"/>	<input type="checkbox"/>	76	76	G	NC	<input type="checkbox"/>	\$42,387	Rick J. Deyoe	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
08041	11 A	Los Ebanos Apartments	1103 Lincoln St.	Zapata	Rural	<input checked="" type="checkbox"/>	<input type="checkbox"/>	28	28	E	NC	<input type="checkbox"/>	\$4,855	Dennis Hoover	<input type="checkbox"/>	300.0	Binding Allocation Agreement	
								Total:	180	180								\$92,407

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7 = Comment: Reason for Recommendation
* = Recommended Credit: Development is displaying the requested amount because a real estate analysis has not yet been completed.

File #	Region Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Units	Target ⁴ Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
08294	11 R	Stardust Village	Hwy 83, 1/2 Blk N. of Brazos St.	Uvalde	Rural	<input type="checkbox"/> <input type="checkbox"/>	36	36	G	NC	<input type="checkbox"/>	\$427,390	Tammye Trevino	<input type="checkbox"/>	202.0	Competitive in Region
08302	11 R	Leona Apartments	209 First St.	Uvalde	Rural	<input type="checkbox"/> <input type="checkbox"/>	40	40	G	RH	<input checked="" type="checkbox"/>	\$124,375	Chad Asarch	<input type="checkbox"/>	200.0	Competitive in Region
08176	11 R	Maeghan Pointe	SR 107 & Mile 6 Rd.	Elsa	Rural	<input type="checkbox"/> <input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$1,083,920	Donald Pace	<input type="checkbox"/>	199.0	Competitive in Region
							Total:	156	156			\$1,635,685				
							Total:	336	336			\$1,728,092				
14 Applications in Region							Region Total:	1,028	1,028			\$4,609,464				

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5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.

6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.

7 = Comment: Reason for Recommendation

* = Recommended Credit: Development is displaying the requested amount because a real estate analysis has not yet been completed.

Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Target ⁴ Units	Housing ⁵ Pop	Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 12

Allocation Information for Region 12:	Total Credits Available for Region: \$1,072,720	Urban Allocation: \$546,485	Rural Allocation: \$526,235
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Applications Submitted in Region 12: Urban																		
08092	12	A	Key West Village Phase II	1600 W. Clements	Odessa	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	36	36	E	NC	<input type="checkbox"/>	\$237,938	Bernadine Spears	<input type="checkbox"/>	301.0	Forward Commitment of 2008 Credits Made in 2007
									Total:	36	36			\$237,938				
08138	12	R	River Place Apartments	Rio Concho Dr. & Irene St.	San Angelo	Urban	<input type="checkbox"/>	<input type="checkbox"/>	120	120	E	NC	<input type="checkbox"/>	\$994,242	G. Granger MacDonald	<input type="checkbox"/>	189.0	Significant Sub-Regional Shortfall in State Collapse
									Total:	120	120			\$994,242				
08300	12	N	Blackshear Homes	8 Scattered Sites on Shelton, W. 19th, Brown, & Lillie Sts.	San Angelo	Urban	<input type="checkbox"/>	<input type="checkbox"/>	20	20	G	NC	<input type="checkbox"/>	\$278,624	* Stephanie Dugan	<input type="checkbox"/>	170.0	Not Competitive in Region
									Total:	20	20			\$278,624				
									Total:	176	176			\$1,510,804				
Applications Submitted in Region 12: Rural																		
08299	12	R	Southern View Apartments	SW. Corner of Ryan St. & Hwy 385	Fort Stockton	Rural	<input type="checkbox"/>	<input type="checkbox"/>	47	48	G	NC	<input type="checkbox"/>	\$433,000	Justin Zimmerman	<input type="checkbox"/>	126.0	Competitive in Region
									Total:	47	48			\$433,000				
									Total:	47	48			\$433,000				
									Region Total:	223	224			\$1,943,804				

4 Applications in Region

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Region	File #	Status ¹	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP	LI Units	Total Target ⁴ Units Pop	Housing ⁵ Activity	ACQ ⁶	Recommended* Credit	Owner Contact	TDHCA HOME	Final Score	Comment ⁷
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Region: 13

Allocation Information for Region 13:	Total Credits Available for Region: \$1,597,905	Urban Allocation: \$1,061,531	Rural Allocation: \$536,374
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Applications Submitted in Region 13: Urban																		
08046	13	A	Linda Vista Apartments	4866 Hercules Ave.	El Paso	Urban	<input type="checkbox"/>	<input checked="" type="checkbox"/>	36	36	G	NC	<input type="checkbox"/>	\$21,807	Bill Schlesinger	<input type="checkbox"/>	300.0	Binding Allocation Agreement
08045	13	A	Deer Palms	6350 Deer Rd.	El Paso	Urban	<input type="checkbox"/>	<input type="checkbox"/>	152	152	G	NC	<input type="checkbox"/>	\$83,474	R.L. (Bobby) Bowling, IV	<input type="checkbox"/>	300.0	Binding Allocation Agreement
									Total:	188	188			\$105,281				
08160	13	R	Tres Palmas	Rich Beem, Approx. 300' N. of Montana St.	El Paso	Urban	<input type="checkbox"/>	<input type="checkbox"/>	172	172	G	NC	<input type="checkbox"/>	\$1,200,000	R.L. (Bobby) Bowling, IV	<input type="checkbox"/>	188.0	Significant Sub-Regional Shortfall in State Collapse
									Total:	172	172			\$1,200,000				
08301	13	N	Ysleta del Sur Pueblo Homes I	Tomas Granillo St.	Socorro	Urban	<input type="checkbox"/>	<input type="checkbox"/>	60	60	G	NC	<input type="checkbox"/>	\$694,425	* Albert Joseph	<input type="checkbox"/>	184.0	Not Competitive in Region
08161	13	N	Canutillo Palms	S. & Adjacent to Canutillo High School, 200' W. of I-10	El Paso	Urban	<input type="checkbox"/>	<input type="checkbox"/>	172	172	G	NC	<input type="checkbox"/>	\$1,200,000	* R.L. (Bobby) Bowling, IV	<input type="checkbox"/>	178.0	Not Competitive in Region
08183	13	N	Desert Villas	0.5 Miles SW. of Intersection of Alameda Ave. & Coronado Rd.	El Paso	Urban	<input type="checkbox"/>	<input type="checkbox"/>	94	94	G	NC	<input type="checkbox"/>	\$954,776	* Ike J. Monty	<input type="checkbox"/>	178.0	Not Competitive in Region
									Total:	326	326			\$2,849,201				
									Total:	686	686			\$4,154,482				
Applications Submitted in Region 13: Rural																		
08163	13	R	San Elizario Palms	13800 Blk of Socorro Rd. Near Herring Rd.	San Elizario	Rural	<input type="checkbox"/>	<input type="checkbox"/>	80	80	G	NC	<input type="checkbox"/>	\$748,456	R.L. (Bobby) Bowling, IV	<input type="checkbox"/>	177.0	Significant Sub-Regional Shortfall in Rural Collapse
									Total:	80	80			\$748,456				
									Total:	80	80			\$748,456				
7 Applications in Region							Region Total:		766	766			\$4,902,938					
124 Total Applications									12,669	12,922			\$68,118,387					

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MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Grand Reserve Seniors - Waxahachie Community, TDHCA Number 08100

BASIC DEVELOPMENT INFORMATION

Site Address: Park Hills Dr. (New Street Being Constructed) Development #: 08100
 City: Waxahachie Region: 3 Population Served: Elderly
 County: Ellis Zip Code: 75165 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: The Grand Reserve - Waxahachie, Ltd.
 Owner Contact and Phone: Kenneth Mitchell, (817) 249-6886
 Developer: Kenneth H. Mitchell
 Housing General Contractor: TBD
 Architect: Galier.Tolson.French
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Bank of America
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	4 0 28 48	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 26 54 0 0 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$891,368	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Grand Reserve Seniors - Waxahachie Community, TDHCA Number 08100

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S

Points: 14 US Representative: Barton, District 6, NC

TX Representative: Pitts, District 10, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Bullard Heights Neighborhood Association, Sandra R. Wilkinson

Letter Score: 24 S or O: S

Affordable housing is needed for senior citizens in the neighborhood.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Grand Reserve Seniors - Waxahachie Community, TDHCA Number 08100

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jackson Village Retirement Center, TDHCA Number 08101

BASIC DEVELOPMENT INFORMATION

Site Address: 200 Abner Jackson Blvd. Development #: 08101
 City: Lake Jackson Region: 6 Population Served: Elderly
 County: Brazoria Zip Code: 77566 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Community Retirement Center of Lake Jackson, LP
 Owner Contact and Phone: Ofelia Elizondo, (713) 522-4141
 Developer: Community Retirement Center, Inc.
 Housing General Contractor: TBD
 Architect: MGroup & Architects, Inc.
 Market Analyst: O'Connor & Associates
 Syndicator: MMA Financial LLC
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	92
	5 0 34 53	Market Rate Units:	4
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 64 32 0 0 0	Total Development Units:	96
Type of Building:		Total Development Cost*:	\$9,840,212
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$887,645	\$881,320			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jackson Village Retirement Center, TDHCA Number 08101

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Janek, District 17, S

Points: 14 US Representative: Paul, District 14, S

TX Representative: Bonnen, District 25, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Lake Jackson Church of Christ

S or O: S

Willow Drive Baptist Church

S or O: S

Brazosport Area Chamber of Commerce

S or O: S

Keith Kirkwood Ministries

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
2. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
3. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$500,000, or a commitment from a qualifying substitute source in an amount not less than \$492,011, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jackson Village Retirement Center, TDHCA Number 08101

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **205** Meeting a Required Set-Aside Credit Amount*: \$881,320

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/14/08

PROGRAM: 9% HTC

FILE NUMBER: 08101

DEVELOPMENT

Jackson Village Retirement Center

Location: 200 block Abner Jackson Blvd. Region: 6
 City: Lake Jackson County: Brazoria Zip: 77566 QCT DDA
 Key Attributes: Multifamily, New Construction, Urban, Senior

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$887,645			\$881,320		

CONDITIONS

- 1 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 2 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
50% of AMI	50% of AMI	34
60% of AMI	60% of AMI	53

PROS

CONS

- Both the Applicant's and the Underwriter's expense to income ratios are very high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.
- The proposed number of one and two bedroom units targeting 60% households may be more than the demand for such units given the Market Analyst's high capture rate (over 100%) for these unit types.

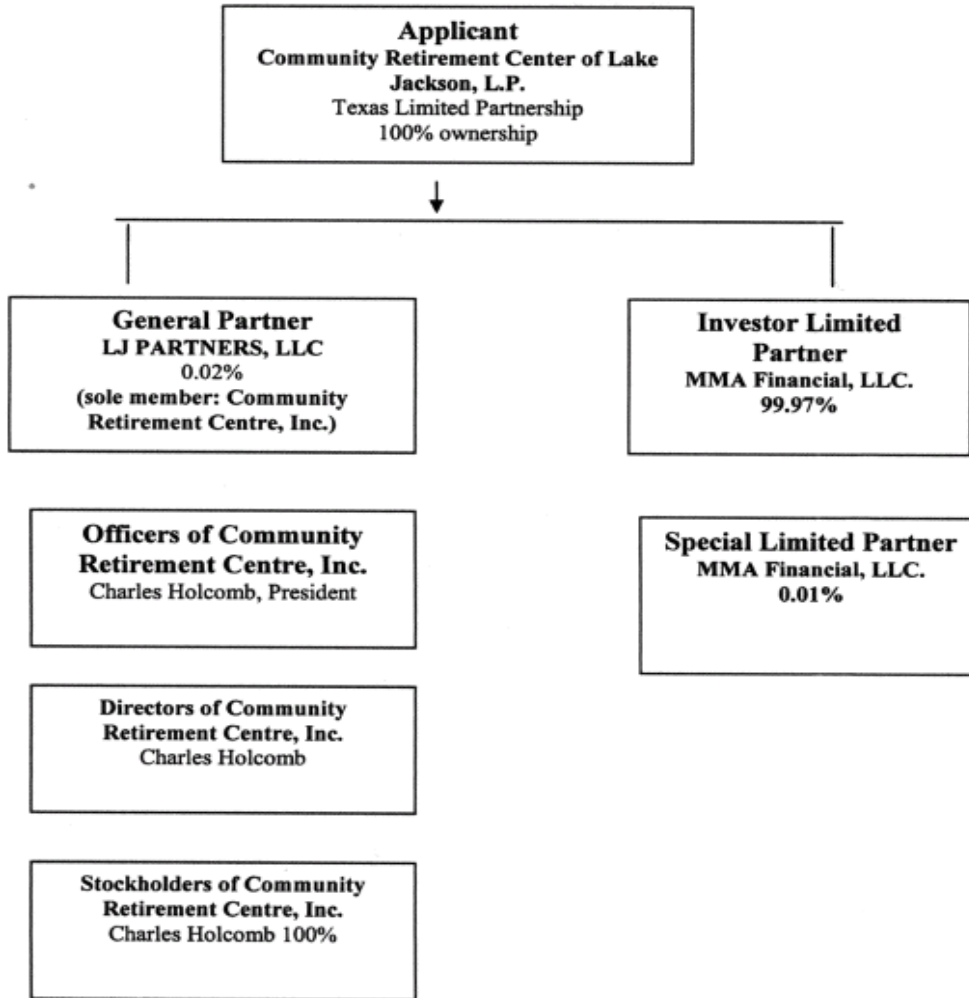
- This will be the fourth tax credit allocation in Lake Jackson in as many years.

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ofelia Elizondo Phone: (713) 522-4141 Fax: (713) 522-9775
 Email: oelizondo@sbcglobal.net

KEY PARTICIPANTS

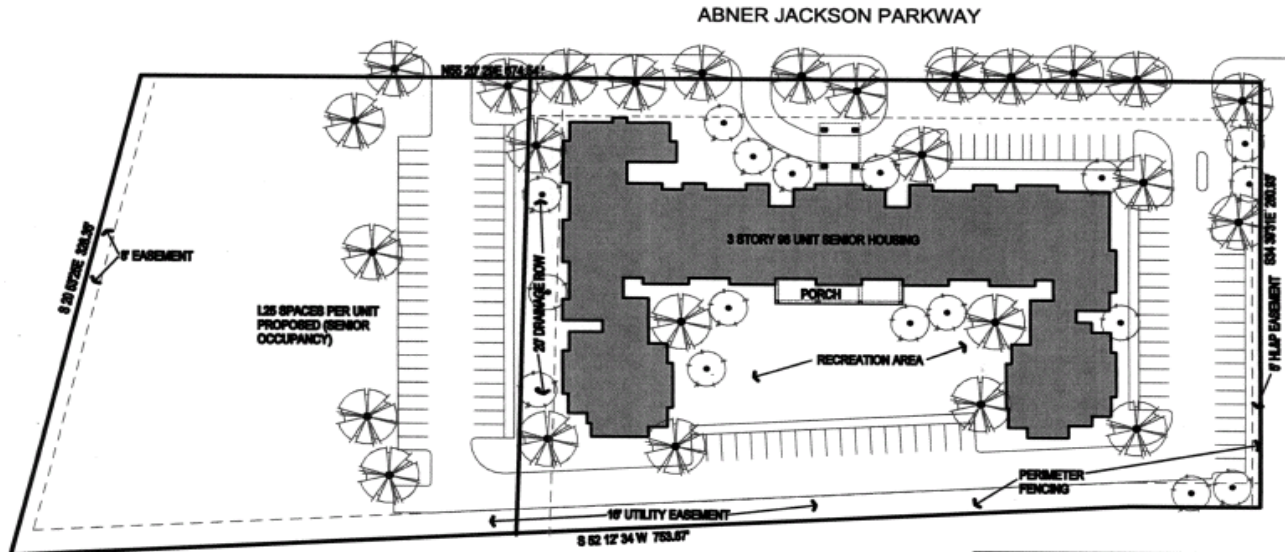
Name	Financial Notes	# Completed Developments
LJ Partners, LLC	N/A	
Community Retirement Centre, Inc.	N/A	3 complete developments
Charles & Jane Holcomb	N/A	2 under construction

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A									Total Buildings
Floors/Stories	3									1
Number	1									

BR/BA	SF	Units								Total Units	Total SF
1/1	686	64								64	43,904
2/1	808	6								6	4,848
2/1	835	23								23	19,205
2/2	968	3								3	2,904
Units per Building	96									96	70,861

SITE ISSUES

Total Size: 4.861 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: R-4 Multi-Family Needs to be re-zoned? Yes No N/A

Comments:
 The Applicant provided a copy of an ordinance of the City of Lake Jackson passed and adopted on 4/21/08, changing the zoning of the subject site from C-1 Commercial to R-4 Multi-Family.

This section intentionally left blank.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/8/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: <u>HWY 332</u>	Beyond: <u>City of Lake Jackson</u>
South: <u>Wooded</u>	Beyond: <u>Apartment Complex, Residences</u>
East: <u>Wooded</u>	Beyond: <u>Residential Sub-Development</u>
West: <u>Wooded</u>	Beyond: <u>Residential Sub-Development</u>

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/22/2008

Comments:

"This assessment has revealed no evidence of recognized environmental conditions in connection with the property ... It is the opinion of Phase Engineering, Inc. that no additional appropriate investigation is necessary to detect the presence of hazardous substances or petroleum products at the subject property."
(p.2)

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 2/13/2008

Contact: Daniel C Hollander Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 0 Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 843 sq. miles 16 mile radius

The subject's primary market is defined as that area contained within the cities of Angleton, Brazoria, Clute, Danbury, Freeport, and Lake Jackson. This area includes all or a portion of Zip Codes 77422, 77515, 77531, 77541, and 77566, and all of the following census tracts:

48039662100	48039662900	48039663400	48039663800	48039664200
48039662200	48039663000	48039663500	48039663900	48039664300
48039662300	48039663100	48039663600	48039664000	48039664400
48039662400	48039663200	48039663700	48039664100	48039664500
48039662500	48039663300			

The primary market area had an estimated 2007 population of 111,079, with 10,341 senior households.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Lake Jackson Manor	04206	100	80				
Gibraltar	07170	48	48				

INCOME LIMITS						
Brazoria						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,350	\$16,400	\$18,450	\$20,500	\$22,150	\$23,800
50	\$23,900	\$27,300	\$30,750	\$34,150	\$36,900	\$39,600
60	\$28,680	\$32,760	\$36,900	\$40,980	\$44,280	\$47,520

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	54	3		58	5	8	22%
1 BR/ 50% Rent Limit	61	6		67	21	10	46%
1 BR/ 60% Rent Limit	57	7		64	36	45	127%
2 br/1ba 50% Rent Limit	30	3		33	12	10	67%
2 br/1ba 60% Rent Limit	33	3		37	15	46	165%
2 br/2ba 50% Rent Limit	10	1		11	1	0	9%
2 br/2ba 60% Rent Limit	12	1		14	2	0	14%
Total	257	24	10	291	92	119	72.5%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER (turnover)											
Market Analyst	p. 73	26%	10,280	100%	10,280	12%		1,221	50%	611	
Underwriter		19%	10,514	100%	10,514	25%	2,604	41%	1,070	44%	470
PMA DEMAND from HOUSEHOLD GROWTH (growth)											
Market Analyst	p. 73			27%	260	12%		31	100%	31	
Underwriter				100%	78	25%	19	41%	8	100%	8
DEMAND from OTHER SOURCES											
Market Analyst	p.									10	
Underwriter										10	

INCLUSIVE CAPTURE RATE						
		Subject Units	Unstabilized Comparable (PMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst	p. 73	92	128	220	652	34%
Underwriter		92	128	220	487	45%
HISTA-based Data Alternative		92	128	220	259	85%

Inclusive Capture Rate

The Market Analyst utilized a turnover rate of 50% which is considerably higher than the turnover rate for Senior developments that report to the Department from across the State (24.2%) or for this region of the state (20.1%). The Market Analyst contends that these Department-published rates are less than the true rates because tenants in existing senior developments are more likely to stay in those units than senior tenants in family units or elsewhere in the community. This contention, however, is not supported by typical levels of turnover for income eligible seniors in rental and nonrental situations as reflected by the decennial census. In addition, the Department's published data for all developments reflects an overall turnover rate of apartments reporting to the Department in this region of 43.9%. The Underwriter used this overall turnover estimate, but believes that this may overstate demand.

Based on the traditional demand calculation which includes all households within the entire income-eligible range, the Market Analyst concluded an inclusive capture rate of 34%; the Underwriter concluded a somewhat higher rate of 45%. In addition to the turnover rate discussed above, the discrepancy is the result of a) the Market Analyst using an incorrect (too low) minimum rent, resulting in a minimum income level that was too low; and b) the Market Analyst failed to exclude the household population between the 30% income band and the 50% income band. The Market Analyst also provided an alternative capture rate calculation using HISTA data and calculated a capture rate of 72.5%. While this is just below the Department's 75% guideline for senior targeted developments, it is an acceptable capture rate.

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rate using the traditional method to be acceptable, however, the capture rate based on the alternate HISTA data source is 85%, which exceeds the Department's 75% guideline for senior targeted developments. Nevertheless, the Underwriter's concluded inclusive capture rate using the traditional method is acceptable and, therefore, this development can be considered feasible based upon this criteria.

Primary Market Occupancy Rates:

"The selected comparable apartments surveyed in the primary market area of the subject complex exhibited strong occupancy rates, with a median occupancy level of 96%." (p. 6)

Absorption Projections:

"Absorption in the subject's primary market area over the past twelve months has been minimal due to the limited new construction and the high average occupancy. There have been two HTC projects which have come on-line since 2000. (1) Freeport Oaks Apartments, a family project containing 100 units, 80 of which are rent-restricted, reports an occupancy of 95%, and (2) Lake Jackson Manor, a senior project containing 100 units, 80 of which are rent-restricted, has an occupancy of 85%. There have been no market-rate projects which have come on-line since 2000. Based on the absorption by these two HTC projects and our research, most projects that are constructed in the Houston / Brazosport area typically lease up within 12 months." (p. 8)

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)				Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 / 1	686	SF	30%	\$297	\$297	\$685	\$297	\$388
1 / 1	686	SF	50%	\$553	\$553	\$685	\$553	\$132
1 / 1	686	SF	60%	\$681	\$681	\$685	\$681	\$4
1 / 1	686	SF	MR	\$685	N / A	\$685	\$685	\$0
2 / 1	808	SF	50%	\$650	\$650	\$810	\$650	\$160
2 / 1	835	SF	50%	\$650	\$650	\$810	\$650	\$160
2 / 1	835	SF	60%	\$804	\$804	\$810	\$804	\$6
2 / 1	835	SF	MR	\$810	N / A	\$810	\$810	\$0
2 / 2	968	SF	50%	\$650	\$650	\$900	\$650	\$250
2 / 2	968	SF	60%	\$804	\$804	\$900	\$804	\$96

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history throughout other areas close to the subject's PMA, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration" (p. 8)

Comments:

The market analysis provided sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 169 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 8.24 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant's projected income is based on maximum program rents adjusted for utility allowances maintained by the Brazoria County Housing Authority. The Applicant's adjustment's for non-rental income and losses due to vacancy and collection are consistent with underwriting guidelines. Overall, the Applicant's projected effective gross income is equivalent to the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/21/2008

The Applicant's projected annual operating expenses are \$4,777 per unit. This is 6% greater than the Underwriter's estimate of \$4,513 per unit. The Applicant's budget reflects several line items that deviate significantly from the Underwriter's, including: payroll and payroll tax (\$15K higher); utilities (\$14K lower); and property tax (\$14K higher).

The Applicant provided the tax statement for another HTC property, Lake Jackson Manor (#04206). Lake Jackson Manor is located approximately 2 miles from the subject, and subject to the same tax jurisdictions; it is a 100-unit senior development (as compared to the subject 96-unit senior development) and was recently completed. The 2008 tax assessment for Lake Jackson Manor, on a per unit basis, is 4% higher than that proposed by the Applicant. Nonetheless, the anticipated NOI provides an assessed value of slightly less than \$35,000 per unit which is the Department's estimate as opposed to the Applicant's implicit assessed value of \$41,500 per unit.

The Applicant also submitted actual figures for general & administrative and payroll expenses from two other properties in the area, provided by the Applicant's property manager. The figures provided are higher than the amounts proposed by the Applicant. While the TDHCA database averages suggests lower expenses, the support for higher expenses from the two properties provided by the Applicant justifies using the high end of the TDHCA expense sources. The Underwriter has therefore adjusted the TDHCA estimate to account for these differences.

Conclusion:

The Applicant's projected income is within 5% of the underwriting estimate, however, the Applicant's expense and NOI are not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year One proforma will be used to determine debt capacity and financial feasibility. The Underwriter's first year NOI and proposed financing structure provide a debt coverage ratio of 1.46, which is above the maximum allowable 1.35 DCR, suggesting the development is able to support additional permanent debt. This will be discussed at greater length in the financing section below.

Both the Applicant's and the Underwriter's expense to income ratios are very high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The Underwriter's projections are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a debt coverage ratio that remains above the minimum 1.15 throughout the proforma period; the development can therefore be considered financially feasible for the long term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	4.86 acres	<u> \$625,680 </u>	Tax Year:	<u> 2006 </u>
Existing Buildings:		<u> N/A </u>	Valuation by:	<u> 2007 </u>
Total Assessed Value:		<u> \$625,680 </u>	Tax Rate:	<u> 2.149371 </u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 4.861
 Contract Expiration: 9/30/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$772,870 Other: _____
 Seller: SPCA of Brazoria County Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N / A

Acquisition Value:

The acquisition cost reflected in the development cost schedule of \$772,870 is consistent with the contract price. The site cost of \$159K per acre is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The sitework cost of \$8,969 per unit is within the Department's safe harbor limit of \$9,000 per unit; therefore, no further substantiation is required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$288K higher than the Underwriter's estimate derived from the *Marshall & Swift Residential Cost Handbook*.

Interim Interest Expense:

The Applicant included \$30,000 for "Soft Cost Contingency" under "Other Financing Costs. The Underwriter has re-allocated this amount to the Applicant's direct construction contingency amount.

Contingency & Fees:

The Applicant's proposed direct contingency was at the maximum eligible amount. The addition of the soft cost contingency amount therefore caused total contingency to exceed the maximum by \$30,000. This amount has been excluded from eligible basis and effectively shifted to ineligible costs. As a result of this adjustment, total developer fees exceed the eligible maximum by \$4,500; this amount has also been shifted to ineligible cost.

Conclusion:

The Applicant's total development cost is within 5% of the underwriting estimate; therefore, the Applicant's costs as adjusted will be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of \$8,529,392 supports a tax credit allocation of \$882,935. This will be compared to the Applicant's requested amount and the amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N / A

Source: MMA Financial Type: Interim to Permanent Financing

Principal: \$2,375,000 Interest Rate: 7.25% Fixed Term: 420 months

Comments:

Lender will provide Construction / Bridge financing up to \$3,300,000 for 30 months at 7.25%.

Source: Southeast Texas Housing Finance Corporation Type: Interim Financing

Principal: \$500,000 Interest Rate: AFR Fixed Amort: 24 months

Comments:

The funds will be used to fund pre-development soft cost, the site, and related closing costs. The loan will be repaid from the syndication proceeds or the permanent loan.

Source: Peterson Construction Co., Inc. Type: Interim Financing

Principal: \$210,000 Interest Rate: 8.0% Fixed Amort: 24 months

Comments:

These funds, along with the funds from SETH, will be used to meet carryover; and will be used for preconstruction costs such as Architectural and Engineering fees, Survey, Soil Test, etc. The loan will be repaid from the syndication proceeds or the permanent loan.

Source: MMA Financial Type: Syndication

Proceeds: \$7,321,000 Syndication Rate: 82.5% Anticipated HTC: \$ 887,645

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.66. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase by a fraction of a cent all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$144,212 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's net operating income suggests the ability for the development to safely service an additional \$196,380 in debt at the terms provided and maintain a DCR of 1.35. The Applicant's total development cost estimate less the adjusted permanent loan of \$2,571,380 indicates the need for \$7,268,832 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$881,320 annually would be required to fill this gap in financing. The three possible tax credit allocation amounts are:

Tax Credit Allocation Based on Eligible Basis:	\$882,935
Tax Credit Allocation Requested by Applicants:	\$887,645
Tax Credit Allocation Based on Gap in Financing:	\$881,320

The credit amount based on the gap in financing is recommended. An annual tax credit allocation of \$881,320 results in total equity proceeds of \$7,268,832 at a syndication rate of \$0.825 per credit.

The Underwriter's recommended financing structure indicates the need for no additional permanent funds. Developer fees are therefore available to be deferred in the future should any cost overrun be encountered.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 14, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 14, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 14, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Jackson Village Retirement Center, Lake Jackson, 9% HTC #08101

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	5	1	1	686	\$384	\$297	\$1,485	\$0.43	\$87.00	\$46.00
TC 50%	21	1	1	686	\$640	553	11,613	0.81	\$87.00	\$46.00
TC 60%	36	1	1	686	\$768	681	24,516	0.99	\$87.00	\$46.00
MR	2	1	1	686		685	1,370	1.00	\$87.00	\$46.00
TC 50%	6	2	1	808	\$768	650	3,900	0.80	\$118.00	\$55.00
TC 50%	6	2	1	835	\$768	650	3,900	0.78	\$118.00	\$55.00
TC 60%	15	2	1	835	\$922	804	12,060	0.96	\$118.00	\$55.00
MR	2	2	1	835		810	1,620	0.97	\$118.00	\$55.00
TC 50%	1	2	2	968	\$768	650	650	0.67	\$118.00	\$55.00
TC 60%	2	2	2	968	\$922	804	1,608	0.83	\$118.00	\$55.00
TOTAL:	96		AVERAGE:	738		\$653	\$62,722	\$0.89	\$97.33	\$49.00

INCOME Total Net Rentable Sq Ft: 70,861

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

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

TDHCA	APPLICANT
\$752,664	\$752,664
11,520	11,520
0	
\$764,184	\$764,184
(57,314)	(57,312)
0	
\$706,870	\$706,872

COUNTY	IREM REGION	COMPT. REGION
Brazoria	Houston	6
\$10.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.14%	\$378	0.51
Management	5.00%	368	0.50
Payroll & Payroll Tax	13.25%	976	1.32
Repairs & Maintenance	6.30%	464	0.63
Utilities	3.68%	271	0.37
Water, Sewer, & Trash	4.45%	327	0.44
Property Insurance	8.24%	607	0.82
Property Tax 2.15	10.22%	752	1.02
Reserve for Replacements	3.40%	250	0.34
TDHCA Compliance Fees	0.54%	40	0.05
Other:	1.07%	79	0.11
TOTAL EXPENSES	61.29%	\$4,513	\$6.11
NET OPERATING INC	38.71%	\$2,850	\$3.86

TDHCA	APPLICANT
\$36,309	\$41,500
35,344	34,042
93,687	109,000
44,549	47,160
26,039	12,500
31,425	37,000
58,275	55,882
72,219	86,147
24,000	24,000
3,840	3,840
7,560	7,560
\$433,247	\$458,631
\$273,624	\$248,241

PER SQ FT	PER UNIT	% OF EGI
\$0.59	\$432	5.87%
0.48	355	4.82%
1.54	1,135	15.42%
0.67	491	6.67%
0.18	130	1.77%
0.52	385	5.23%
0.79	582	7.91%
1.22	897	12.19%
0.34	250	3.40%
0.05	40	0.54%
0.11	79	1.07%
\$6.47	\$4,777	64.88%
\$3.50	\$2,586	35.12%

DEBT SERVICE

1st lien: MMA Financial	26.47%	\$1,949	\$2.64
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	12.24%	\$901	\$1.22

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

\$187,093	\$187,092
0	
0	
\$86,530	\$61,149
1.46	1.33
1.35	

\$2.64	\$1,949	26.47%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.86	\$637	8.65%

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.42%	\$8,253	\$11.18
Off-Sites		0.00%	0	0.00
Sitework		9.15%	8,969	12.15
Direct Construction		42.63%	41,793	56.62
Contingency	5.00%	2.59%	2,538	3.44
Contractor's Fees	14.00%	7.25%	7,107	9.63
Indirect Construction		7.96%	7,806	10.58
Ineligible Costs		3.06%	3,000	4.06
Developer's Fees	15.00%	11.27%	11,054	14.97
Interim Financing		5.59%	5,478	7.42
Reserves		2.08%	2,042	2.77
TOTAL COST		100.00%	\$98,039	\$132.82
Construction Cost Recap		61.61%	\$60,406	\$81.84

TDHCA	APPLICANT
\$792,306	\$792,306
0	0
861,000	861,000
4,012,088	4,300,000
243,654	288,050
682,232	722,540
749,400	749,400
288,014	288,014
1,061,137	1,117,029
525,873	525,873
196,000	196,000
\$9,411,705	\$9,840,212
\$5,798,975	\$6,171,590

PER SQ FT	PER UNIT	% of TOTAL
\$11.18	\$8,253	8.05%
0.00	0	0.00%
12.15	8,969	8.75%
60.68	44,792	43.70%
4.07	3,001	2.93%
10.20	7,526	7.34%
10.58	7,806	7.62%
4.06	3,000	2.93%
15.76	11,636	11.35%
7.42	5,478	5.34%
2.77	2,042	1.99%
\$138.87	\$102,502	100.00%
\$87.09	\$64,287	62.72%

SOURCES OF FUNDS

1st lien: MMA Financial	25.23%	\$24,740	\$33.52
Additional Financing	0.00%	\$0	\$0.00
HTC: MMA Financial	77.79%	\$76,260	\$103.31
Deferred Developer Fees	1.53%	\$1,502	\$2.04
Additional (Excess) Funds Req'd	-4.55%	(\$4,464)	(\$6.05)
TOTAL SOURCES			

TDHCA	APPLICANT	RECOMMENDED
\$2,375,000	\$2,375,000	\$2,571,380
0		
7,321,000	7,321,000	7,268,832
144,212	144,212	
(428,507)	0	0
\$9,411,705	\$9,840,212	\$9,840,212

Developer Fee Available \$1,112,529

% of Dev. Fee Deferred 0%

15-Yr Cumulative Cash Flow \$1,463,416

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Jackson Village Retirement Center, Lake Jackson, 9% HTC #08101

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.78	\$3,952,641
Adjustments				
Exterior Wall Finish	0.80%		\$0.45	\$31,621
Elderly	3.00%		1.67	118,579
8-Ft. Ceilings	0.00%		0.00	0
Hurricane wind adjust	\$0.94	75,757	1.00	71,212
Subfloor			(0.82)	(58,342)
Floor Cover			2.43	172,192
Breezeways/Balconies	\$22.27	13,035	4.10	290,289
Plumbing Fixtures	\$805	9	0.10	7,245
Rough-ins	\$400	192	1.08	76,800
Built-In Appliances	\$1,850	96	2.51	177,600
Exterior Stairs	\$1,800	10	0.25	18,000
Clubhouse patio	\$19.81	640	0.18	12,678
Heating/Cooling			1.90	134,636
Elevators	\$35,400	2	1.00	70,800
Comm &/or Aux Bldgs	\$68.60	4,896	4.74	335,841
Other: fire sprinkler	\$1.95	70,861	1.95	138,179
SUBTOTAL			78.32	5,549,971
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(8.62)	(610,497)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.71	\$4,939,475
Plans, specs, survy, bld prmt	3.90%		(\$2.72)	(\$192,640)
Interim Construction Interest	3.38%		(2.35)	(166,707)
Contractor's OH & Profit	11.50%		(8.02)	(568,040)
NET DIRECT CONSTRUCTION COSTS			\$56.62	\$4,012,088

PAYMENT COMPUTATION

Primary	\$2,375,000	Amort	420
Int Rate	7.25%	DCR	1.46

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.46

Additional	\$7,321,000	Amort	
Int Rate		Aggregate DCR	1.46

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$202,563
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$71,060

Primary	\$2,571,380	Amort	420
Int Rate	7.25%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$7,321,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

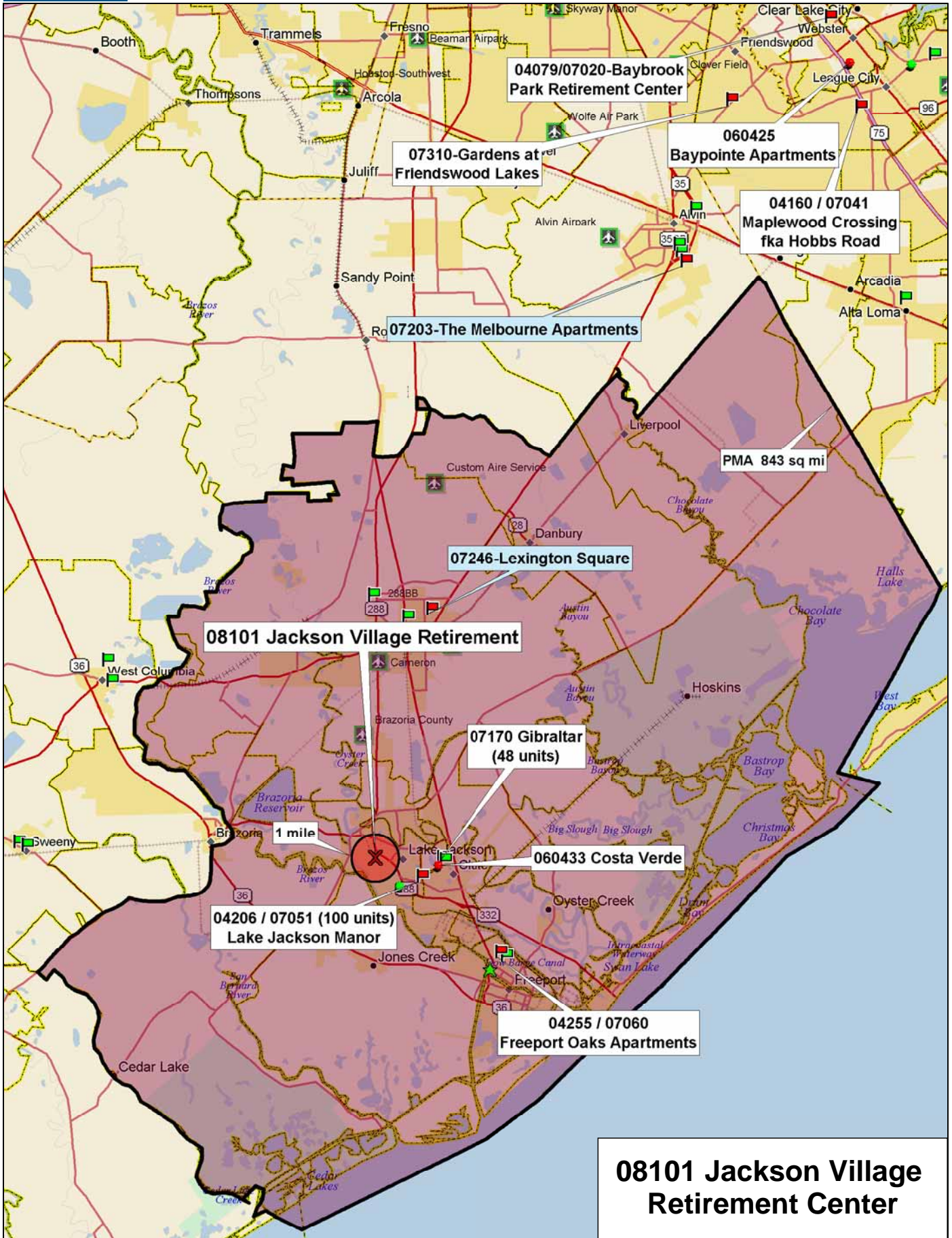
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$752,664	\$775,244	\$798,501	\$822,456	\$847,130	\$982,056	\$1,138,472	\$1,319,801	\$1,773,702
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	764,184	787,110	810,723	835,044	860,096	997,087	1,155,897	1,340,001	1,800,850
Vacancy & Collection Loss	(57,314)	(59,033)	(60,804)	(62,628)	(64,507)	(74,782)	(86,692)	(100,500)	(135,064)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$706,870	\$728,076	\$749,919	\$772,416	\$795,589	\$922,305	\$1,069,205	\$1,239,501	\$1,665,786
EXPENSES at 4.00%									
General & Administrative	\$36,309	\$37,762	\$39,272	\$40,843	\$42,477	\$51,679	\$62,876	\$76,498	\$113,236
Management	35,344	36,404	37,496	38,621	39,779	46,115	53,460	61,975	83,289
Payroll & Payroll Tax	93,687	97,434	101,332	105,385	109,600	133,346	162,235	197,384	292,177
Repairs & Maintenance	44,549	46,331	48,184	50,111	52,116	63,407	77,144	93,858	138,933
Utilities	26,039	27,081	28,164	29,291	30,462	37,062	45,092	54,861	81,208
Water, Sewer & Trash	31,425	32,682	33,989	35,349	36,763	44,727	54,418	66,207	98,003
Insurance	58,275	60,606	63,030	65,551	68,174	82,943	100,913	122,777	181,739
Property Tax	72,219	75,108	78,112	81,236	84,486	102,790	125,060	152,154	225,225
Reserve for Replacements	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other	11,400	11,856	12,330	12,823	13,336	16,226	19,741	24,018	35,553
TOTAL EXPENSES	\$433,247	\$450,223	\$467,868	\$486,208	\$505,270	\$612,455	\$742,500	\$900,297	\$1,324,210
NET OPERATING INCOME	\$273,624	\$277,853	\$282,051	\$286,209	\$290,319	\$309,850	\$326,705	\$339,204	\$341,576
DEBT SERVICE									
First Lien Financing	\$202,563	\$202,563	\$202,563	\$202,563	\$202,563	\$202,563	\$202,563	\$202,563	\$202,563
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$71,060	\$75,290	\$79,487	\$83,645	\$87,756	\$107,287	\$124,142	\$136,641	\$139,012
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.43	1.53	1.61	1.67	1.69

HTC ALLOCATION ANALYSIS -Jackson Village Retirement Center, Lake Jackson, 9% HTC #08101

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$792,306	\$792,306		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$861,000	\$861,000	\$861,000	\$861,000
Construction Hard Costs	\$4,300,000	\$4,012,088	\$4,300,000	\$4,012,088
Contractor Fees	\$722,540	\$682,232	\$722,540	\$682,232
Contingencies	\$288,050	\$243,654	\$258,050	\$243,654
Eligible Indirect Fees	\$749,400	\$749,400	\$749,400	\$749,400
Eligible Financing Fees	\$525,873	\$525,873	\$525,873	\$525,873
All Ineligible Costs	\$288,014	\$288,014		
Developer Fees			\$1,112,529	
Developer Fees	\$1,117,029	\$1,061,137		\$1,061,137
Development Reserves	\$196,000	\$196,000		
TOTAL DEVELOPMENT COSTS	\$9,840,212	\$9,411,705	\$8,529,392	\$8,135,385

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$8,529,392	\$8,135,385
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$11,088,210	\$10,576,001
Applicable Fraction		95.71%	95.71%
TOTAL QUALIFIED BASIS		\$10,612,203	\$10,121,982
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$882,935	\$842,149

Syndication Proceeds	0.8248	\$7,282,156	\$6,945,764
Total Tax Credits (Eligible Basis Method)		\$882,935	\$842,149
Syndication Proceeds		\$7,282,156	\$6,945,764
Requested Tax Credits		\$887,645	
Syndication Proceeds		\$7,321,000	
Gap of Syndication Proceeds Needed		\$7,268,832	
Total Tax Credits (Gap Method)		\$881,320	



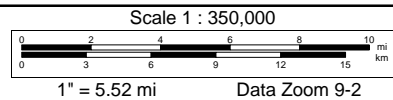
08101 Jackson Village Retirement Center

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Applicant Evaluation

Project ID **08101**

Name **Jackson Village Retirement Center**

City: **Lake Jackson**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 3

Total # of MF awards not yet monitored or pending review: 2

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 4

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/1/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5 /7 /2008

Comments (if applicable):

Loan# 700852020 Comm Retirement Ctr of Aransas Pass: Delinquent in submitting proof of Insurance.

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /20/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Brookhollow Manor, TDHCA Number 08106

BASIC DEVELOPMENT INFORMATION

Site Address: 3444 Depot St. Development #: 08106
 City: Brookshire Region: 6 Population Served: General
 County: Waller Zip Code: 77423 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Brookhollow Manor, LTD
 Owner Contact and Phone: James W. Fieser, (281) 367-8189
 Developer: Fieser Development, Inc.
 Housing General Contractor: Rural Housing Specialists
 Architect: Chiles Architects, Inc.
 Market Analyst: N/A
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: FDI Property Management Services, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	48
	3 0 21 24	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 4 40 4 0 0	Total Development Units:	48
Type of Building:		Total Development Cost*:	\$3,734,726
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	48
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$209,726	\$204,759			
HOME Activity Fund Amount:	\$630,000	\$630,000	360	360	1.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Brookhollow Manor, TDHCA Number 08106

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hegar, District 18, S

Points: 14 US Representative: McCaul, District 10, NC

TX Representative: Zerwas, District 28, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4

Boys and Girls Club of America

S or O: S

United Way of Greater Houston

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
2. Receipt, review, and acceptance, by cost certification, of USDA-RD approval of the proposed rent increase for each unit.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms and rates of the existing or proposed debt or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.
5. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$630,000, or a commitment from a qualifying substitute source in an amount not less than \$186,930, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Brookhollow Manor, TDHCA Number 08106

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **186** Meeting a Required Set-Aside Credit Amount*: \$204,759

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$630,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/08 PROGRAM: HTC 9%, HOME FILE NUMBER: 08106

DEVELOPMENT

Brookhollow Manor

Location: 3444 Depot Street Region: 6
 City: Brookshire County: Waller Zip: 77423 OCT DDA
 Key Attributes: Multifamily, Acquisition/Rehab, Rural, At-Risk, USDA, Family

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$630,000	1.00%	360	\$630,000	1.00%	360
Housing Tax Credit (Annual)	\$209,726			\$204,759		

CONDITIONS

- 1 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 2 Receipt, review, and acceptance, by cost certification, of USDA-RD approval of the proposed rent increase for each unit.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the terms and rates of the existing or proposed debt or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	21
60% of AMI	60% of AMI	24

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
Low HOME	30% of AMI	3
Low HOME	50% of AMI	45
High HOME	65% of AMI	0

This section intentionally left blank.

PROS

- The project will provide the rehabilitation of a 24-year-old USDA-RD complex and the preservation of affordable housing for the current tenants.
- The Applicant has considerable experience and financial resources

CONS

- The Applicant's and Underwriter's expense to income ratios are both well above the Department's 65% guideline and relies upon the project-based rental assistance to maintain feasibility.
- If the HOME award is ultimately not received, the transaction may not be financially viable.

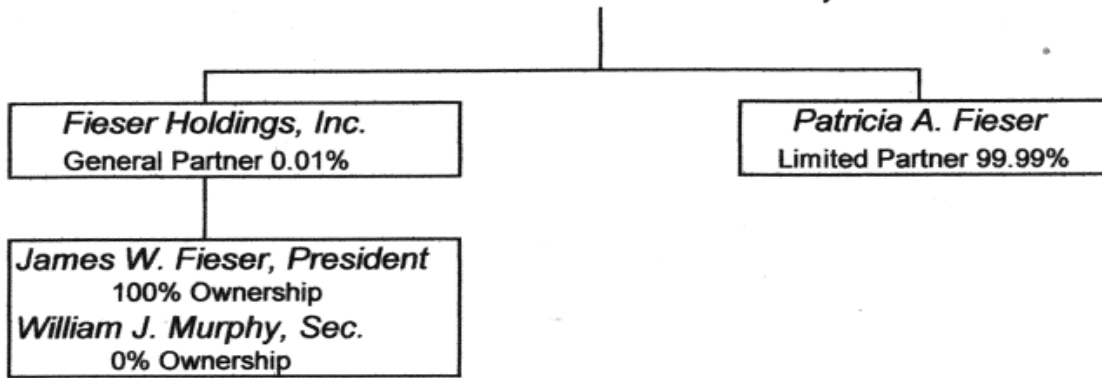
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

FDI-Brookhollow Manor, LTD.



CONTACT

Contact: James W. Fieser Phone: (281) 367-8189 Fax: (281) 367-8192
 Email: Jim.fieser@jfieser.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Fieser Holdings, Inc.	N/A	Seventeen Developments
Fieser Development, Inc.	N/A	
James & Patricia Feiser	N/A	

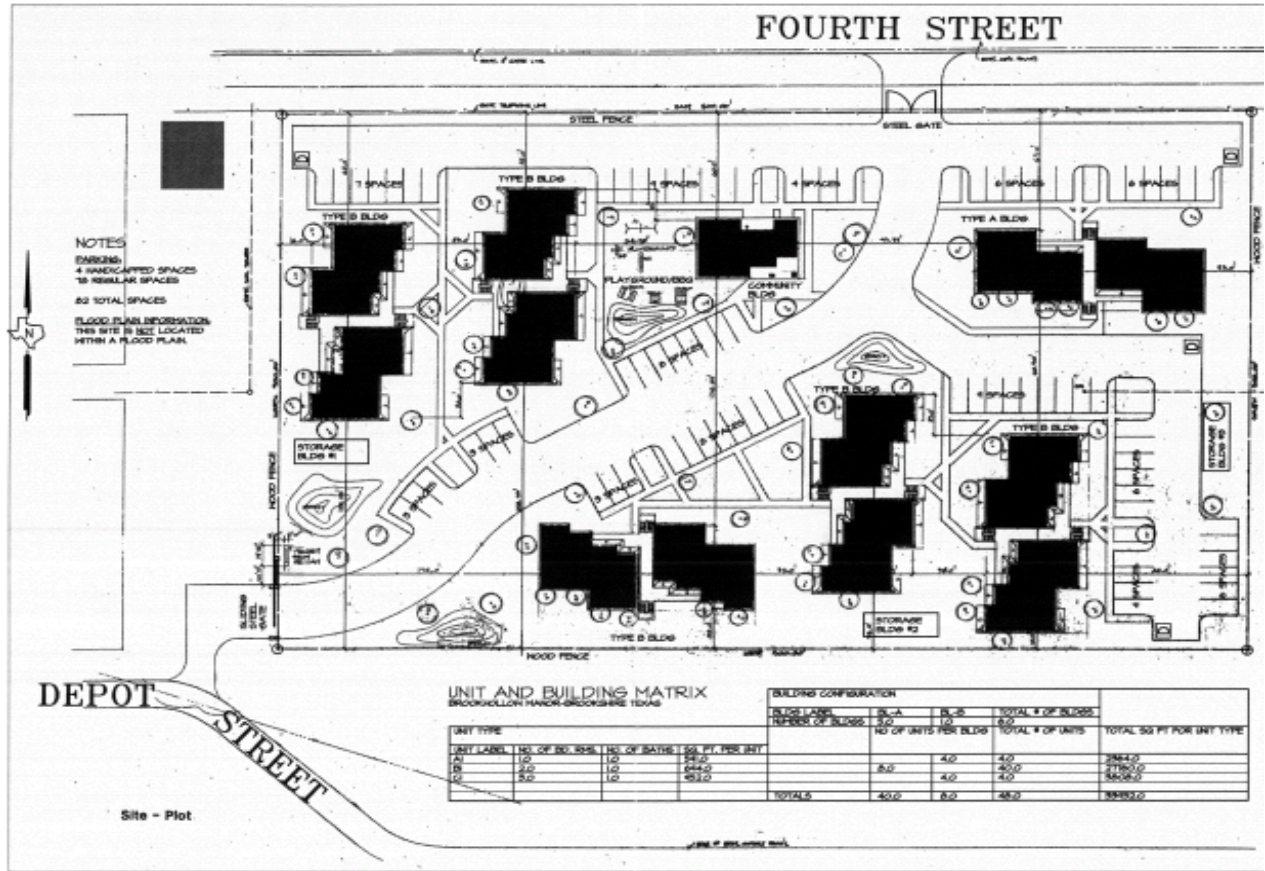
IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B							Total Buildings
Floors/Stories	2	2							
Number	5	1							6

BR/BA	SF	Units							Total Units	Total SF
1 / 1	591		4						4	2,364
2 / 1	694	8							40	27,760
3 / 1	952		4						4	3,808
Units per Building		8	8						48	33,932

Rehabilitation:

The Applicant provided a Capital Needs Assessment conducted by E & A Services, Inc. "Brookhollow Manor was completed in 1984 and is comprised of 48 individual dwelling units located in 6 eight-plex two-story buildings ... Immediate and over-the-term capital needs are projected to total approximately \$55,441/unit in current, un-inflated dollars. The majority of the immediate cost is associated with a major renovation needed to both the exterior and the interior of the dwelling units as well as a considerable amount of site work that is needed, especially in the three corners of the property that have problems with standing water. In addition ... it was identified in the Self Evaluation Needs and Transition Plans dated 2/18/08, that Brookhollow Manor will require some remodeling and/or modifications to bring it into compliance with handicapped accessibility regulations."

SITE ISSUES

Total Size: 3.44 acres Scattered site? Yes No
 Flood Zone: A3 Within 100-yr floodplain? Yes No
 Zoning: N / A Needs to be re-zoned? Yes No N/A

Comments:

The Applicant provided a FIRM map indicating that the site is located in flood zone A3, which is defined by FEMA as among the flood insurance rate zones that correspond to the 1-percent annual chance floodplains that are determined in the Flood Insurance Study by detailed methods of analysis. The QAP specifies design requirements for new construction and reconstruction. Rehabilitation projects are generally not permitted in flood hazard areas unless they already meet the new construction requirements; however, federally financed (i.e. through HUD or USDA-RD) are exempt from this rule. Nevertheless, the Applicant also indicated that the development is designed as required by program rules.

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/24/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Field beyond: housing
 South: Field beyond: apartments
 East: Depot Street beyond: railroad tracks
 West: Depot Street beyond: housing

Comments:

The inspector reported that "the entire complex has major structural and internal repairs (needed) that are dangerous to tenants ... the site location is externally and internally poor (100%). Complete overhaul would remedy the problem. Site location is acceptable, however the property presents a health hazard.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:

A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report; however, the capital needs assessment provider stated that there were no readily observed environmental concerns, including but not limited to asbestos containing materials, lead-based paint, CFC's and PCB's during the on-site inspection. Furthermore, since the property was constructed after 1978, the presence of lead-based paint is unlikely, and no assessment for such is required.

MARKET HIGHLIGHTS

Provider: Acorn Appraisal Associates Date: 2/15/2008
 Contact: Mark E. Verrett Phone: (713) 681-8878 Fax: (713) 681-8958
 Number of Revisions: none Date of Last Applicant Revision: N / A

Market Area:

The appraiser indicated that "there is strong demand within the Brookshire market for developments with rental assistance. The large number of low-income renters in this market means that developments that do offer rental assistance to subsidize tenant payments will likely have a much lower vacancy rate than non-subsidized developments. The population of this market is of sufficient size, diversity, and financial ability to support the subject property and its amenities." (p. 13) According to the Appraiser the City of Brookshire had a population of 7,625 at the updated 2000 Census.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
N / A							

INCOME LIMITS						
Waller						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

Market Occupancy Rates:

"There were 2,844 housing units, of which 330 (12%) were vacant at the last census. There were 1,784 units (63%) that were owner-occupied and 730 units (26%) that were tenant-occupied ... Two-bedroom units are the most popular within this market and are the predominant floor plan followed by a limited number of one-bedroom units. Three-bedroom units are limited in number and out of the six apartment complexes in the area surveyed, no three-bedroom units were found. The estimated neighborhood apartment vacancy is 3 - 5% which is likely to remain stable. Rental rates are stable as well." (pp. 11-13)

Absorption Projections:

"Demand for housing in Brookshire has been increasing for the last few years and is expected to continue that trend for the near future." (p. 11)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Current USDA Basic Rent	Proposed Basic Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 591 SF	\$422	\$447	\$372	\$447	\$25
2 BR 694 SF	\$467	\$495	\$455	\$495	\$28
3 BR 952 SF	\$482	\$511	\$500	\$511	\$29

Comments:

A market study report was not provided, as USDA-RD financed projects are not required to submit this report. However, an appraisal is required; the appraisal generally provides sufficient information for the underwriting process. An "As Is" appraisal dated February 15, 2008 was prepared by Acorn Appraisal Associates. Additionally, the property is currently 90% occupied and it is likely that many of the existing tenants will choose to remain at the property after rehabilitation. The presence of an existing tenant base mitigates potential concerns about the lack of information about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 1.9 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 3/28/2008

The property receives USDA Rental Assistance for 47 of the 48 units. The Applicant's projected income is based on proposed Basic Rents which represent a 6% (\$16K) increase over the current rents for each unit and have not yet been approved by USDA-RD. The appraisal reflects market rents that are lower than the currently approved Basic Rents. The Applicant indicated that USDA has "approved" the proposed rents since they were included in the Preliminary Application submitted to USDA with regard to the proposed rehabilitation. The Underwriter's analysis suggests that the development would operate at or below a 1.10 DCR if the proposed rent increase is not approved. Therefore, the underwriting analysis has utilized the proposed increased rents; and formal documentation of USDA approval of the increased rents will be a condition of this report.

The Applicant's projections for secondary income and losses due to vacancy and collection are consistent with underwriting guidelines. Overall, the Applicant's projected effective gross income is equivalent to the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/6/2008

The Applicant's projected annual operating expense estimate of \$4,092 per unit is within 5% of the Underwriter's estimate of \$3,958 per unit derived from historical operating statements for the property, the TDHCA database and other sources.

Conclusion:

The Applicant's projected income and expenses are within 5% of the underwriting estimate; however, net operating income (NOI) varies by more than 5%. As a result, the underwriting estimates will be used to determine the debt capacity and feasibility of the project. The underwriting estimates for effective gross income and operating expenses, combined with the Applicant's requested financing structure, provide a debt coverage ratio (DCR) of 1.34. The Underwriter's Year One DCR is within the parameters of the Department's guidelines.

The Applicant's and Underwriter's expense to income ratios (73% and 70% respectively) are significantly above the TDHCA maximum of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." [§1.32(7)(B)(ii)]. The subject's rents are managed by USDA. As such the subject development meets this exception.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primarily vested in the additional HOME funding. In fact the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement by the department or any new lender for USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion, however; therefore, receipt, review and acceptance of documentation that USDA-RD has approved the increase as proposed by cost certification along with the approval of the transfer and parity of the additional HOME debt, by carryover, are conditions of this report.

Feasibility:

The underwriting estimates for effective gross income and annual operating expenses, and the Underwriter's recommended financing structure, are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis results in continued positive cash flow and a DCR that remains above the 1.15 minimum throughout the required 15-year period. As a result, the project can be considered financially feasible. It should be noted, however, that due to the high expense to income ratio, the debt coverage ratio and cash flow fall below the Department's standards well before year 30 in both the Underwriter's and Applicant's proforma.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Acorn Appraisal Associates Date: 2/15/2008
 Number of Revisions: none Date of Last Applicant Revision: N / A
 Land Only: 3.44 acres \$135,000 As of: 2/13/2008
 Existing Buildings: (as-is) \$445,000 As of: 2/13/2008
 Total Development: (as-is) \$580,000 As of: 2/13/2008

ASSESSED VALUE

Land Only: 3.44 acres \$88,000 Tax Year: 2007
 Existing Buildings: \$402,000 Valuation by: Waller County
 Total Assessed Value: \$490,000 Tax Rate: 3.5069

Comments:

The current owner's audited financial statements for 2005 and 2006 indicate real estate tax expenses of \$31,274 and 30,068, respectively. However, the audited financial statements for 2007 indicate total taxes paid as being \$13,051. The Applicant explained that the current owner successfully challenged the assessed value of the property and the appraisal district reduced the assessed value.

EVIDENCE of PROPERTY CONTROL

Type: Improved Property Commercial Contract Acreage: 3.44
 Contract Expiration: 12/15/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,522,745 Other: _____
 Seller: Brookhollow Manor, Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N / A

Acquisition Value:

The Applicant has provided a contract for the purchase of the subject for \$1,522,745 or \$32K per unit. The Seller is not related to the buyer; however, the transfer must be approved by USDA-RD. History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. The cumulative outstanding balance on the USDA loans is approximately \$1,322,745. The Applicant did not provide documentation of the estimated exit taxes. However, the purchase price appears to be reasonable should USDA apply this standard.

The Applicant has estimated eligible building basis of \$1,422,745 or 93% of the total acquisition price. The Underwriter has used an eligible building basis of \$1,168,313, which is 77% of the total acquisition price based on a prorata allocation of value to land and buildings as reflected in the appraisal submitted by the Applicant.

Sitework Cost:

As the project consists of the rehabilitation of an existing development, site work requirements are relatively low. The Capital Needs Assessment indicates "a considerable amount of site work that is needed, especially in the three corners of the property that have problems with standing water"; nevertheless, the Applicant's development cost schedule itemizes site work of \$3,857 per unit, well below the underwriting limit of \$9,000 per unit. Additionally, the CNA indicates that the first year costs were adjusted upwards by 24% to reflect "soft costs" such as general requirements, general overhead, contingencies and profit in order to present a more accurate estimate. The underwriting analysis reflects the CNA value less the 24% adjustment because the "soft costs" are included in the Applicant's development cost schedule as separate line items.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$84K lower than the estimate provided in the Capital Needs Assessment (CNA). The underwriting analysis will reflect the CNA value, less the 24% adjustment for "soft costs" as discussed previously that were included in these line item estimates.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Capital Needs Assessment (CNA) provided by the Applicant and the information presented in the application. The CNA was well documented and appeared to cover the scope of work provided by the Applicant. Thus, the Underwriter's development cost schedule, as derived from the CNA, will be used to determine the development's need for permanent funds.

The Underwriter's calculated eligible basis of \$3,264,817 supports a tax credit allocation of \$204,759 annually for 10 years; this results in total equity proceeds of \$1,738,710 at a syndication rate of \$0.85 per credit. This will be compared to the Applicant's requested credit amount and the amount determined by the gap in financing in order to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N / A

Source: iCap Type: Interim Financing

Principal: \$302,593 Interest Rate: 6.0% Fixed Term: 24 months

Comments:

Wall Street Journal Prime plus 2%, subject to a floor of 6.0%. The commitment reflects the standard requirement for a first lien by the lender however this is a nominal amount of interim financing and alternative financing should be readily available if the requirement is not removed.

Source: USDA-RD Type: Permanent Financing

Principal: \$1,315,817 Interest Rate: 1.0% Fixed Amort: 600 months

Comments:

The Applicant will assume three existing USDA-RD loans, each amortized for 50 years with an interest rate subsidized down to 1.0%; the loans have current principal balances of \$455,619, \$84,289, and \$775,909. The Applicant has estimated a slightly higher outstanding loan balance for all three loans.

Source: Raymond James Tax Credit Funds Type: Syndication

Proceeds: \$1,780,891 Syndication Rate: 85% Anticipated HTC: \$ 209,726

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.70. At this point, 100% of the available cash flow would be claimed by deferred developer fee and the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.87, the equity proceeds would exceed the gap in financing and an adjustment to the credit allocation may be warranted.

Amount: \$4,986 Type: Deferred Developer Fees

This section intentionally left blank.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent financing of \$1,315,817 and \$630,000 in HOME funds indicates the need for \$1,788,909 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$210,670 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Tax Credit Allocation based on Eligible Basis:	<u>\$204,759</u>
Applicant's Requested Allocation:	\$209,726
Tax Credit Allocation based on Gap in Financing:	\$210,670

The amount determined by eligible basis is recommended. An annual allocation of \$204,759 results in total equity proceeds of \$1,738,710 at a syndication rate of \$0.85 per credit.

The Underwriter's recommended financing structure indicates the need for \$50,199 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three years of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the ratio of HOME units to total units.

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.

Underwriter:	_____	Date:	_____
	<i>Thomas Cavanagh</i>		July 1, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 1, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 1, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Brookhollow Manor, Brookshire, HTC 9%, HOME #08106

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% LH	3	1	1	591	\$344	\$447	\$1,341	\$0.76	\$76.00	\$20.00
TC 50% LH	1	1	1	591	\$573	447	447	0.76	76.00	20.00
TC 50% LH	20	2	1	694	\$687	495	9,900	0.71	131.00	20.00
TC 60% LH	20	2	1	694	\$687	495	9,900	0.71	131.00	20.00
TC 60% LH	4	3	1	952	\$794	511	2,044	0.54	181.00	20.00
TOTAL:	48		AVERAGE:	707		\$492	\$23,632	\$0.70	\$130.58	\$20.00

INCOME				Total Net Rentable Sq Ft:	33,932	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION	
POTENTIAL GROSS RENT						\$283,584	\$283,584	Waller		6	
tenant chrgs, laundry, forfeited deposits				Per Unit Per Month:	\$15.00	8,640	8,640	\$15.00	Per Unit Per Month		
Other Support Income:						0		\$0.00	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$292,224	\$292,224				
Vacancy & Collection Loss				% of Potential Gross Income:	-7.50%	(21,917)	(21,912)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0					
EFFECTIVE GROSS INCOME						\$270,307	\$270,312				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative				5.06%	\$285	0.40	\$13,678	\$12,200	\$0.36	\$254	4.51%
Management				6.82%	384	0.54	\$18,432	21,250	0.63	443	7.86%
Payroll & Payroll Tax				20.51%	1,155	1.63	\$55,453	58,500	1.72	1,219	21.64%
Repairs & Maintenance				8.51%	479	0.68	\$23,012	23,500	0.69	490	8.69%
Utilities				3.73%	210	0.30	\$10,094	11,000	0.32	229	4.07%
Water, Sewer, & Trash				7.96%	448	0.63	\$21,521	24,500	0.72	510	9.06%
Property Insurance				5.42%	305	0.43	\$14,657	15,150	0.45	316	5.60%
Property Tax				3.5069	351	0.50	16,833	14,000	0.41	292	5.18%
Reserve for Replacements				5.33%	300	0.42	14,400	14,400	0.42	300	5.33%
TDHCA Compliance Fees				0.71%	40	0.06	1,920	1,920	0.06	40	0.71%
Other:				0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES				70.29%	\$3,958	\$5.60	\$190,000	\$196,420	\$5.79	\$4,092	72.66%
NET OPERATING INC				29.71%	\$1,673	\$2.37	\$80,307	\$73,892	\$2.18	\$1,539	27.34%
DEBT SERVICE											
USDA				13.10%	\$738	\$1.04	35,418	\$35,445	\$1.04	\$738	13.11%
HOME				9.00%	\$507	\$0.72	24,316	24,316	\$0.72	\$507	9.00%
Additional Financing				0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW				7.61%	\$429	\$0.61	\$20,573	\$14,131	\$0.42	\$294	5.23%
AGGREGATE DEBT COVERAGE RATIO						1.34	1.24				
RECOMMENDED DEBT COVERAGE RATIO						1.34					

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		40.77%	\$31,724	\$44.88	\$1,522,745	\$1,522,745	\$44.88	\$31,724	40.73%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.00%	2,331	3.30	111,865	185,156	5.46	3,857	4.95%
Direct Construction		26.51%	20,624	29.17	989,951	905,740	26.69	18,870	24.23%
Contingency	9.90%	2.92%	2,273	3.21	109,090	109,090	3.21	2,273	2.92%
Contractor's Fees	13.86%	4.09%	3,182	4.50	152,726	152,726	4.50	3,182	4.09%
Indirect Construction		4.40%	3,422	4.84	164,236	164,236	4.84	3,422	4.39%
Ineligible Costs		2.13%	1,659	2.35	79,646	79,646	2.35	1,659	2.13%
Developer's Fees	20.00%	14.57%	11,336	16.04	544,136	592,838	17.47	12,351	15.86%
Interim Financing		0.66%	510	0.72	24,500	24,500	0.72	510	0.66%
Reserves		0.96%	746	1.06	35,830	1,916	0.06	40	0.05%
TOTAL COST		100.00%	\$77,807	\$110.07	\$3,734,726	\$3,738,593	\$110.18	\$77,887	100.00%
Construction Cost Recap		36.51%	\$28,409	\$40.19	\$1,363,632	\$1,352,712	\$39.87	\$28,182	36.18%

SOURCES OF FUNDS				RECOMMENDED			
USDA	35.42%	\$27,557	\$38.98	\$1,322,745	\$1,322,745	\$1,315,817	Developer Fee Available
HOME	16.87%	\$13,125	\$18.57	630,000	630,000	630,000	\$592,838
Raymond James	47.68%	\$37,102	\$52.48	1,780,891	1,780,891	1,738,710	% of Dev. Fee Deferred
Deferred Developer Fees	0.13%	\$104	\$0.15	4,986	4,986	50,199	8%
Additional (Excess) Funds Req'd	-0.10%	(\$81)	(\$0.11)	(3,896)	(29)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$3,734,726	\$3,738,593	\$3,734,726	\$350,839

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Brookhollow Manor, Brookshire, HTC 9%, HOME #08106

PAYMENT COMPUTATION

Primary	\$1,370,020	Amort	600
Int Rate	1.00%	DCR	2.27

Secondary	\$630,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.34

Additional	\$1,780,891	Amort	
Int Rate		Aggregate DCR	1.34

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$35,418
Secondary Debt Service	24,316
Additional Debt Service	0
NET CASH FLOW	\$20,573

Primary	\$1,370,020	Amort	600
Int Rate	1.00%	DCR	2.27

Secondary	\$630,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.34

Additional	\$1,780,891	Amort	0
Int Rate	0.00%	Aggregate DCR	1.34

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	\$283,584	\$292,092	\$300,854	\$309,880	\$319,176	\$370,013	\$428,946	\$497,266	\$668,284
Secondary Income	8,640	8,899	9,166	9,441	9,724	11,273	13,069	15,150	20,361
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	292,224	300,991	310,020	319,321	328,901	381,286	442,015	512,417	688,645
Vacancy & Collection Loss	(21,917)	(22,574)	(23,252)	(23,949)	(24,668)	(28,596)	(33,151)	(38,431)	(51,648)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$270,307	\$278,416	\$286,769	\$295,372	\$304,233	\$352,690	\$408,864	\$473,985	\$636,997
EXPENSES at 4.00%									
General & Administrative	\$13,678	\$14,225	\$14,794	\$15,386	\$16,001	\$19,468	\$23,686	\$28,817	\$42,657
Management	18,432	18,985	19,555	20,141	20,745	24,050	27,880	32,321	43,436
Payroll & Payroll Tax	55,453	57,671	59,978	62,377	64,873	78,927	96,027	116,832	172,940
Repairs & Maintenance	23,012	23,932	24,889	25,885	26,920	32,753	39,849	48,482	71,765
Utilities	10,094	10,498	10,918	11,354	11,809	14,367	17,480	21,267	31,480
Water, Sewer & Trash	21,521	22,382	23,277	24,208	25,177	30,631	37,267	45,342	67,116
Insurance	14,657	15,243	15,853	16,487	17,147	20,861	25,381	30,880	45,710
Property Tax	16,833	17,506	18,207	18,935	19,692	23,959	29,150	35,465	52,497
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	1,920	1,997	2,077	2,160	2,246	2,733	3,325	4,045	5,988
TOTAL EXPENSES	\$190,000	\$197,416	\$205,123	\$213,132	\$221,456	\$268,245	\$324,981	\$393,789	\$578,497
NET OPERATING INCOME	\$80,307	\$81,001	\$81,646	\$82,240	\$82,777	\$84,445	\$83,883	\$80,197	\$58,499
DEBT SERVICE									
First Lien Financing	\$35,418	\$35,418	\$35,418	\$35,418	\$35,418	\$35,418	\$35,418	\$35,418	\$35,418
Second Lien	24,316	24,316	24,316	24,316	24,316	24,316	24,316	24,316	24,316
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$20,573	\$21,267	\$21,912	\$22,506	\$23,043	\$24,711	\$24,149	\$20,463	(\$1,235)
DEBT COVERAGE RATIO	1.34	1.36	1.37	1.38	1.39	1.41	1.40	1.34	0.98

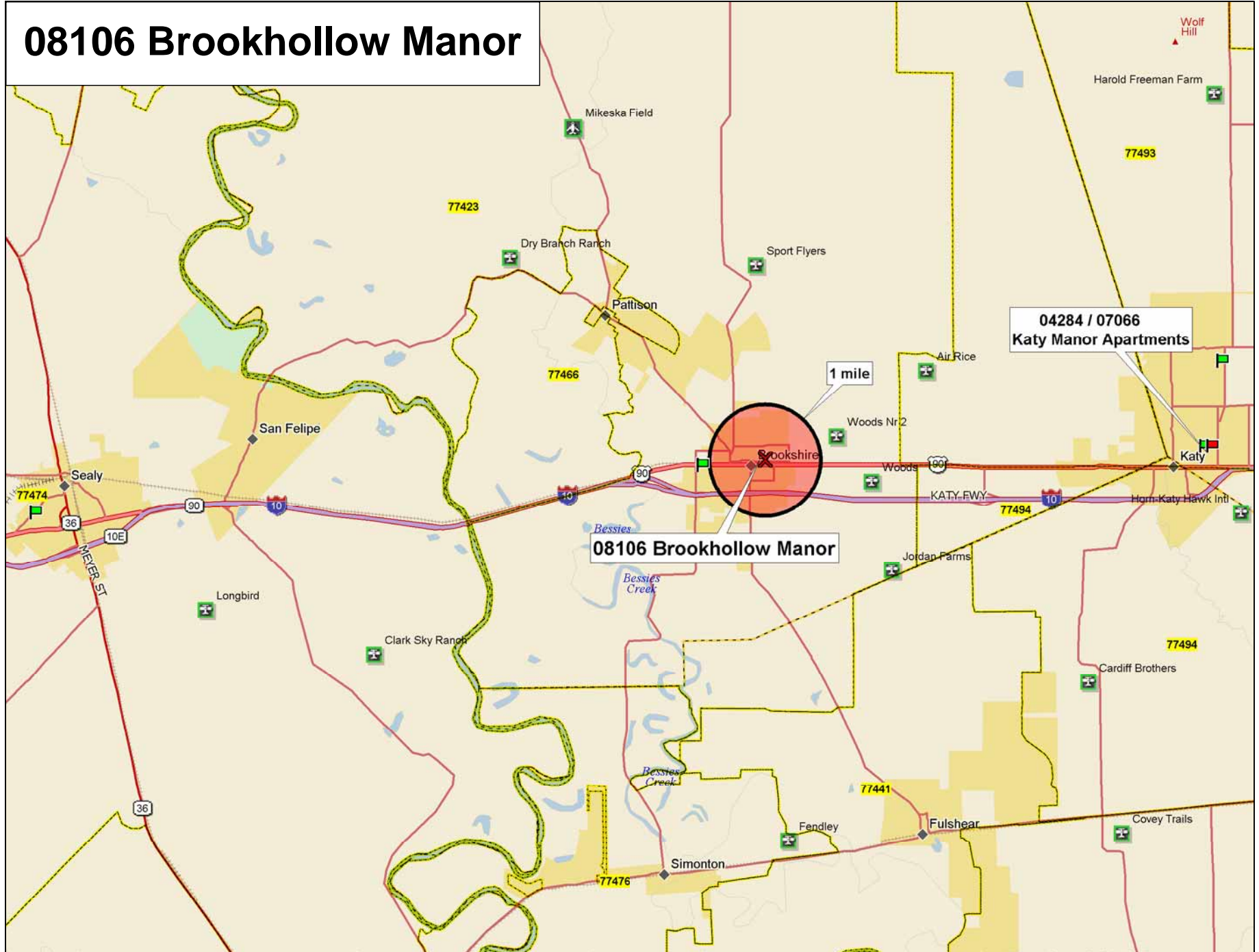
HTC ALLOCATION ANALYSIS -Brookhollow Manor, Brookshire, HTC 9%, HOME #08106

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$100,000	\$354,432				
Purchase of buildings	\$1,422,745	\$1,168,313	\$1,422,745	\$1,168,313		
Off-Site Improvements						
Sitework	\$185,156	\$111,865			\$185,156	\$111,865
Construction Hard Costs	\$905,740	\$989,951			\$905,740	\$989,951
Contractor Fees	\$152,726	\$152,726			\$152,725	\$152,726
Contingencies	\$109,090	\$109,090			\$109,090	\$109,090
Eligible Indirect Fees	\$164,236	\$164,236			\$164,236	\$164,236
Eligible Financing Fees	\$24,500	\$24,500			\$24,500	\$24,500
All Ineligible Costs	\$79,646	\$79,646				
Developer Fees				\$233,663		\$310,474
Developer Fees	\$592,838	\$544,136	\$284,549		\$308,289	
Development Reserves	\$1,916	\$35,830				
TOTAL DEVELOPMENT COSTS	\$3,738,593	\$3,734,726	\$1,707,294	\$1,401,976	\$1,849,736	\$1,862,842

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,707,294	\$1,401,976	\$1,849,736	\$1,862,842
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,707,294	\$1,401,976	\$1,849,736	\$1,862,842
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,707,294	\$1,401,976	\$1,849,736	\$1,862,842
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$60,609	\$49,770	\$153,898	\$154,988

Syndication Proceeds	0.8492	\$514,662	\$422,624	\$1,306,827	\$1,316,086
Total Tax Credits (Eligible Basis Method)				\$214,507	\$204,759
Syndication Proceeds				\$1,821,489	\$1,738,710
Requested Tax Credits				\$209,726	
Syndication Proceeds				\$1,780,891	
Gap of Syndication Proceeds Needed					\$1,788,909
Total Tax Credits (Gap Method)					\$210,670

08106 Brookhollow Manor



Data use subject to license.

Applicant Evaluation

Project ID **08106**

Name **Brookhollow Manor**

City: **Brookshire**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 26

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 4

Projects grouped by score	0-9:	<u>12</u>
	10-19:	<u>14</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 26

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/7/2008

Date: 5/27/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4 /29/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4 /8 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Paris Big Sandy Apartments, TDHCA Number 08110

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, NC

Points: 0 US Representative: Hall, District 4, NC

TX Representative: Homer, District 3, S

Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Rotary Club of Greater Paris

S or O: S

YWCA of Paris and Lamar County

S or O: S

Elks Club

S or O: S

General Summary of Comment:

General support received from elected official(s) and from civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Paris Big Sandy Apartments, TDHCA Number 08110

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID **08110**

Name **Paris Big Sandy Apartments**

City: **Paris**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored:	4	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		0-9:	4
Total # of MF awards not yet monitored or pending review:	9			10-19:	0
SF Contract Experience <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Total # of MF Projects in Material Noncompliance:		20-29:	0
Total # of SF Contracts:	0			Total monitored with a score 0-29:	4

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/19/2008

Date: 5/21/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos

Date: 5/21/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen

Date: 5/21/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cedar Street Apartments, TDHCA Number 08112

BASIC DEVELOPMENT INFORMATION

Site Address: N. Cedar St. N. of Hwy 380 Development #: 08112
 City: Brownfield Region: 1 Population Served: General
 County: Terry Zip Code: 79316 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Brownfield Cedar Street Apartments, LP
 Owner Contact and Phone: Justin Zimmerman, (417) 883-3239
 Developer: Zimmerman Properties, LLC
 Housing General Contractor: Zimmerman Properties Construction, LLC
 Architect: Parker & Associates
 Market Analyst: Integra Realty Resources
 Syndicator: Centerline Capital Group
 Supportive Services: Texas Interfaith Housing
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	48
	0 0 17 31	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 24 12 0 0	Total Development Units:	48
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	3
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$441,361	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cedar Street Apartments, TDHCA Number 08112

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Duncan, District 28, NC

Points: 0

US Representative: Neugebauer, District 19, NC

TX Representative: Heflin, District 85, NC

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **0**

In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

No support or opposition received.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cedar Street Apartments, TDHCA Number 08112

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **136** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Due to forward commitments of credits made in 2007, funds available in sub-region are insufficient to award any Application in sub-region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Applewood Apartments, LP, TDHCA Number 08120

BASIC DEVELOPMENT INFORMATION

Site Address: 701 Tokio Rd. Development #: 08120
 City: West Region: 8 Population Served: Elderly
 County: McLennan Zip Code: 76691 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Megan & Associates IV, LLC
 Owner Contact and Phone: Gary Maddock, (913) 685-9000
 Developer: Applewood Apartments, LP
 Housing General Contractor: TBD
 Architect: Cameron Ahead, Architect, Inc.
 Market Analyst: TBD
 Syndicator: Michel Associates, Ltd.
 Supportive Services: Kelly Environmental Consulting
 Consultant: MKG Consulting, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	24
	2	0	9	13	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	20	4	0	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Total Development Units:	24
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	3
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	22
		HOME Low Total Units:	2

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$127,059	\$0			
HOME Activity Fund Amount:	\$335,957	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Applewood Apartments, LP, TDHCA Number 08120

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S

Points: 14 US Representative: Edwards, District 17, NC

TX Representative: Anderson, District 56, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **0** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s).

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Applewood Apartments, LP, TDHCA Number 08120

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **152** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Applicant ineligible for USDA Funding.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID **08120**

Name **Applewood Apartments**

City: **West**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/7/2008

Date: 5/27/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4 /9 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4 /8 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cherrywood Apartments, TDHCA Number 08121

BASIC DEVELOPMENT INFORMATION

Site Address: 1301 I-35 S. Development #: 08121
 City: West Region: 8 Population Served: Elderly
 County: McLennan Zip Code: 76691 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Cherrywood Apartments, LP
 Owner Contact and Phone: Gary Maddock, (913) 685-9000
 Developer: Cherrywood Apartments, LP
 Housing General Contractor: TBD
 Architect: Cameron Ahead, Architect, Inc.
 Market Analyst: TBD
 Syndicator: Michel Associates Ltd
 Supportive Services: Kelly Environmental Consulting
 Consultant: MKG Consulting, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	20
	1	0	3	16	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	16	4	0	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Total Development Units:	20
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	3
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	16
		HOME Low Total Units:	4

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$110,304	\$0			
HOME Activity Fund Amount:	\$241,301	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cherrywood Apartments, TDHCA Number 08121

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S

Points: 14 US Representative: Edwards, District 17, NC

TX Representative: Anderson, District 56, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **0** In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from an elected official.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cherrywood Apartments, TDHCA Number 08121

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **157** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Applicant ineligible for USDA Funding.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID **08121**

Name **Cherrywood Apartments**

City: **West**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/7/2008

Date: 5/27/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4 /9 /2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4 /8 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Mill Stone Apartments, TDHCA Number 08124

BASIC DEVELOPMENT INFORMATION

Site Address: 8600 Randoll Mill Rd. Development #: 08124
 City: Fort Worth Region: 3 Population Served: General
 County: Tarrant Zip Code: 76120 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: FW Mill Stone Partners, LP
 Owner Contact and Phone: Bert Magill, (713) 785-6006
 Developer: San Jacinto Realty Services, LLC
 Housing General Contractor: William Taylor & Co., Inc.
 Architect: Thompson Nelson Group
 Market Analyst: Apartment Market Data, LLC
 Syndicator: Apollo Housing Capital
 Supportive Services: TBD
 Consultant: Gannon Outsourcing

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	144
	0 0 120 24	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 10 78 56 0 0	Total Development Units:	144
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	9
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Mill Stone Apartments, TDHCA Number 08124

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nelson, District 12, NC

Points: 0

US Representative: Burgess, District 26, NC

TX Representative: Veasey, District 95, NC

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **0**

In Opposition **47**

Quantifiable Community Participation Input:

John T. White Neighborhood Association of East Fort Worth, DeDe Smith

Letter Score: 0 S or O: O

This is not in keeping with the City of Fort Worth's Comprehensive Plan or the current City-initiated zoning change for our area as reflected by reducing the multifamily zoning and increasing single family zoning.

There are fourteen market rate apartments nearby, some with lower rental rates than Mill Valley.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General opposition was received from non-official(s). The Bently Village - Waterchase Estates HOA spoke in opposition at the public hearing, citing overdevelopment, decreased property values, concerns about crime, and diminished quality of living for established residents.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Mill Stone Apartments, TDHCA Number 08124

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **160** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

South Acres Ranch, TDHCA Number 08126

BASIC DEVELOPMENT INFORMATION

Site Address: E. Side of Approx. 11500 Blk Scott Development #: 08126
City: Houston Region: 6 Population Served: General
County: Harris Zip Code: 77047 Allocation: Urban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: South Acres Ranch, Ltd.
Owner Contact and Phone: W. Barry Kahn, (713) 871-0063
Developer: HK/South Acres Development, LLC
Housing General Contractor: Hettig Construction Corp.
Architect: JRM Architects, Inc.
Market Analyst: O'Connor & Associates
Syndicator: Hudson Housing Capital, LLC
Supportive Services: Child and Adult Development Center of Houston, Inc
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 77
4 0 28 45 Market Rate Units: 3
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 0 0 0 80 0 Total Development Units: 80
Type of Building: Total Development Cost*: \$14,475,703
Number of Residential Buildings: 80
HOME High Total Units: 0
HOME Low Total Units: 0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$1,200,000 \$1,200,000
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

South Acres Ranch, TDHCA Number 08126

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, NC

Points: 0 US Representative: Green, District 9, NC

TX Representative: Miles, District 146, S

Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 1

Quantifiable Community Participation Input:

Southeast Coalition of Civic Clubs, Bessie Swindle

Letter Score: 24 S or O: S

The primary purpose for this development is to improve the general welfare of our community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and from a qualified Neighborhood Organization. Although they did not qualify for Quantifiable Community Participation, the Sunnyside/South Acres/Crestmont Park Super Neighborhood Organization and the Issachar America, Inc. Neighborhood Organization submitted letters stating their support for the proposed development because there is a need for affordable housing, the project will increase revenue for the businesses in the community and raise property values.

Opposition was received from the Reed Parque Limited Partnership, which owns a tax credit development in same area and opposes the new development based on heavy concentration of tax credit developments and vacancies.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, before closing, of evidence that the subject property will have legal access to Scott Street as indicated in the site plan.
2. Receipt review and acceptance of documentation supporting how the proposed HOME funds will avoid being characterized as below market federal funds. This will include at a minimum, an opinion from a tax counsel or CPA.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the rates and terms of the financing as proposed in the application change, the transaction should be reevaluated, and changes to the recommended financing may be warranted.
5. Receipt of a commitment of funding from the City of Houston in the amount of \$1,650,000, or a commitment from a qualifying substitute source in an amount not less than \$723,786, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

South Acres Ranch, TDHCA Number 08126

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/23/08 PROGRAM: 9% HTC FILE NUMBER: 08126

DEVELOPMENT

South Acres Ranch

Location: east side of 11500 block of Scott Region: 6
 City: Houston County: Harris Zip: 77047 OCT DDA
 Key Attributes: Single Family, New Construction, Urban, Family

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance, before closing, of evidence that the subject property will have legal access to Scott Street as indicated in the site plan.
- 2 Receipt review and acceptance of documentation supporting how the proposed HOME funds will avoid being characterized as below market federal funds. This will include at a minimum, an opinion from a tax counsel or CPA.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the rates and terms of the financing as proposed in the application change, the transaction should be reevaluated, and changes to the recommended financing may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	45

PROS

- The principals of the Applicant have considerable experience and financial resources.

CONS

- The Underwriter analysis was unable to determine sufficient demand to support the proposed property with all 4 bedroom units under the standard market analysis guidelines.

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- The Applicant's and Underwriter's expense to income ratios are quite high at above 60%, which reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, both are below the Department's 65% maximum and, therefore, no other mitigation is required.
- The proposed number of four-bedroom units targeting 60% households may be more than the demand for such units given the Market Analyst's capture rate of over 100% for this unit type.
- Without the proposed HOME funds or if the HOME funds are removed from basis the development will be financially infeasible.

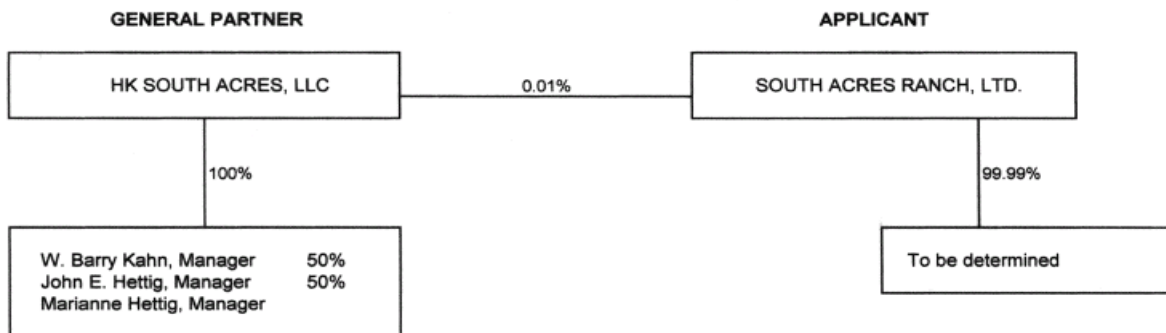
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

**SOUTH ACRES RANCH, LTD.
APPLICANT ORGANIZATIONAL CHART
TDHCA #08126**



CONTACT

Contact: W. Barry Kahn Phone: (713) 871-0063 Fax: (713) 871-1916
 Email: bkahn@hettig-kahn.com

KEY PARTICIPANTS

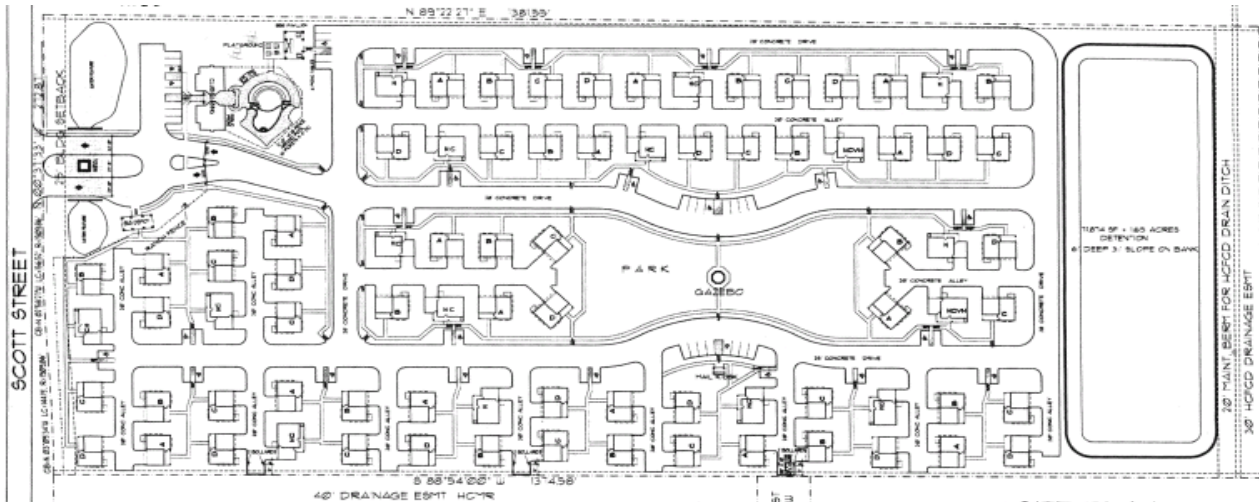
Name	Financial Notes	# Completed Developments
W. Barry Kahn	N/A	thirteen developments
John E. Hettig	N/A	
Marianne Hettig	N/A	

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

BR/BA	SF	Single Family Units								Total Units	Total SF
4 /2.5	1,429	64								64	91,456
4 /2	1,445	16								16	23,120
Units per Building		1								80	114,576

SITE ISSUES

Total Size: 18 acres Scattered site? Yes No

Flood Zone: X Within 100-yr floodplain? Yes No

Zoning: N/A Needs to be re-zoned? Yes No N/A

Comments:

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/10/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Wooded East: Wooded

South: Residential West: Wooded

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 1/17/2008

Comments:

This assessment has revealed no evidence of recognized environmental conditions in connection with the property ... It is the opinion of Phase Engineering, Inc. that no additional appropriate investigation is necessary to detect the presence of hazardous substances or petroleum products at the subject property.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 2/14/2008
 Contact: Robert O. Coe Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 4 Date of Last Applicant Revision: 6/23/2008

Primary Market Area (PMA): 41 sq. miles 4 mile radius

"The subject's primary market area is defined as that area within Zip Codes 77033, 77045, 77047, 77048, and 77051, which contains the following census tracts:

- | | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 48201330100 | 48201330900 | 48201331400 | 48201331800 | 48201332200 |
| 48201330200 | 48201331000 | 48201331500 | 48201331900 | 48201332300 |
| 48201330400 | 48201331100 | 48201331600 | 48201332000 | 48201332400 |
| 48201330500 | 48201331200 | 48201331700 | 48201332100 | |
| 48201330600 | 48201331300 | 48201331800 | | |

The rough geographic boundaries of the PMA are Holmes Road and Loop 610 to the north, Mykawa Road to the east, Clear Creek and West Fuqua to the south, and FM 521 and South Post Oak Road to the west." (p. 10) The PMA has an estimated 2007 population of 97,912, with 31,720 households.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA				
Name	File #	Total Units	Comp Units	
Cypress Creek	07291	132	4	

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

Demand Analysis

The subject property consists solely of four-bedroom units, and is therefore targeting a narrow portion of the market. The Market Analyst reports that "the 2003-2007 Consolidated Plan for the City of Houston indicated that only 6% of the multifamily housing stock consists of three bedrooms or more, and that there is significant pent-up demand for larger rental units. Analysis of the current Harris County housing development trends ... shows that the market is pumping out an abundant supply of one- and two-bedroom housing units in response to estimated and projected increase of smaller households. However, the market's response to meet the needs of smaller households has created a void in meeting the needs of large households." (p. 42)

"The management company for the proposed subject property also manages three similar tax credit projects ... Sterling Green Village (15255 Ferness Lane, Channelview) was completed in 1996 and consists of 150 four-bedroom single-family residences ... Occupancy has historically remained near full, and is currently 93% occupied and 95% preleased ... Waterside Court (503 West Road) was completed in October 2007 and is currently 100% occupied ... The Enclave (West Tidwell near Ella Blvd.), also completed in 2007, is a 40-unit four-bedroom detached dwelling community which is 100% occupied ... Since there are very few four-bedroom free-standing homes in the subject area which are in good condition, and considering that the subject will have attached garages, demand for the subject is expected to be favorable." (p. 12)

This section intentionally left blank.

In seeking to quantify the unstabilized comparable housing supply, the Market Analyst only considered four-bedroom units to be truly comparable. "There are three recently-constructed HTC projects within the PMA ... The Oakmoor is a 248-unit family project and is currently 96% occupied; Alta Gardens is a 240-unit family project with current occupancy of 98% and preleased to 100%; and Lansborough is a 176-unit family development with current occupancy of 100%." (pp. 47-48) These projects are not considered stabilized because they have not been at greater than 90% occupancy for at least 12 months; however, they have not contributed to the relevant unstabilized supply because none offers four-bedroom units. Additionally there are two HTC projects under construction within the PMA: Reed Road Seniors, which is not comparable because it is a senior development; and Cypress Creek at Reed Road, a 132-unit family project which will include 4 four-bedroom units. These four units will be considered in determining an inclusive capture rate.

While considering only four-bedroom units in the comparable supply, the Market Analyst also appropriately limited the potential demand to households of 5 persons or more. Four-person households are technically potential tenants of four-bedroom units, but in reality, only a very narrow band of four-person household incomes is eligible for any of the units; and furthermore, if four-person households are included as potential demand, then three-bedroom units would need to be included as available supply. Based on the PMA population of households with 5 persons or more, and 81 unstabilized units (77 affordable units at the subject and 4 at Cypress Creek), the Market Analyst calculated an inclusive capture rate of 13%, which is below the Department's limit of 25% for family developments in urban areas.

However, the Market Analyst's conclusion of sufficient demand to support the subject development is based on inaccurate calculations. The eligible income band for the 30% units is \$18,240 to \$21,300; for the 50% units it is \$30,377 to \$35,450; and for the 60% units it is \$36,446 to \$42,540. There is a significant band of ineligible households between the maximum 30% income and the minimum 50% income. There is also a small gap between 50% and 60%. The underwriting analysis excludes these ineligible ranges, but the Market Analyst included the entire range from \$18,240 to \$42,540. As a result, the Market Analyst calculated demand for 328 units from household turnover and 5 units from household growth, whereas the Underwriter calculated demand for 179 units from turnover and 2 units from growth.

Holders of Section 8 vouchers administered by the Housing Authorities of Houston and Harris County will also be potential tenants for the subject. The Market Analyst reported a total of 16,735 vouchers available, and calculated theoretical demand for 294 units within the PMA. However, this calculation included all household sizes. The underwriting analysis considered a larger population of potential voucher-holders because it includes the ineligible income ranges mentioned above; however, after adjusting for households of 5 or more, the conclusion is potential demand for 62 units from voucher holders within the PMA who would not otherwise be income-eligible. The overall conclusion of the underwriting analysis is an inclusive capture rate of 33%, which exceeds the Department's 25% limit.

During the underwriting process the Market Analyst offered a variety of information to support the viability of the subject. The report from the City of Houston mentioned above was reiterated, stating the need for housing for larger families. The Market Analyst attempted to quantify this by citing census data showing a discrepancy between the existing supply of 4 bedroom rental units and the number of large households. But these households are already accounted for in the calculation of demand from turnover.

The Market Analyst also cited census data regarding rent-overburdened households in the PMA (households paying more than 40% of income on rent), as well as overcrowded households (households occupying units with more than 1.5 persons per bedroom). While these are potential sources of demand, there is no way to specifically quantify this demand in terms of households eligible for the subject property. However the analysis already includes turnover at 50%. The Market Analyst suggests that because there are theoretically more rent overburdened and over crowded low income households as household size increases, then the turnover for larger households should be higher than average.

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The Market Analyst also offered calculations of additional demand from the Secondary Market Area (SMA) defined as the City of Houston (excluding the PMA). Again, this is a potential source of demand, but the Real Estate Analysis Rules allow no more than 25% of demand to be sourced from outside the PMA; moreover, if SMA demand is considered, then 25% of the relevant unstabilized supply in the SMA must be considered. These limitations prevented the SMA calculations from providing sufficient demand to meet the 25% capture rate maximum.

The most compelling evidence provided is the previous absorption of comparable properties. As indicated above, both Waterside Court and the Enclave were completed in 2007 and leased up to 100% within six months. The Developer has also just completed Sheldon Ranch, another four-bedroom single family property with 30 units located on the east side of Houston. Sheldon Ranch reportedly just began leasing this month and is already 100%, with an additional 110 applicants still on the waiting list. While none of these properties is located within the subject PMA, this data would certainly suggest there exists pent-up demand in the Houston area for properties similar to the subject.

The standard underwriting criteria is 1.5 persons per bedroom; for four-bedroom units, this means a maximum of 6 person households, and maximum incomes defined as 60% of AMI for a 6-person household. The Underwriter was unable to determine an inclusive capture rate within the 25% limit under these standard criteria. However, it would appear the subject property is a special case that does not fit squarely within the standard guidelines. There is clearly a significant shortage of affordable four-bedroom units available in the Houston area. The supply of five or more bedroom units is much less, which would suggest that the subject is likely to serve many households larger than the 6-person standard. By considering larger households the Underwriter was able to identify enough additional demand to conclude a capture rate of 23% and concur with the Market Analysts' underlying assertion that the development is feasible in this market.

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
4 BR/ 30% Rent Limit	37	-1		36	4	0	11%
4 BR/ 50% Rent Limit	40	-1		39	28	0	72%
4 BR/ 60% Rent Limit	48	-2		47	45	4	104%
Total	125	-4	294	416	77	4	19%

UNDERWRITER'S DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
4 BR/ 30% Rent Limit	35	-1		34	4	0	12%
4 BR/ 50% Rent Limit	36	-1		35	28	0	80%
4 BR/ 60% Rent Limit	44	-2		42	45	4	116%
Total	115	-4	84	195	77	4	42%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER (turnover)										
Market Analyst p. 75	100%	31,720	19%	6,179	11%	657	50%	328		
Underwriter	100%	32,166	19%	6,266	19%	1,196	30%	359	50%	179

PMA DEMAND from HOUSEHOLD GROWTH (growth)									
Market Analyst p. 75		19%	43	11%	5	100%	5		
Underwriter		19%	44	19%	8	30%	3	100%	2
DEMAND from OTHER SOURCES									
Market Analyst p. 74							294		
Underwriter							84		

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)		Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 75	77	4		81	627	13%
Underwriter	77	4		81	265	31%

Primary Market Occupancy Rates:

"The average occupancy for comparable properties in the subject's primary market area was reported at 87% and pre-leased to 93%. Occupancy rates and rental rates in this market area have remained stable over the last few years, with gradual increases in rental rates." (p. 10)

Absorption Projections:

Absorption in the subject's primary market area over the past twelve quarters ending December 2007 totals a positive 975 units. Absorption has been positive in nine of the past twelve quarters ... Based on our research, most projects that are constructed in the Greater Houston area typically lease up within 12 months." (p. 13)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
4 BR 1,429 SF 30%	\$214	\$215	\$1,230	\$215	\$1,015		
4 BR 1,429 SF 50%	\$568	\$569	\$1,230	\$569	\$661		
4 BR 1,429 SF 60%	\$745	\$746	\$1,230	\$746	\$484		
4 BR 1,429 SF Mkt	\$950	N / A	\$1,230	\$950	\$280		
4 BR 1,445 SF 30%	\$214	\$215	\$1,190	\$215	\$975		
4 BR 1,445 SF 50%	\$568	\$569	\$1,190	\$569	\$621		
4 BR 1,445 SF 60%	\$745	\$746	\$1,190	\$746	\$444		
4 BR 1,445 SF Mkt	\$950	N / A	\$1,190	\$950	\$240		

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market, especially since 4BR units are in such limited supply within the market." (p. 13)

Comments:

By including only four-bedroom units, the subject property has limited its potential market to the 19% of the population that comprise households with five or more persons. Despite the Market Analyst's positive conclusion, the Underwriter was only able to identify sufficient demand by considering larger households than normally considered by the Real Estate Analysis Rules.

This section intentionally left blank.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 4 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 91 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2008

The Applicant's income is based on maximum program rents adjusted for utility allowances provided by the Houston Housing Authority. The Applicant's adjustments for non-rental income and losses due to vacancy and collection are consistent with underwriting guidelines. Overall, the Applicant's projected effective income is equivalent to the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2008

The Applicant's proposed annual operating expenses of \$4,880 per unit is higher than typical HTC properties, but understandable given that the subject is comprised exclusively of 4-bedroom single family units. The underwriting estimate is \$4,787 per unit. Individual line items that differ significantly from the Underwriter's estimate include payroll and payroll tax (\$9.7K higher), repairs and maintenance (\$15K higher); and property tax (\$16K lower).

Conclusion:

The Applicant's proposed income, operating expenses, and net operating income (NOI) are each within 5% of the underwriting estimates; therefore the Applicant's figures will be used to determine debt capacity and financial feasibility. The Applicant's first year NOI and proposed financing structure produce a debt coverage ratio (DCR) of 1.24, which is within the underwriting range of 1.15 to 1.35.

The Applicant's and Underwriter's expense to income ratios (64.73% and 63.50%, respectively) are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However, both are below the Department's 65% maximum and, therefore, no other mitigation is required.

Feasibility:

The Applicant's proposed income and expense budgets are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above the minimum 1.15 throughout the proforma period. The project can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Assessed tract:	87	acres	<u>\$1,704,778</u>	Tax Year:	<u>2007</u>
Subject tract:	18	acres	<u>\$352,836</u>	Valuation by:	Harris County Appraisal District
Subject prorata Value:			<u>\$352,836</u>	Tax Rate:	<u>2.86215</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Earnest Money Contract</u>	Acreage:	<u>18</u>
Contract Expiration:	<u>9/10/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,568,160</u>	Other:	<u>price based on \$2 per square foot</u>
Seller:	<u>PMI Scott LP</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:

Schedule B, Item 17 of the title commitment states "It appears that the subject property has no means of access to any public road". This report will be conditioned on receipt, review, and acceptance, before closing, of evidence that the subject property will have legal access to Scott Street as indicated in the site plan.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N / A

Acquisition Value:

The acquisition price of \$1,568,160 indicated in the development cost schedule is consistent with the contract sales price. This amount is assumed to be reasonable as the purchase is an arm's length transaction. The per lot price, however, is equal to a significant \$19,602 per lot. These lots are currently unimproved.

Off-Site Cost:

The Applicant has not indicated any offsite costs would be involved in this development, however to the extent that the streets on site are ultimately dedicated to the city the cost for their construction would be considered off-site costs and would be ineligible for consideration as basis. This analysis assumes that the streets will not be dedicated to the city.

Sitework Cost:

The proposed site work of \$8,949 per unit is less than the Department's threshold of \$9,000; therefore, no further substantiation is required.

Direct Construction Cost:

The Applicant's proposed direct construction cost is \$7,370,055. This is within 5% of the Underwriter's estimate derived from the *Marshall & Swift Residential Cost Handbook*.

Interim Interest, Contingency & Fees:

The Applicant's proposed figures for interim interest, contingency, and contractor and developer fees are all consistent with underwriting guidelines.

Conclusion:

The Applicant's total development cost is within 5% of the underwriting estimate; therefore, the Applicant's total will be used to calculate eligible basis and to determine the need for permanent financing. The calculated eligible basis of \$12,189,543 is increased by 30% by virtue of Harris County's designation as a Difficult Development Area; basis is then adjusted by the Applicable Fraction of 96.24% because 3 of the 80 units will not be subject to the rent and income limits; the resulting adjusted basis of \$15,251,281 supports an annual tax credit allocation of \$1,268,907. This amount exceeds the \$1.2M maximum allocation per development. The maximum amount will be compared to the allocation requested by the Applicant, and the allocation amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/17/2008

Source: PMI Scott, LP Type: Interim Financing

Principal: \$300,000 Interest Rate: 7.0% Fixed Term: 12 months

Comments:

The Applicant has received a commitment for \$300,000 of private source funding from PMI Scott, LP, a Texas Limited Partnership and seller of the land for the subject development, for one year from land closing at a 7% interest rate. This loan will be repaid from construction loan proceeds or other developer sources.

Source: City of Houston Type: Interim to Permanent Financing

Principal: \$1,650,000 Interest Rate: AFR Fixed Amort: 360 months

Comments:

The Applicant has submitted an application to the City of Houston to provide HOME funds for the development in the amount of \$1,650,000. The loan will accrue interest at the AFR for 30 years and all principal and interest will be due at that time. It will be secured by a second lien mortgage on the property and will also require certain restrictions in addition to the LIHTC restrictions. The loan has been recommended by the city council member in whose district the property is located.

These HOME funds are not structured to make payments and therefore may be considered below market rate federal subsidies and as such run the risk of being required to be removed from eligible basis. The removal of these funds from basis would result in a determination that the development is financial infeasible as there would be insufficient cash flow to repay the required increase in deferred developer fee. Therefore this report is conditioned upon receipt review and acceptance of documentation supporting how these fund will avoid being characterized as below market federal funds. This will include at a minimum, an opinion from a tax counsel or CPA.

Source: Capital One Type: Interim to Permanent Financing

Principal: \$2,100,000 Interest Rate: 7.3% Fixed Amort: 360 months

Comments:

A \$950,000 construction loan will be obtained from Capital One. The interest rate is to be either LIBOR plus 200 basis points or Prime. The construction portion of the loan would be for a term of two years with monthly payments of interest only.

A permanent mortgage will be obtained from Capital One in the amount of \$2,100,000. It will be tied to an index of the 10-year Treasury plus 265 basis points. The lender used a rate of 7.25% for underwriting purposes.

Source: Hudson Housing Capital, LLC Type: Syndication

Proceeds: \$10,198,980 Syndication Rate: 85% Anticipated HTC: \$ 1,200,000

Comments:

If the syndication rate were to fall to \$0.8235 or below, the required deferred developer fee would exceed the 15-year available cash flow and the financing would be deemed infeasible. If the syndication rate were to increase to above \$0.8938, the equity proceeds would exceed the gap in financing, and the credit allocation should be reduced.

Amount: \$526,723 Type: Deferred Developer Fees

Comments:

The developer will defer such amount of its developer fee as is necessary to make the development financially feasible. It is currently anticipated that the developer will defer \$775,958 of its fee during construction and \$526,723 once construction is completed and all equity has been funded. Payments of the deferred developer fee will be based on the cash flow of the development and will bear interest at the then applicable federal rate. It is projected that all deferred developer fees will be paid in full prior to fifteen years from the placed in service date of the entire development.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent mortgage of \$2,100,000 and \$1,650,000 in HOME funds indicates the need for \$10,725,703 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,261,974 annually would be required to fill this gap in financing. This amount exceeds the maximum allocation of \$1.2M per development. Since the eligible basis amount and the gap in financing amount both exceed the maximum, the Applicant's requested allocation of \$1,200,000 is recommended. An allocation of \$1,200,000 would result in total equity proceeds of \$10,198,980 based on a syndication rate of \$0.85 per credit.

The Underwriter's recommended financing structure indicates the need for \$526,723 in additional permanent funds. A deferred developer fee in this amount appears to be repayable from development cashflow within less than 15 years of stabilized operation.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 23, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 23, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 23, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

South Acres Ranch, Houston, 9% HTC #08126

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	3	4	2.5	1,429	\$532	\$215	\$645	\$0.15	\$317.00	\$13.31
TC 50%	22	4	2.5	1,429	\$886	569	12,518	0.40	\$317.00	\$13.31
TC 60%	37	4	2.5	1,429	\$1,063	746	27,602	0.52	\$317.00	\$13.31
MR	2	4	2.5	1,429		950	1,900	0.66	\$317.00	\$13.31
TC 30%	1	4	2	1,445	\$532	215	215	0.15	\$317.00	\$13.31
TC 50%	6	4	2	1,445	\$886	569	3,414	0.39	\$317.00	\$13.31
TC 60%	8	4	2	1,445	\$1,063	746	5,968	0.52	\$317.00	\$13.31
MR	1	4	2	1,445		950	950	0.66	\$317.00	\$13.31
TOTAL:	80		AVERAGE:	1,432		\$665	\$53,212	\$0.46	\$317.00	\$13.31

INCOME		Total Net Rentable Sq Ft:	114,576	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$638,544	\$638,544	Harris	Houston	6
Applications, late charges, telephone	Per Unit Per Month:	\$14.00		13,440	13,440	\$14.00	Per Unit Per Month	
Other Support Income:				0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$651,984	\$651,984			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(48,899)	(48,900)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				\$603,085	\$603,084			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.64%	\$350	0.24	\$28,002	\$27,252	\$0.24	\$341	4.52%
Management	4.00%	302	0.21	24,123	24,089	0.21	301	3.99%
Payroll & Payroll Tax	16.58%	1,250	0.87	99,981	109,716	0.96	1,371	18.19%
Repairs & Maintenance	7.18%	541	0.38	43,290	57,984	0.51	725	9.61%
Utilities	5.15%	389	0.27	31,084	23,664	0.21	296	3.92%
Water, Sewer, & Trash	4.98%	376	0.26	30,058	30,696	0.27	384	5.09%
Property Insurance	5.90%	444	0.31	35,557	42,000	0.37	525	6.96%
Property Tax	2.862	716	0.50	57,243	41,220	0.36	515	6.83%
Reserve for Replacements	3.32%	250	0.17	20,000	20,000	0.17	250	3.32%
TDHCA Compliance Fees	0.51%	39	0.03	3,080	3,200	0.03	40	0.53%
Other: Supportive Services	1.75%	132	0.09	10,560	10,560	0.09	132	1.75%
TOTAL EXPENSES	63.50%	\$4,787	\$3.34	\$382,978	\$390,381	\$3.41	\$4,880	64.73%
NET OPERATING INC	36.50%	\$2,751	\$1.92	\$220,107	\$212,703	\$1.86	\$2,659	35.27%

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
Capital One	28.50%	\$2,149	\$1.50	\$171,908	\$171,908	\$1.50	\$2,149	28.50%
Houston HOME	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	7.99%	\$602	\$0.42	\$48,198	\$40,795	\$0.36	\$510	6.76%
AGGREGATE DEBT COVERAGE RATIO				1.28	1.24			
RECOMMENDED DEBT COVERAGE RATIO					1.24			

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT						
Acquisition Cost (site or bldg)		10.76%	\$19,602	\$13.69	\$1,568,160	\$1,568,160	\$13.69	\$19,602	10.83%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		4.91%	8,949	6.25	715,945	715,945	6.25	8,949	4.95%	
Direct Construction		52.03%	94,817	66.20	7,585,341	7,370,055	64.32	92,126	50.91%	
Contingency	4.84%	2.76%	5,025	3.51	402,020	402,020	3.51	5,025	2.78%	
Contractor's Fees	13.64%	7.76%	14,151	9.88	1,132,040	1,132,040	9.88	14,151	7.82%	
Indirect Construction		4.09%	7,456	5.21	596,488	596,488	5.21	7,456	4.12%	
Ineligible Costs		2.46%	4,475	3.12	358,000	358,000	3.12	4,475	2.47%	
Developer's Fees	14.65%	10.87%	19,809	13.83	1,584,723	1,584,723	13.83	19,809	10.95%	
Interim Financing		2.66%	4,853	3.39	388,272	388,272	3.39	4,853	2.68%	
Reserves		1.70%	3,107	2.17	248,562	360,000	3.14	4,500	2.49%	
TOTAL COST		100.00%	\$182,244	\$127.25	\$14,579,551	\$14,475,703	\$126.34	\$180,946	100.00%	
Construction Cost Recap		67.46%	\$122,942	\$85.84	\$9,835,346	\$9,620,060	\$83.96	\$120,251	66.46%	

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
Capital One	14.40%	\$26,250	\$18.33	\$2,100,000	\$2,100,000	\$2,100,000	Developer Fee Available
Houston HOME	11.32%	\$20,625	\$14.40	1,650,000	1,650,000	1,650,000	\$1,584,723
HTC: Hudson Housing	69.95%	\$127,487	\$89.01	10,198,980	10,198,980	10,198,980	% of Dev. Fee Deferred
Deferred Developer Fees	3.61%	\$6,584	\$4.60	526,723	526,723	526,723	33%
Additional (Excess) Funds Req'd	0.71%	\$1,298	\$0.91	103,848	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$14,579,551	\$14,475,703	\$14,475,703	\$843,540

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

South Acres Ranch, Houston, 9% HTC #08126

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$70.83	\$8,115,401
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.10%		2.20	251,577
Roofing			0.00	0
Subfloor			(1.57)	(179,741)
Floor Cover			3.20	366,643
Balconies	\$20.33	11,888	2.11	241,683
Plumbing Fixtures	\$1,110	128	1.24	142,080
Rough-ins	\$450	80	0.31	36,000
Built-In Appliances	\$2,575	80	1.80	206,000
Interior Stairs	\$1,600	80	1.12	128,000
Attached Garages	\$26.21	4,672	1.07	122,444
Heating/Cooling			1.78	203,945
Built-In Garages	\$22.19	25,600	4.96	568,064
Comm &/or Aux Bldgs	\$82.28	1,995	1.43	164,156
Bus Depot	\$16.90	595	0.09	10,056
SUBTOTAL			90.56	10,376,309
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(9.06)	(1,037,631)
TOTAL DIRECT CONSTRUCTION COSTS			\$81.51	\$9,338,678
Plans, specs, survy, bld prm	3.90%		(\$3.18)	(\$364,208)
Interim Construction Interest	3.38%		(2.75)	(315,180)
Contractor's OH & Profit	11.50%		(9.37)	(1,073,948)
NET DIRECT CONSTRUCTION COSTS			\$66.20	\$7,585,341

PAYMENT COMPUTATION

Primary	\$2,100,000	Amort	360
Int Rate	7.25%	DCR	1.28

Secondary	\$1,650,000	Amort	
Int Rate		Subtotal DCR	1.28

Additional		Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE APPLICANT'S

NOI:

Primary Debt Service	\$171,908
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$40,795

Primary	\$2,100,000	Amort	360
Int Rate	7.25%	DCR	1.24

Secondary	\$1,650,000	Amort	
Int Rate	4.19%	Subtotal DCR	1.24

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

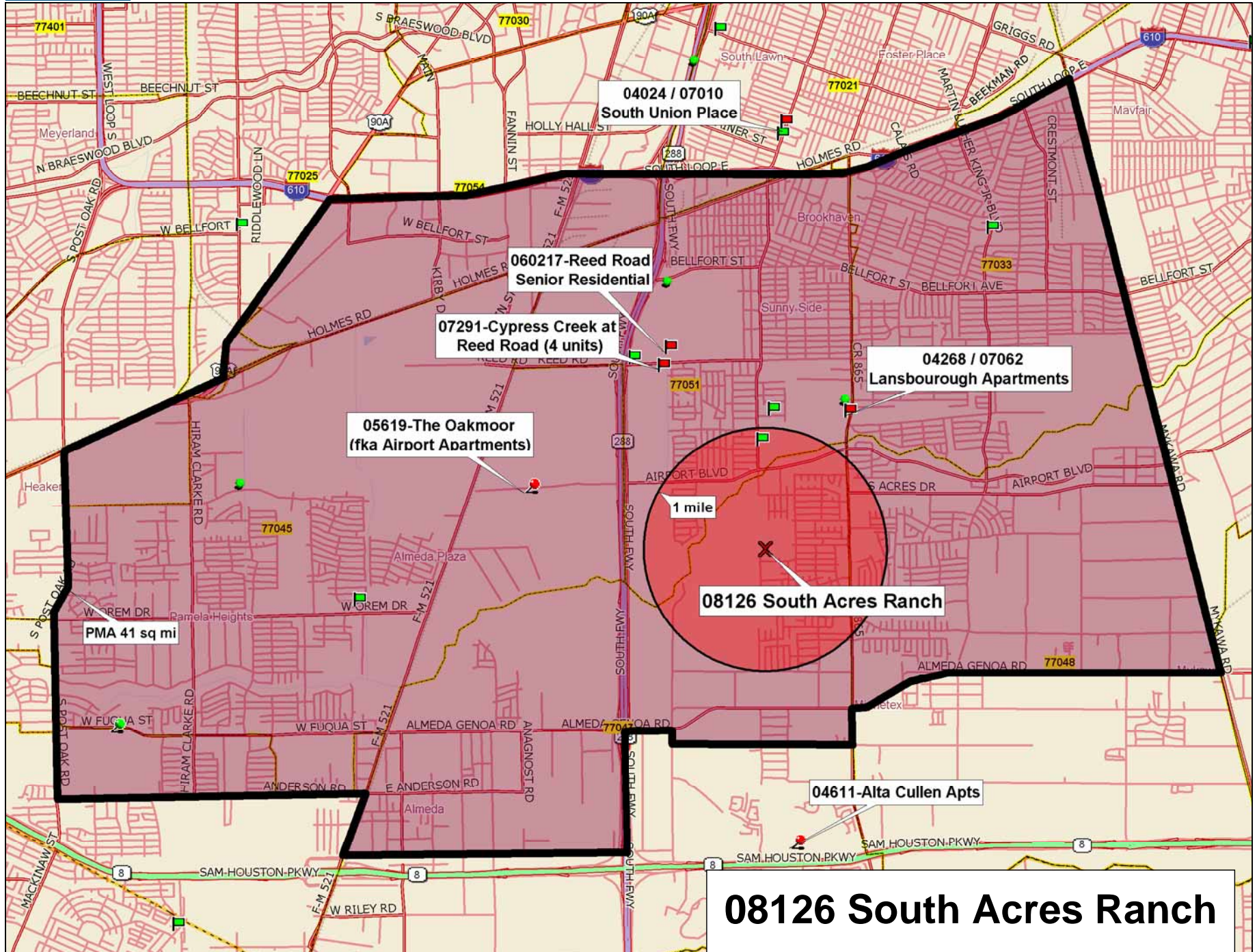
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$638,544	\$657,700	\$677,431	\$697,754	\$718,687	\$833,155	\$965,855	\$1,119,691	\$1,504,771
Secondary Income	13,440	13,843	14,258	14,686	15,127	17,536	20,329	23,567	31,672
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	651,984	671,544	691,690	712,441	733,814	850,691	986,184	1,143,258	1,536,443
Vacancy & Collection Loss	(48,899)	(50,366)	(51,877)	(53,433)	(55,036)	(63,802)	(73,964)	(85,744)	(115,233)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$603,085	\$621,178	\$639,813	\$659,007	\$678,778	\$786,889	\$912,220	\$1,057,514	\$1,421,210
EXPENSES at 4.00%									
General & Administrative	\$28,002	\$29,123	\$30,287	\$31,499	\$32,759	\$39,856	\$48,491	\$58,997	\$87,330
Management	24,123	24,847	25,593	26,360	27,151	31,476	36,489	42,301	56,848
Payroll & Payroll Tax	99,981	103,980	108,140	112,465	116,964	142,304	173,135	210,645	311,806
Repairs & Maintenance	43,290	45,022	46,823	48,696	50,643	61,616	74,965	91,206	135,007
Utilities	31,084	32,327	33,620	34,965	36,364	44,242	53,827	65,489	96,940
Water, Sewer & Trash	30,058	31,260	32,510	33,811	35,163	42,781	52,050	63,327	93,739
Insurance	35,557	36,979	38,458	39,996	41,596	50,608	61,572	74,912	110,889
Property Tax	57,243	59,533	61,914	64,391	66,966	81,475	99,126	120,602	178,521
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	13,640	14,186	14,753	15,343	15,957	19,414	23,620	28,737	42,538
TOTAL EXPENSES	\$382,978	\$398,056	\$413,730	\$430,023	\$446,961	\$542,238	\$657,910	\$798,354	\$1,175,992
NET OPERATING INCOME	\$220,107	\$223,121	\$226,083	\$228,984	\$231,817	\$244,651	\$254,311	\$259,160	\$245,218
DEBT SERVICE									
First Lien Financing	\$171,908	\$171,908	\$171,908	\$171,908	\$171,908	\$171,908	\$171,908	\$171,908	\$171,908
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$48,198	\$51,213	\$54,175	\$57,076	\$59,909	\$72,743	\$82,402	\$87,251	\$73,309
DEBT COVERAGE RATIO	1.28	1.30	1.32	1.33	1.35	1.42	1.48	1.51	1.43

HTC ALLOCATION ANALYSIS -South Acres Ranch, Houston, 9% HTC #08126

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,568,160	\$1,568,160		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$715,945	\$715,945	\$715,945	\$715,945
Construction Hard Costs	\$7,370,055	\$7,585,341	\$7,370,055	\$7,585,341
Contractor Fees	\$1,132,040	\$1,132,040	\$1,132,040	\$1,132,040
Contingencies	\$402,020	\$402,020	\$402,020	\$402,020
Eligible Indirect Fees	\$596,488	\$596,488	\$596,488	\$596,488
Eligible Financing Fees	\$388,272	\$388,272	\$388,272	\$388,272
All Ineligible Costs	\$358,000	\$358,000		
Developer Fees				
Developer Fees	\$1,584,723	\$1,584,723	\$1,584,723	\$1,584,723
Development Reserves	\$360,000	\$248,562		
TOTAL DEVELOPMENT COSTS	\$14,475,703	\$14,579,551	\$12,189,543	\$12,404,829

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,189,543	\$12,404,829
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$15,846,406	\$16,126,278
Applicable Fraction		96.24%	96.24%
TOTAL QUALIFIED BASIS		\$15,251,281	\$15,520,642
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,268,907	\$1,291,317

Syndication Proceeds	0.8499	\$10,784,627	\$10,975,100
Total Tax Credits (Eligible Basis Method)		\$1,268,907	\$1,291,317
Syndication Proceeds		\$10,784,627	\$10,975,100
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,198,980	
Gap of Syndication Proceeds Needed		\$10,725,703	
Total Tax Credits (Gap Method)		\$1,261,974	



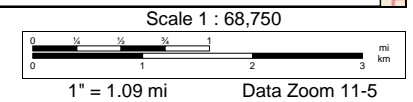
08126 South Acres Ranch

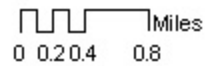
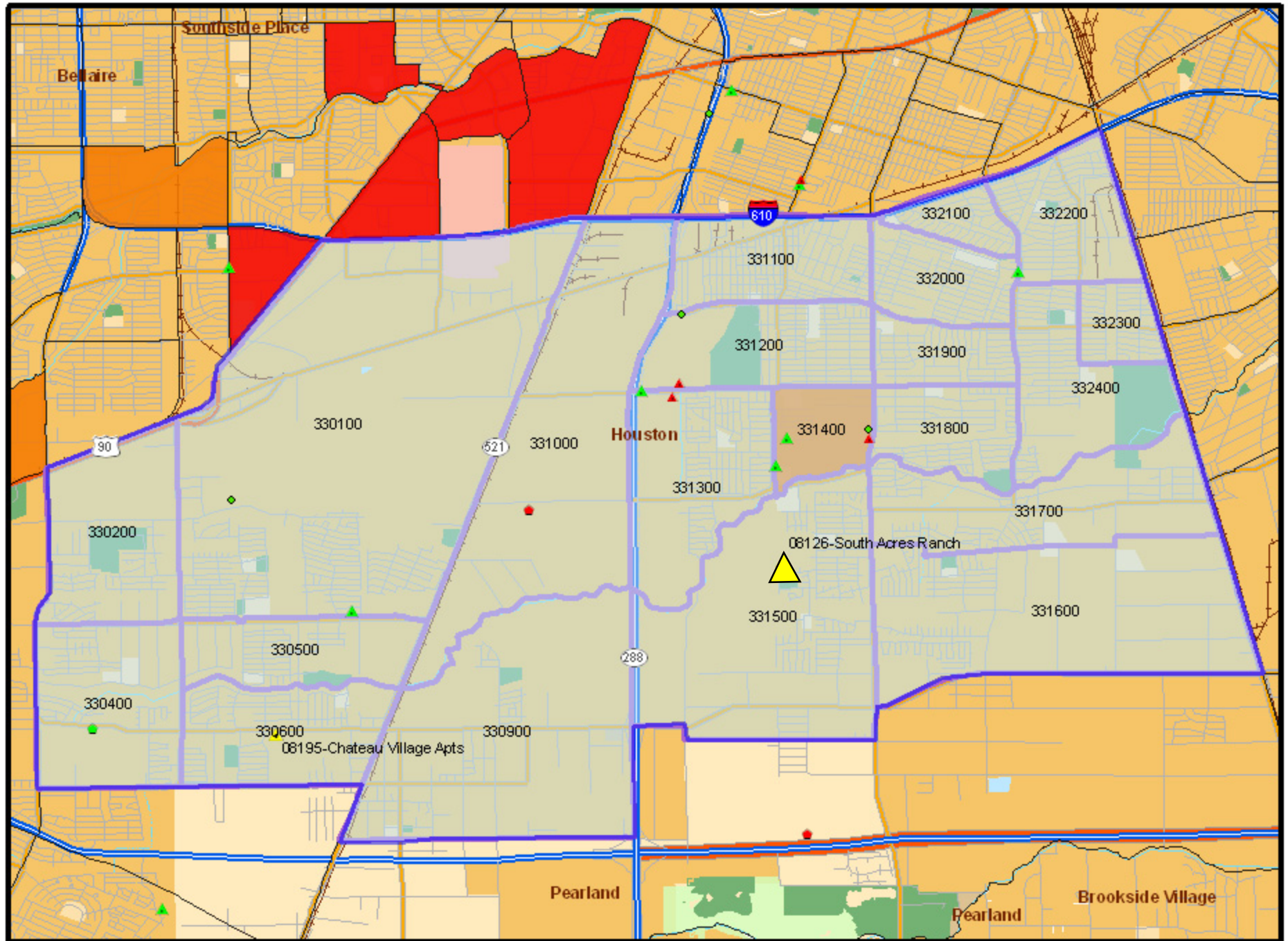
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- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
 - Orange Tracts: 1000 to 1432 units/sq.mi.

08126 - South Acres Ranch

Applicant Evaluation

Project ID **08126**

Name **South Acres Ranch**

City: **Houston**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 10

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 4

Projects grouped by score	0-9: <u>8</u>
	10-19: <u>2</u>
	20-29: <u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 10

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/1/2008

Date: 5/27/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Melissa Whitehead

Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /20/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mid-Towne Apartments, TDHCA Number 08128

BASIC DEVELOPMENT INFORMATION

Site Address: 820 E. Carrell St. Development #: 08128
 City: Tomball Region: 6 Population Served: General
 County: Harris Zip Code: 77375 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: HVM Mid-Towne, Ltd.
 Owner Contact and Phone: Dennis Hoover, (512) 756-6809
 Developer: Dennis Hoover
 Housing General Contractor: Hoover Construction, Inc.
 Architect: Harry Bostic
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	54
	0 0 44 8	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	2
	0 16 32 6 0 0	Total Development Units:	54
Type of Building:		Total Development Cost*:	\$3,996,627
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	7
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$281,188	\$280,619			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Mid-Towne Apartments, TDHCA Number 08128

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Patrick, District 7, S Points: 14 US Representative: McCaul, District 10, S
TX Representative: Van Arsdale, District 130, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Gretchen Fagan, Mayor Resolution of Support from Local Government [checked]

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Mid Towne Apts. - Quality of Life, Carol Steward Letter Score: 24 S or O: S

The property we live on here at Mid-Towne is in need of repairs and updating.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
Greater Tomball Area Chamber of Commerce S or O: S
Tomball Emergency Assistance Ministries S or O: S
Church of The Good Shepherd S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and civic organizations.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans.
2. Receipt, review, and acceptance, by cost certification, of documentation that the requested increase in the existing basic rents has been approved by USDA-RD.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms and rates of the existing or proposed debt, syndication, or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.
5. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$250,000, or a commitment from a qualifying substitute source in an amount not less than \$197,688, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Mid-Towne Apartments, TDHCA Number 08128

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$280,619

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/08 PROGRAM: 9% HTC FILE NUMBER: 08128

DEVELOPMENT

Mid-Towne Apartments

Location: 820 E. Carrell St. Region: 6
 City: Tomball County: Harris Zip: 77375 OCT DDA
 Key Attributes: Multifamily, Rural, Family, Acquisition/Rehabilitation, At Risk, USDA

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$281,181			\$280,619		

CONDITIONS

- 1 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans.
- 2 Receipt, review, and acceptance, by cost certification, of documentation that the requested increase in the existing basic rents has been approved by USDA-RD.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the terms and rates of the existing or proposed debt, syndication, or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	50% of AMI	43
60% of AMI	60% of AMI	10

PROS

- The application proposes the revitalization and preservation of a 21-year-old USDA-RD property.
- The development team has considerable experience with USDA-RD/HTC rehabilitations.

CONS

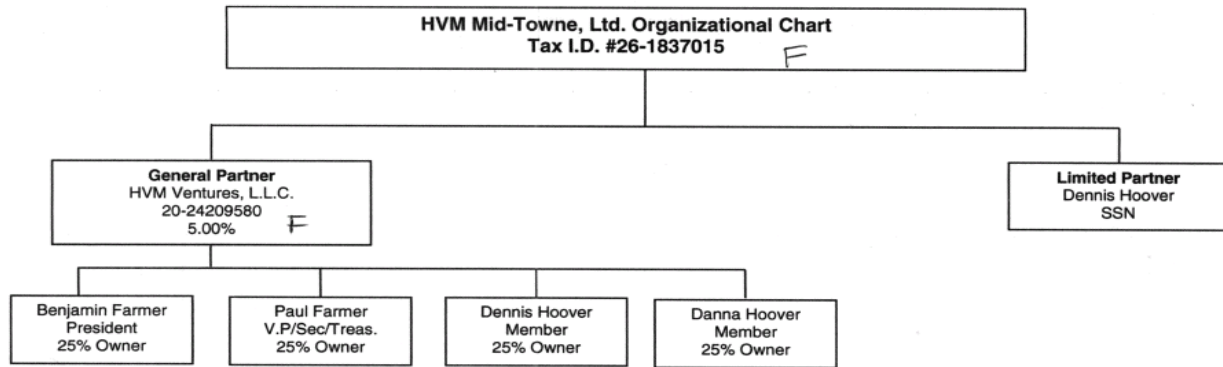
- Both the Applicant's and Underwriter's expense to income ratio exceed the Department's 65% maximum guideline; however, this is mitigated by the project based rental assistance received from USDA-RD.
- The development only receives rental assistance on one unit; this limits the development's ability to sustain periods of increasing expenses and flat rents.
- The acquisition is an identity of interest.

PREVIOUS UNDERWRITING REPORTS

The subject submitted an application in the 2007 9% HTC cycle. The underwriting analysis determined the application to be financially infeasible due to an excessive expense to income ratio and insufficient debt coverage. This year's application has not changed significantly and includes the same high expense to income ratio and limited projected ability to satisfy debt service after year 15. However, the Department's rules were modified for this year to provide more flexibility for USDA development's and other's with project based rental assistance because project based rental assistance acts as a hedge against the flat market rent/increasing expenses economic scenario. In this case only one unit of rental assistance exists and thus the depth of this hedge is limited. Nonetheless, the Department's current rule allows for this exception.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dennis Hoover Phone: (512) 756-6809 Fax: (512) 756-9885
 Email: dennishoover@hamiltonvalley.com

KEY PARTICIPANTS

Name	Financial Notes	# of Complete Developments
HVM Ventures, LLC	Newly Formed	--
Dennis Hoover	N/A	14 LIHTC Developments
Danna Hoover	N/A	6 LIHTC Developments
Benjamin Farmer	N/A	none listed
Paul Farmer	N/A	none listed

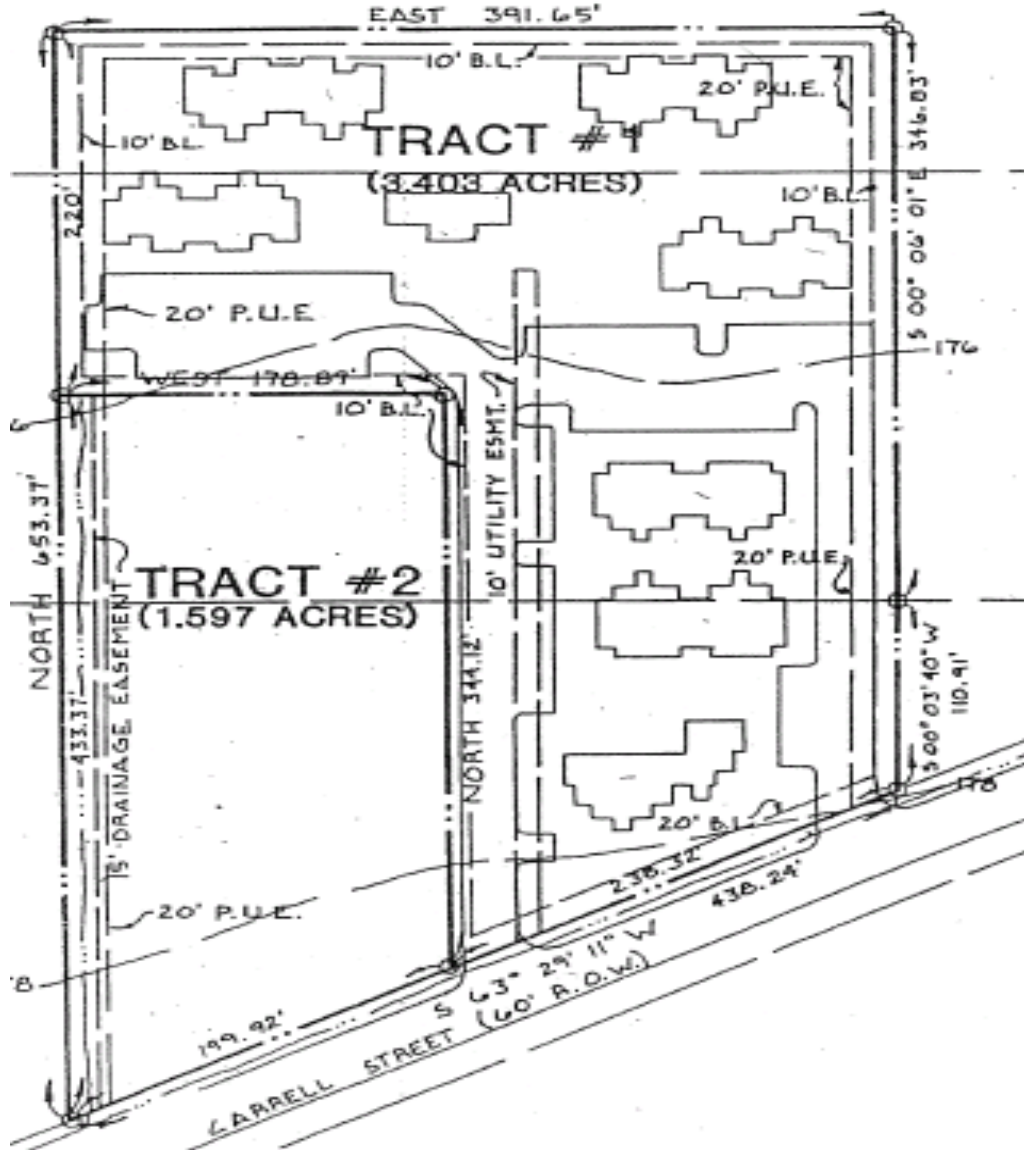
IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The current owner of the property is related to the Applicant and development team. This has been addressed in further detail in the Construction Cost Estimate Evaluation section of the report.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C																Total Buildings
Floors/Stories	2	2	2																
Number	4	2	1																7

BR/BA	SF	Units										Total Units	Total SF	
1/1	659	4											16	10,544
2/1	848	4	8										32	27,136
3/1	1,019			6									6	6,114
Units per Building		8	8	6									54	43,794

Rehabilitation summary:

Mid-Towne I Apartments is a 54-unit family rental development comprised of seven residential buildings. Mid-Towne I was originally financed in 1985 under the USDA Section 515 program. The Applicant provided a Capital Needs Assessment performed by E & A Services, Inc. The initial CNA submitted did not contemplate the entire scope of rehabilitation work proposed by the Applicant. A revised CNA was submitted on April 14, 2008, which identifies \$1.6M in immediate work; this amount is within 4% of the total sitework and direct construction costs in the Applicant's development cost schedule.

The majority of the immediate cost is associated with the unit remodeling and/or modifications to meet handicapped accessibility regulation as well as for the replacement and repair of the many components that have a typical EUL of equal to or less than 20-25 years, e.g. roofs, siding, kitchen cabinets, bathroom fixtures, flooring, etc. Immediate costs also cover additional features and equipment including a 20 ft. x 20 ft. gazebo, two playgrounds with equipment for tots and older children, 225 ft. of iron fencing and electric gates, a new maintenance building, 60 covered parking spaces, security lights, washers, dryers, and exercise equipment. There are also some components such as appliances, doors, floor coverings, etc., that would typically have an EUL of a few more years but since a major renovation is contemplated it is reasonable to replace all of these components as well in year one.

Long-term capital needs are projected to total approximately \$1.4 million in current, un-inflated dollars. The Applicant does not anticipate the need to relocate any tenants during the rehabilitation process.

SITE ISSUES

Total Size: 3.4 acres Scattered site? [] Yes [X] No
Flood Zone: X Within 100-yr floodplain? [] Yes [X] No
Zoning: Multifamily Needs to be re-zoned? [] Yes [X] No [] N/A
Comments:

The site is a 3.4 acre L-shaped portion of a roughly rectangular 5 acre parcel. The remaining 1.6 acres is the site of Mid-Towne II, a second phase development with 24 units built with a 1996 HTC allocation.

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/23/2008
Overall Assessment: [] Excellent [X] Acceptable [] Questionable [] Poor [] Unacceptable

Surrounding Uses:
North: Field / Woods East: single family residential
South: Carrell Street West: single family residential

Comments:
Most of the rehab includes upgrades. The roof has some problem areas; there is evidence of standing water in certain areas; the walkway has cracks; AC (exterior) units are in poor condition.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment was not submitted with the application. Developments receiving USDA financing are not required to submit a Phase I ESA.

MARKET HIGHLIGHTS

Provider: Rafael C. Luebbert Date: 2/27/2008
Contact: Rafael C. Luebbert Phone: (210) 408-6041 Fax: (210) 408-2539
Number of Revisions: 0 Date of Last Applicant Revision: N / A

A traditional Market Study report was not included, as existing USDA-RD-financed projects with over 80% occupancy are not required to submit a separate report, but must submit an appraisal. An appraisal was provided and included the following market highlights:

Primary Market Area (PMA):

"The market area is that geographical region enveloped by the city of Tomball. There were sufficient numbers of conventional project samples within the immediate area to enable the appraiser to deduce economic rentals. This is the area which would influence the economics of the property within the described market area. The selected complexes are considered to reflect trends in rental rates for conventional projects in that region. This particular market area should remain a viable part of the local economy. Most properties display relatively good quality of maintenance and pride of ownership. There were no nuisances, noise pollution, excess traffic patterns, abnormal levels of crime, or specific environmental issues noted which may affect the perceived quality of the described market area." (pp. 30-31)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
HomeTowne at	060414	210	N/A	N/A			

There is one HTC development under construction in the vicinity of the subject. HomeTowne at Tomball (# 060414), a 210-unit senior development which received a 4% HTC allocation in 2006, is located approximately 2.5 miles south of the subject. The subject is not age restricted and therefore HomeTowne at Tomball will not compete with the subject.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current USDA Basic Rent	Applicant Proposed Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	659 SF	50%	\$350	\$350	\$448	\$350	\$0
1 BR	659 SF	60%	\$350	\$350	\$448	\$350	\$0
2 BR	848 SF	50%	\$400	\$418	\$479	\$418	\$18
2 BR	848 SF	60%	\$400	\$418	\$479	\$418	\$18
3 BR	1,019 SF	50%	\$470	\$485	\$540	\$485	\$15

Comments:

A supply and demand analysis was not provided in the appraisal; however, at the time of application the subject was 98% occupied with residents that will likely remain during and after the rehabilitation, therefore, an inclusive capture rate calculation for the subject would not be a meaningful measure of the project's feasibility.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 138.4 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 5/12/2008

The Applicant's rent projections are based on a contract rent increase proposed by the Applicant and subject to USDA-RD approval under the existing financing agreement. The terms of the rental assistance agreement includes only one unit. However, under current USDA-RD guidelines, like units without rental assistance cannot have rents that exceed the contract rents. The proposed contract rents for the two-bedroom units are 4.5% greater than the current Basic Rent; and rents for the three-bedroom units are 3% greater than the current Basic Rent. These are typical levels of annual increases. The proposed rents for the one, two, and three-bedroom units are 28%, 15%, and 11%, respectively, below the current market rents determined by the Appraiser. The underwriting analysis has utilized the proposed increased rents; however, formal documentation of USDA approval of the increased rents will be a condition of this report.

The Applicant has included \$25.31 per unit per month in secondary income from laundry, interest, tenant tracker and application fees; the underwriting analysis has used the guideline maximum of \$15 per unit per month. The Applicant has made provision for losses due to vacancy and collection equal to 2.54% of potential gross income, based on the historical vacancy rate. However, in determining the property value by the income approach, the Appraiser applied a 5% adjustment for vacancy and collection; this is consistent with underwriting guidelines for occupied rehabilitation projects and for USDA-RD financed developments. The underwriting analysis therefore assumes vacancy and collection losses at 5% of potential gross income. Overall, the Applicant's projected effective gross income is 5.2% greater than the underwriting estimate.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 5/12/2008

The most recent revision to annual operating expenses provided by the Applicant total \$3,949 per unit; this is 14% higher than the underwriting estimate of \$3,465 per unit, derived from actual historical expenses of the property, TDHCA database and other sources. The two line items that differ most significantly are repairs and maintenance (the Applicant's figure is lower by \$6K), property tax (the Applicant's figure is higher by \$2K) and reserve for replacements (the Applicant's figure is lower by \$20K).

The Applicant's estimated expense budget includes reserves for replacement equivalent to \$733 per unit per year. This is overstated based on the underwriter's analysis of the costs identified in the Capital Needs Assessment. The underwriting proforma indicates that \$478 per unit would be required to cover all capital needs identified for the full 30-year period. However, underwriting guidelines only require consideration of the first 15 years; reserves of \$370 per unit per year are sufficient to fund the first 15 years of capital needs and the underwriting analysis utilizes this amount.

Conclusion:

The Applicant's projections of effective gross income, total annual operating expenses, and net operating income (NOI) each differ from the underwriting estimates by more than 5%; as a result, the Underwriter's proforma will be used to determine debt capacity and long-term feasibility. The underwriting NOI and the existing USDA financing provides a debt coverage ratio (DCR) of 1.72, which is above the Department's maximum guideline of 1.35. However, the projected annual cashflow is less than \$30,000, the development is heavily monitored by USDA-RD and return on equity is restricted under the interest credit and rental assistance program. Therefore, developments receiving USDA-RD rental assistance are allowed to exceed the Department's guideline for debt coverage ratios when necessary.

The Applicant's and Underwriter's expense to income ratios (80% and 74% respectively) are significantly above the TDHCA maximum of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." [§1.32(7)(B)(ii)]. The subject's rents are managed by USDA. As such the subject development meets this exception.

Feasibility:

The underwriting estimates for effective gross income and annual operating expenses are used to generate a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. As noted above, the Underwriter's base year effective gross income and expense were utilized resulting in continued positive cashflow and a debt coverage ratio that remains above 1.15 for the minimum 15 year period. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Rafael C. Luebbert Date: 2/27/2008
 Number of Revisions: none Date of Last Applicant Revision: N/A
 Land Only: 3.4 acres \$142,300 As of: 2/27/2008
 Existing Buildings: (as-is) \$1,542,700 As of: 2/27/2008
 Total Development: (as-is) \$1,685,000 As of: 2/27/2008

ASSESSED VALUE

Land Only: 3.4 acres \$296,470 Tax Year: 2007
 Existing Buildings: \$306,765 Valuation by: HCAD
 Total Assessed Value: \$603,235 Tax Rate: 2.30669

EVIDENCE of PROPERTY CONTROL

Type: USDA Option to Purchase Real Property Acreage: 3.403
 Contract Expiration: 4/29/2009 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,612,950 Other: _____
 Seller: Mid-Towne Limited Related to Development Team? Yes No

TITLE

Comments:

The title commitment indicates two "unlocated" pipeline rights-of-ways and one other pipeline right-of-way. The survey does not appear to identify these easements. Moreover, the apartment structures are already existing on the site and therefore it is likely that these easements do not materially impact the property.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N / A

Acquisition Value:

The property is currently owned by Mid-Towne Ltd., a related party to the Applicant and Developer. The Applicant has submitted an Option to purchase the subject property for a price of \$1,612,950. This amount is derived from the existing USDA-RD mortgage balance of \$1,428,810 plus exit taxes of \$184,140 plus cash reserves of \$350,126. The contract price is less than the appraised value and less than the original investment in the land and buildings plus holding costs.

This section intentionally left blank.

The Applicant has determined a building acquisition basis of \$1,112,824, based on the contract price less \$150,000 for the basis in land and less cash reserves of \$350,126 that will transfer with the property. The Applicant's claimed land value of \$150,000, is comparable to the appraised value, but is significantly less than the assessed value of \$296,470. §1.32(e)(1)(C) of the 2008 Real Estate Analysis Rules states that "In the case where the land value indicated by either the appraisal or tax assessment is greater than the prorata land value attributed to the sales price ... the greater of the land value in the appraisal or tax assessment is deducted from the sales price to determine the acquisition basis." The Underwriter has determined an acquisition basis of \$966,354 by taking the tax assessed value of the land from the total sales price.

Sitework Cost:

The Applicant's development cost schedule reflects sitework costs of \$5,691 per unit. This amount includes the construction of a gazebo. The CNA identified sitework costs, including the gazebo, of \$5,647 per unit, which is within 1% of the Applicant's estimate. The CNA value will be used in the underwriting analysis.

Direct Construction Cost:

The development cost schedule itemizes direct construction costs of \$1,209,454; the CNA identifies direct construction of \$1,254,692, within 4% of the Applicant's estimate. The CNA value will be used in the underwriting analysis.

Reserves

USDA-RD requires a minimum reserve balance of \$1,000 per unit which would equate to \$54,000. The Applicant indicates that an additional \$96,931 is available and will be used from the existing reserve account. The Applicant has therefore not included any cost to fund the reserve. The underwriting analysis has similarly included no funds for the reserve account.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Capital Needs Assessment (CNA) provided by the Applicant and the information presented in the application. The CNA was well documented and appeared to cover the scope of work provided by the Applicant. Thus, the Underwriter's development cost schedule, as derived from the CNA, will be used to determine the development's need for permanent funds.

The Underwriter's development cost estimate supports an eligible basis of \$3,243,663 and the Applicant has claimed a 30% boost due to Harris County's Difficult Development Area designation. The resulting adjusted basis of \$3,926,856 supports annual tax credits of \$280,619 This amount will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2008

Source: BHHH, Inc.dba The Hoover Companies Type: Interim Financing

Principal: \$1,686,954 Interest Rate: prime +1% Fixed Term: 12 months

Comments:

Interim financing will be provided by BHHH, Inc., a related entity. Furthermore, the Applicant has two other applications currently in underwriting, each with interim financing committed from BHHH. The Applicant has provided letters from its bank and CPA supporting the fact that BHHH, Inc. has the financial capacity to provide this interim financing.

Source: SouthEast Texas Housing Finance Corp. Type: Interim Financing

Principal: \$250,000 Interest Rate: AFR Fixed Term: 12 months

Comments:

The commitment from SETH indicates that the interest rate and term will be in accordance with the QAP; the Applicant has indicated the loan will be for 12 months at AFR, which satisfies the threshold requirements for financing from local political subdivisions. This loan carries a \$4,000 application fee, a \$3,500 commitment fee, and a 6%, or \$15,000, origination fee.

Source: USDA-RD Type: Permanent Financing

Principal: \$1,428,810 Interest Rate: 1.0% Fixed Amort: 600 months

Comments:

Existing loan dated January 7, 1986, with an original principal amount of \$1,507,262, for a term of 50 years. The note rate is 10.625%, but the borrower receives an interest rate subsidy resulting in an effective rate of approximately 1%. The Applicant has indicated that the partnership will assume the existing USDA-RD loan with the same rates and terms. Receipt, review, and acceptance of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans is a condition of this report.

Source: Reserve Account Type: Cash

Amount: \$96,931 Conditions: _____

Comments:

The reserve account will transfer with the property and will not be totally depleted. As required by USDA, the reserve account will maintain a minimum balance of at least \$1,000 per unit.

Source: Raymond James Tax Credit Fund Type: Syndication

Proceeds: \$2,305,457 Syndication Rate: 82% Anticipated HTC: \$ 281,181

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.765. At this point the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.88, the equity proceeds would exceed the gap in financing and an adjustment to the credit allocation may be warranted.

Amount: \$122,551 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$1,428,810 and reserve amount of \$96,931 indicates the need for \$2,470,886 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$301,357 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Tax Credit Allocation Based on Eligible Basis:	<u>\$280,619</u>
Tax Credit Allocation Requested by Applicant:	\$281,181
Tax Credit Allocation Based on Gap in Financing:	\$301,357

This section intentionally left blank.

The eligible basis derived allocation is recommended. An annual allocation of \$280,619 results in total proceeds of \$2,300,852 at a syndication rate of \$0.82 per credit. The Underwriter's recommended financing structure indicates the need for \$170,034 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 1, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 1, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 1, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Mid-Towne Apartments, Tomball, 9% HTC #08128

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%	13	1	1	659	\$571	\$350	\$4,550	\$0.53	\$76.00	\$42.00
TC 60%	3	1	1	659	\$686	350	1,050	0.53	76.00	42.00
TC 50%	26	2	1	848	\$686	418	10,868	0.49	109.00	42.00
TC 60%	6	2	1	848	\$823	418	2,508	0.49	109.00	42.00
TC 50%	4	3	1	1,019	\$793	485	1,940	0.48	143.00	54.00
TC 60%	1	3	1	1,019	\$951	485	485	0.48	143.00	54.00
EO	1	3	1	1,019		0	0	0.00	0.00	0.00
TOTAL:	54		AVERAGE:	811		\$396	\$21,401	\$0.49	\$100.35	\$42.33

INCOME

Total Net Rentable Sq Ft: **43,794**

POTENTIAL GROSS RENT

laundry, interest, tenant tracker, and app fees Per Unit Per Month: \$15.00

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
General & Administrative	3.43%	\$161	0.20	\$8,677	\$8,340	Harris	Houston	6
Management	9.05%	424	0.52	22,903	26,568	\$25.31	Per Unit Per Month	
Payroll & Payroll Tax	19.99%	937	1.16	50,604	52,609	\$0.00	Per Unit Per Month	
Repairs & Maintenance	10.59%	497	0.61	26,815	21,200			
Utilities	1.50%	70	0.09	3,791	4,400			
Water, Sewer, & Trash	8.85%	415	0.51	22,419	25,300			
Property Insurance	4.35%	204	0.25	11,017	12,282			
Property Tax 2.30669	7.38%	346	0.43	18,684	20,760			
Reserve for Replacements	7.88%	370	0.46	19,964	39,588			
TDHCA Compliance Fees	0.85%	40	0.05	2,160	2,160			
Other:	0.02%	1	0.00	52	52			
TOTAL EXPENSES	73.89%	\$3,465	\$4.27	\$187,086	\$213,259	\$4.87	\$3,949	80.08%
NET OPERATING INC	26.11%	\$1,224	\$1.51	\$66,119	\$53,033	\$1.21	\$982	19.92%

DEBT SERVICE

USDA-RD	15.15%	\$711	\$0.88	\$38,369	\$38,364	\$0.88	\$710	14.41%
Reserve Account	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	10.96%	\$514	\$0.63	\$27,750	\$14,669	\$0.33	\$272	5.51%

AGGREGATE DEBT COVERAGE RATIO

1.72 1.38

RECOMMENDED DEBT COVERAGE RATIO

1.47

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)		40.36%	\$29,869	\$36.83	\$1,612,950	\$1,612,950	\$36.83	\$29,869	40.80%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.63%	5,647	6.96	304,936	307,300	7.02	5,691	7.77%
Direct Construction		31.39%	23,235	28.65	1,254,692	1,209,450	27.62	22,397	30.59%
Contingency	2.70%	1.05%	781	0.96	42,150	42,150	0.96	781	1.07%
Contractor's Fees	13.62%	5.31%	3,932	4.85	212,345	212,345	4.85	3,932	5.37%
Indirect Construction		1.83%	1,355	1.67	73,150	73,150	1.67	1,355	1.85%
Ineligible Costs		2.66%	1,970	2.43	106,368	106,368	2.43	1,970	2.69%
Developer's Fees	9.87%	7.29%	5,397	6.65	291,447	291,447	6.65	5,397	7.37%
Interim Financing		2.47%	1,826	2.25	98,589	98,589	2.25	1,826	2.49%
Reserves		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL COST		100.00%	\$74,012	\$91.26	\$3,996,627	\$3,953,749	\$90.28	\$73,218	100.00%
Construction Cost Recap		45.39%	\$33,595	\$41.42	\$1,814,123	\$1,771,245	\$40.44	\$32,801	44.80%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
USDA-RD	35.75%	\$26,459	\$32.63	\$1,428,810	\$1,428,810	\$1,428,810	Developer Fee Available
Reserve Account	2.43%	\$1,795	\$2.21	96,931	96,931	96,931	\$291,447
Raymond James HTC	57.69%	\$42,694	\$52.64	2,305,457	2,305,457	2,300,852	% of Dev. Fee Deferred
Deferred Developer Fees	3.07%	\$2,269	\$2.80	122,551	122,551	170,034	58%
Additional (Excess) Funds Req'd	1.07%	\$794	\$0.98	42,878	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$3,996,627	\$3,953,749	\$3,996,627	\$319,838

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Mid-Towne Apartments, Tomball, 9% HTC #08128

PAYMENT COMPUTATION

Primary	\$1,507,263	Amort	600
Int Rate	1.01%	DCR	1.72

Secondary	\$96,931	Amort	
Int Rate		Subtotal DCR	1.72

Additional		Amort	360
Int Rate	4.13%	Aggregate DCR	1.72

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$38,369
Secondary Debt Service	0
Additional Debt Service	6,670
NET CASH FLOW	\$21,080

Primary	\$1,507,263	Amort	600
Int Rate	1.01%	DCR	1.72

Secondary	\$96,931	Amort	
Int Rate		Subtotal DCR	1.72

Additional	\$200,097	Amort	360
Int Rate	0.00%	Aggregate DCR	1.47

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	\$256,812	\$264,516	\$272,452	\$280,625	\$289,044	\$335,081	\$388,451	\$450,321	\$605,194
Secondary Income	9,720	10,012	10,312	10,621	10,940	12,682	14,702	17,044	22,906
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	266,532	274,528	282,764	291,247	299,984	347,764	403,154	467,365	628,100
Vacancy & Collection Loss	(13,327)	(13,726)	(14,138)	(14,562)	(14,999)	(17,388)	(20,158)	(23,368)	(31,405)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$253,205	\$260,802	\$268,626	\$276,684	\$284,985	\$330,376	\$382,996	\$443,997	\$596,695
EXPENSES at 4.00%									
General & Administrative	\$8,677	\$9,024	\$9,385	\$9,760	\$10,151	\$12,350	\$15,026	\$18,281	\$27,061
Management	22,903	23,590	24,298	25,027	25,778	29,883	34,643	40,161	53,972
Payroll & Payroll Tax	50,604	52,628	54,733	56,923	59,200	72,025	87,630	106,615	157,816
Repairs & Maintenance	26,815	27,888	29,003	30,163	31,370	38,166	46,435	56,495	83,627
Utilities	3,791	3,942	4,100	4,264	4,435	5,395	6,564	7,987	11,822
Water, Sewer & Trash	22,419	23,316	24,249	25,219	26,227	31,910	38,823	47,234	69,918
Insurance	11,017	11,458	11,916	12,393	12,888	15,681	19,078	23,211	34,358
Property Tax	18,684	19,432	20,209	21,017	21,858	26,593	32,355	39,365	58,269
Reserve for Replacements	19,964	20,763	21,593	22,457	23,355	28,415	34,571	42,061	62,261
Other	2,212	2,300	2,392	2,488	2,588	3,148	3,830	4,660	6,898
TOTAL EXPENSES	\$187,086	\$194,341	\$201,878	\$209,711	\$217,849	\$263,567	\$318,955	\$386,070	\$566,003
NET OPERATING INCOME	\$66,119	\$66,461	\$66,747	\$66,974	\$67,136	\$66,808	\$64,041	\$57,927	\$30,692
DEBT SERVICE									
First Lien Financing	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369	\$38,369
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670
NET CASH FLOW	\$21,080	\$21,422	\$21,708	\$21,935	\$22,097	\$21,770	\$19,002	\$12,888	(\$14,347)
DEBT COVERAGE RATIO	1.47	1.48	1.48	1.49	1.49	1.48	1.42	1.29	0.68

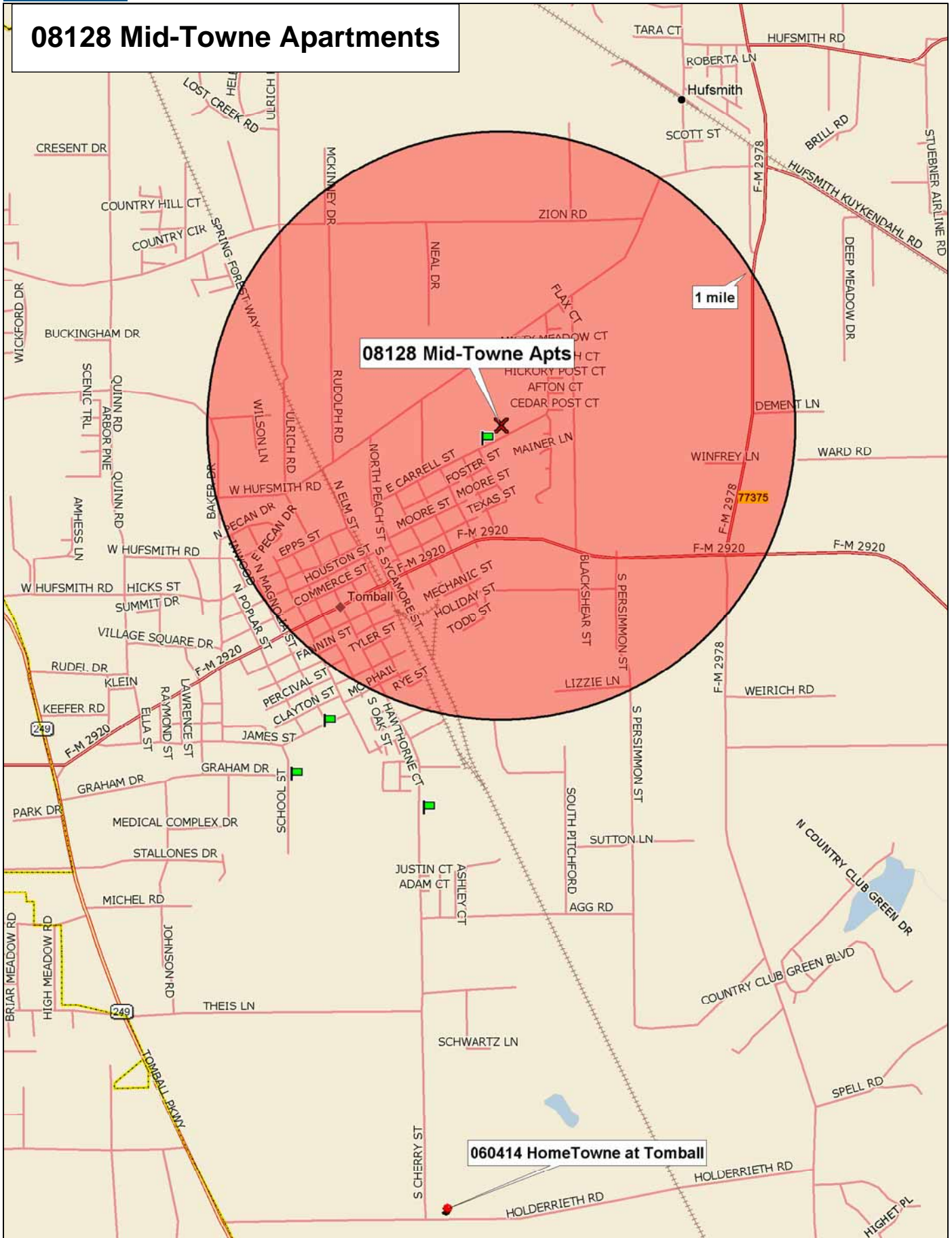
HTC ALLOCATION ANALYSIS -Mid-Towne Apartments, Tomball, 9% HTC #08128

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$150,000	\$296,470				
Purchase of buildings	\$1,112,824	\$966,354	\$1,112,824	\$966,354		
Off-Site Improvements						
Sitework	\$307,300	\$304,936			\$307,300	\$304,936
Construction Hard Costs	\$1,209,450	\$1,254,692			\$1,209,450	\$1,254,692
Contractor Fees	\$212,345	\$212,345			\$212,345	\$212,345
Contingencies	\$42,150	\$42,150			\$42,150	\$42,150
Eligible Indirect Fees	\$73,150	\$73,150			\$73,150	\$73,150
Eligible Financing Fees	\$98,589	\$98,589			\$98,589	\$98,589
All Ineligible Costs	\$106,368	\$106,368				
Developer Fees						
Developer Fees	\$291,447	\$291,447			\$291,447	\$291,447
Development Reserves						
TOTAL DEVELOPMENT COSTS	\$3,603,623	\$3,646,501	\$1,112,824	\$966,354	\$2,234,431	\$2,277,309

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,112,824	\$966,354	\$2,234,431	\$2,277,309
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,112,824	\$966,354	\$2,904,760	\$2,960,502
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,112,824	\$966,354	\$2,904,760	\$2,960,502
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$39,505	\$34,306	\$241,676	\$246,314

Syndication Proceeds	0.8199	\$323,911	\$281,278	\$1,981,548	\$2,019,574
Total Tax Credits (Eligible Basis Method)				\$281,181	\$280,619
Syndication Proceeds				\$2,305,460	\$2,300,852
Requested Tax Credits				\$281,181	
Syndication Proceeds				\$2,305,457	
Gap of Syndication Proceeds Needed					\$2,470,886
Total Tax Credits (Gap Method)					\$301,357

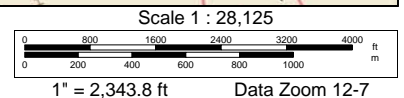
08128 Mid-Towne Apartments



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Applicant Evaluation

Project ID **08128**

Name **Mid-Towne Apartments**

City: **Tomball**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 70

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 65

Total # of MF awards not yet monitored or pending review: 9

10-19: 5

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 70

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/11/2008

Date: 5/27/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/16/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Alta Vista Apartments, TDHCA Number 08129

BASIC DEVELOPMENT INFORMATION

Site Address: 1001 Pecan Valley Dr. Development #: 08129
 City: Marble Falls Region: 7 Population Served: General
 County: Burnet Zip Code: 78654 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: HVM Alta Vista, Ltd.
 Owner Contact and Phone: Dennis Hoover, (512) 756-6809
 Developer: Dennis Hoover
 Housing General Contractor: Hoover Construction, Inc.
 Architect: Harry Bostic
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	64
	4 0 48 12	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 36 28 0 0 0	Total Development Units:	64
Type of Building:		Total Development Cost*:	\$3,914,994
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	12
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$312,199	\$312,199			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Alta Vista Apartments, TDHCA Number 08129

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, NC Points: 0 US Representative: Conaway, District 11, NC
TX Representative: Aycock, District 54, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Raymond Whitman, Mayor Resolution of Support from Local Government [checked]

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Alta Vista Tenant Association, Sally Williams Letter Score: 24 S or O: S

The development will enable the tenants to have better energy payments by replacing refrigerators, air conditioners and stoves.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
First United Methodist Church S or O: S
Rotary Club of Marble Falls S or O: S
Marble Falls/Lake LBJ Chamber of Commerce S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and civic organizations. A resolution of support was received from the City.

CONDITIONS OF COMMITMENT

- 1. Receipt, review and acceptance by carryover of a commitment by USDA to approve the transfer of the loan.
2. Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved rents of at least \$445 and \$550 or an alternative that allows continued financial feasibility.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms and rates of the existing or proposed debt, syndication, or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.
5. Receipt of a commitment of funding from the Capitol Area Housing Finance Corporation for funds in the amount of \$200,000, or a commitment from a qualifying substitute source in an amount not less than \$192,571, as required by 50.9(i)(5) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Alta Vista Apartments, TDHCA Number 08129

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **180** Meeting a Required Set-Aside Credit Amount*: \$312,199

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



REPORT DATE: 06/25/08 PROGRAM: 9% HTC FILE NUMBER: 08129

DEVELOPMENT

Alta Vista Apartments

Location: 1001 Pecan Valley Drive Region: 7
 City: Marble Falls County: Burnet Zip: 78654 OCT DDA
 Key Attributes: Family, Acquisition/Rehabilitation, Rural, At-Risk/Preservation, USDA

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$312,199			\$312,199		

CONDITIONS

- 1 Receipt, review and acceptance by carryover of a commitment by USDA to approve the transfer of the loan.
- 2 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved rents of at least \$445 and \$550 or an alternative that allows continued financial feasibility.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the terms and rates of the existing or proposed debt, syndication, or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	48
60% of AMI	60% of AMI	12

PROS

- The proposal provides for the rehabilitation of a 26 year old USDA/rural development.

CONS

- The Development is marginally feasible based upon estimated 15-year cash flow to payout of the anticipated deferred developer fee.

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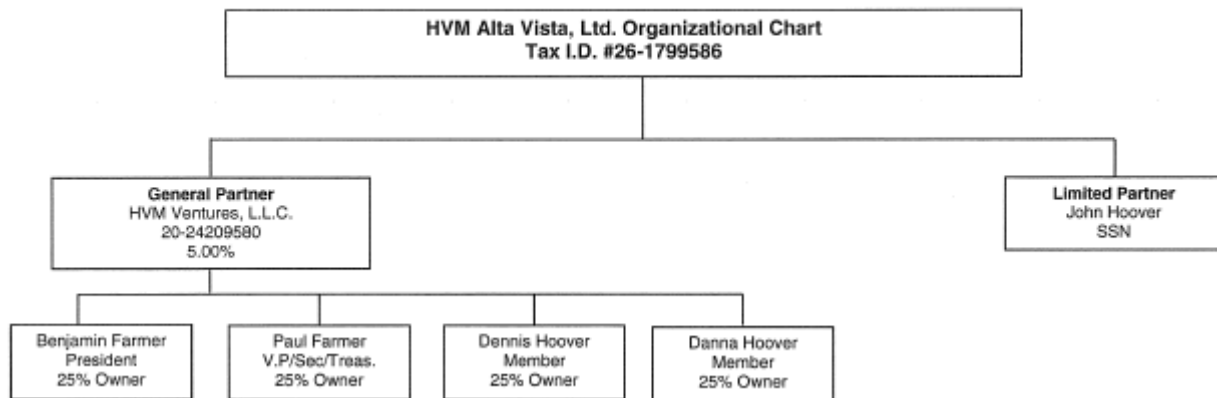
- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio significantly over 65%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.
- The recommended financing structure indicates that 90% of the developer fee may be deferred to satisfy the gap in financing.
- The acquisition is an identity of interest.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dennis Hoover Phone: (512) 756-6809 Fax: (512) 756-9885
 Email: dennishoover@hamiltonvalley.com

KEY PARTICIPANTS

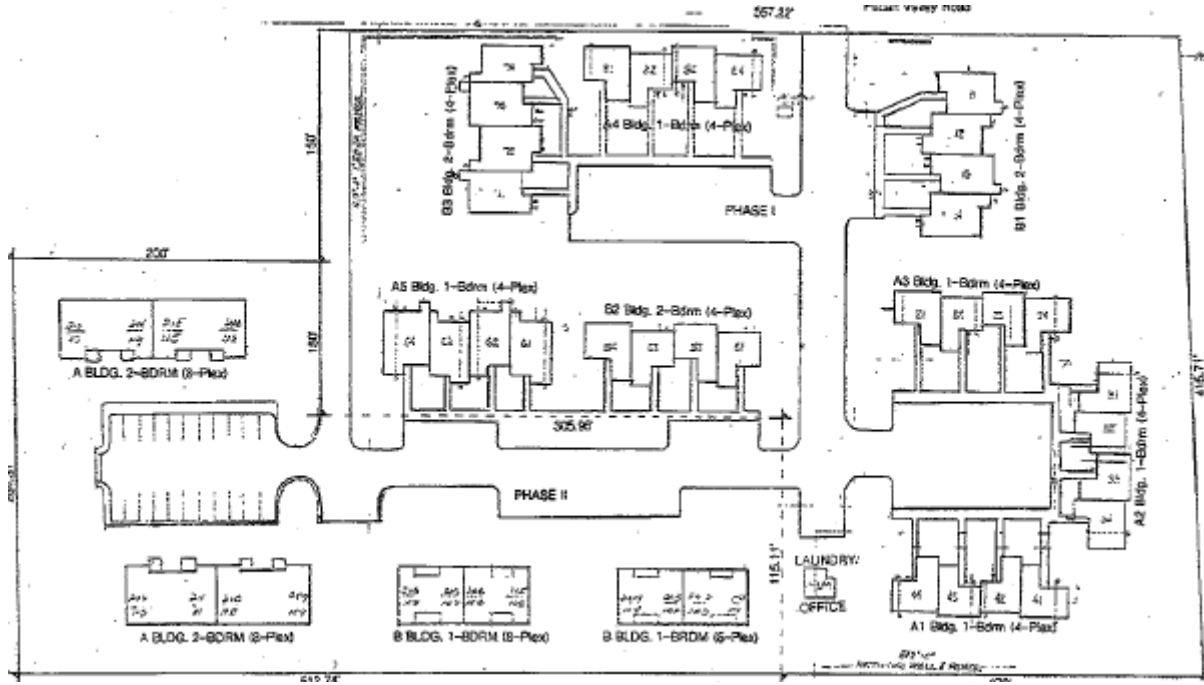
Name	Financial Notes	# Completed Developments
HIM Alta Vista Ltd.	N/A	N/A
Dennis Hoover	N/A	14
Dana Hoover	N/A	6
Ben Farmer	N/A	none listed
Paul and Monica Farmer	N/A	none listed

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.
- The seller is also regarded as a related party to the General Partner and therefore no developer fee for the acquisition is allowed. The acquisition price will be based upon the lesser of the declared price, the appraised value, and the original acquisition and holding cost. This is discussed at greater length in the construction cost section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D								Total Buildings
Floors/Stories	1	1	2	2								
Number	5	3	2	2								12

BR/BA	SF	Units										Total Units	Total SF
1/1	591	4										20	11,820
1/1	612			8								16	9,792
2/1	784		4									12	9,408
2/1	805				8							16	12,880
Units per Building		4	4	8	8							64	43,900

This section intentionally left blank.

Rehabilitation summary:

The plan calls for: the replacement of roofs, windows, doors, exterior siding, stairs, interior flooring, cabinets, faucets, tub/showers, appliances, HVAC, landscaping, drives and parking, fencing, and interior and exterior painting. The Applicant provided a Capital Needs Assessment (CNA) as an acceptable substitute for the required Property Condition Assessment (PCA) and the CNA confirms these improvements. Even after this work is completed, however, the CNA projects significant amount of required repair and replacement over the first 15 years after the proposed rehabilitation is completed.

SITE ISSUES

Total Size: 7.25 acres Scattered site? Yes No
 Flood Zone: None Within 100-yr floodplain? Yes No
 Zoning: Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/10/2008
 Overall Assessment: Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Avenue J
 South: Pecan Valley Drive
 East: commercial and residential uses.
 West: Trinity Street and residential uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report.

MARKET HIGHLIGHTS

A traditional Market Study report was not included, as existing USDA-RD-financed projects with over 80% occupancy are not required to submit a separate report, but must submit an appraisal. An appraisal dated February 25, 2008 prepared by Rafael C. Luebbert, MAI, SRA ("Appraiser") included the following market highlights:

The Appraiser identified the market area to be the "geographical region enveloped by Burnet County with Marble Falls being the most influential community in the conventional multifamily market." (p.32) The subject development is currently 97% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. A capture rate was not calculated but is of limited value given the low vacancy at the property and limited anticipated turnover as a result of the rehabilitation.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
The Vista Apartments	04410	124	124	None			

INCOME LIMITS						
Burnet						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,150	\$12,700	\$14,300	\$15,900	\$17,150	\$18,450
50	\$18,550	\$21,200	\$23,850	\$26,500	\$28,600	\$30,750
60	\$22,260	\$25,440	\$28,620	\$31,800	\$34,320	\$36,900

Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	591 SF	30%	385	445	\$486	\$445	60
1 BR	591 SF	50%	385	445	\$486	\$445	60
1 BR	591 SF	60%	385	445	\$486	\$445	60
1 BR	612 SF	30%	385	445	\$494	\$445	60
1 BR	612 SF	50%	385	445	\$494	\$445	60
1 BR	612 SF	60%	385	445	\$494	\$445	60
2 BR	784 SF	30%	435	550	\$563	\$550	115
2 BR	784 SF	50%	435	550	\$563	\$550	115
2 BR	784 SF	60%	435	550	\$563	\$550	115
2 BR	805 SF	30%	435	550	\$604	\$550	115
2 BR	805 SF	50%	435	550	\$604	\$550	115
2 BR	805 SF	60%	435	550	\$604	\$550	115

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. Moreover, the property has a current occupancy of 97% according to a rent roll provided at application and is proposing a temporary relocation of some tenants at the expense of the complex. The presence of an existing tenant base mitigates potential concerns about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 12.7226 units per square mile which is less than the 1,432 units per square mile limit. Additionally, as existing USDA-RD-financed projects are not required to submit a separate market study report, no Primary Market Area is defined, thus a PMA concentration cannot be calculated. Therefore, the proposed development is considered to be in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 6/9/2008

The property operates under two existing USDA-RD interest credit and rental assistance agreements. The rental assistance includes a total of 48 units but all of the units are covered under the interest credit. Under current USDA-RD guidelines, like units at the development must have the same rent regardless of rental assistance and therefore all rents will be the same for each bedroom size. The Applicant originally proposed rents of \$385 and \$463 for one- and two-bedroom units respectively, however these anticipated rents were changed during the underwriting process.

The Applicant's revised rent projections of \$445 and \$550 are based on the need for a significant contract rent increase for 2009 to cover anticipated long term reserve for replacement needs identified in the CNA. The proposed rents are 20.7% higher than the rents reflected in the current rent roll and 17.7% higher than the proposed rents being implemented for 2008. The proposed rents will be greater than the current 50% tax credit rents but since there are only 40 units being pledged to target households at or below 50%, there are a sufficient number of rental assistance units to support the targeted number of households at or below 50%.

The Owner is currently in the process of implementing a \$10 increase in contract rents for each bedroom type, effective July 1, 2008. The 2008 rents are \$395 and \$445 or \$50 and \$105 less than the revised proposed 2009 rents. They are also less than the current Housing Tax Credit program rent limits for the units restricted to 50% of AMI.

The Underwriter has calculated that a minimum increase of at least 11% over the 2008 rents is necessary in order to maintain a minimum DCR of 1.15 with the higher CNA costs. The Underwriter has used the Applicant's revised proposed 2009 contract rents since the development can not be projected to support repayment of the anticipated deferred developer fee at lower rents. This is expressed in more detail in the conclusion section below. Since this is such a significant increase in rents, receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved rents of at least \$445 and \$550 is a condition of this report.

The Applicant has included secondary income in excess of the Department guideline of \$15 per unit per month. Additionally, operating history of the development does not appear to justify the higher figure; therefore, the Underwriter's secondary income amount does not exceed the Department maximum of \$15 per unit.

Finally, the Applicant has made provision for losses due to vacancy and collection equal to 2.89% of potential gross income, based on the historical vacancy rate. However, in determining the property value by the income approach, the Appraiser applied a 5% adjustment for vacancy and collection; this is consistent with underwriting guidelines for occupied rehabilitation projects and for USDA-RD financed developments. The underwriting analysis therefore assumes vacancy and collection losses at 5% of potential gross income. Despite the differences described above, effective gross income within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/9/2008

The Applicant's total annual operating expense projection at \$4,729 per unit is within 5% of the Underwriter's estimate of \$4,650, derived from actual operating history of the development, the TDHCA database, and third-party data sources.

The Applicant has revised the estimated reserve for replacement expense upward to \$1,112 per unit from \$325 per unit projected originally. The revised amount is significantly higher than the underwriting guideline of \$300 per unit for rehabilitation developments; however, the guideline amount is subject to higher amounts if identified by a Capital Needs Assessment (CNA). The CNA provided by the Applicant identified capital expenses over a 15 year period of \$1,103,673 and that would require a replacement reserve of \$1,112 per unit per year. The Underwriter accounted for the initial reserve requirement in the construction budget of \$40,682 and concluded an annual reserve expense of \$1,059. At the estimated reserve expense amount the reserve balance remains positive through Year 15.

Conclusion:

While the Applicant's effective gross income and operating expenses are within 5% of the Underwriter's estimates; the Applicant's net operating income is not within 5%. As a result, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.70, which is outside of the Department's DCR guideline of 1.15 to 1.35. However, the projected annual cashflow is less than \$30,000 and the development is heavily monitored and return on equity is restricted under the USDA-RD interest credit and rental assistance program. Therefore, developments receiving USDA-RD rental assistance are allowed to exceed the Department's guideline for debt coverage ratios when necessary.

Additionally, the Applicant's and Underwriter's expense to income ratios (79% and 82%, respectively) are significantly above the TDHCA maximum of 65%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." [§1.32(7)(B)(ii)]. The subject's rents are managed by USDA. As such, the subject development meets this feasibility exception.

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Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized. If the debt coverage ratio was restricted to a 1.35 in year one, the resulting debt coverage ratio becomes negative after year 10, which typically would be a risk factor for a development; however, in this case, the development is starting at a much higher DCR, has project based rental assistance and is closely monitored for minimal but positive cashflow annually by USDA. The cashflow does not go negative until after year 15 and therefore the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Rafael C. Luebbert, MAI, SRA Date: 2/25/2008
Number of Revisions: None Date of Last Applicant Revision: N/A
Land Only: 6.73 acres \$156,700 As of: 2/25/2008
Existing USDA interest subsidy: \$443,000 As of: 2/25/2008
Existing Buildings: (as-is) \$2,079,300 As of: 2/25/2008
Total: (as-is with subsidy) \$2,679,000 As of: 2/25/2008
Comments:

The Appraiser concluded an "as is" value without the interest rate subsidy of \$2,236,000 and the existing building value above was imputed from that "as is" amount less the land value.

ASSESSED VALUE

Land Only: 6.53 acres \$1,145 Tax Year: 2007
Existing Buildings: \$664,600 Valuation by: Burnet CAD
Total Assessed Value: \$665,745 Tax Rate: 2.113

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement Acreage: 6.81
Contract Expiration: 1/3/2009 Valid Through Board Date? [x] Yes [] No
Acquisition Cost: \$1,166,842 Other:
Seller: Alta Vista Housing, Ltd Related to Development Team? [x] Yes [] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The Purchase Option document indicates the development will be purchased at a price equivalent to the remaining balance of the existing Section 515 Permanent Loans, projected by the Applicant to be \$942,842, plus estimated exit taxes of \$224K, subject to USDA approval. Moreover, the proposed acquisition price is much lower than the "as is" appraised value with the interest rate subsidy; therefore, the proposed acquisition price of \$1,166,842 is used in the underwriting analysis.

The Applicant has estimated eligible building basis of \$839,699 or 72% of the total acquisition price. The Underwriter has estimated the same eligible building basis based on the prorata allocation of value to land and buildings as reflected in the Applicant's development cost schedule.

Sitework Cost:

The Applicant's sitework cost estimate is \$192K or 48% less than the estimate provided in the revised Capital Needs Assessment (CNA). The underwriting analysis will reflect the revised CNA value.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$169K or 13% higher than the estimate provided in the revised Capital Needs Assessment (CNA). The underwriting analysis will reflect the revised CNA value.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant and particularly the CNA. Any deviations from the Applicant's or CNA estimates are due to program and underwriting guidelines. Therefore, the Underwriter's CNA derived development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,473,815 supports annual tax credits of \$314,715. 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

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: BHHH, Inc Type: Interim Financing

Principal: \$1,984,055 Interest Rate: 6.3% Fixed Term: months

Source: Capital Area HFC Type: Interim Financing

Principal: \$200,000 Interest Rate: 4.3% Fixed Term: 12 months

Source: USDA-RD Type: Permanent Financing

Principal: \$942,842 Interest Rate: 1.0% Fixed Amort: 600 months

Comments:

Remaining balance reported to total \$943,345 by USDA as of 12/31/2007.

Source: Cash Reserve Type: Equity

Principal: \$106,443 Conditions:

Source: Raymond James Type: Syndication

Proceeds: \$2,559,774 Syndication Rate: 82% Anticipated HTC: \$ 312,168

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer and render the development financially infeasible. Alternatively, should the final credit price increase to more than \$0.90, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$242,350 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

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Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$942,842 and estimated cash reserve of \$106,443 indicates the need for \$2,865,709 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$349,477 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$312,199), the gap-driven amount (\$349,477), and eligible basis-derived estimate (\$314,715), the Applicant's request of \$312,199 would be recommended resulting in proceeds of \$2,560,028 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$305,680 in additional permanent funds. Deferred developer fees in this amount appear to be marginally repayable from development cashflow within 15 years of stabilized operation. Therefore, the development can be characterized as feasible. Any reduction in cashflow resulting from rents lower than those proposed above would require the deferred developer fee be repaid in more than 15 years if at all, rendering the development infeasible and could not be recommended for funding.

Underwriter:	_____	Date:	_____ June 25, 2008
	<i>Diamond Unique Thompson</i>		
Reviewing Underwriter:	_____	Date:	_____ June 25, 2008
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	_____ June 25, 2008
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Alta Vista Apartments, Marble Falls, 9% HTC #08129

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	591	\$298	\$445	\$445	\$0.75	\$67.00	\$69.00
TC 50%	16	1	1	591	\$496	\$445	\$7,120	\$0.75	\$67.00	\$69.00
TC 60%	3	1	1	591	\$596	\$445	\$1,335	\$0.75	\$67.00	\$69.00
TC 30%	1	1	1	612	\$298	\$445	\$445	\$0.73	\$67.00	\$69.00
TC 50%	12	1	1	612	\$496	\$445	\$5,340	\$0.73	\$67.00	\$69.00
TC 60%	3	1	1	612	\$596	\$445	\$1,335	\$0.73	\$67.00	\$69.00
TC 30%	1	2	1	784	\$357	\$550	\$550	\$0.70	\$89.00	\$75.00
TC 50%	8	2	1	784	\$596	\$550	\$4,400	\$0.70	\$89.00	\$75.00
TC 60%	3	2	1	784	\$715	\$550	\$1,650	\$0.70	\$89.00	\$75.00
TC 30%	1	2	1	805	\$357	\$550	\$550	\$0.68	\$89.00	\$75.00
TC 50%	12	2	1	805	\$596	\$550	\$6,600	\$0.68	\$89.00	\$75.00
TC 60%	3	2	1	805	\$715	\$550	\$1,650	\$0.68	\$89.00	\$75.00
TOTAL:	64		AVERAGE:	686		\$491	\$31,420	\$0.72	\$76.63	\$71.63

INCOME				Total Net Rentable Sq Ft:	43,900	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION	
POTENTIAL GROSS RENT						\$377,040	\$377,040	Burnet		7	
Secondary Income		Per Unit Per Month:	\$15.00			11,520	14,304	\$18.63	Per Unit Per Month		
Other Support Income:						0		\$0.00	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$388,560	\$391,344				
Vacancy & Collection Loss		% of Potential Gross Income:	-5.00%			(19,428)	(11,304)	-2.89%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0					
EFFECTIVE GROSS INCOME						\$369,132	\$380,040				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative		3.43%	\$198	0.29		\$12,672	\$13,036	\$0.30	\$204	3.43%	
Management		7.46%	430	0.63		27,528	31,488	0.72	492	8.29%	
Payroll & Payroll Tax		14.77%	852	1.24		54,520	58,198	1.33	909	15.31%	
Repairs & Maintenance		10.63%	613	0.89		39,254	33,804	0.77	528	8.89%	
Utilities		1.64%	95	0.14		6,051	6,298	0.14	98	1.66%	
Water, Sewer, & Trash		15.56%	897	1.31		57,439	56,397	1.28	881	14.84%	
Property Insurance		3.57%	206	0.30		13,179	13,116	0.30	205	3.45%	
Property Tax	2.113	4.50%	259	0.38		16,598	16,598	0.38	259	4.37%	
Reserve for Replacements		18.36%	1,059	1.54		67,781	71,168	1.62	1,112	18.73%	
TDHCA Compliance Fees		0.69%	40	0.06		2,560	2,560	0.06	40	0.67%	
Other:		0.00%	0	0.00		0		0.00	0	0.00%	
TOTAL EXPENSES				80.62%	\$4,650	\$6.78	\$297,582	\$302,665	\$6.89	\$4,729	79.64%
NET OPERATING INC				19.38%	\$1,118	\$1.63	\$71,550	\$77,375	\$1.76	\$1,209	20.36%
DEBT SERVICE											
USDA-RD		11.43%	\$659	\$0.96		\$42,192	\$42,106	\$0.96	\$658	11.08%	
Cash Reserve		0.00%	\$0	\$0.00		0		\$0.00	\$0	0.00%	
Additional Financing		0.00%	\$0	\$0.00		0		\$0.00	\$0	0.00%	
NET CASH FLOW				7.95%	\$459	\$0.67	\$29,358	\$35,269	\$0.80	\$551	9.28%
AGGREGATE DEBT COVERAGE RATIO						1.70	1.84				
RECOMMENDED DEBT COVERAGE RATIO						1.70					

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL		
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
Acquisition Cost (site or bldg)		29.80%	\$18,232	\$26.58	\$1,166,842	\$1,166,842	\$26.58	\$18,232	30.30%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		10.30%	6,299	9.18	403,106	211,275	4.81	3,301	5.49%		
Direct Construction		34.12%	20,874	30.43	1,335,910	1,504,475	34.27	23,507	39.06%		
Contingency	8.05%	3.58%	2,188	3.19	140,000	140,000	3.19	2,188	3.64%		
Contractor's Fees	13.81%	6.14%	3,753	5.47	240,205	240,205	5.47	3,753	6.24%		
Indirect Construction		1.51%	923	1.35	59,099	59,099	1.35	923	1.53%		
Ineligible Costs		1.88%	1,152	1.68	73,718	73,718	1.68	1,152	1.91%		
Developer's Fees	10.87%	8.70%	5,321	7.76	340,546	340,546	7.76	5,321	8.84%		
Interim Financing		2.94%	1,801	2.63	115,250	115,250	2.63	1,801	2.99%		
Reserves		1.03%	630	0.92	40,318		0.00	0	0.00%		
TOTAL COST				100.00%	\$61,172	\$89.18	\$3,914,994	\$3,851,410	\$87.73	\$60,178	100.00%
Construction Cost Recap				54.13%	\$33,113	\$48.27	\$2,119,221	\$2,095,955	\$47.74	\$32,749	54.42%

SOURCES OF FUNDS					RECOMMENDED			
USDA-RD	24.08%	\$14,732	\$21.48		\$942,842	\$942,842	\$942,842	Developer Fee Available
Cash Reserve	2.72%	\$1,663	\$2.42		106,443	106,443	106,443	\$340,546
Raymond James	65.38%	\$39,996	\$58.31		2,559,774	2,559,774	2,560,028	% of Dev. Fee Deferred
Deferred Developer Fees	6.19%	\$3,787	\$5.52		242,350	242,350	305,680	90%
Additional (Excess) Funds Req'd	1.62%	\$994	\$1.45		63,585	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$3,914,994	\$3,851,410	\$3,914,994	\$318,791

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Alta Vista Apartments, Marble Falls, 9% HTC #08129

PAYMENT COMPUTATION

Primary	\$1,627,400	Amort	600
Int Rate	1.00%	DCR	1.70

Secondary		Amort	
Int Rate		Subtotal DCR	1.70

Additional		Amort	
Int Rate		Aggregate DCR	1.70

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$42,192
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$29,358

Primary	\$1,627,400	Amort	600
Int Rate	1.00%	DCR	1.70

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.70

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.70

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	\$377,040	\$388,351	\$400,002	\$412,002	\$424,362	\$491,952	\$570,307	\$661,142	\$888,519
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	388,560	400,217	412,223	424,590	437,328	506,983	587,732	681,342	915,667
Vacancy & Collection Loss	(19,428)	(20,011)	(20,611)	(21,230)	(21,866)	(25,349)	(29,387)	(34,067)	(45,783)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$369,132	\$380,206	\$391,612	\$403,361	\$415,461	\$481,634	\$558,345	\$647,275	\$869,884
EXPENSES at 4.00%									
General & Administrative	\$12,672	\$13,179	\$13,706	\$14,255	\$14,825	\$18,037	\$21,944	\$26,699	\$39,521
Management	27,528	28,354	29,204	30,081	30,983	35,918	41,639	48,271	64,872
Payroll & Payroll Tax	54,520	56,701	58,969	61,327	63,781	77,599	94,411	114,865	170,029
Repairs & Maintenance	39,254	40,824	42,457	44,156	45,922	55,871	67,976	82,703	122,420
Utilities	6,051	6,293	6,545	6,807	7,079	8,612	10,478	12,748	18,871
Water, Sewer & Trash	57,439	59,737	62,126	64,611	67,196	81,754	99,466	121,016	179,133
Insurance	13,179	13,706	14,254	14,824	15,417	18,758	22,822	27,766	41,100
Property Tax	16,598	17,262	17,953	18,671	19,418	23,625	28,743	34,970	51,765
Reserve for Replacements	67,781	70,492	73,311	76,244	79,294	96,473	117,374	142,803	211,384
Other	2,560	2,662	2,769	2,880	2,995	3,644	4,433	5,394	7,984
TOTAL EXPENSES	\$297,582	\$309,210	\$321,295	\$333,855	\$346,909	\$420,290	\$509,286	\$617,235	\$907,077
NET OPERATING INCOME	\$71,550	\$70,995	\$70,317	\$69,505	\$68,553	\$61,344	\$49,060	\$30,041	(\$37,194)
DEBT SERVICE									
First Lien Financing	\$42,192	\$42,192	\$42,192	\$42,192	\$42,192	\$42,192	\$42,192	\$42,192	\$42,192
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$29,358	\$28,803	\$28,125	\$27,313	\$26,361	\$19,152	\$6,868	(\$12,151)	(\$79,386)
DEBT COVERAGE RATIO	1.70	1.68	1.67	1.65	1.62	1.45	1.16	0.71	(0.88)

HTC ALLOCATION ANALYSIS -Alta Vista Apartments, Marble Falls, 9% HTC #08129

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$327,143	\$327,143				
Purchase of buildings	\$839,699	\$839,699	\$839,699	\$839,699		
Off-Site Improvements						
Sitework	\$211,275	\$403,106			\$211,275	\$403,106
Construction Hard Costs	\$1,504,475	\$1,335,910			\$1,504,475	\$1,335,910
Contractor Fees	\$240,205	\$240,205			\$240,205	\$240,205
Contingencies	\$140,000	\$140,000			\$140,000	\$140,000
Eligible Indirect Fees	\$59,099	\$59,099			\$59,099	\$59,099
Eligible Financing Fees	\$115,250	\$115,250			\$115,250	\$115,250
All Ineligible Costs	\$73,718	\$73,718				
Developer Fees						
Developer Fees	\$340,546	\$340,546			\$340,546	\$340,546
Development Reserves		\$40,318				
TOTAL DEVELOPMENT COSTS	\$3,851,410	\$3,914,994	\$839,699	\$839,699	\$2,610,850	\$2,634,116

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$839,699	\$839,699	\$2,610,850	\$2,634,116
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$839,699	\$839,699	\$3,394,105	\$3,424,351
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$839,699	\$839,699	\$3,394,105	\$3,424,351
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$29,809	\$29,809	\$282,390	\$284,906

Syndication Proceeds 0.8200 \$244,436 \$244,436 \$2,315,591 \$2,336,226

Total Tax Credits (Eligible Basis Method) \$312,199 \$314,715

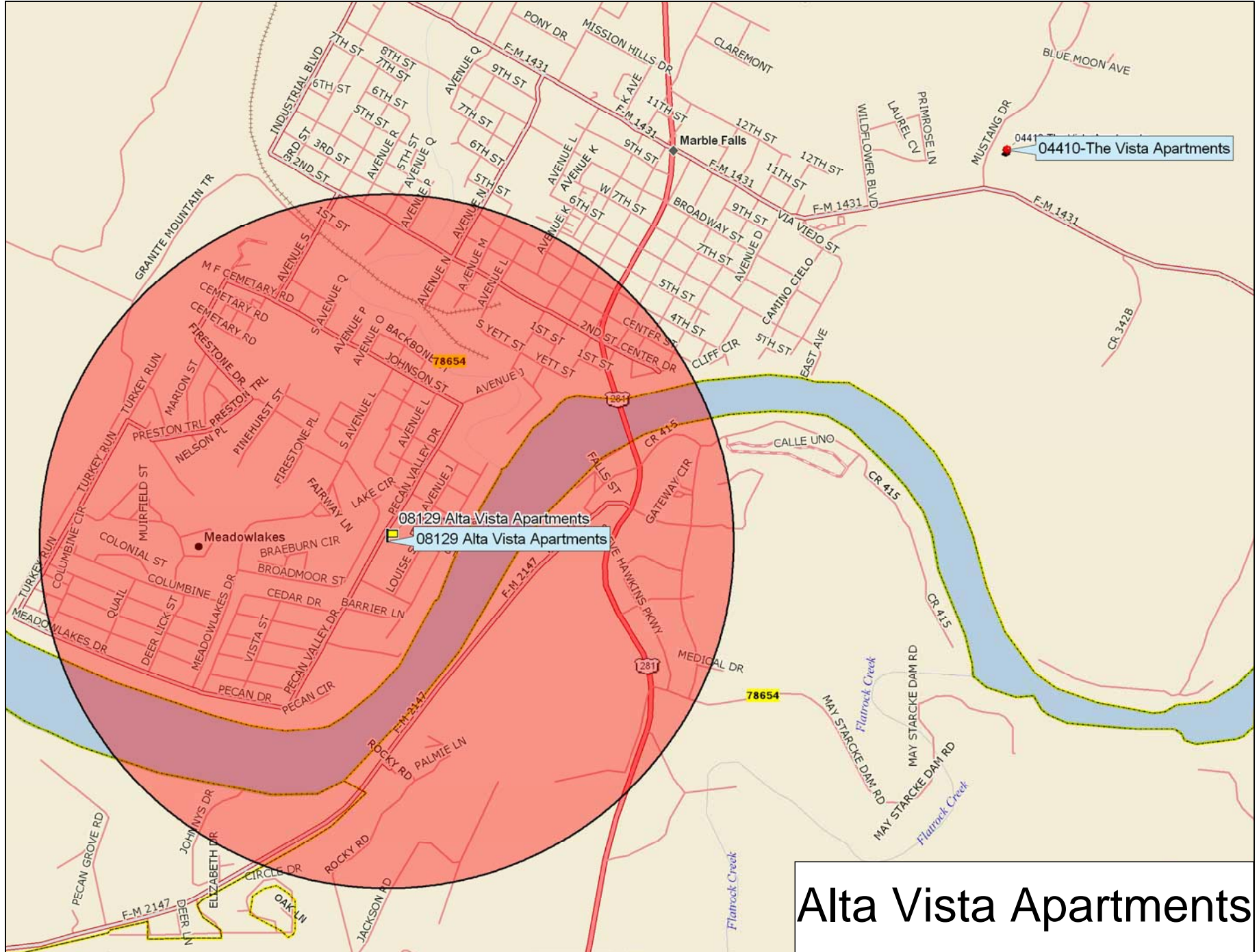
Syndication Proceeds \$2,560,027 \$2,580,662

Requested Tax Credits \$312,199

Syndication Proceeds \$2,560,028

Gap of Syndication Proceeds Needed \$2,802,125 \$2,865,709

Total Tax Credits (Gap Method) \$341,723 \$349,477

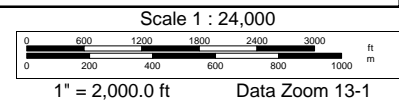
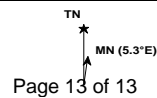


Alta Vista Apartments

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Applicant Evaluation

Project ID **08129**

Name **Alta Vista Apartments**

City: **Marble Falls**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 70

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 9

Projects grouped by score	0-9:	<u>65</u>
	10-19:	<u>5</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 70

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/14/2008

Date: 5/27/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/21/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jourdanton Square Apartments, TDHCA Number 08130

BASIC DEVELOPMENT INFORMATION

Site Address: 2701 Zanderson Development #: 08130
 City: Jourdanton Region: 9 Population Served: General
 County: Atascosa Zip Code: 78026 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: HVM Jourdanton, Ltd.
 Owner Contact and Phone: Dennis Hoover, (512) 756-6809
 Developer: Dennis Hoover
 Housing General Contractor: Hoover Construction, Inc.
 Architect: W.S. Allen and Associates
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Raymond James Tax Credit Funds
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	52
	3 0 23 26	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 20 28 4 0 0	Total Development Units:	52
Type of Building:		Total Development Cost*:	\$3,761,395
<input checked="" type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	10
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	11
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$223,173	\$222,957			
HOME Activity Fund Amount:	\$437,274	\$437,274	40	40	00.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jourdanton Square Apartments, TDHCA Number 08130

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Zaffirini, District 21, S Points: 14 US Representative: Cuellar, District 28, NC
TX Representative: Gonzalez Toureilles, District 35, N Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Larry Pryor, Mayor Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Jourdanton Square Tenant Association, Edna Hitt Letter Score: 24 S or O: S

Our property is in definite need of repair and rehabilitation.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
Jourdanton Chamber of Commerce S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and a civic organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
2. Receipt, review and acceptance by cost certification, of documentation that USDA-RD has approved an overall rent increase of at least 5% and a revision to the basic rent mix as reflected in the underwriting report.
3. Receipt, review and approval of a new as built survey of the subject reconciling the site square footage by carryover.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
6. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$437,274, or a commitment from a qualifying substitute source in an amount not less than \$185,600, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Jourdanton Square Apartments, TDHCA Number 08130

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **188** Meeting a Required Set-Aside Credit Amount*: \$222,957

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$437,274

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/27/08 PROGRAM: HTC 9%/HOME FILE NUMBER: 08130

DEVELOPMENT	
Jourdanton Square Apartments	
Location: <u>2701 Zanderson</u>	Region: <u>9</u>
City: <u>Jourdanton</u> County: <u>Atascosa</u> Zip: <u>78026</u>	<input type="checkbox"/> OCT <input type="checkbox"/> DDA
Key Attributes: <u>USDA-RD, Family, At-Risk, Acquisition/Rehabilitation</u>	

ALLOCATION						
TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$437,274	1.00%	40 Yrs.	\$437,274	1.00%	40 Yrs.
Housing Tax Credit (Annual)	\$223,173			\$222,957		

- | CONDITIONS |
|--|
| <ol style="list-style-type: none"> 1 Receipt, review and acceptance, by carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien. 2 Receipt, review and acceptance, by cost certification, of documentation that USDA-RD has approved an overall rent increase of at least 5% and a revision to the basic rent mix as reflected in the underwriting report. 3 Receipt, review and approval, by carryover, of a new as built survey of the subject reconciling the site square footage. 4 Receipt, review and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old. 5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted. |

SALIENT ISSUES		
TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	23
60% of AMI	60% of AMI	26
TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
Low HOME	30% of AMI	3
Low HOME	50% of AMI	8
High HOME	65% of AMI	0

PROS

- The development team has substantial experience constructing, rehabilitating and managing USDA-RD properties.
- This will be the rehabilitation of a 24 year old development in a rural community of Texas.

CONS

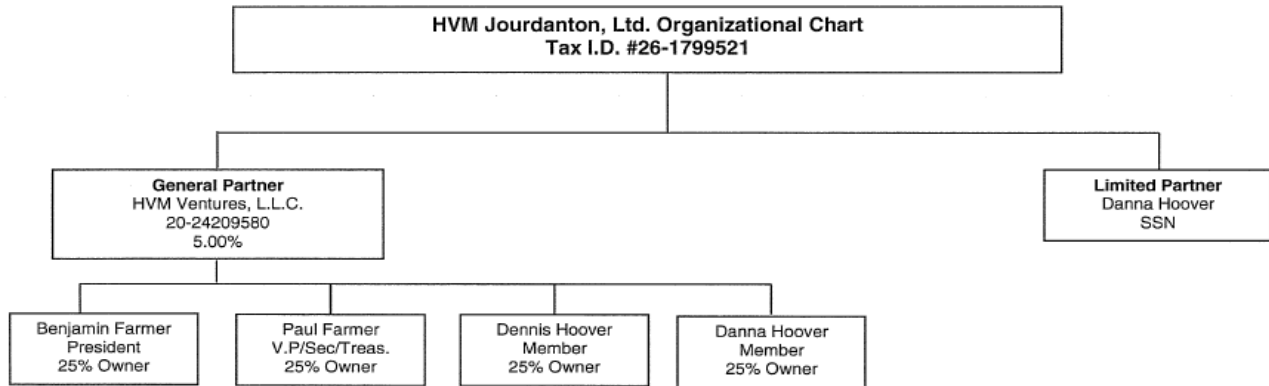
- The expense-to-income ratio for the Applicant and the Underwriter exceeds the Department's 65% maximum guideline; however, this issue is mitigated based on the Project-based Rental Assistance received from the USDA-RD.
- The development only receives rental assistance on 23% of the units; this limits the development's ability to sustain periods of increasing expenses and flat rents.
- The development includes acquisition credits for an identity of interest transfer of ownership.
- If the HOME award is ultimately not received, the transaction may not be financially viable.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dennis Hoover Phone: (512) 756-6809 Fax: (512) 756-9885
 Email: dennishoover@hamiltonvalley.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
HVM Jourdanton, Ltd.	Newly Formed	0
Dennis Hoover	N/A	14
Dana Hoover	N/A	6
Ben Farmer	N/A	0

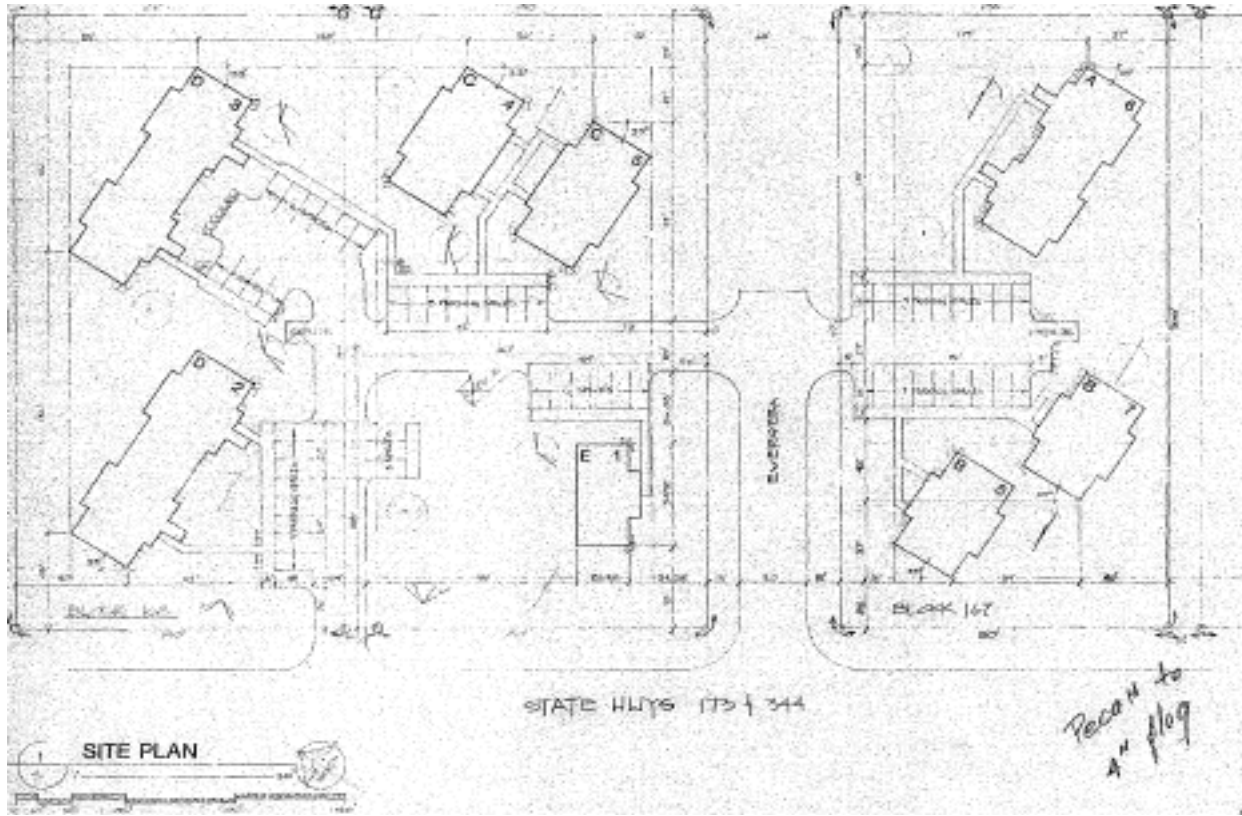
IDENTITIES of INTEREST

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

The seller is regarded as a related party due to the seller being a member of HVM Ventures, LLC, the General Partner. This has been addressed in further detail in the Construction Cost Estimate Evaluation section of the report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	B2	C	D														Total Buildings
Floors/Stories	2	2	2	2	2														
Number	1	2	1	2	2														8

BR/BA	SF	Units										Total Units	Total SF	
1/1	636			4									4	2,544
1/1	636	8											8	5,088
1/1	680	8											8	5,440
2/1	796			8									8	6,368
2/1	807		2										4	3,228
2/1	807					8							16	12,912
3/1	1,006				2								4	4,024
Units per Building		16	2	12	2	8							52	39,604

Comments:

The Applicant has elected to restrict greater than 40% of the units at 50% of AMI or below in order to meet the IRC Section 42 exception for below market rate HOME loans. The 40% at 50% of AMI requirement must be met on a building by building basis and due to the number of units in each building, the Applicant is required to restrict a minimum of 24 units at 50% of AMI or less. The Applicant has elected to restrict 26 units at 50% of AMI or less. The Applicant has also not claimed a 30% boost to eligible basis. Such a structure should mitigate the risk of losing eligibility for the 9% HTC's.

SITE ISSUES

Total Size: 4.3 acres Scattered site? Yes No
 Flood Zone: C Within 100-yr floodplain? Yes No
 Zoning: Commercial Needs to be re-zoned? Yes No N/A

Comments:

The zoning for the tract is classified as commercial; however, according to a letter from the Mayor of the City of Jourdanton dated 2/25/2008, the apartment buildings existed prior to the enactment of their zoning ordinance and therefore, no special use permit or re-zoning is required.

Rehabilitation summary:

Jourdanton Square was originally financed as two properties built in 1983 and 1987 under the USDA Section 515 program. The Applicant provided a Capital Needs Assessment performed by E & A Services, Inc. The CNA submitted contemplated a scope of rehabilitation work that is generally consistent with the work proposed by the Applicant. The CNA is dated February 22, 2008 and identifies \$1.2M in immediate work and an additional \$600K in work to be done over the next 20 years (\$171K of which is expected to take place within the first five years). The Underwriter included the work reflected over the next five years as work that should be completed now and when this amount is included in the Underwriter's budget this amount is within 2% of the total sitework and direct construction costs in the Applicant's development cost schedule.

The majority of the immediate cost is associated with the unit remodeling and/or modifications to meet handicapped accessibility regulation as well as for the replacement and repair of the many components that have a typical effective useful life ("EUL") of equal to or less than 20-25 years, e.g. roofs, siding, kitchen cabinets, bathroom fixtures, flooring, etc. Immediate costs also includes a new community building with office, kitchen and restroom facilities. Additional features and equipment included in the scope of work are a 20 ft. x 20 ft. gazebo, two playgrounds with equipment for tots and older children, chain link fencing and extensive landscaping. There are also some components such as appliances, doors, floor coverings, etc., that would have an EUL of a few more years but since a major renovation is contemplated it is reasonable to replace all of these components as well in year one.

The Applicant does not anticipate the need to relocate any tenants during the rehabilitation process.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/18/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Pine St., residential & undeveloped East: Campbell St. & scattered residential
 South: Hackberry St. & scattered residential West: Hwy 16 & undeveloped land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Developments receiving USDA-RD financing are not required to provide a Phase I ESA.

MARKET HIGHLIGHTS

Provider: Rafael C. Luebbert Date: 2/1/2008

Contact: Rafael C. Luebbert Phone: (210) 408-6041 Fax: (210) 408-2539

Number of Revisions: none Date of Last Applicant Revision: N/A

A traditional Market Study report was not included, as existing USDA-RD-financed projects with over 80% occupancy are not required to submit a separate report, but must submit an appraisal. An appraisal was provided and included the following market highlights:

Market Area:

"The market area is the geographical region enveloped by the communities of Jourdanton, Pleasanton, Lytle, and Castroville. There were insufficient numbers of conventional project samples within this immediate market area to enable the appraiser to deduce economic rentals. This is the area which would influence the economics of the property within the described area. The selected complexes are considered to reflect trends in rental rates for conventional projects in that region. This particular market area should remain a viable part of the local economy. Most properties display relatively good quality of maintenance and pride of ownership. There were no nuisances, noise pollution, excess traffic patterns, abnormal levels of crime, or specific environmental issues noted which may affect the perceived quality of the described market area." (p. 29-30)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None			N/A	N/A			

There is one HTC development under construction in the vicinity of the subject. Canyons Landing (# 060013), a 36-unit family development which received a 9% HTC allocation in 2006, is located approximately 10 miles north of the subject. The informal primary market area derived by the Appraiser does not include Poteet and the subject is a USDA rehabilitation development which is already occupied and therefore Canyons Landing was not included in this analysis as a comparable to the subject.

INCOME LIMITS						
Atascosa						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,550	\$10,900	\$12,300	\$13,650	\$14,750	\$15,850
50	\$15,950	\$18,200	\$20,500	\$22,750	\$24,550	\$26,400
60	\$19,140	\$21,840	\$24,600	\$27,300	\$29,460	\$31,680

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	636 SF	50	\$323	\$323	\$425	\$323	\$102
1 BR	636 SF	60	\$409	\$409	\$425	\$387	\$38
1 BR	680 SF	30/LH/RA	\$409	\$152	\$446	\$387	\$59
1 BR	680 SF	50/LH/RA	\$409	\$323	\$446	\$387	\$59
1 BR	680 SF	50	\$323	\$323	\$446	\$323	\$123
1 BR	680 SF	50/RA	\$409	\$323	\$446	\$387	\$59
2 BR	796 SF	30/LH/RA	\$475	\$491	\$498	\$429	\$69
2 BR	807 SF	50/LH/RA	\$475	\$183	\$505	\$429	\$76
2 BR	807 SF	50	\$475	\$388	\$505	\$429	\$76
2 BR	807 SF	60	\$388	\$388	\$505	\$388	\$117
2 BR	807 SF	50/LH/RA	\$475	\$491	\$505	\$429	\$76
3 BR	1,006 SF	50/LH/RA	\$565	\$456	\$605	\$456	\$149
3 BR	1,006 SF	50	\$456	\$456	\$605	\$456	\$149
3 BR	1,006 SF	60	\$565	\$574	\$605	\$456	\$149

Comments:

As a USDA-RD financed development, a market study is not required and was not submitted; however, an appraisal is required and was submitted as indicated above.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 0.15 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/2/2008

The Applicant's rents are based on a proposed contract rent increase and are subject to USDA-RD approval under the existing financing agreement. The property currently operates with two sets of "basic" rents which are determined based upon the net operating needs of the property. Increases are generally limited based on a maximum potential return to owner of 8% of the original equity contributed (and that equity is generally very small). The rents provided are a forecast estimate for the year following the rehabilitation. The Applicant's rent projections are based on a complicated combination of housing tax credit, HOME and USDA Basic and Rental Assistance rents.

Currently there are 12 one-bedroom units with one basic rent and 8 more one-bedroom units with another basic rent. Similarly, 8 two-bedroom units have one basic rent and 20 others have a second basic rent. All three bedroom units have the same basic rent currently. These breakdowns appear to be consistent with the fact that the original buildings were built in two phases and there are two unit sizes for the one-bedroom units and two for two-bedroom units. Even so, having two different rents for the same unit size is somewhat unusual for USDA developments but in this case the smaller units have the higher rents as well.

In the most current revision to the rent schedule in the application, the Applicant now proposes to change this mix so that 3 one-bedroom units have one rent and 17 have another; 10 two-bedroom units will have one rent and 18 will have another; and, 3 three-bedroom units will have one rent and 1 will have another. It is unlikely that USDA will approve such a revision to the structure because it is inconsistent with the physical unit mix on the combined properties. This structure is necessary, however, because the Applicant must restrict at least 24 units at 50% of AMI or less in order to remain eligible for 9% credits due to the below market rate HOME funds. The Applicant elected to restrict 26 units (50% of the units) at 50% or less.

Eleven (11) of the units are proposed to be Low HOME units and 12 of the units (23%) now have Rental Assistance (RA) which is expected to continue. The 11 Low HOME units will also be RA units and will be restricted to tenants earning 30% or 50% of the area median income (3 and 8 units respectively) and the 12th RA unit will be tax credit only restricted to the 50% income level. The rents for the 12 units with RA will be set at the USDA approved basic rent which may be higher than the 50% rent because with rental assistance they can collect above the allowable Housing Tax Credit and Low HOME rents. The tenants will not, however, pay above the maximum net 50% or Low HOME rent amount.

The balance of the units, 40, are tax credit and USDA basic rent only units, of which an additional 14 units are restricted at the 50% income level. The total collected rents for these units can not exceed the 50% tax credit rent because they have no rental assistance. As such these units must actually decrease in rent from the current USDA basic rents because the approved basic rents are already higher than the current 50% income restricted tax credit rents. One-bedroom rents for these units will decline from \$360 and \$345 to a maximum of \$323 for 50% units without RA and to compensate the Applicant intends to increase the remaining one-bedroom basic rents to \$390. Two-bedroom rents will decline from \$415 and \$390 to a maximum of \$388 for 50% units without RA and the rest of the two bedroom units will increase to \$475. Three-bedroom, 50% income restricted rents are limited to \$456 which is less than the Applicant's proposed three bedroom basic rent of \$565.

This section intentionally left blank.

The overall effect of the Applicant's proposed rents will be a 13% increase in gross income, however some individual unit rents will go up by as much as 27% while others will go down by as much as 10%. The Underwriter began the analysis with these proposed rents but determined that a minimum overall increase of only 5% is required to pay operating expenses, existing debt and service the proposed additional HOME loan. While the rents for the 14 additional units pledged by the Applicant to be restricted at 50% will still need to decrease by as much as 10%, the remaining units were underwritten with increases of only 2% to 12% for the transaction to be viable.

The Applicant's estimates of secondary income are within the Department's guidelines at \$10.12 per unit per month. The \$10.12 include laundry income, interest income, tenant tracker and other costs. The Underwriter also used \$10.12 per unit for secondary income. Tenants will be required to pay electrical costs.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$3,680 per unit is 7% higher than the Underwriter's estimate of \$3,429 derived primarily from historical operations at the property and the TDHCA database. The Applicant's estimates of several line items differ significantly from the Underwriter's, specifically, management fees (\$4K higher); payroll (\$7K higher); water, sewer and trash (\$12K higher); and, reserve for replacements (\$7K lower). The Underwriter's reserve for replacement is based upon the CNA provider's schedule for future repair needs which when included in the Underwriter's model identify a need for \$385 per unit to be set aside beginning in year one rather than the minimum TDHCA guideline of \$300 per unit.

Both the Applicant's and the Underwriter's income-to-expense percentages of 74.80% and 74.72% respectively, are well above normal maximum Department guideline of 65%; however, these high debt-to-income ratio risks are mitigated somewhat because of the rental assistance that will allow rents to float upward on 12 of the units as fast as expenses rise regardless of whether incomes and therefore rents rise at all.

Conclusion:

The Applicant's estimate of effective gross income, total expense and net operating income are all greater than 5% higher or lower than the Underwriter's estimates; therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's proposed 5% overall increase in basic rents and proposed permanent financing structure results in an initial year's debt coverage ratio of 1.35.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primary vested in the additional HOME funding. In fact the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance of documentation that USDA-RD has approved the increase of at least 5% overall by cost certification along with the approval of the transfer and parity of the additional HOME debt by carryover are conditions of this report.

This section intentionally left blank.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. The Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow through year 15. Therefore, the development can be characterized as feasible. Because of the high expense to income ratio, it should be noted, the debt coverage ratio and cash flow fall below the Department's year one to 15 standards well before year 30 in both the Underwriter's and Applicant's proforma.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Rafael C. Luebbert, MAI, SRA Date: 2/1/2008
Number of Revisions: none Date of Last Applicant Revision: N/A
Land Only: 4.3 acres \$120,076 As of: 2/1/2008
Existing Buildings: (as-is) \$1,253,924 As of: 2/1/2008
Total Development: (as-is) \$1,374,000 As of: 2/1/2008

ASSESSED VALUE

Land Only: 4.3 acres \$96,000 Tax Year: 2006
Existing Buildings: \$496,275 Valuation by: Atascosa CAD
Total Assessed Value: \$592,275 Tax Rate: 2.4142

EVIDENCE of PROPERTY CONTROL

Type: Option To Purchase Real Property Acreage: 4.3
Contract Expiration: 7/3/2009 Valid Through Board Date? Yes No
Acquisition Cost: \$1,391,513 Other: _____
Seller: Jourdanton Square, Ltd. Related to Development Team? Yes No

TITLE

Comments:

According to the Title Commitment, the subject site should contain 4.22 acres; however, current survey information provided indicate 4.32 acres, a difference of a tenth of an acres. Accordingly, receipt, review and approval of a new boundary survey of the subject property is required by carryover.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The property is currently owned by Jourdanton Square, Ltd., a related party to the Applicant and Developer. According to the 2008 REA Rules, applications involving identity of interest transactions are required to submit the original acquisition cost listed in the settlement statement or the original asset value listed in the most current audited financial statements for the current owner. The Applicant provided documentation of the original purchase of the development site along with documents of subsequent loans for the construction and permanent financing of the units on the site. The site cost and two phases of apartment developments total \$1,396,034. The Applicant's current acquisition price of \$1,391,513 is comprised of the USDA loan that is to be assumed at 12/31/2008 of \$1,234,063 and exit taxes to existing partners of \$157,450. The sales price is slightly more than the appraised value of \$1,374,000. The Applicant is claiming \$1,099,308 under acquisition eligible basis.

This section intentionally left blank.

Sitework Cost:

The Applicant's proposed site work cost of \$5,788 per unit is within the Department's guidelines and though low, is considered to be reasonable for a rehabilitation development.

Direct Construction Cost:

The Underwriter used the direct construction cost that was provided by the third party Capital Needs Assessment (CNA) provider of \$982,297 plus the construction cost of a new community building of \$200,000. Making an adjustment of adding \$200,000 for the cost of construction of the community building to direct construction cost and simultaneously deducting the same amount from the CNA provider's sitework cost result in a direct construction cost for the Underwriter that is \$67K (6%) higher than the Applicant's estimate, and sitework costs that is \$4K lower than the Applicant's.

Reserves

The Applicant indicated that they must leave \$1,000 per unit for future years needs in the development. By last account, the development has \$1,650 per unit available and all of the available reserves will be transferred to the new owner as part of the acquisition. The Applicant's budget, however, did not include any funds for an initial minimum reserve as a development cost. The Underwriter included \$1,000 per unit in the budget.

Conclusion:

The Underwriter's cost schedule was primarily derived from the third party Capital Needs Assessment (CNA) provided by the Applicant and information provided in the application. The Capital Needs Assessment appeared to cover the scope of work provided by the Applicant and thus the Underwriter's development cost schedule, as derived from the CNA will be used to determine the development's need for permanent funds and to calculate eligible basis.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: The Hoover Companies (BHHH, Inc.) Type: Interim Financing

Principal: \$1,914,755 Interest Rate: Prime + 1 Fixed Term: 12 months

Comments:

The Hoover Companies (BHHH, Inc.) is a related entity of the Applicant. Therefore, the Department requested documentation from third party sources to verify the capacity of BHHH, Inc. to provide such construction financing. Accordingly, the Department was provided with a letter from the First State Bank of Burnet and a letter from Lou Ann Montey and Associates, PC which confirms the Applicant's capacity to provide the proposed construction financing. The Applicant also submitted applications for three other developments that are currently being underwritten, with each of the applications including commitments for construction funds from the Hoover Companies. The First State Bank and CPA letters both indicated that the Applicant has the capacity to provide the entire construction funding as proposed if the applications are approved.

Source: USDA-RD Type: Interim to Permanent Financing

Principal: \$1,234,063 Interest Rate: 1.0% Fixed Amort: 600 months

Comments:

The existing Rural Development loan will be assumed by the Applicant. The RD loan is eligible for prepayment since it is over 20 years from the date of the loan. The Interest Credit operating subsidy will expire if the loan is repaid, but it will continue if the loan is not repaid. The RD loan has an Interest Credit Agreement that subsidizes the interest rate on the note down to 1%, amortized over 50 years.

This section intentionally left blank.

Source: TDHCA HOME Loan Type: Permanent Financing

Principal: \$437,274 Interest Rate: 1.00% Fixed Amort: 480 months

Comments:

As discussed above, it is recommended that the TDHCA HOME loan have parity in lien or equal rights with regard to the security, cash flow and the ability to foreclose if it should become necessary.

Source: Reserve Account Type: Cash Equity-Reserve Account

Principal: \$86,160 Conditions: _____

Comments:

The reserve account will transfer with the property when it is sold, and some of the funds will be used as a source of funds for rehabilitation. The fund will however not be depleted. The Applicant indicated that he must leave \$1,000 per unit for future years needs, however this did not appear in the Applicant's development budget.

Source: Raymond James Tax Credit Funds Type: Syndication

Proceeds: \$1,829,836 Syndication Rate: 82% Anticipated HTC: \$ 223,173

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.80. At this point, over 100% of the repayable developer fee would be deferred and the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.92, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$124,654 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loans of \$1,671,337 indicates the need for \$2,090,058 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$254,911 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$223,173), the gap-driven amount (\$254,911), and eligible basis-derived estimate (\$222,957), the eligible basis-derived estimate of \$222,957 is recommended resulting in proceeds of \$1,828,068 based on a syndication rate of 82%.

The Underwriter recommends a HOME award of \$437,274 structured as a fully repayable loan with an interest rate of 1% and amortization/term of 40 years.

MULTIFAMILY COMPARATIVE ANALYSIS

Jourdanton Square Apartments, Jourdanton, HTC 9%/HOME #08130

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%	2	1	1	636	\$426	\$323	\$646	\$0.51	103.00	\$42.00
TC 60%	10	1	1	636	\$512	\$387	3,870	0.61	103.00	42.00
TC 30%/LHRA	2	1	1	680	\$255	\$387	774	0.57	103.00	42.00
TC 50%/LHRA	4	1	1	680	\$426	\$387	1,548	0.57	103.00	42.00
TC 50%	1	1	1	680	\$426	\$323	323	0.48	103.00	42.00
TC 50%/RA	1	1	1	680	\$426	\$387	387	0.57	103.00	42.00
TC 60%	8	2	1	796	\$615	\$429	3,432	0.54	124.00	45.00
TC 30%/LHRA	1	2	1	807	\$307	\$429	429	0.53	124.00	45.00
TC 50%/LHRA	3	2	1	807	\$512	\$429	1,287	0.53	124.00	45.00
TC 50%	10	2	1	807	\$512	\$388	3,880	0.48	124.00	45.00
TC 60%	6	2	1	807	\$615	\$429	2,574	0.53	124.00	45.00
TC 50%/LHRA	1	3	1	1,006	\$591	\$456	456	0.45	135.00	47.00
TC 50%	1	3	1	1,006	\$591	\$456	456	0.45	135.00	47.00
TC 60%	2	3	1	1,006	\$709	\$456	912	0.45	135.00	47.00
TOTAL:	52		AVERAGE:	762		\$403	\$20,974	\$0.53	\$116.77	\$44.00

INCOME Total Net Rentable Sq Ft: **39,604**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.12

Other Support Income: \$0.00

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions: \$0.00

EFFECTIVE GROSS INCOME

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.71%	\$216	0.28
Management	8.60%	395	0.52
Payroll & Payroll Tax	16.53%	759	1.00
Repairs & Maintenance	8.00%	367	0.48
Utilities	2.56%	118	0.15
Water, Sewer, & Trash	12.67%	581	0.76
Property Insurance	4.51%	207	0.27
Property Tax 2.4142	7.89%	362	0.48
Reserve for Replacements	8.38%	385	0.51
TDHCA Compliance Fees	0.87%	40	0.05
Other:	0.00%	0	0.00
TOTAL EXPENSES	74.72%	\$3,429	\$4.50
NET OPERATING INC	25.28%	\$1,160	\$1.52

DEBT SERVICE

USDA-RD	13.15%	\$603	\$0.79
HOME Loan	5.56%	\$255	\$0.34
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	6.58%	\$302	\$0.40

AGGREGATE DEBT COVERAGE RATIO 1.35

RECOMMENDED DEBT COVERAGE RATIO 1.35

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
\$251,688	\$270,036	Atascosa		9	
6,312	6,312	\$10.12	Per Unit Per Month		
0	0	\$0.00	Per Unit Per Month		
\$258,000	\$276,348				
(19,350)	(20,724)	-7.50%	of Potential Gross Income		
0	0				
\$238,650	\$255,624				
	PER SQ FT	PER UNIT	% OF EGI		
\$11,244	\$9,560	\$0.24	\$184	3.74%	
20,527	24,304	0.61	467	9.51%	
39,447	47,372	1.20	911	18.53%	
19,090	17,800	0.45	342	6.96%	
6,113	6,817	0.17	131	2.67%	
30,227	41,898	1.06	806	16.39%	
10,753	11,057	0.28	213	4.33%	
18,831	17,000	0.43	327	6.65%	
20,005	13,460	0.34	259	5.27%	
2,080	2,080	0.05	40	0.81%	
0	0	0.00	0	0.00%	
\$178,316	\$191,348	\$4.83	\$3,680	74.86%	
\$60,334	\$64,276	\$1.62	\$1,236	25.14%	
	PER SQ FT	PER UNIT	% OF TOTAL		
\$31,374	\$47,612	\$1.20	\$916	18.63%	
13,268		\$0.00	\$0	0.00%	
0	0	\$0.00	\$0	0.00%	
\$15,692	\$16,664	\$0.42	\$320	6.52%	
1.35	1.35				
1.35					

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		36.99%	\$26,760	\$35.14
Off-Sites		0.00%	0	0.00
Sitework		5.04%	3,644	4.78
Direct Construction		32.54%	23,540	30.91
Contingency 9.20%		3.46%	2,500	3.28
Contractor's Fees 14.00%		5.26%	3,806	5.00
Indirect Construction		1.42%	1,026	1.35
Ineligible Costs		2.85%	2,061	2.71
Developer's Fees 9.56%		7.68%	5,552	7.29
Interim Financing		3.38%	2,447	3.21
Reserves		1.38%	1,000	1.31
TOTAL COST		100.00%	\$72,335	\$94.98
Construction Cost Recap		46.30%	\$33,490	\$43.97

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$1,391,513	\$1,391,513	\$35.14	\$26,760	37.49%	
0	0	0.00	0	0.00%	
189,489	238,000	6.01	4,577	6.41%	
1,224,075	1,177,838	29.74	22,651	31.73%	
130,000	130,000	3.28	2,500	3.50%	
197,899	198,217	5.00	3,812	5.34%	
53,345	53,345	1.35	1,026	1.44%	
107,161	107,161	2.71	2,061	2.89%	
288,693	288,693	7.29	5,552	7.78%	
127,220	127,220	3.21	2,447	3.43%	
52,000		0.00	0	0.00%	
\$3,761,395	\$3,711,987	\$93.73	\$71,384	100.00%	
\$1,741,463	\$1,744,055	\$44.04	\$33,540	46.98%	

SOURCES OF FUNDS

USDA-RD	32.81%	\$23,732	\$31.16
HOME Loan	11.63%	\$8,409	\$11.04
Equity - Reserve Account	2.29%	\$1,657	\$2.18
HTC Syndication Proceeds	48.65%	\$35,189	\$46.20
Deferred Developer Fees	3.31%	\$2,397	\$3.15
Additional (Excess) Funds Req'd	1.31%	\$950	\$1.25
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED	
\$1,234,063	\$1,234,063	\$1,234,063	Developer Fee Available	
437,274	437,274	437,274	\$288,693	
86,160	86,160	86,160		
1,829,836	1,829,836	1,828,068	% of Dev. Fee Deferred	
124,654	124,654	175,830	61%	
49,408	0	0	15-Yr Cumulative Cash Flow	
\$3,761,395	\$3,711,987	\$3,761,395	\$227,871	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Jourdanton Square Apartments, Jourdanton, HTC 9%/HOME #08130

PAYMENT COMPUTATION

Primary	\$1,234,063	Amort	600
Int Rate	1.00%	DCR	1.92

Secondary	\$437,274	Amort	480
Int Rate	1.00%	Subtotal DCR	1.35

Additional		Amort	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$31,374
Secondary Debt Service	13,268
Additional Debt Service	0
NET CASH FLOW	\$15,692

Primary	\$1,234,063	Amort	600
Int Rate	1.00%	DCR	1.92

Secondary	\$437,274	Amort	480
Int Rate	1.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$251,688	\$259,239	\$267,016	\$275,026	\$283,277	\$328,396	\$380,701	\$441,336	\$593,119
Secondary Income	6,312	6,501	6,696	6,897	7,104	8,236	9,547	11,068	14,875
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	258,000	265,740	273,712	281,924	290,381	336,631	390,248	452,405	607,994
Vacancy & Collection Loss	(19,350)	(19,931)	(20,528)	(21,144)	(21,779)	(25,247)	(29,269)	(33,930)	(45,600)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$238,650	\$245,810	\$253,184	\$260,779	\$268,603	\$311,384	\$360,980	\$418,474	\$562,394
EXPENSES at 4.00%									
General & Administrative	\$11,244	\$11,693	\$12,161	\$12,647	\$13,153	\$16,003	\$19,470	\$23,688	\$35,065
Management	20,527	21,142	21,777	22,430	23,103	26,782	31,048	35,993	48,372
Payroll & Payroll Tax	39,447	41,024	42,665	44,372	46,147	56,145	68,309	83,108	123,020
Repairs & Maintenance	19,090	19,854	20,648	21,474	22,333	27,171	33,058	40,220	59,536
Utilities	6,113	6,358	6,612	6,876	7,151	8,701	10,586	12,879	19,064
Water, Sewer & Trash	30,227	31,436	32,694	34,001	35,361	43,022	52,343	63,684	94,267
Insurance	10,753	11,183	11,630	12,096	12,579	15,305	18,621	22,655	33,535
Property Tax	18,831	19,584	20,367	21,182	22,029	26,802	32,609	39,674	58,727
Reserve for Replacements	20,005	20,806	21,638	22,503	23,404	28,474	34,643	42,149	62,390
Other	2,080	2,163	2,250	2,340	2,433	2,960	3,602	4,382	6,487
TOTAL EXPENSES	\$178,316	\$185,243	\$192,442	\$199,922	\$207,694	\$251,366	\$304,288	\$368,432	\$540,462
NET OPERATING INCOME	\$60,334	\$60,566	\$60,742	\$60,858	\$60,909	\$60,018	\$56,691	\$50,042	\$21,932
DEBT SERVICE									
First Lien Financing	\$31,374	\$31,374	\$31,374	\$31,374	\$31,374	\$31,374	\$31,374	\$31,374	\$31,374
Second Lien	13,268	13,268	13,268	13,268	13,268	13,268	13,268	13,268	13,268
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$15,692	\$15,924	\$16,100	\$16,216	\$16,267	\$15,376	\$12,049	\$5,400	(\$22,710)
DEBT COVERAGE RATIO	1.35	1.36	1.36	1.36	1.36	1.34	1.27	1.12	0.49

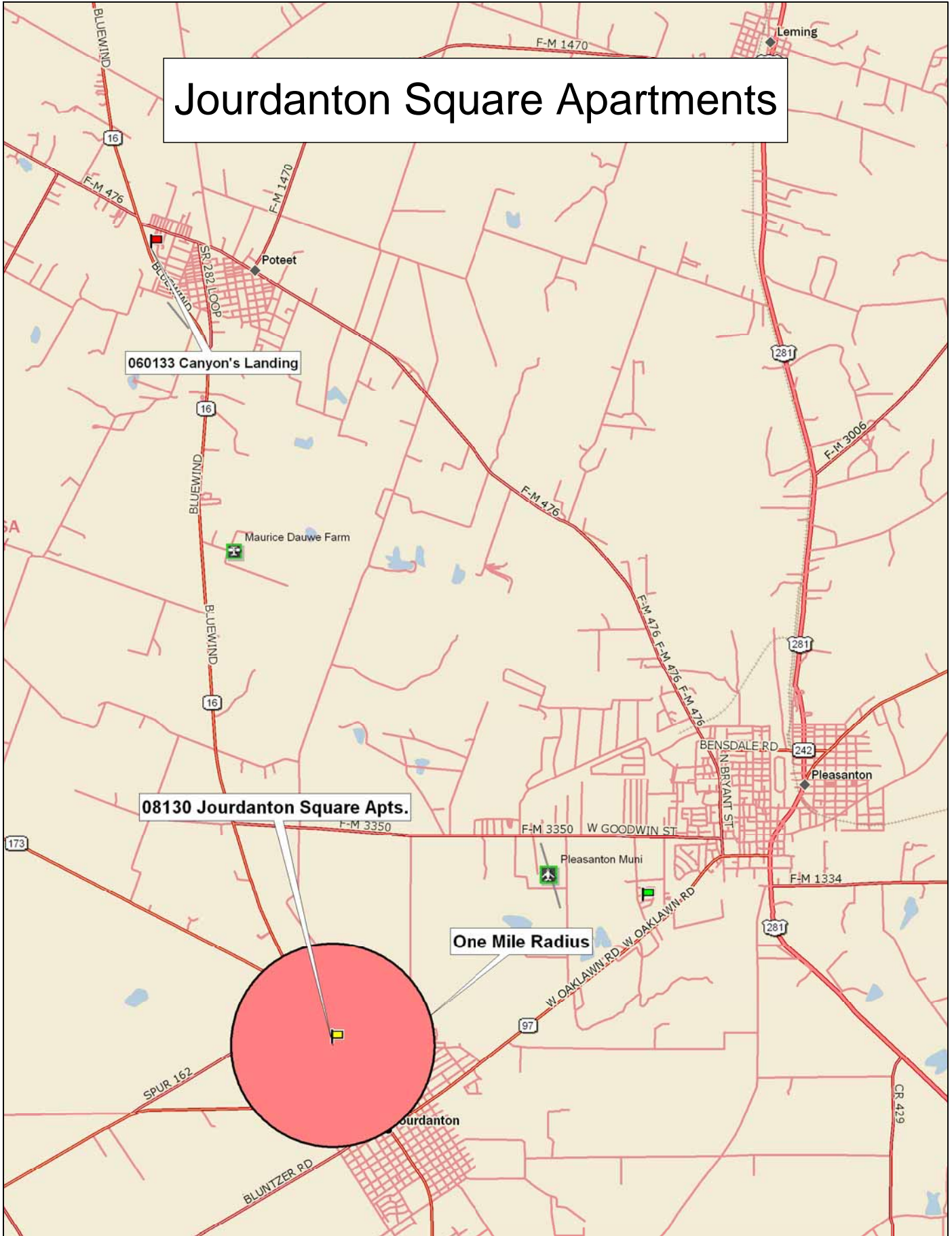
HTC ALLOCATION ANALYSIS -Jourdanton Square Apartments, Jourdanton, HTC 9%/HOME #08130

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$292,205	\$292,205				
Purchase of buildings	\$1,099,308	\$1,099,308	\$1,099,308	\$1,099,308		
Off-Site Improvements						
Sitework	\$238,000	\$189,489			\$238,000	\$189,489
Construction Hard Costs	\$1,177,838	\$1,224,075			\$1,177,838	\$1,224,075
Contractor Fees	\$198,217	\$197,899			\$198,217	\$197,899
Contingencies	\$130,000	\$130,000			\$130,000	\$130,000
Eligible Indirect Fees	\$53,345	\$53,345			\$53,345	\$53,345
Eligible Financing Fees	\$127,220	\$127,220			\$127,220	\$127,220
All Ineligible Costs	\$107,161	\$107,161				
Developer Fees						
Developer Fees	\$288,693	\$288,693			\$288,693	\$288,693
Development Reserves		\$52,000				
TOTAL DEVELOPMENT COSTS	\$3,711,987	\$3,761,395	\$1,099,308	\$1,099,308	\$2,213,313	\$2,210,721

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,099,308	\$1,099,308	\$2,213,313	\$2,210,721
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,099,308	\$1,099,308	\$2,213,313	\$2,210,721
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,099,308	\$1,099,308	\$2,213,313	\$2,210,721
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$39,025	\$39,025	\$184,148	\$183,932

Syndication Proceeds	0.8199	\$319,977	\$319,977	\$1,509,860	\$1,508,092
Total Tax Credits (Eligible Basis Method)				\$223,173	\$222,957
Syndication Proceeds				\$1,829,837	\$1,828,068
Requested Tax Credits				\$223,173	
Syndication Proceeds				\$1,829,836	
Gap of Syndication Proceeds Needed				\$2,040,650	\$2,090,058
Total Tax Credits (Gap Method)				\$248,885	\$254,911

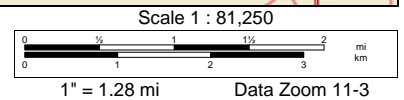
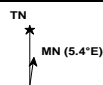
Jourdanton Square Apartments



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Applicant Evaluation

Project ID **08130**

Name **Jourdanton Square Apartments**

City: **Jourdanton**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 70

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 65

Total # of MF awards not yet monitored or pending review: 9

10-19: 5

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 70

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/2/2008

Date: 5/27/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/21/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Timber Creek Senior Living, TDHCA Number 08133

BASIC DEVELOPMENT INFORMATION

Site Address: Proposed Sienna Trails Dr. & Timber Creek Loop Development #: 08133
 City: Beaumont Region: 5 Population Served: Elderly
 County: Jefferson Zip Code: 77708 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: ST Partners IV, Ltd.
 Owner Contact and Phone: Ofelia Elizondo, (713) 522-4141
 Developer: Mgroup, LLC
 Housing General Contractor: TBD
 Architect: Mgroup & Architects, Inc.
 Market Analyst: O'Connor & Associates
 Syndicator: MMA Equity Corporation
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	115
	6 0 42 67	Market Rate Units:	5
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 61 59 0 0 0	Total Development Units:	120
Type of Building:		Total Development Cost*:	\$11,737,187
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,110,256	\$1,110,256			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Timber Creek Senior Living, TDHCA Number 08133

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Williams, District 4, NC Points: 0 US Representative: Poe, District 2, NC
TX Representative: Deshotel, District 22, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Rebecca M. Ford, Mayor, City of Bevil Oaks Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
The Baptist Minister's Union of Beaumont S or O: S
The 100+ Black Women Coalition of Beaumont S or O: S
The Greater Beaumont Chamber of Commerce S or O: S

General Summary of Comment:

Support received from elected official(s) and from civic organizations. Mayor Rebecca M. Ford, from the neighboring City of Bevil Oaks, submitted a letter of support.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
2. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
3. Receipt of a commitment of funding from the Jefferson County Housing Finance Corporation for funds in the amount of \$610,000, or a commitment from a qualifying substitute source in an amount not less than \$586,860, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Timber Creek Senior Living, TDHCA Number 08133

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **193** Meeting a Required Set-Aside Credit Amount*: \$1,110,256

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/09/08 PROGRAM: 9% HTC FILE NUMBER: 08133

DEVELOPMENT

Timber Creek Senior Living

Location: Sienna Trails Drive & Timber Creek Loop Region: 5
 City: Beaumont County: Jefferson Zip: 77708 OCT DDA
 Key Attributes: Multifamily, Senior, Urban, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,110,256			\$1,110,256		

CONDITIONS

- 1 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 2 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	42
60% of AMI	60% of AMI	67

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

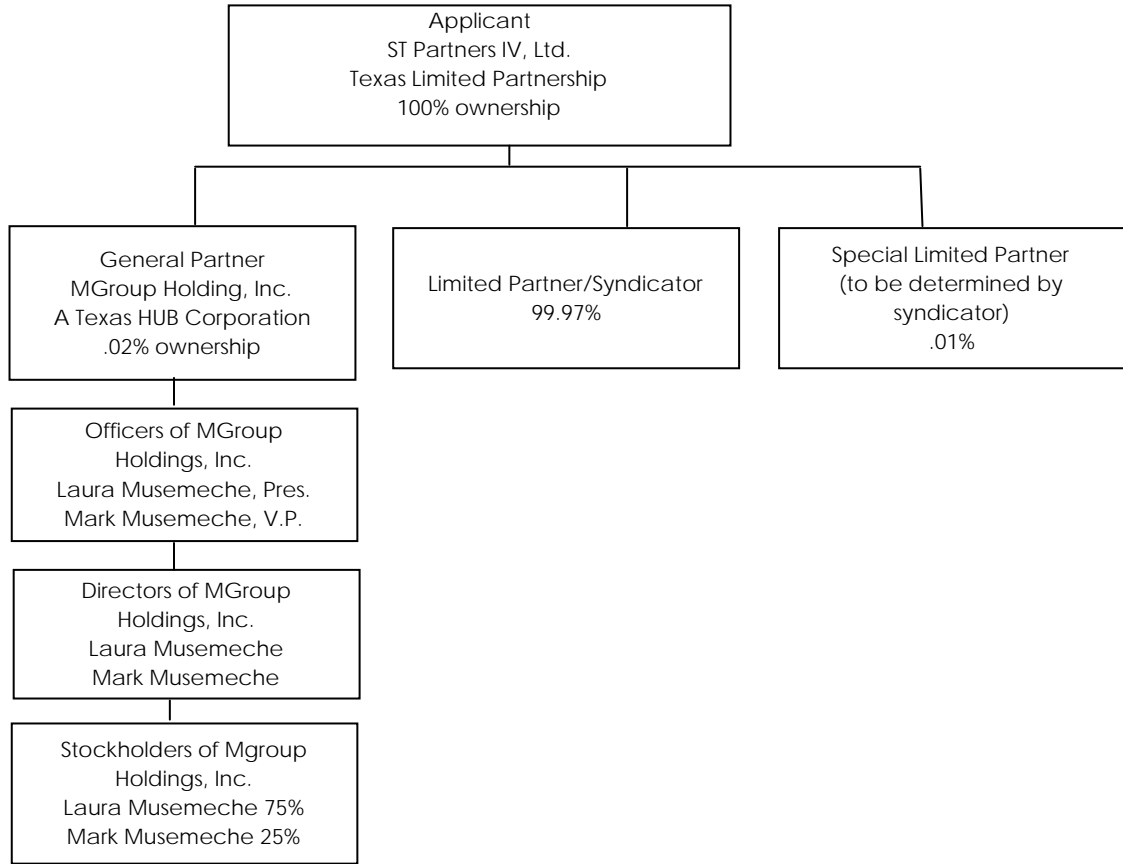
- The proposed number of two-bedroom units targeting 60% family households is more than the demand for such units given the Market Analyst's capture rates for this unit type of over 200%.

PREVIOUS UNDERWRITING REPORTS

The site was proposed for the TDHCA 2007 9% HTC cycle, but was never underwritten. Timber Creek Village at Sienna Trails (#060329) a 36 unit single family rental tax credit development is a sister property underwritten in 2006 that is located on a larger tract of land owned by the principals of the General Partner.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ofelia Elizondo Phone: (713) 522-4141 Fax: (713) 522-9775
 Email: oelizondo@sbcglobal.net

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
MGroup Holdings, Inc.	N/A	13
MGroup, LLC	N/A	4
Mark & Laura Musemeche	Confidential	13

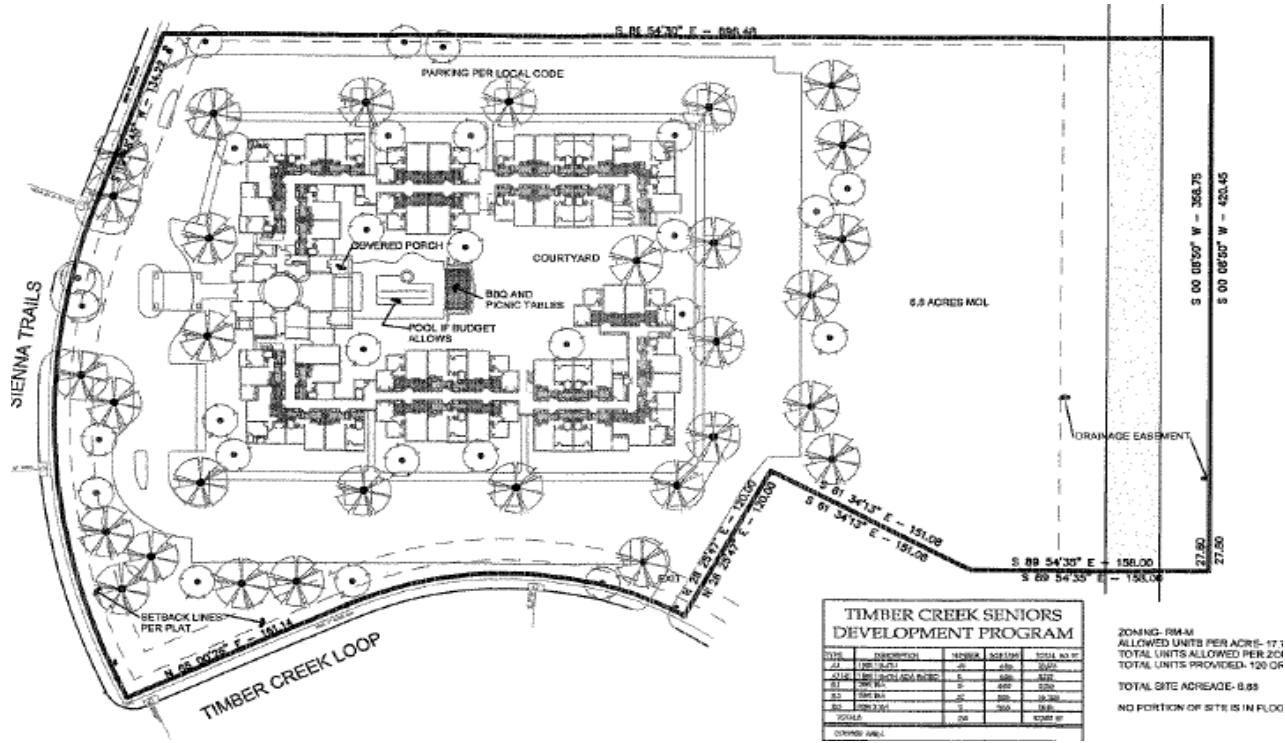
IDENTITIES of INTEREST

- o The Applicant and Developer are related entities. These are common relationships for HTC-funded
- o The Seller is related to the Owners of the GP and the transfer of the property is therefore regarded as a related party sale.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A								Total Buildings
Floors/Stories	3								
Number	1								1

BR/BA	SF	Units							Total Units	Total SF
1/1	686	61						61	41,846	
2/1	808	15						15	12,120	
2/1	835	32						32	26,720	
2/2	968	12						12	11,616	
Units per Building	120							120	92,302	

SITE ISSUES

Total Size: 6.81 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: RM-H Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/2/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Undeveloped land East: Single family residential property
 South: Single family residential property West: Sienna Trails Road

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/18/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, LP Date: 3/17/2008

Contact: Kenneth Araiza Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 81.15 square miles (5.1 miles radius)

"For the purposes of this report, the subject's primary market area is generally defined as that area contained within census tracts 48245000101, 48245000102, 48245000103, 48245000200, 48245000301, 48245000302, 48245000304, 48245000305, 48245000306, 48245000400, 48245000500, 48245000600, 48245000700, 48245000900, 48245001000, 48245001100, 48245001200, 48245001301, 48245001302, 48245001303, 48245001600, 48245001700, 48245001900, 48245002000, 48245002100, 48245002200, 48245002300, 48245002400, 48245002500, and 48245002600 (City of Beaumont). This area includes all or a portion of the following zip codes 77701, 77702, 77703, 77705, 77706, 77707, and 77708. The PMA is irregular in shape and generally follows natural land features such as watercourses, in addition to Interstate Highways and roads. Due to an adequate network of highways" (p. 20)

Secondary Market Area (SMA):

The Market Analyst did not define a SMA.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
No unstabilized affordable seniors				N/A			

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,800	\$12,300	\$13,850	\$15,400	\$16,650	\$17,850
50	\$18,000	\$20,550	\$23,150	\$25,700	\$27,750	\$29,800
60	\$21,600	\$24,660	\$27,780	\$30,840	\$33,300	\$35,760

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	51	2	0	53	3	0	5.7%
1 BR/ 50% Rent Limit	73	4	0	77	28	0	36.4%
1 BR/ 60% Rent Limit	69	5	0	74	27	0	36.5%
2 BR/ 30% Rent Limit	13	0	0	13	3	0	23.1%
2 BR/ 50% Rent Limit	20	0	0	20	14	0	70.0%
2 BR/ 60% Rent Limit	18	1	0	19	40	0	210.5%

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OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 67	32%	14,258	100%	14,258	Included in tenure %	8%	1,148	30%	344	
Underwriter	32%	14,259	100%	14,259	27%	3,798	40%	1,521	30%	456
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 67			100%	-75	Included in tenure %	8%	-6	100%	-6	
Underwriter			100%	-42	27%	-11	40%	-5	100%	-5
DEMAND from OTHER SOURCES										
Market Analyst p. 67									36	
Underwriter									36	

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 68	115	0	0	115	374	30.7%
Underwriter	115	0	0	115	488	23.6%
HISTA-Based Data Alternate	115	0	0	115	318	36.2%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rates using both methods to be acceptable at 23.6% and 36.2% for senior developments.

Primary Market Occupancy Rates:

"The closest HTC senior properties are the Gateway Senior Village and Villas of Sunnyside. Both properties report 100% occupancy. The rent comparables reported current occupancies ranging from 11% to 100%, with an average occupancy of 80% (97.50% excluding Rental 3 which is in lease-up). Given the physical characteristics of the subject (i.e. location, good curb appeal, new condition, amenities, etc.), the strong occupancies reported at nearby apartments, and that the subject will offer competitive rents at a new property, a stabilized occupancy rate of 92.5% is reasonable and achievable for the subject property." (p. 77)

Absorption Projections:

"The most recent seniors HTC project which came on-line in 2004 reported a brisk lease up. Stone Hearst reported stabilizing within 4 months of completion or 24 units per month. Managers at both properties reported waiting list. The subject is anticipated to be at stabilized occupancy within 6 months." (p. 78)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 686 SF 30%	\$213	\$213	\$750	\$213	\$537		
1 BR 686 SF 50%	\$406	\$406	\$750	\$406	\$344		
1 BR 686 SF 60%	\$503	\$503	\$750	\$503	\$247		
1 BR 686 SF MR	\$700		\$750	\$700	\$50		
2 BR 808 SF 30%	\$244	\$244	\$810	\$244	\$566		
2 BR 808 SF 50%	\$476	\$476	\$810	\$476	\$334		
2 BR 835 SF 50%	\$476	\$476	\$820	\$476	\$344		
2 BR 835 SF 60%	\$592	\$592	\$820	\$592	\$228		
2 BR 968 SF 60%	\$592	\$592	\$975	\$592	\$383		
2 BR 968 SF MR	\$975		\$975	\$975	\$0		

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Managers interviewed indicated all indicated a need for seniors affordable housing. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 78)

Comments:

The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 84 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 116 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is/is not in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting the tenant-paid utility allowances as of April 2007, maintained by The City of Beaumont Housing Authority from the 2008 program gross rent limits. Tenants will be required to pay all electric costs. The Applicant's estimates for secondary income and vacancy and collection less are in line with TDHCA guidelines and overall effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,788 per unit is within 5% of the Underwriter's estimate of \$3,645, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows one line item estimate, however, that deviates significantly when compared to the database averages, specifically: repairs and maintenance(\$16K higher).

Conclusion:

The Applicant's total operating expense and net operating income are within 5% of the Underwriter's estimate; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity.

Both the Applicant's and the Underwriter's expense to income ratio are very high at above 60%. The Applicant's estimate at 64.88% is marginally below the 65% Department guideline, as is the Underwriter's estimate at 63.03%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION**APPRAISED VALUE**

Provider: Patrick O'Connor & Associates, L.P. Date: 3/12/2008
 Number of Revisions: none Date of Last Applicant Revision: N/A
 Land Only: 6.81 acres \$390,000 As of: 3/12/2008

ASSESSED VALUE

Land Only: 51.7 acres \$140,700 Tax Year: 2007
 Prorated 1.0 ac: \$2,724 Valuation by: Jefferson CAD
 Total prorated 6.81 ac: \$18,551 Tax Rate: 2.633281

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement Acreage: 6.88
 Contract Expiration: 10/15/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$374,616 Other: _____
 Seller: Muse Limited, Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

Due to the relationship between the owner of Muse Limited, Ltd. and the principal of the General Partner, this sale is considered to be an identity of interest transaction. Muse Limited, Ltd. originally purchased 62.29 acres in March 1998 for a total acquisition price of \$205,000. This amounts to \$3,291 per acre. The current application is proposing acquisition of 6.88 acres for the proposed development at a contract price of \$374,616 (the Applicant's development cost schedule reflects \$374,600 in total acquisition cost).

The Applicant also provided a letter from a CPA which reflected the accumulated costs to date for the property and arrived at a total invested value of \$1,266,585 taking into consideration added value from improvements of \$550,361 and return on equity of 12% (\$572,290). The letter reflected improvements in the form of market studies, ESAs, engineering and rezoning, holding costs such as taxes and costs of previous applications to the Department dating back to 1999. The Applicant also claimed future estimated land development costs required of \$180,000 and concluded a prorata cost of \$421K. This is less than the Applicant's current acquisition cost of \$374,616, which is supported by the appraisal.

The Underwriter excluded the future estimated land development costs and concluded a prorata value of \$368,640. The Underwriter believes that the 12% return on equity and the inclusion of costs for prior application as a holding cost for the entire plot of land may be overstating the General Partner's true investment in this site. Nonetheless, the Department's current rules do not prohibit these kinds of costs currently and the roughly \$3,000 a unit claimed for the site is comparable if not on the low end of typical land acquisition costs for tax credit developments across the state. The Underwriter adjusted the land acquisition cost down slightly to eliminate the future cost of entrance beautification since these costs would be projected offsite costs that were not documented by a third party engineer as is required of offsite costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,958 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$249.1K or 4.7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost 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 \$10,729,529 supports annual tax credits of \$1,110,290. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: MMA Financial, LLC Type: Interim Financing

Principal: \$400,000 Interest Rate: 7.25% Fixed Term: 30 months

Source: Jefferson County Housing Finance Corp Type: Interim Financing

Principal: \$610,000 Interest Rate: 4.39% Fixed Term: 12 months

Comments:

Set at AFR rate or below.

Source: Peterson Construction, Inc. Type: Interim Financing

Principal: \$250,000 Interest Rate: 8.0% Fixed Term: 6 months

Source: MMA Financial, LLC Type: Permanent Financing

Principal: \$2,450,000 Interest Rate: 7.25% Fixed Amort: 420 months

Comments:

The interest rate is subject to change based on market conditions

Source: MMA Financial, LLC Type: Syndication

Proceeds: \$9,157,000 Syndication Rate: 82.5% Anticipated HTC: \$1,110,256

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.74. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the \$0.84, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$136,283 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

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MULTIFAMILY COMPARATIVE ANALYSIS

Timber Creek Senior Living, Beaumont, 9% HTC #08133

Type of Unit	Number	Bedrooms	No. of Baths	Size In SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	686	\$288	\$213	\$639	\$0.31	\$75.00	\$32.00
TC 50%	28	1	1	686	\$481	\$406	\$11,368	\$0.59	\$75.00	\$32.00
TC 60%	27	1	1	686	\$578	\$503	\$13,581	\$0.73	\$75.00	\$32.00
MR	3	1	1	686		\$700	\$2,100	\$1.02	\$75.00	\$32.00
TC 30%	3	2	2	808	\$346	\$244	\$732	\$0.30	\$102.00	\$37.00
TC 50%	12	2	2	808	\$578	\$476	\$5,712	\$0.59	\$102.00	\$37.00
TC 50%	2	2	2	835	\$578	\$476	\$952	\$0.57	\$102.00	\$37.00
TC 60%	30	2	2	835	\$694	\$592	\$17,760	\$0.71	\$102.00	\$37.00
TC 60%	10	2	2	968	\$694	\$592	\$5,920	\$0.61	\$102.00	\$37.00
MR	2	2	2	968		\$975	\$1,950	\$1.01	\$102.00	\$37.00
TOTAL:	120		AVERAGE:	769		\$506	\$60,714	\$0.66	\$88.28	\$34.46

INCOME

Total Net Rentable Sq Ft: 92,302

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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.96%	\$403	0.52
Management	5.00%	289	0.38
Payroll & Payroll Tax	14.75%	853	1.11
Repairs & Maintenance	6.38%	369	0.48
Utilities	2.93%	169	0.22
Water, Sewer, & Trash	5.07%	293	0.38
Property Insurance	6.65%	385	0.50
Property Tax 2.633281	10.02%	579	0.75
Reserve for Replacements	4.32%	250	0.33
TDHCA Compliance Fees	0.69%	40	0.05
Other: Cable TV	0.26%	15	0.02
TOTAL EXPENSES	63.03%	\$3,645	\$4.74
NET OPERATING INC	36.97%	\$2,138	\$2.78

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$728,568	\$728,568
Secondary Income	21,600	28,800
Other Support Income:	0	
POTENTIAL GROSS INCOME	\$750,168	\$757,368
Vacancy & Collection Loss	(56,263)	(56,808)
Employee or Other Non-Rental Units or Concessions	0	
EFFECTIVE GROSS INCOME	\$693,905	\$700,560

COUNTY	IREM REGION	COMPT. REGION
Jefferson		5
\$20.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	

DEBT SERVICE

				PER SQ FT	PER UNIT	% OF EGI
MMA Financial	27.81%	\$1,608	\$2.09	\$193,001	\$193,001	27.55%
Additional Financing	0.00%	\$0	\$0.00	0	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	\$0	0.00%
NET CASH FLOW	9.16%	\$530	\$0.69	\$63,546	\$53,005	7.57%
AGGREGATE DEBT COVERAGE RATIO				1.33	1.27	
RECOMMENDED DEBT COVERAGE RATIO					1.27	

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)		3.24%	\$3,072	\$3.99	\$368,640	\$374,600	\$4.06	\$3,122	3.19%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.45%	8,958	11.65	1,075,000	1,075,000	11.65	8,958	9.15%
Direct Construction		46.35%	43,920	57.10	5,270,398	5,519,500	59.80	45,996	47.00%
Contingency	5.00%	2.79%	2,644	3.44	317,270	329,725	3.57	2,748	2.81%
Contractor's Fees	14.00%	7.81%	7,403	9.62	888,356	923,230	10.00	7,694	7.86%
Indirect Construction		7.06%	6,690	8.70	802,770	802,770	8.70	6,690	6.84%
Ineligible Costs		2.94%	2,783	3.62	334,018	334,018	3.62	2,783	2.84%
Developer's Fees	15.00%	11.92%	11,292	14.68	1,355,039	1,399,504	15.16	11,663	11.92%
Interim Financing		5.98%	5,665	7.36	679,800	679,800	7.36	5,665	5.79%
Reserves		2.46%	2,329	3.03	279,532	305,000	3.30	2,542	2.60%
TOTAL COST		100.00%	\$94,757	\$123.19	\$11,370,824	\$11,743,147	\$127.23	\$97,860	100.00%
Construction Cost Recap		66.41%	\$62,925	\$81.81	\$7,551,024	\$7,847,455	\$85.02	\$65,395	66.83%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
MMA Financial	21.55%	\$20,417	\$26.54	\$2,450,000	\$2,450,000	\$2,450,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,399,504
HTC Syndication Proceeds	80.53%	\$76,307	\$99.21	9,156,864	9,156,864	9,157,000	% of Dev. Fee Deferred
Deferred Developer Fees	1.20%	\$1,136	\$1.48	136,283	136,283	130,187	9%
Additional (Excess) Funds Req'd	-3.27%	(\$3,103)	(\$4.03)	(372,323)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$11,370,824	\$11,743,147	\$11,737,187	\$1,058,870

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Timber Creek Senior Living, Beaumont, 9% HTC #08133

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$56.78	\$5,240,463
Adjustments				
Exterior Wall Finish	1.20%		\$0.68	\$62,886
Elderly	3.00%		1.70	157,214
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(0.82)	(75,995)
Floor Cover			2.43	224,294
Breezeways/Balconies	\$19.81	500	0.11	9,905
Plumbing Fixtures	\$805	36	0.31	28,980
Rough-ins	\$400	240	1.04	96,000
Built-In Appliances	\$1,850	120	2.41	222,000
Exterior Stairs	\$1,575	12	0.20	18,900
Enclosed Corridors	\$45.39	13400	6.59	608,161
Heating/Cooling			1.90	175,374
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$68.93	4,700	3.51	323,977
Other: fire sprinkler	\$2.15	92,302	2.15	198,449
SUBTOTAL			78.99	7,290,607
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(8.69)	(801,967)
TOTAL DIRECT CONSTRUCTION COSTS			\$70.30	\$6,488,641
Plans, specs, survy, bld prm	3.90%		(\$2.74)	(\$253,057)
Interim Construction Interest	3.38%		(2.37)	(218,992)
Contractor's OH & Profit	11.50%		(8.08)	(746,194)
NET DIRECT CONSTRUCTION COSTS			\$57.10	\$5,270,398

PAYMENT COMPUTATION

Primary	\$2,450,000	Amort	420
Int Rate	7.25%	DCR	1.33

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.33

Additional	\$9,156,864	Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE APPLICAN

Primary Debt Service	\$193,001
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$53,005

Primary	\$2,450,000	Amort	420
Int Rate	7.25%	DCR	1.27

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.27

Additional	\$9,156,864	Amort	0
Int Rate	0.00%	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	\$728,568	\$750,425	\$772,938	\$796,126	\$820,010	\$950,616	\$1,102,024	\$1,277,548	\$1,716,918
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	757,368	780,089	803,492	827,596	852,424	988,193	1,145,587	1,328,049	1,784,787
Vacancy & Collection Loss	(56,808)	(58,507)	(60,262)	(62,070)	(63,932)	(74,115)	(85,919)	(99,604)	(133,859)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$700,560	\$721,582	\$743,230	\$765,527	\$788,493	\$914,079	\$1,059,668	\$1,228,446	\$1,650,928
EXPENSES at 4.00%									
General & Administrative	\$39,500	\$41,080	\$42,723	\$44,432	\$46,209	\$56,221	\$68,401	\$83,221	\$123,187
Management	27,854	28,690	29,551	30,437	31,350	36,343	42,132	48,843	65,640
Payroll & Payroll Tax	101,000	105,040	109,242	113,611	118,156	143,754	174,899	212,792	314,984
Repairs & Maintenance	60,400	62,816	65,329	67,942	70,659	85,968	104,593	127,254	188,367
Utilities	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Water, Sewer & Trash	44,000	45,760	47,590	49,494	51,474	62,626	76,194	92,701	137,221
Insurance	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Property Tax	74,200	77,168	80,255	83,465	86,804	105,610	128,490	156,328	231,404
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	6,600	6,864	7,139	7,424	7,721	9,394	11,429	13,905	20,583
TOTAL EXPENSES	\$454,554	\$472,458	\$491,069	\$510,417	\$530,529	\$643,671	\$781,038	\$947,835	\$1,396,369
NET OPERATING INCOME	\$246,006	\$249,125	\$252,161	\$255,110	\$257,964	\$270,408	\$278,630	\$280,611	\$254,559
DEBT SERVICE									
First Lien Financing	\$193,001	\$193,001	\$193,001	\$193,001	\$193,001	\$193,001	\$193,001	\$193,001	\$193,001
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$53,005	\$56,123	\$59,159	\$62,109	\$64,962	\$77,407	\$85,628	\$87,609	\$61,558
DEBT COVERAGE RATIO	1.27	1.29	1.31	1.32	1.34	1.40	1.44	1.45	1.32

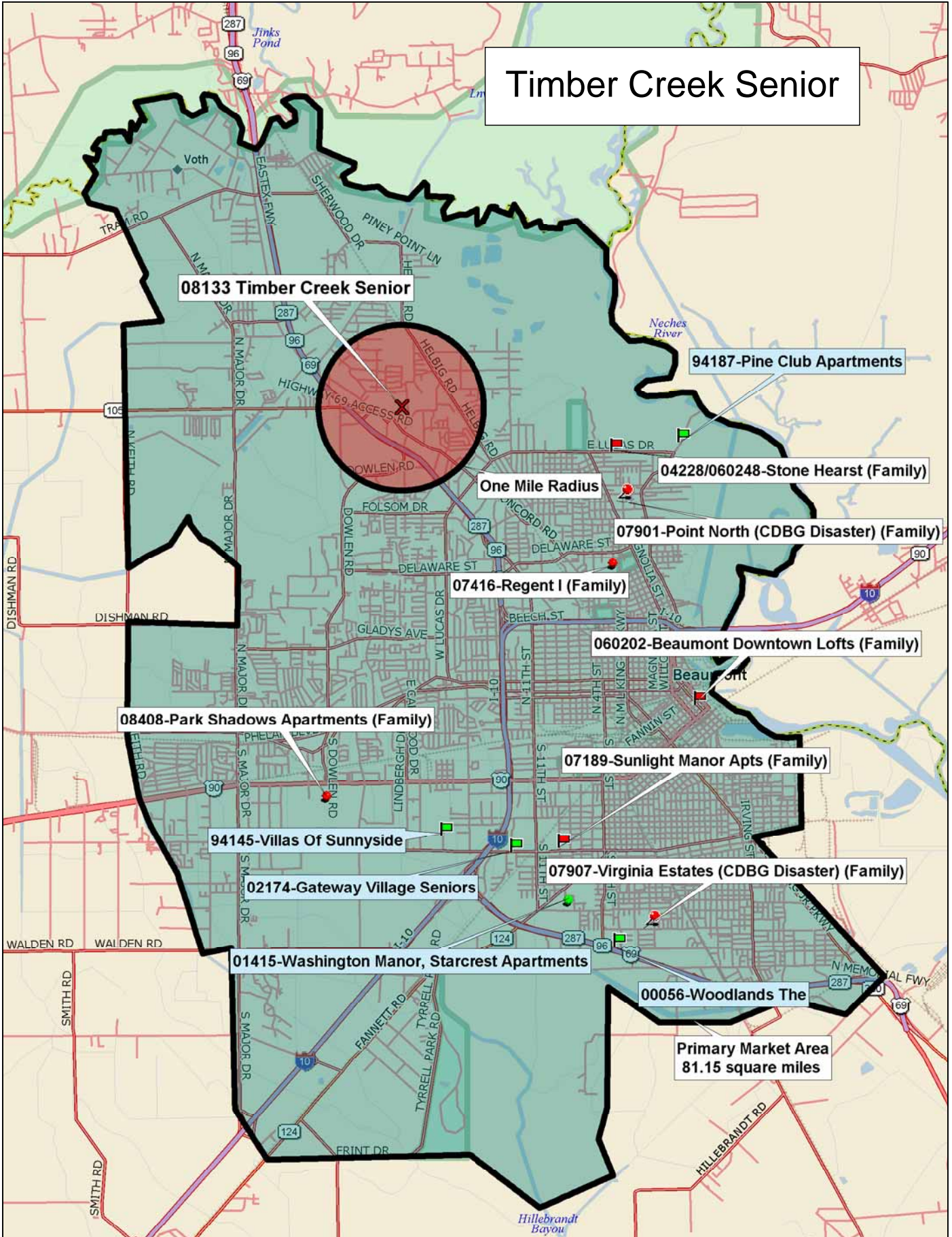
HTC ALLOCATION ANALYSIS -Timber Creek Senior Living, Beaumont, 9% HTC #08133

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$374,600	\$368,640		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,075,000	\$1,075,000	\$1,075,000	\$1,075,000
Construction Hard Costs	\$5,519,500	\$5,270,398	\$5,519,500	\$5,270,398
Contractor Fees	\$923,230	\$888,356	\$923,230	\$888,356
Contingencies	\$329,725	\$317,270	\$329,725	\$317,270
Eligible Indirect Fees	\$802,770	\$802,770	\$802,770	\$802,770
Eligible Financing Fees	\$679,800	\$679,800	\$679,800	\$679,800
All Ineligible Costs	\$334,018	\$334,018		
Developer Fees			\$1,399,504	
Developer Fees	\$1,399,504	\$1,355,039		\$1,355,039
Development Reserves	\$305,000	\$279,532		
TOTAL DEVELOPMENT COSTS	\$11,743,147	\$11,370,824	\$10,729,529	\$10,388,633

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$10,729,529	\$10,388,633
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$13,948,387	\$13,505,223
Applicable Fraction		95.67%	95.67%
TOTAL QUALIFIED BASIS		\$13,344,827	\$12,920,838
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,110,290	\$1,075,014

Syndication Proceeds	0.8248	\$9,157,277	\$8,866,334
Total Tax Credits (Eligible Basis Method)		\$1,110,290	\$1,075,014
Syndication Proceeds		\$9,157,277	\$8,866,334
Requested Tax Credits		\$1,110,256	
Syndication Proceeds		\$9,157,000	
Gap of Syndication Proceeds Needed		\$9,287,187	
Total Tax Credits (Gap Method)		\$1,126,041	

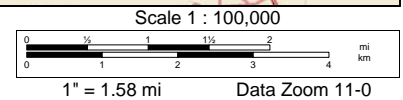
Timber Creek Senior



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Applicant Evaluation

Project ID **08133**

Name **Timber Creek Senior Living**

City: **Beaumont**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 15

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 2

Projects grouped by score	0-9: <u>15</u>
	10-19: <u>0</u>
	20-29: <u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 15

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 6/5/2008

Date: 6/6/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 6/10/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 6 /9 /2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 6 /12/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Huntington, TDHCA Number 08134

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Wentworth, District 25, S

Points: 14 US Representative: Doggett, District 25, NC

TX Representative: Rose, District 45, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

North Hays County Optimist Club

S or O: S

Buda Lions Club

S or O: S

Buda Area Chamber of Commerce

S or O: S

General Summary of Comment:

General support received from elected official(s) and from civic organizations.

CONDITIONS OF COMMITMENT

Receipt of a commitment of funding from the Capitol Area Housing Finance Corporation for funds in the amount of \$625,000, or a commitment from a qualifying substitute source in an amount not less than \$623,610, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Huntington, TDHCA Number 08134

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **202** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Gardens at Clearwater, TDHCA Number 08135

BASIC DEVELOPMENT INFORMATION

Site Address: 400 Block of Clearwater Paseo Development #: 08135
 City: Kerrville Region: 9 Population Served: Elderly
 County: Kerr Zip Code: 78028 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Kerrville Gardens at Clearwater Apartments, L.P.
 Owner Contact and Phone: Lucille Jones, (830) 257-5323
 Developer: Kerrville Gardens of Clearwater Builders, LLC
 Housing General Contractor: G.G. MacDonald, Inc.
 Architect: A. Ray Payne, A.I.A.
 Market Analyst: O'Connor & Associates
 Syndicator: Boston Capital
 Supportive Services: JC Ventures, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	8 0 0 72	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 40 40 0 0 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$8,023,889
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	17
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$760,867	\$760,867			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Gardens at Clearwater, TDHCA Number 08135

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S Points: 14 US Representative: Smith, District 21, NC
TX Representative: Hilderbran, District 53, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Eugene C. Smith, Mayor of Kerrville Resolution of Support from Local Government
S, Pat Tinley, Kerr County Judge
S, William H. Williams, Commissioner, Precinct 2

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
Partners in Ministry S or O: S
Kerrville Area Chamber of Commerce S or O: S
Kerr Economic Development Foundation S or O: S
Dietert Center S or O: S
Central Kerrville Development Corporation S or O: S

General Summary of Comment:

General support received from elected official(s) and from civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by commitment, of the necessary zoning change to allow construction of multifamily housing on the subject site.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
4. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$410,000, or a commitment from a qualifying substitute source in an amount not less than \$401,195, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Gardens at Clearwater, TDHCA Number 08135

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **193** Meeting a Required Set-Aside Credit Amount*: \$760,867

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when Rural tax credits are collapsed.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/24/08

PROGRAM: HTC 9%

FILE NUMBER: 08135

DEVELOPMENT

Gardens at Clearwater Apartments

Location: 400 block of Clearwater Paseo Region: 9
 City: Kerrville County: Kerr Zip: 78028 QCT DDA
 Key Attributes: Elderly, Rural, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$760,867			\$760,867		

CONDITIONS

- 1 Receipt, review, and acceptance, by commitment, of the necessary zoning change to allow construction of multifamily housing on the subject site.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
60% of AMI	60% of AMI	72

PROS

- The existing affordable elderly development by the same developer in the same community is 100% occupied with a waiting list.

CONS

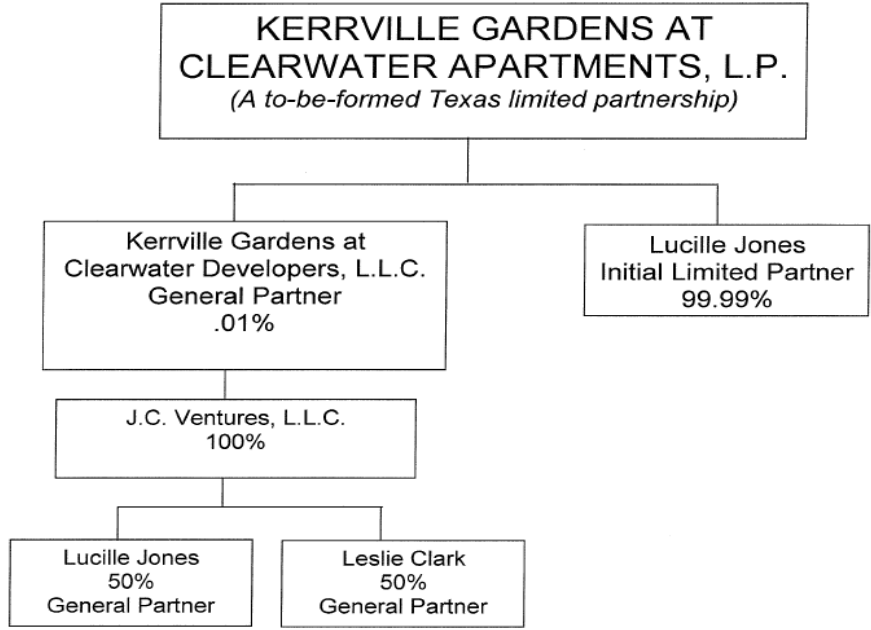
- The market for two-bedroom units at 60% AMI may be saturated with a capture rate of 148.1% based upon calculations provided by the Market Analyst.
- The Applicant's high expense to income ratio is only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Lucille Jones Phone: (830) 257-5323 Fax: (830) 257-3168
 Email: ljones@macdonald-companies.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
MacDonald and Associates, Inc.	N/A	25 +
G. Granger MacDonald	N/A	25
J. Steve Ford	N/A	26
Lucille Jones	N/A	3
Leslie Clark	N/A	3

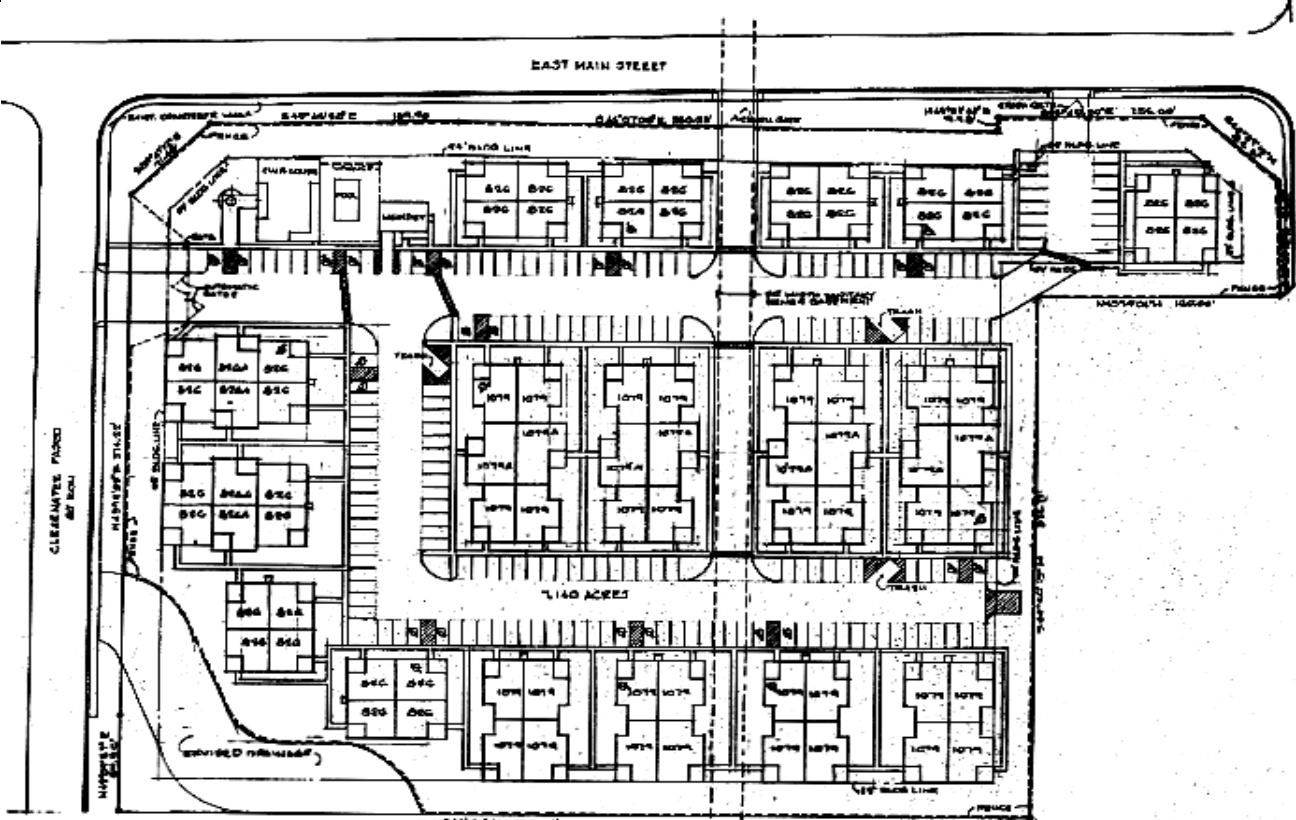
IDENTITIES of INTEREST

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

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



ARCHITECTURAL SITE PLAN
SCALE 1" = 40'

PROJECT STATISTICS

BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	1	1	1	1							
Number	7	2	4	4							17

BR/BA	SF	Units								Total Units	Total SF
1/1	826	4	6							40	33,040
2/2	1,079			4	6					40	43,160
Units per Building		4	6	4	6					80	76,200

SITE ISSUES

Total Size: 7.14 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: 32-E Needs to be re-zoned? Yes No N/A
 Comments:

The Applicant provided a letter dated February 27, 2008 from the City of Kerrville Development Services Department acknowledging receipt of the Applicant's request for a zoning change for the subject property to a Planned Development District. As of the date of this report the Applicant has not provided documentation indicating that this request has been granted. Therefore, receipt, review and acceptance of the approved zoning change to allow for the proposed use of the property is required prior to commitment of tax credits.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/14/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: East Main Street, and undeveloped land beyond
 East: Residential homesites
 South: Kerrville Clearwater Paseo Apartments - Under Construction
 West: Clearwater Paseo Road and undeveloped beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: TriCo Inspecting Service, Inc. Date: 2/5/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Based on the findings of this report, no obvious misuse of subject property or surrounding property was noted, and no further environmental investigation is needed, in my opinion. Subject property appeared environmentally clean and no potential risk or contamination was observed."
- "This assessment, which is based on a study of the historical land use of the subject property and adjacent properties, all practically reviewable information, and on direct observations of the site, has revealed no evidence of recognized adverse environmental conditions with the property. Since no adverse environmental impacts were observed relative to the site and no conditions were found that warrant any further investigation, TriCo considers the subject property to be one of no environmental risk." (Executive Summary of ESA report)

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 2/27/2008

Contact: W.F. Trotter, Jr. Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1,113 square miles (18.87 mile radius)

"For the purposes of this report, the subject's primary market area is generally defined as that area contained within the boundaries of Kerr County. This area includes all or a portion of the following zip codes 78013, 78010, 78028, 78024, 78058, 78361, 78025, and all of the following census tracts 482659603, 48259607, 482659604, 482659601, 482659602, 482659605, 482659606, 482659608. The PMA is irregular in shape and follows the boundaries of Kerr County, which often are natural land features such as watercourses as well as Interstate Highways and roads." (p. 22) The Market Analysts estimates the population of the PMA to be 47,339 in 2007.

Secondary Market Area (SMA):

The market analyst did not indicate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Paseo de Paz (Family)	07242	76	0	N/A			
Kerrville Housing (Eld. Rehab)	05231	48	0				

INCOME LIMITS						
Kerr						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,350	\$11,800	\$13,300	\$14,750	\$15,950	\$17,100
60	\$20,640	\$23,460	\$26,580	\$29,520	\$31,860	\$34,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	26	2	0	28	8	0	28.6%
1BR/ 60% Rent Limit	39	4	0	43	32	0	74.4%
2BR/60% Rent Limit	25	2	0	27	40	0	148.1%

OVERALL DEMAND										
	Households	Household Age/ Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 72	33%	6,312	100%	6,312	8%	532	In prev. calculatio 532	40%	213	
Underwriter (Traditional)	All	19,405	33%	6,313	23%	1,472	36%	530	32%	170
Underwriter (HISTA)	Renter Seniors	1,860	87%	1,619	17%	279	100%	279	32%	89
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 72			100%	327	8%	28	33%	9	100%	9
Underwriter (Traditional)			33%	215	23%	16	36%	6	100%	6
Underwriter (HISTA)	Renter Seniors	19	97%	18	17%	3	100%	3	100%	3
DEMAND from OTHER SOURCES										
Market Analyst p. 72										1
Underwriter										0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 73	80	0	0	80	223	35.91%
Underwriter (Traditional)	80	0	0	80	176	45.40%
Underwriter (HISTA)	80	0	0	80	92	86.74%

The Market Analysts inclusive capture rate and the Underwriter's rate using the traditional method are below the Department's guidelines. The traditional method uses averages of senior renters and senior incomes to estimate the income eligible senior renter population. The Underwriter also completed a demand and inclusive capture rate calculation based upon the HISTA demographics which resulted in a higher inclusive capture rate. While the HISTA data is believed to be more reliable because it more accurately considers actual eligible senior renters by income level, the Department's rules do not currently require the exclusive use of HISTA data for the inclusive capture rate calculation.

Primary Market Occupancy Rates:

"The overall occupancy for all operating projects in the primary market area is 96.73%." (p. 36) "Kerrville Meadows reported attaining rents at the HTC maximum levels for all bedroom types and is currently operating at 100% occupancy." (p.64)

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 6-8 units per month until achieving stabilized occupancy. We anticipated that the subject property will achieve stabilized occupancy within seven to ten months following completion." (p. 82)

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	826 SF	30%	\$180	183	\$725	\$186	\$539
1 BR	826 SF	60%	\$455	460	\$725	463	\$262
2 BR	1,079 SF	60%	\$550	557	\$875	551	\$325

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 82)

Comments:

The market study was performed in accordance with the Department's guidelines and provides sufficient information on which to base a funding recommendation. The inclusive capture rates calculated by the Market Analyst and Underwriter by the traditional method are below Department's 75% threshold for elderly and rural transactions.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 1.46 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 130 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/11/2008

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utilities as determined by the Kerrville Public Utility Board and the City of Kerrville for the proposed development. The tenant will be responsible for all electric utilities and water and sewer. The 2008 REA Rules allow documentation from a local utility provider to support an alternative calculation to justify alternative utility allowance conclusions of a specific development. The Kerrville Public Utility Board provided a letter dated 5/29/08 estimating the average electric utility cost for one and two bedroom units at \$66.80 and \$79, respectively. Additionally, the City of Kerrville provided a letter dated 6/6/08 estimating water and sewer utility costs of \$23.50 and \$34.50 for the one and two-bedroom units, respectively. Both estimates provided for the subject development were based on historical information of a property very similar in size and operated by the same developer.

It should be noted that the Kerrville Housing Authority utilizes a very different utility allowance. The Kerrville PUB estimate utility allowances are \$57.20 and \$81 less than the Housing Authority estimates of \$124 and \$160 for the one and two-bedroom units, respectively. Similarly the City of Kerrville water and sewer estimates are \$13.50 and \$8.50 less than the Housing Authority estimates of \$37 and \$43 for the one and two-bedroom units, respectively. Using the Housing Authority utility allowances would significantly decrease the net operating income of the development and without other changes would result in a financially infeasible development.

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

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/11/2008

The Applicant's total annual operating expense projection at \$3,528 per unit is within 5% of the Underwriter's estimate of \$3,480 per unit derived from the TDHCA database and third party data sources. However, the Applicant's estimates of repairs and maintenance expenses are \$7K higher than the Underwriter's estimates.

Conclusion:

The Applicant's effective gross income, expenses and net operating income are all within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proposed permanent financing structure results in an initial year debt coverage ratio of 1.20 which is within the Department's guidelines of 1.15 to 1.35.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate is at 64.86%, while the Underwriter's estimate is 63.48% both of which are marginally below the 65% Department guideline. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, both are below the Department's 65% maximum and therefore no other mitigation is required.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	7.14 acres	<u>\$21,420</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>\$0</u>	Valuation by:	<u>Kerr CAD</u>
Total Assessed Value:		<u>\$21,420</u>	Tax Rate:	<u>2.0916</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Commercial Contract - Unimproved Property</u>	Acreage:	<u>7.14</u>
Contract Expiration:	<u>6/30/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$559,833</u>	Other:	<u></u>
Seller:	<u>Hervey Square Limited Partnership</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$78,407 per acre or \$6,998 per unit is assumed to be reasonable since the acquisition is an arm's length transaction.

Sitework Cost:

The Applicant's claimed site work cost of \$8,965 per unit are within the Department's guidelines. Therefore, no further third party substantiation is required.

Direct Construction Cost:

The Applicant's direct construction cost is \$154K or 4% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate, and is therefore considered to be reasonable.

Conclusion:

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 \$7,137,591 supports annual tax credits of \$772,002. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: Boston Capital Finance, LLC Type: **Interim to Permanent Financing**

Interim \$1,146,652 Interest Rate: 7.25% Fixed Term: 24 months
 Permanent \$1,556,652 Interest Rate: 7.25% Fixed Term: 360 months

Source: Southeast Texas Housing Finance Corp. Type: **Interim Financing**

Principal: \$410,000 Interest Rate: AFR Fixed Amort: 12 months

Source: Boston Capital Corporation Type: **Syndication**

Proceeds: \$6,390,644 Syndication Rate: 84% Anticipated HTC: \$ 760,867

Amount: \$76,593 Type: **Deferred Developer Fees**

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer and contractor fee. Additionally, a decrease below \$0.77 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.85, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,556,652 indicates the need for \$6,467,237 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$769,986 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$760,867), the gap-driven amount (\$769,986), and eligible basis-derived estimate (\$772,002), the Applicant's request of \$760,867 is recommended resulting in proceeds of \$6,390,644 based on a syndication rate of 84%.

The Underwriter's recommended financing structure indicates the need for \$76,593 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three (3) years of stabilized operation.

Underwriter:	<u>D. Burrell</u>	Date:	<u>June 24, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>June 24, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>June 24, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Gardens at Clearwater Apartments, Kerrville, HTC 9% #08135

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	8	1	1	826	\$276	\$186	\$1,486	\$0.22	\$90.30	\$15.00
TC 60%	32	1	1	826	\$553	463	14,806	0.56	90.30	15.00
TC 60%	40	2	2	1,079	\$664	551	22,020	0.51	113.50	15.00
TOTAL:	80		AVERAGE:	953		\$479	\$38,312	\$0.50	\$101.90	\$15.00

INCOME

Total Net Rentable Sq Ft: 76,200

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

	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	7.39%	\$405	0.43	\$32,399	\$31,800	\$0.42	\$398	7.31%
Management	3.88%	213	0.22	17,025	17,405	0.23	218	4.00%
Payroll & Payroll Tax	15.96%	875	0.92	70,000	71,120	0.93	889	16.34%
Repairs & Maintenance	6.90%	378	0.40	30,252	37,400	0.49	468	8.60%
Utilities	3.99%	219	0.23	17,496	15,600	0.20	195	3.59%
Water, Sewer & Trash	4.87%	267	0.28	21,360	24,000	0.31	300	5.52%
Property Insurance	4.83%	265	0.28	21,185	18,000	0.24	225	4.14%
Property Tax 2.09	9.54%	523	0.55	41,832	40,000	0.52	500	9.19%
Reserve for Replacements	3.65%	200	0.21	16,000	16,000	0.21	200	3.68%
TDHCA Compliance Fees	0.73%	40	0.04	3,200	3,200	0.04	40	0.74%
Other: Supportive Services	1.75%	96	0.10	7,680	7,680	0.10	96	1.77%
TOTAL EXPENSES	63.48%	\$3,480	\$3.65	\$278,428	\$282,205	\$3.70	\$3,528	64.86%
NET OPERATING INC	36.52%	\$2,002	\$2.10	\$160,155	\$152,915	\$2.01	\$1,911	35.14%

DEBT SERVICE

Boston Capital Finance	29.05%	\$1,593	\$1.67	\$127,429	\$127,429	\$1.67	\$1,593	29.29%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	7.46%	\$409	\$0.43	\$32,725	\$25,486	\$0.33	\$319	5.86%
AGGREGATE DEBT COVERAGE RATIO				1.26	1.20			
RECOMMENDED DEBT COVERAGE RATIO					1.20			

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)		7.17%	\$6,998	\$7.35	\$559,833	\$559,833	\$7.35	\$6,998	6.98%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		9.18%	8,965	9.41	717,200	717,200	9.41	8,965	8.94%
Direct Construction		49.12%	47,969	50.36	3,837,538	3,992,200	52.39	49,903	49.75%
Contingency	5.00%	2.92%	2,847	2.99	227,737	235,470	3.09	2,943	2.93%
Contractor's Fees	14.00%	8.16%	7,971	8.37	637,663	659,316	8.65	8,241	8.22%
Indirect Construction		3.91%	3,819	4.01	305,500	305,500	4.01	3,819	3.81%
Ineligible Costs		2.90%	2,831	2.97	226,465	226,465	2.97	2,831	2.82%
Developer's Fees	15.00%	11.56%	11,292	11.86	903,383	930,990	12.22	11,637	11.60%
Interim Financing		3.80%	3,711	3.90	296,915	296,915	3.90	3,711	3.70%
Reserves		1.28%	1,250	1.31	100,000	100,000	1.31	1,250	1.25%
TOTAL COST		100.00%	\$97,653	\$102.52	\$7,812,234	\$8,023,889	\$105.30	\$100,299	100.00%
Construction Cost Recap		69.38%	\$67,752	\$71.13	\$5,420,138	\$5,604,186	\$73.55	\$70,052	69.84%

SOURCES OF FUNDS

					RECOMMENDED			
Boston Capital Finance	19.93%	\$19,458	\$20.43	\$1,556,652	\$1,556,652	\$1,556,652	Developer Fee Available	
Additional Financing	0.00%	\$0	\$0.00	0		0	\$930,990	
HTC Syndication Proceeds	81.80%	\$79,883	\$83.87	6,390,644	6,390,644	6,390,644	% of Dev. Fee Deferred	
Deferred Developer Fees	0.98%	\$957	\$1.01	76,593	76,593	76,593	8%	
Additional (Excess) Funds Req'd	-2.71%	(\$2,646)	(\$2.78)	(211,655)	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES				\$7,812,234	\$8,023,889	\$8,023,889	\$546,792	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Gardens at Clearwater Apartments, Kerrville, HTC 9% #08135

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.57	\$4,234,729
Adjustments				
Exterior Wall Finish	4.48%		\$2.49	\$189,716
Elderly	3.00%		1.67	127,042
9-Ft. Ceilings	3.00%		1.67	127,042
Roofing			0.00	0
Subfloor			(2.47)	(188,214)
Floor Cover			2.43	185,166
Breezeways/Balconies	\$19.81	12,581	3.27	249,230
Plumbing Fixtures	\$805	120	1.27	96,600
Rough-ins	\$400	160	0.84	64,000
Built-In Appliances	\$1,850	80	1.94	148,000
Exterior Stairs	\$1,800	0	0.00	0
Enclosed Corridors	\$45.65	0	0.00	0
Heating/Cooling			1.90	144,780
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$72.71	2,479	2.37	180,236
Other: fire sprinkler	\$1.95	0	0.00	0
SUBTOTAL			72.94	5,558,326
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.85		(10.94)	(833,749)
TOTAL DIRECT CONSTRUCTION COSTS			\$62.00	\$4,724,577
Plans, specs, survy, bld prmt	3.90%		(\$2.42)	(\$184,259)
Interim Construction Interest	3.38%		(2.09)	(159,454)
Contractor's OH & Profit	11.50%		(7.13)	(543,326)
NET DIRECT CONSTRUCTION COSTS			\$50.36	\$3,837,538

PAYMENT COMPUTATION

Primary	\$1,556,652	Amort	360
Int Rate	7.25%	DCR	1.26

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.26

Additional	\$6,390,644	Amort	
Int Rate		Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$127,429
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$25,486

Primary	\$1,556,652	Amort	360
Int Rate	7.25%	DCR	1.20

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.20

Additional	\$6,390,644	Amort	0
Int Rate	0.00%	Aggregate DCR	1.20

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	\$456,000	\$469,680	\$483,770	\$498,284	\$513,232	\$594,977	\$689,741	\$799,599	\$1,074,594
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	470,400	484,512	499,047	514,019	529,439	613,765	711,522	824,849	1,108,528
Vacancy & Collection Loss	(35,280)	(36,338)	(37,429)	(38,551)	(39,708)	(46,032)	(53,364)	(61,864)	(83,140)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$435,120	\$448,174	\$461,619	\$475,467	\$489,731	\$567,733	\$658,158	\$762,986	\$1,025,389
EXPENSES at 4.00%									
General & Administrative	\$31,800	\$33,072	\$34,395	\$35,771	\$37,202	\$45,261	\$55,067	\$66,998	\$99,173
Management	17,405	17,927	18,465	19,019	19,589	22,710	26,327	30,520	41,016
Payroll & Payroll Tax	71,120	73,965	76,923	80,000	83,200	101,226	123,157	149,839	221,798
Repairs & Maintenance	37,400	38,896	40,452	42,070	43,753	53,232	64,765	78,796	116,638
Utilities	15,600	16,224	16,873	17,548	18,250	22,204	27,014	32,867	48,651
Water, Sewer & Trash	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Insurance	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Property Tax	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	10,880	11,315	11,768	12,239	12,728	15,486	18,841	22,923	33,931
TOTAL EXPENSES	\$282,205	\$293,319	\$304,873	\$316,883	\$329,368	\$399,603	\$484,875	\$588,413	\$866,835
NET OPERATING INCOME	\$152,915	\$154,854	\$156,746	\$158,584	\$160,363	\$168,130	\$173,283	\$174,572	\$158,554
DEBT SERVICE									
First Lien Financing	\$127,429	\$127,429	\$127,429	\$127,429	\$127,429	\$127,429	\$127,429	\$127,429	\$127,429
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$25,486	\$27,425	\$29,317	\$31,155	\$32,934	\$40,701	\$45,854	\$47,143	\$31,125
DEBT COVERAGE RATIO	1.20	1.22	1.23	1.24	1.26	1.32	1.36	1.37	1.24

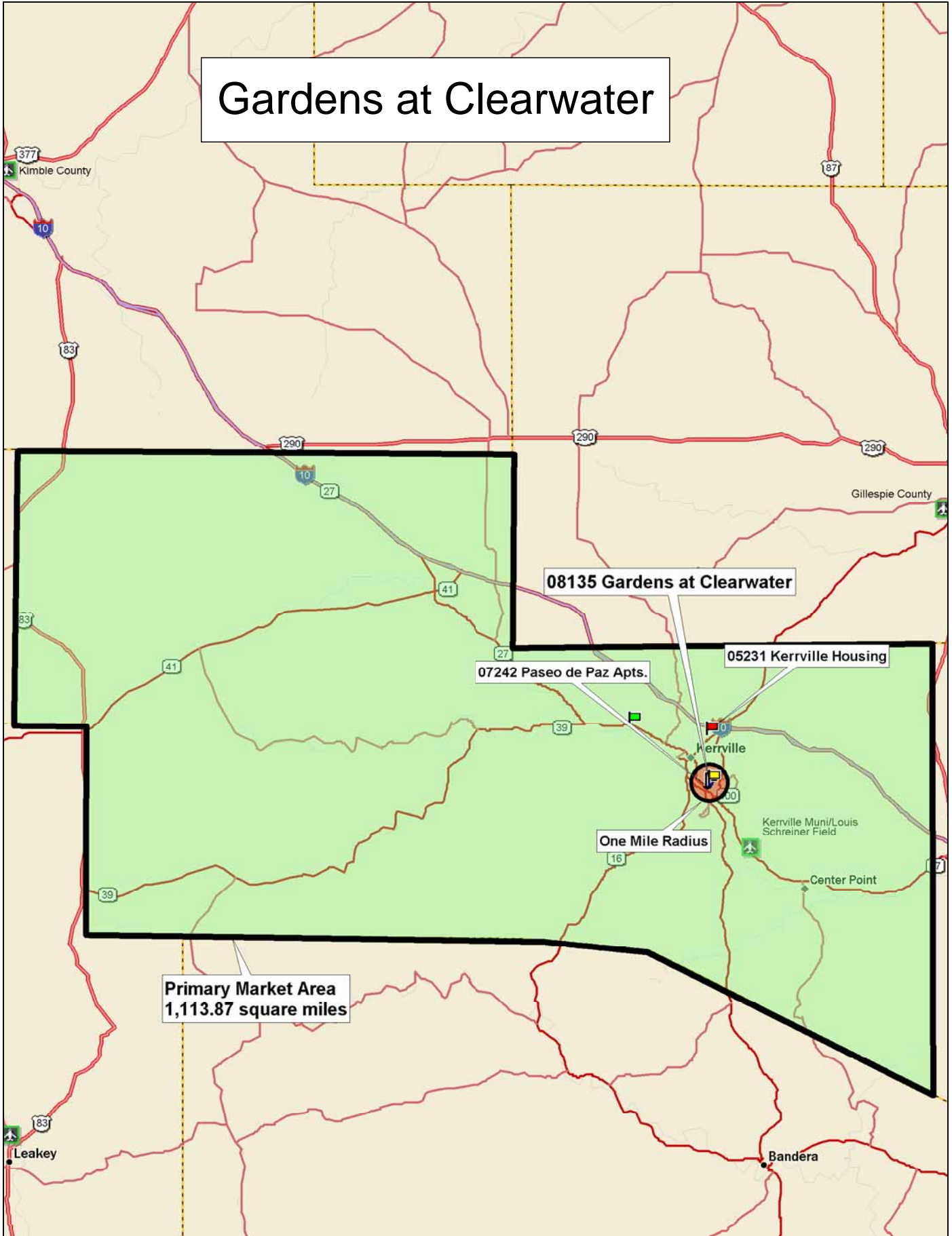
HTC ALLOCATION ANALYSIS -Gardens at Clearwater Apartments, Kerrville, HTC 9% #08135

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$559,833	\$559,833		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$717,200	\$717,200	\$717,200	\$717,200
Construction Hard Costs	\$3,992,200	\$3,837,538	\$3,992,200	\$3,837,538
Contractor Fees	\$659,316	\$637,663	\$659,316	\$637,663
Contingencies	\$235,470	\$227,737	\$235,470	\$227,737
Eligible Indirect Fees	\$305,500	\$305,500	\$305,500	\$305,500
Eligible Financing Fees	\$296,915	\$296,915	\$296,915	\$296,915
All Ineligible Costs	\$226,465	\$226,465		
Developer Fees				
Developer Fees	\$930,990	\$903,383	\$930,990	\$903,383
Development Reserves	\$100,000	\$100,000		
TOTAL DEVELOPMENT COSTS	\$8,023,889	\$7,812,234	\$7,137,591	\$6,925,936

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,137,591	\$6,925,936
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$9,278,868	\$9,003,717
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$9,278,868	\$9,003,717
Applicable Percentage			8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$772,002	\$749,109

Syndication Proceeds	0.8399	\$6,484,167	\$6,291,889
Total Tax Credits (Eligible Basis Method)		\$772,002	\$749,109
Syndication Proceeds		\$6,484,167	\$6,291,889
Requested Tax Credits		\$760,867	
Syndication Proceeds		\$6,390,644	
Gap of Syndication Proceeds Needed		\$6,467,237	
Total Tax Credits (Gap Method)		\$769,986	

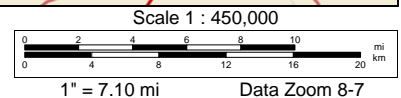
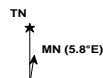
Gardens at Clearwater



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Applicant Evaluation

Project ID **08135**

Name **Gardens at Clearwater**

City: **Kerrville**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 46

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 13

Projects grouped by score	0-9:	<u>43</u>
	10-19:	<u>3</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 46

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/15/2008

Date: 5/27/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/17/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/18/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/24/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

River Place Apartments, TDHCA Number 08138

BASIC DEVELOPMENT INFORMATION

Site Address: Rio Concho Dr. & Irene St. Development #: 08138
 City: San Angelo Region: 12 Population Served: Elderly
 County: Tom Green Zip Code: 76903 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: San Angelo River Place Apartments, LP
 Owner Contact and Phone: G. Granger MacDonald, (830) 257-5323
 Developer: San Angelo River Place Builders, L.L.C.
 Housing General Contractor: G.G. MacDonald, Inc.
 Architect: ARCHON, Corp
 Market Analyst: O'Connor & Associates
 Syndicator: Boston Capital
 Supportive Services: JC Ventures, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	120
	12 0 0 108	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 60 60 0 0 0	Total Development Units:	120
Type of Building:		Total Development Cost*:	\$10,352,337
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	4
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$994,242	\$994,242			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

River Place Apartments, TDHCA Number 08138

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Duncan, District 28, NC

Points: 0

US Representative: Conaway, District 11, NC

TX Representative: Darby, District 72, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 3

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Concho Valley Community Action Agency

S or O: S

Meals for the Elderly

S or O: S

Concho Valley Regional Food Bank

S or O: S

General Summary of Comment:

Support received from an elected official and from civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
3. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$520,000, or a commitment from a qualifying substitute source in an amount not less than \$517,617, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

River Place Apartments, TDHCA Number 08138

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **189** Meeting a Required Set-Aside Credit Amount*: \$994,242

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/08 PROGRAM: 9% HTC FILE NUMBER: 08138

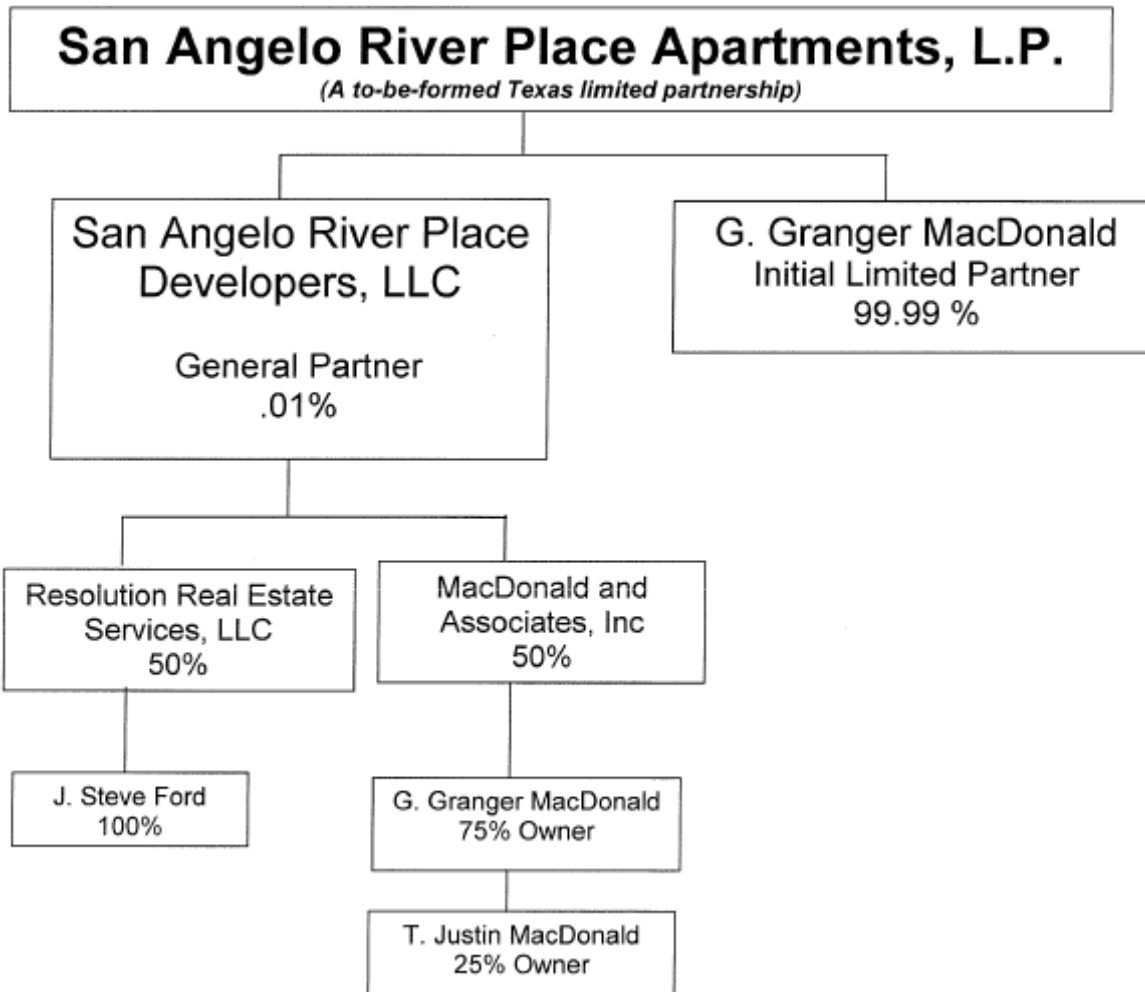
DEVELOPMENT																		
River Place Apartments																		
Location: <u>Rio Concho Drive and Irene Street</u>					Region: <u>12</u>													
City: <u>San Angelo</u>		County: <u>Tom Green</u>		Zip: <u>76908</u>	<input checked="" type="checkbox"/> QCT	<input type="checkbox"/> DDA												
Key Attributes: <u>Senior, New Construction, Urban</u>																		
ALLOCATION																		
	REQUEST			RECOMMENDATION														
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term												
Housing Tax Credit (Annual)	\$994,242			\$994,242														
CONDITIONS																		
1 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old. 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.																		
SALIENT ISSUES																		
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">108</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	12	60% of AMI	60% of AMI	108
TDHCA SET-ASIDES for LURA																		
Income Limit	Rent Limit	Number of Units																
30% of AMI	30% of AMI	12																
60% of AMI	60% of AMI	108																
PROS			CONS															
<ul style="list-style-type: none"> ▫ This would be the first new tax credit targeting Senior households in the market. ▫ The Developers have considerable experience with HTC multifamily projects. 			<ul style="list-style-type: none"> ▫ The Underwriter's expense to income ratio is over 65% and the Applicant's is only slightly less than the maximum guideline, reflecting extensive deep rent targeting. ▫ The anticipated syndication proceeds as a percentage of total cost (80%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting. ▫ The Market Analyst's capture rate by unit type suggests that the market for 2 bedroom units targeting 60% households may be saturated. 															

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: G. Granger MacDonald Phone: (830) 257-5323 Fax: (830) 257-3168
 Email: gmacdonald@macdonald-companies.com

KEY PARTICIPANTS

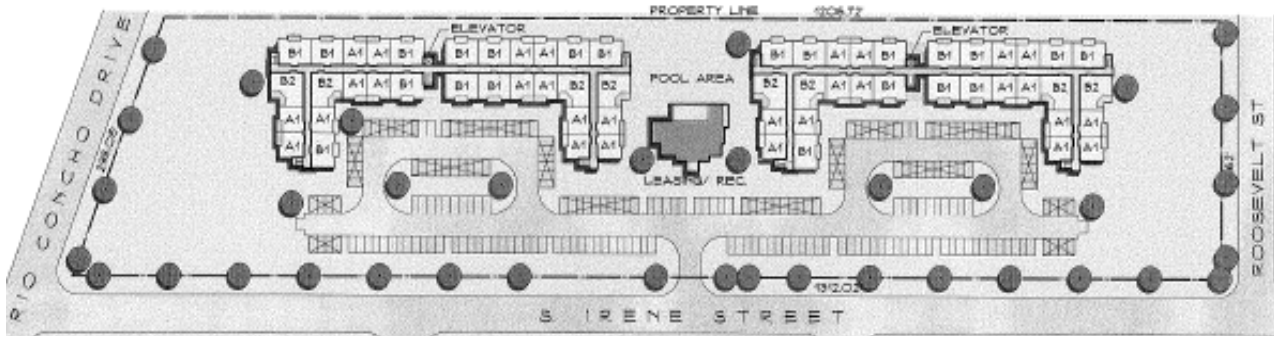
Name	Financial Notes	# Completed Developments
Resolution Real Estate Services, LLC	N/A	none disclosed
J. Steve Ford	N/A	26

IDENTITIES of INTEREST

- o The Applicant, Developer, General Contractor and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II													Total Buildings
Floors/Stories	2	2													
Number	2	2													4

BR/BA	SF	Units										Total Units	Total SF		
1/1	709	16	14											60	42,540
2/2	983	12	10											44	43,252
2/2	1,115	4	4											16	17,840
Units per Building		32	28											120	103,632

SITE ISSUES

Total Size: 7.969 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: RM-1 Needs to be re-zoned? Yes No N/A

Comments:
 The property is presently zoned RM-1 (Low Rise Multifamily Residential), which permits the subject development.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/9/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: vacant land and residential uses
 South: commercial uses
 East: river and residential uses
 West: residential and commercial uses

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: TriCo Inspecting Service, Inc. Date: 2/6/2008

Recognized Environmental Concerns (RECs) and Other Concerns:
 • None.

MARKET HIGHLIGHTS

Provider: O'Connor and Associates Date: 2/25/2008
 Contact: Robert Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 1 Date of Last Applicant Revision: 7/2/2008

Primary Market Area (PMA): 1,542.08 square feet (22.24 miles radius)
 "The subject's primary market is defined as that area contained within the county boundaries of Tom Green." The estimated 2007 population of the PMA is 103,605.

Secondary Market Area (SMA):
 None defined.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Country Village Apartments	05109	160	Family	N/A			
Concho Village Apartments	060189	240	Family				

INCOME LIMITS						
Tom Green						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,350	\$11,800	\$13,300	\$14,750	\$15,950	\$17,100
60	\$20,640	\$23,580	\$26,520	\$29,460	\$31,800	\$34,200

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	79	0		79	12	12	15%
1 BR/60% Rent Limit	109	5		114	48	48	42%
2 BR/60% Rent Limit	58	3		61	60	60	98%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 68	32%	12,959	100%	12,959	11%	1,486	Included in Eligible	45%	669
Underwriter	24%	9,586	100%	9,586	14%	1,316	Included in Eligible	45%	592
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 68				38	11%	4	Included in Eligible	78%	3
Underwriter			100%	456	14%	63	Included in Eligible	100%	63
DEMAND from OTHER SOURCES									
Market Analyst p. 68									320
Underwriter									

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INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 69	120	0	0	120	992	12.10%
Underwriter	120	0	0	120	655	18.32%
HISTA Data Model	120	0	0	120	219	54.71%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA data alternative. Both calculations result in an acceptable capture rate below the Department's 75% guideline for elderly developments.

Primary Market Occupancy Rates:

"The selected comparable apartments surveyed in the primary market area of the subject complex exhibited high occupancy rates, with an average occupancy level of 95%" (p. 64)

Absorption Projections:

"Considering the absorption history of similar properties and the available quality affordable units in this market, we project that the subject property will lease an average of 9-12 units per months until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within 12 months following completion." (p. 77)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 709 SF 30%	\$140	\$140	\$560	\$140	\$420	
1 BR 709 SF 60%	\$416	\$416	\$560	\$416	\$144	
2 BR 983 SF 60%	\$502	\$502	\$750	\$502	\$248	
2 BR 1,115 SF 60%	\$502	\$502	\$800	\$502	\$298	

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history throughout other areas close to the subject's PMA, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p.77)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 119 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 4.6 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is considered to be in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

This section intentionally left blank.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of October 1, 2007, maintained by the City of San Angelo, from the 2008 program gross rent limits. Tenants will be required to pay all electric utilities plus water and sewer costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/2/2008

The Applicant's total annual operating expense projection at \$3,200 per unit is within 5% of the Underwriter's estimate of \$3,273, derived from the TDHCA database, and third-party data sources. The Applicant's budget shows utilities to be \$12K lower and property tax to be \$22K higher when compared to the database averages and assessed value estimates based on NOI.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.20, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate is at 64.58%, marginally below the 65% Department guideline and the Underwriter's estimate is slightly above the maximum at 66.05%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, because the Applicant's NOI is generally accepted, the Applicant's marginal expense to income ratio is also used and is acceptable.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 7.54 acres \$131,400 Tax Year: 2007
Existing Buildings: N/A Valuation by: Tom Green CAD
Total Assessed Value: \$131,400 Tax Rate: 2.47582

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Commercial Property Acreage: 7.968
Contract Expiration: 9/15/2008 Valid Through Board Date? Yes No
Acquisition Cost: \$468,566 Other: _____
Seller: Concho Trust & Judith Horn Related to Development Team? Yes No

This section intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$58,806 per acre or \$3,905 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,463 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$129K or 2% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$8,558 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.

Contingency & 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; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$1,283 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

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 \$9,374,231 supports annual tax credits of \$1,013,917. 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

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Southeast Texas HFC Type: Interim Financing

Principal: \$520,000 Interest Rate: AFR Fixed Term: 12 months

Comments:
Application made.

Source: Boston Capital Finance Type: Interim to Permanent Financing

Interim: \$1,571,623 Interest Rate: 7.50% Fixed Amort: 24 months

Permanent: \$2,091,623 Interest Rate: 7.50% Fixed Amort: 360 months

Source: Boston Capital Finance Type: Syndication

Proceeds: \$8,243,960 Syndication Rate: 83% Anticipated HTC: \$ 994,242

Comments:
Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer fee. Additionally, a decrease below \$0.755 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.83, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

MULTIFAMILY COMPARATIVE ANALYSIS

River Place Apartments, San Angelo, 9% HTC #08138

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%	12	1	1	709	\$276	\$140	\$1,680	\$0.20	\$136.00	\$9.00
TC 60%	48	1	1	709	\$552	\$416	\$19,968	\$0.59	\$136.00	\$9.00
TC 60%	44	2	2	983	\$663	\$502	\$22,088	\$0.51	\$161.00	\$9.00
TC 60%	16	2	2	1,115	\$663	\$502	\$8,032	\$0.45	\$161.00	\$9.00
TOTAL:	120		AVERAGE:	864		\$431	\$51,768	\$0.50	\$148.50	\$9.00

INCOME				Total Net Rentable Sq Ft:	103,632	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$621,216	\$621,216	Tom Green		12
Secondary Income		Per Unit Per Month:	\$15.00			21,600	21,600	\$15.00	Per Unit Per Month	
Other Support Income:						0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$642,816	\$642,816			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(48,211)	(48,216)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$594,605	\$594,600			

EXPENSES				PER SQ FT	PER UNIT	% OF EGI	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.65%	\$329	0.38	\$39,536	\$37,400	\$0.36	\$312	6.29%	
Management	3.88%	192	0.22	23,081	23,784	0.23	198	4.00%	
Payroll & Payroll Tax	17.25%	855	0.99	102,571	96,322	0.93	803	16.20%	
Repairs & Maintenance	8.00%	396	0.46	47,555	39,500	0.38	329	6.64%	
Utilities	5.10%	253	0.29	30,321	18,000	0.17	150	3.03%	
Water, Sewer, & Trash	3.81%	189	0.22	22,680	29,400	0.28	245	4.94%	
Property Insurance	6.10%	302	0.35	36,271	26,400	0.25	220	4.44%	
Property Tax	2.48	7.99%	396	0.46	47,536	70,000	0.68	583	11.77%
Reserve for Replacements	5.05%	250	0.29	30,000	30,000	0.29	250	5.05%	
TDHCA Compliance Fees	0.81%	40	0.05	4,800	4,800	0.05	40	0.81%	
Other: Supportive Services	1.41%	70	0.08	8,400	8,400	0.08	70	1.41%	
TOTAL EXPENSES	66.05%	\$3,273	\$3.79	\$392,752	\$384,006	\$3.71	\$3,200	64.58%	
NET OPERATING INC	33.95%	\$1,682	\$1.95	\$201,853	\$210,594	\$2.03	\$1,755	35.42%	

DEBT SERVICE				PER SQ FT	PER UNIT	% OF EGI
Boston Capital Finance	29.52%	\$1,462	\$1.69	\$175,499	\$175,499	\$1.69
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00
NET CASH FLOW	4.43%	\$220	\$0.25	\$26,354	\$35,095	\$0.34

AGGREGATE DEBT COVERAGE RATIO	1.15	1.20
RECOMMENDED DEBT COVERAGE RATIO		1.20

CONSTRUCTION COST				PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)	4.47%	\$3,905	\$4.52	\$468,566	\$468,566	4.53%
Off-Sites	0.00%	0	0.00	0	0	0.00%
Sitework	8.54%	7,463	8.64	895,500	895,500	8.65%
Direct Construction	52.65%	45,989	53.25	5,518,661	5,389,200	52.06%
Contingency	3.92%	2,095	2.43	251,388	251,388	2.43%
Contractor's Fees	13.72%	8,399	8.49	879,858	879,858	8.50%
Indirect Construction	3.28%	2,868	3.32	344,200	344,200	3.32%
Ineligible Costs	3.42%	2,985	3.46	358,257	358,257	3.46%
Developer's Fees	14.78%	11,688	11.81	1,224,009	1,224,009	11.82%
Interim Financing	3.73%	3,261	3.78	391,359	391,359	3.78%
Reserves	1.43%	1,250	1.45	150,000	150,000	1.45%
TOTAL COST	100.00%	\$87,348	\$101.14	\$10,481,798	\$10,352,337	100.00%
Construction Cost Recap	71.99%	\$62,878	\$72.81	\$7,545,407	\$7,415,946	71.64%

SOURCES OF FUNDS				RECOMMENDED			
Boston Capital Finance	19.95%	\$17,430	\$20.18	\$2,091,623	\$2,091,623	\$2,091,623	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,222,726
Boston Capital Finance	78.65%	\$68,700	\$79.55	8,243,960	8,243,960	8,243,960	% of Dev. Fee Deferred
Deferred Developer Fees	0.16%	\$140	\$0.16	16,754	16,754	16,754	1%
Additional (Excess) Funds Req'd	1.24%	\$1,079	\$1.25	129,461	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$10,481,798	\$10,352,337	\$10,352,337	\$759,120

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

River Place Apartments, San Angelo, 9% HTC #08138

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.04	\$5,703,480
Adjustments				
Exterior Wall Finish	0.80%		\$0.44	\$45,628
Elderly	3.00%		1.65	171,104
9-Ft. Ceilings	3.10%		1.71	176,808
Roofing			0.00	0
Subfloor			(1.24)	(127,986)
Floor Cover			2.43	251,826
Patios/Balconies	\$31.31	9,238	2.79	289,182
Plumbing Fixtures	\$805	180	1.40	144,900
Rough-ins	\$400	240	0.93	96,000
Built-In Appliances	\$1,850	120	2.14	222,000
Exterior Stairs	\$1,800	2	0.03	3,600
Elevators	\$25,700	2	0.50	51,400
Heating/Cooling			1.90	196,901
Carports	\$9.75	21,600	2.03	210,600
Comm Bldgs	\$71.29	3,396	2.34	242,084
Other: fire sprinkler	\$2.15	103,632	2.15	222,809
SUBTOTAL			76.23	7,900,335
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.86		(10.67)	(1,106,047)
TOTAL DIRECT CONSTRUCTION COSTS			\$65.56	\$6,794,289
Plans, specs, survy, bld prm	3.90%		(\$2.56)	(\$264,977)
Interim Construction Interest	3.38%		(2.21)	(229,307)
Contractor's OH & Profit	11.50%		(7.54)	(781,343)
NET DIRECT CONSTRUCTION COSTS			\$53.25	\$5,518,661

PAYMENT COMPUTATION

Primary	\$2,091,623	Amort	360
Int Rate	7.50%	DCR	1.15

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.15

Additional	\$8,243,960	Amort	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE APPLICA

Primary Debt Service	\$175,499
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$35,095

Primary	\$2,091,623	Amort	360
Int Rate	7.50%	DCR	1.20

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.20

Additional	\$8,243,960	Amort	0
Int Rate	0.00%	Aggregate DCR	1.20

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

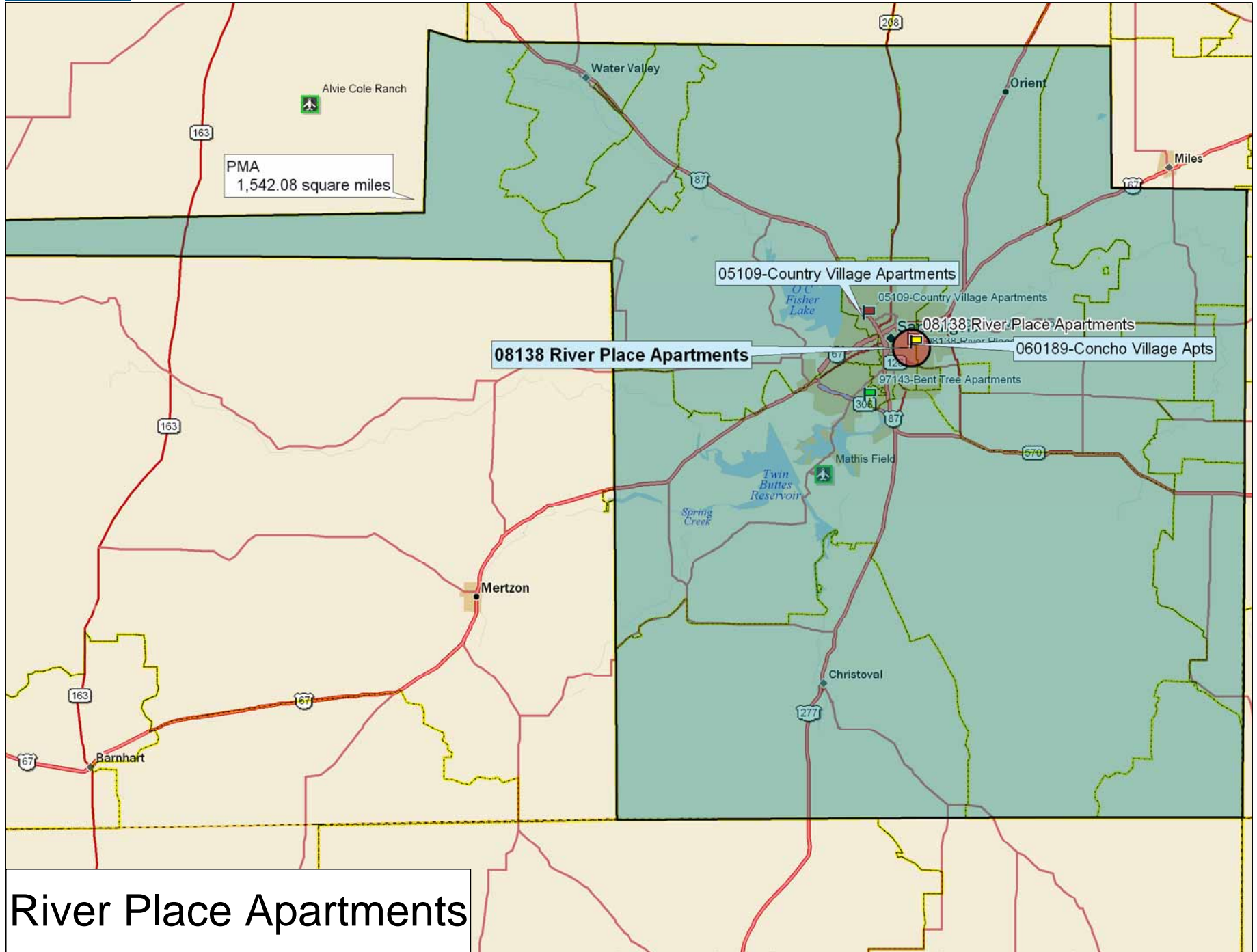
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$621,216	\$639,852	\$659,048	\$678,819	\$699,184	\$810,546	\$939,645	\$1,089,306	\$1,463,936
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	642,816	662,100	681,963	702,422	723,495	838,729	972,317	1,127,182	1,514,838
Vacancy & Collection Loss	(48,216)	(49,658)	(51,147)	(52,682)	(54,262)	(62,905)	(72,924)	(84,539)	(113,613)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$594,600	\$612,443	\$630,816	\$649,741	\$669,233	\$775,824	\$899,393	\$1,042,643	\$1,401,225
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$37,400	\$38,896	\$40,452	\$42,070	\$43,753	\$53,232	\$64,765	\$78,796	\$116,638
Management	23,784	24,498	25,233	25,990	26,769	31,033	35,976	41,706	56,049
Payroll & Payroll Tax	96,322	100,175	104,182	108,349	112,683	137,096	166,799	202,936	300,395
Repairs & Maintenance	39,500	41,080	42,723	44,432	46,209	56,221	68,401	83,221	123,187
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	29,400	30,576	31,799	33,071	34,394	41,845	50,911	61,941	91,688
Insurance	26,400	27,456	28,554	29,696	30,884	37,575	45,716	55,621	82,332
Property Tax	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	13,200	13,728	14,277	14,848	15,442	18,788	22,858	27,810	41,166
TOTAL EXPENSES	\$384,006	\$399,129	\$414,849	\$431,190	\$448,178	\$543,741	\$659,764	\$800,639	\$1,179,456
NET OPERATING INCOME	\$210,594	\$213,314	\$215,967	\$218,550	\$221,055	\$232,083	\$239,629	\$242,004	\$221,769
DEBT SERVICE									
First Lien Financing	\$175,499	\$175,499	\$175,499	\$175,499	\$175,499	\$175,499	\$175,499	\$175,499	\$175,499
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$35,095	\$37,815	\$40,468	\$43,051	\$45,556	\$56,584	\$64,130	\$66,505	\$46,270
DEBT COVERAGE RATIO	1.20	1.22	1.23	1.25	1.26	1.32	1.37	1.38	1.26

HTC ALLOCATION ANALYSIS -River Place Apartments, San Angelo, 9% HTC #08138

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$468,566	\$468,566		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$895,500	\$895,500	\$895,500	\$895,500
Construction Hard Costs	\$5,389,200	\$5,518,661	\$5,389,200	\$5,518,661
Contractor Fees	\$879,858	\$879,858	\$879,858	\$879,858
Contingencies	\$251,388	\$251,388	\$251,388	\$251,388
Eligible Indirect Fees	\$344,200	\$344,200	\$344,200	\$344,200
Eligible Financing Fees	\$391,359	\$391,359	\$391,359	\$391,359
All Ineligible Costs	\$358,257	\$358,257		
Developer Fees			\$1,222,726	
Developer Fees	\$1,224,009	\$1,224,009		\$1,224,009
Development Reserves	\$150,000	\$150,000		
TOTAL DEVELOPMENT COSTS	\$10,352,337	\$10,481,798	\$9,374,231	\$9,504,975

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$9,374,231	\$9,504,975
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$12,186,501	\$12,356,468
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$12,186,501	\$12,356,468
Applicable Percentage			8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$1,013,917	\$1,028,058

Syndication Proceeds	0.8292	\$8,407,098	\$8,524,353
Total Tax Credits (Eligible Basis Method)		\$1,013,917	\$1,028,058
Syndication Proceeds		\$8,407,098	\$8,524,353
Requested Tax Credits		\$994,242	
Syndication Proceeds		\$8,243,960	
Gap of Syndication Proceeds Needed		\$8,260,714	
Total Tax Credits (Gap Method)		\$996,263	



River Place Apartments

Applicant Evaluation

Project ID **08138**

Name **River Place Apartments**

City: **San Angelo**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 46

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 43

Total # of MF awards not yet monitored or pending review: 13

10-19: 3

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 46

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 6/5/2008

Date: 6/6/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 6/10/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/6/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 6/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Arizona Avenue Apartments, TDHCA Number 08139

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Duncan, District 28, NC

Points: 0

US Representative: Conaway, District 11, NC

TX Representative: King, District 71, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Tim Fambrough, Nolan County Judge

O, Edward P. Brown, Sweetwater City Manager

Individuals and Businesses In Support: 2

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4

First United Methodist Church

S or O: S

Nolan County Chamber of Commerce

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

Opposition received from the Sweetwater City Manager, citing the Sweetwater Housing Authority and local statistics of vacancies in existing apartments do not indicate a need for the development.

CONDITIONS OF COMMITMENT

1. Receipt, review and acceptance, by cost certification, of documentation that the additional acreage, is encumbered by the Department's Land Use Restriction Agreement or that the additional acreage is reduced from the acquisition cost on a prorata basis.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
4. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$395,000, or a commitment from a qualifying substitute source in an amount not less than \$365,327, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Arizona Avenue Apartments, TDHCA Number 08139

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$717,150

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when Rural tax credits are collapsed.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/22/08

PROGRAM: 9% HTC

FILE NUMBER: 08139

DEVELOPMENT

Arizona Avenue Apartments

Location: Northwest Intersection of E. Arizona Ave & I-20 Region: 2
 City: Sweetwater County: Nolan Zip: 79556 QCT DDA
 Key Attributes: Family, New Construction, Rural

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$732,805			\$717,150		

CONDITIONS

- 1 Receipt, review and acceptance, by cost certification, of documentation that the additional acreage, is encumbered by the Department's Land Use Restriction Agreement or that the additional acreage is reduced from the acquisition cost on a prorata basis.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
60% of AMI	60% of AMI	72

PROS

CONS

- The Applicant's high expense to income ratio only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.
- The acquisition considers a much larger property with a disproportionate assignment of cost to the subject tract.

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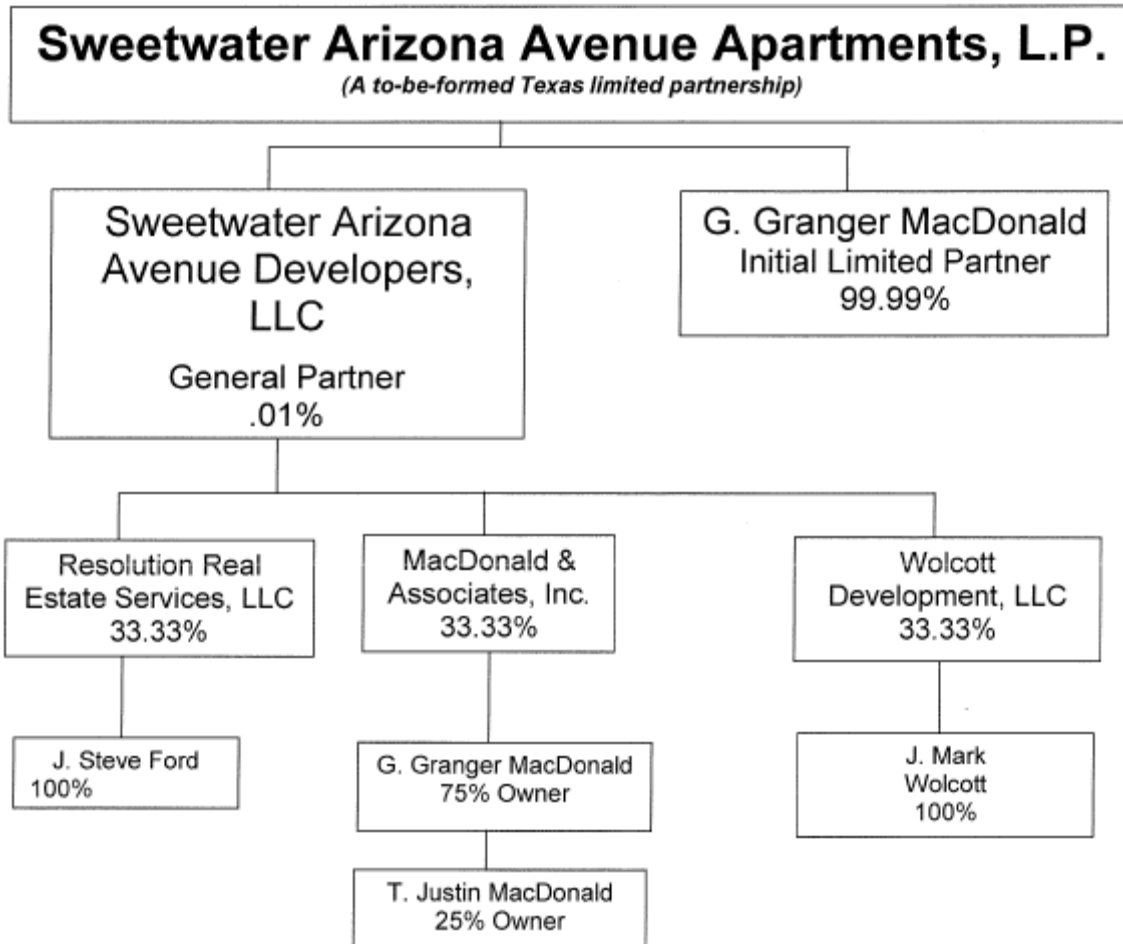
- The capture rate based on the alternate method to calculate inclusive capture rate using the HISTA data source indicates the development would need to capture 121% which exceeds the current Department maximum of 75% for this type of development.
- The anticipated syndication proceeds as a percentage of total cost (81%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.
- The Market Analyst's capture rate by unit type suggests that the market for 2 and 3 bedroom units targeting 60% households may be saturated.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Leslie Clark Phone: (830) 257-5323 Fax: (830) 257-3168
Email: lclark@macdonald-companies.com

KEY PARTICIPANTS

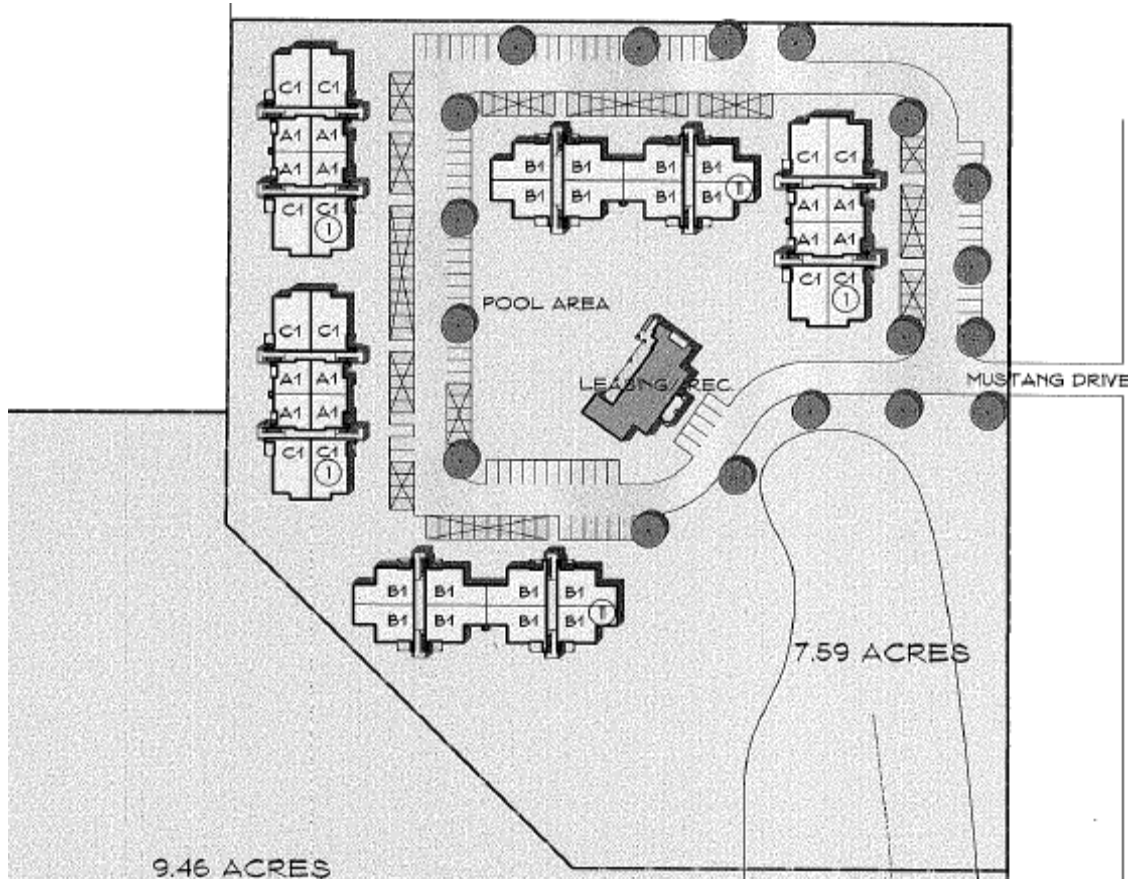
Name	Financial Notes	# Completed Developments
Resolution Real Estate Services, LLC	N/A	0
J. Steve Ford	N/A	26

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



This section intentionally left blank.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				N/A			

INCOME LIMITS						
Nolan						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	31	0		31	8	8	26%
1 BR/60% Rent Limit	41	0		41	16	16	39%
2 BR/60% Rent Limit	26	0		26	32	32	123%
3 BR/60% Rent Limit	32	-5		27	24	24	178%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 67	100%	6,649	97%	6,476	9%	551	Included in Eligible	60%	331	
Underwriter	100%	6,649	97%	6,476	14%	938	Included in Eligible	45%	422	
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 67				-68	9%	-6	Included in Eligible	100%	-6	
Underwriter			97%	-51	14%	-7	Included in Eligible	100%	-7	
DEMAND from OTHER SOURCES										
Market Analyst p. 67									9	
Underwriter									n/a	

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 68	80	0	0	80	334	23.96%
Underwriter	80	0	0	80	415	19.29%
HISTA Data Model	80	0	0	80	66	120.76%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA data based alternative. The traditional method yields a capture rate of 19.29%, which is acceptable as it is below the Department's 25% guideline for family targeted developments. The HISTA data based alternative yields a capture rate of 120.76% which exceeds the Department's guidelines. Of note, the Market Analyst also calculated the capture rate using HISTA data and calculated a rate of 104%. However, since the traditional method is acceptable under current Department rules and the Underwriter was able to reach an acceptable capture rate using this method and this development can be considered feasible under this criteria.

Primary Market Occupancy Rates:

"According to the December 2007 Apartment MarketData survey, there are 390 apartment units in the primary market area. The overall occupancy for all operating projects in the primary market area was 98.2% as of December 2007." (p. 37)

Absorption Projections:

"Based on our research, it is anticipated that the subject property would lease to stabilized occupancy within 12 months.." (p. 37)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	652 SF	30%	\$150	\$153	\$535	\$153	\$382
1 BR	652 SF	60%	\$393	\$398	\$535	\$398	\$137
2 BR	1,002 SF	60%	\$464	\$470	\$600	\$470	\$130
3 BR	1,228 SF	60%	\$524	\$532	\$725	\$532	\$193

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the, strong recent absorption history, we project that the, subject property will have minimal sustained, negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p.76)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 35.24 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of less than 1 unit per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit do not appear to be based on current HTC rent limits, and is slightly understated when compared to the Underwriter's estimate calculated by subtracting tenant-paid utility allowances as of September 21, 2006, maintained by the Abilene Housing Authority, from the 2008 program gross rent limits. Tenants will be required to pay electric, water, and sewer costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and despite the Applicant's use of slightly lower rents, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/14/2008

The Applicant's total revised annual operating expense projection at \$3,254 per unit is within 5% of the Underwriter's estimate of \$3,224, derived from the TDHCA database, and third-party data sources. The Applicant's revised budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative (\$4K higher), Payroll and Payroll Tax (\$8.6K lower), Utilities (\$8K lower), Water, Sewer & Trash (\$8K higher), and Property Tax (\$5K lower).

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) within the current underwriting guidelines of 1.15 to 1.35.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's originally submitted expense to income estimate at 65.04%, was slightly above the Department's maximum guideline. Subsequently, the Applicant revised their expenses and reconciled the expense to income ratio to slightly below the current maximum at 64.95%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, both are below the Department's maximum guideline and, therefore, no other mitigation is required.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	17.1 acres	<u>\$74,400</u>	Tax Year:	<u>2007</u>
1 acre:		<u>\$4,357</u>	Valuation by:	<u>Nolan CAD</u>
Total Prorata	7.59 acres:	<u>\$33,072</u>	Tax Rate:	<u>2.1576</u>

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Commercial Property Acreage: 17.075

Contract Expiration: 8/30/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$245,000 Other: _____

Seller: Jere Lawrence, Jay Lawrence, & J. Kyle Lawrence Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$14,348 per acre or \$3,063 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. However, the Applicant has indicated that they are acquiring the 17.075 acres referenced in Exhibit A of the contract but only including 7.59 acres in the site. The Applicant indicates the remaining 9.49 acres are to be sold as a hotel site and the revenue from the sell is to offset the offsite costs. The Underwriter informed the Applicant that typically, when more property is acquired than is going to be used, we will either reduce the cost of the additional acreage from the acquisition cost on a prorata basis, or the land must be dedicated in the LURA.

Therefore, the Underwriter's development cost schedule reflects an acquisition cost of \$108,905 (44% of the acquisition price). If the Applicant's costs are used in the final analysis, the sources and uses of funds will be adjusted by the difference in acquisition costs to ensure that tax credit proceeds are not used to fund a potential excess of profit on the additional land.

This section intentionally left blank.

Receipt, review and acceptance, by cost certification, of documentation that the entire acreage is encumbered by the Department's Land Use Restriction Agreement or that the prorata cost for the 9.49 acres is reduced from the acquisition cost will be a condition of this report.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,949 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$268K or 7% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, adjusted for the 9.49 acres not to be included in this site, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$6,874,340 supports annual tax credits of \$743,529. 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

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Southeast Texas HFC Type: Interim Financing

Principal: \$395,000 Interest Rate: AFR Fixed Term: 12 months

Comments:
Application made.

Source: Boston Capital Finance Type: Interim to Permanent Financing

Interim: \$1,031,501 Interest Rate: 7.25% Fixed Amort: 24 months

Permanent: \$1,426,501 Interest Rate: 7.25% Fixed Amort: 360 months

Source: Boston Capital Finance Type: Syndication

Proceeds: \$6,008,397 Syndication Rate: 82% Anticipated HTC: \$ 732,805

Comments:
Due to the recent volatility in credit pricing, it should be noted, a decrease below \$0.73 per credit dollar may jeopardize the financial feasibility of the deal. Alternatively, based on the current analysis, any increase in the final credit price may warrant further adjustment to the credit amount.

Amount: \$7,736 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

This section intentionally left blank.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,426,501 indicates the need for \$5,880,038 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$717,150 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$732,805), the gap-driven amount (\$717,150), and eligible basis-derived estimate (\$743,529), the gap-driven amount of \$717,150 would be recommended resulting in proceeds of \$5,880,038 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates no need for additional permanent funds.

Underwriter:	_____	Date:	_____
	<i>Diamond Unique Thompson</i>		July 22, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 22, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 22, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Arizona Avenue Apartments, Sweetwater, 9% HTC #08139

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%	8	1	1	652	\$245	\$153	\$1,224	\$0.23	\$92.00	\$9.00
TC 60%	16	1	1	652	\$490	\$398	\$6,368	\$0.61	\$92.00	\$9.00
TC 60%	32	2	2	1,002	\$588	\$470	\$15,040	\$0.47	\$118.00	\$9.00
TC 60%	24	3	2	1,228	\$680	\$532	\$12,768	\$0.43	\$148.00	\$9.00
TOTAL:	80		AVERAGE:	965		\$443	\$35,400	\$0.46	\$119.20	\$9.00

INCOME				Total Net Rentable Sq Ft:	77,184	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$424,800	\$418,944	Nolan		2
Secondary Income		Per Unit Per Month:	\$15.00			14,400	14,400	\$15.00	Per Unit Per Month	
Other Support Income:						0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$439,200	\$433,344			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(32,940)	(32,496)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$406,260	\$400,848			

EXPENSES				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.10%	\$259	0.27	\$20,702	\$25,150	\$0.33	\$314	6.27%		
Management		4.00%	203	0.21	16,250	16,034	0.21	200	4.00%		
Payroll & Payroll Tax		17.23%	875	0.91	70,000	61,370	0.80	767	15.31%		
Repairs & Maintenance		8.83%	449	0.46	35,888	37,400	0.48	468	9.33%		
Utilities		5.57%	283	0.29	22,629	14,400	0.19	180	3.59%		
Water, Sewer, & Trash		3.52%	179	0.19	14,304	22,400	0.29	280	5.59%		
Property Insurance		3.60%	183	0.19	14,640	14,640	0.19	183	3.65%		
Property Tax	2.16	8.50%	432	0.45	34,522	40,000	0.52	500	9.98%		
Reserve for Replacements		4.92%	250	0.26	20,000	20,000	0.26	250	4.99%		
TDHCA Compliance Fees		0.79%	40	0.04	3,200	3,200	0.04	40	0.80%		
Other: Supportive Sevcies		1.42%	72	0.07	5,760	5,760	0.07	72	1.44%		
TOTAL EXPENSES		63.48%	\$3,224	\$3.34	\$257,896	\$260,354	\$3.37	\$3,254	64.95%		
NET OPERATING INC		36.52%	\$1,855	\$1.92	\$148,364	\$140,494	\$1.82	\$1,756	35.05%		

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
Boston Capital Finance	28.74%	\$1,460	\$1.51	\$116,775	\$116,775	\$1.51	\$1,460	29.13%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	7.78%	\$395	\$0.41	\$31,589	\$23,719	\$0.31	\$296	5.92%

AGGREGATE DEBT COVERAGE RATIO	1.27	1.20
RECOMMENDED DEBT COVERAGE RATIO	1.27	

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	1.44%	\$1,361	\$1.41	\$108,905	\$245,000	\$3.17	\$3,063	3.29%
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	9.45%	8,949	9.28	715,900	715,900	9.28	8,949	9.62%
Direct Construction	53.68%	50,824	52.68	4,065,923	3,797,900	49.21	47,474	51.03%
Contingency	4.72%	2,982	2.92	225,690	225,690	2.92	2,821	3.03%
Contractor's Fees	13.22%	7,899	8.19	631,932	631,932	8.19	7,899	8.49%
Indirect Construction	3.99%	3,781	3.92	302,500	302,500	3.92	3,781	4.06%
Ineligible Costs	2.95%	2,791	2.89	223,294	223,294	2.89	2,791	3.00%
Developer's Fees	14.36%	11,208	11.62	896,653	896,653	11.62	11,208	12.05%
Interim Financing	4.01%	3,797	3.94	303,765	303,765	3.94	3,797	4.08%
Reserves	1.32%	1,250	1.30	100,000	100,000	1.30	1,250	1.34%
TOTAL COST	100.00%	\$94,682	\$98.14	\$7,574,562	\$7,442,634	\$96.43	\$93,033	100.00%
Construction Cost Recap	74.45%	\$70,493	\$73.06	\$5,639,445	\$5,371,422	\$69.59	\$67,143	72.17%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
Boston Capital Finance	18.83%	\$17,831	\$18.48	\$1,426,501	\$1,426,501	\$1,426,501	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$896,653
Boston Capital Finance	79.32%	\$75,105	\$77.85	6,008,397	6,008,397	5,880,038	% of Dev. Fee Deferred
Deferred Developer Fees	0.10%	\$97	\$0.10	7,736	7,736		0%
Additional (Excess) Funds Req'd	1.74%	\$1,649	\$1.71	131,928	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,574,562	\$7,442,634	\$7,306,539	\$654,203

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Arizona Avenue Apartments, Sweetwater, 9% HTC #08139

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.39	\$4,197,883
Adjustments				
Exterior Wall Finish	2.00%		\$1.09	\$83,958
Elderly			0.00	0
9-Ft. Ceilings	3.25%		1.77	136,431
Roofing			0.00	0
Subfloor			(1.24)	(95,322)
Floor Cover			2.43	187,557
Patios/Balconies	\$31.31	6,827	2.77	213,730
Plumbing Fixtures	\$805	168	1.75	135,240
Rough-ins	\$400	160	0.83	64,000
Built-In Appliances	\$1,850	80	1.92	148,000
Exterior Stairs	\$1,800	2	0.05	3,600
Elevators	\$43,600	2	1.13	87,200
Heating/Cooling			1.90	146,650
Carports	\$9.75	14,400	1.82	140,400
Comm Bldgs	\$71.29	2,881	2.66	205,372
Other: fire sprinkler	\$2.15	77,184	2.15	165,946
SUBTOTAL			75.41	5,820,643
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.86		(10.56)	(814,890)
TOTAL DIRECT CONSTRUCTION COSTS			\$64.85	\$5,005,753
Plans, specs, survy, bld prm	3.90%		(2.53)	(195,224)
Interim Construction Interest	3.38%		(2.19)	(168,944)
Contractor's OH & Profit	11.50%		(7.46)	(575,662)
NET DIRECT CONSTRUCTION COSTS			\$52.68	\$4,065,923

PAYMENT COMPUTATION

Primary	\$1,426,501	Amort	360
Int Rate	7.25%	DCR	1.27

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.27

Additional	\$6,008,397	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$116,775
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$31,589

Primary	\$1,426,501	Amort	360
Int Rate	7.25%	DCR	1.27

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.27

Additional	\$6,008,397	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

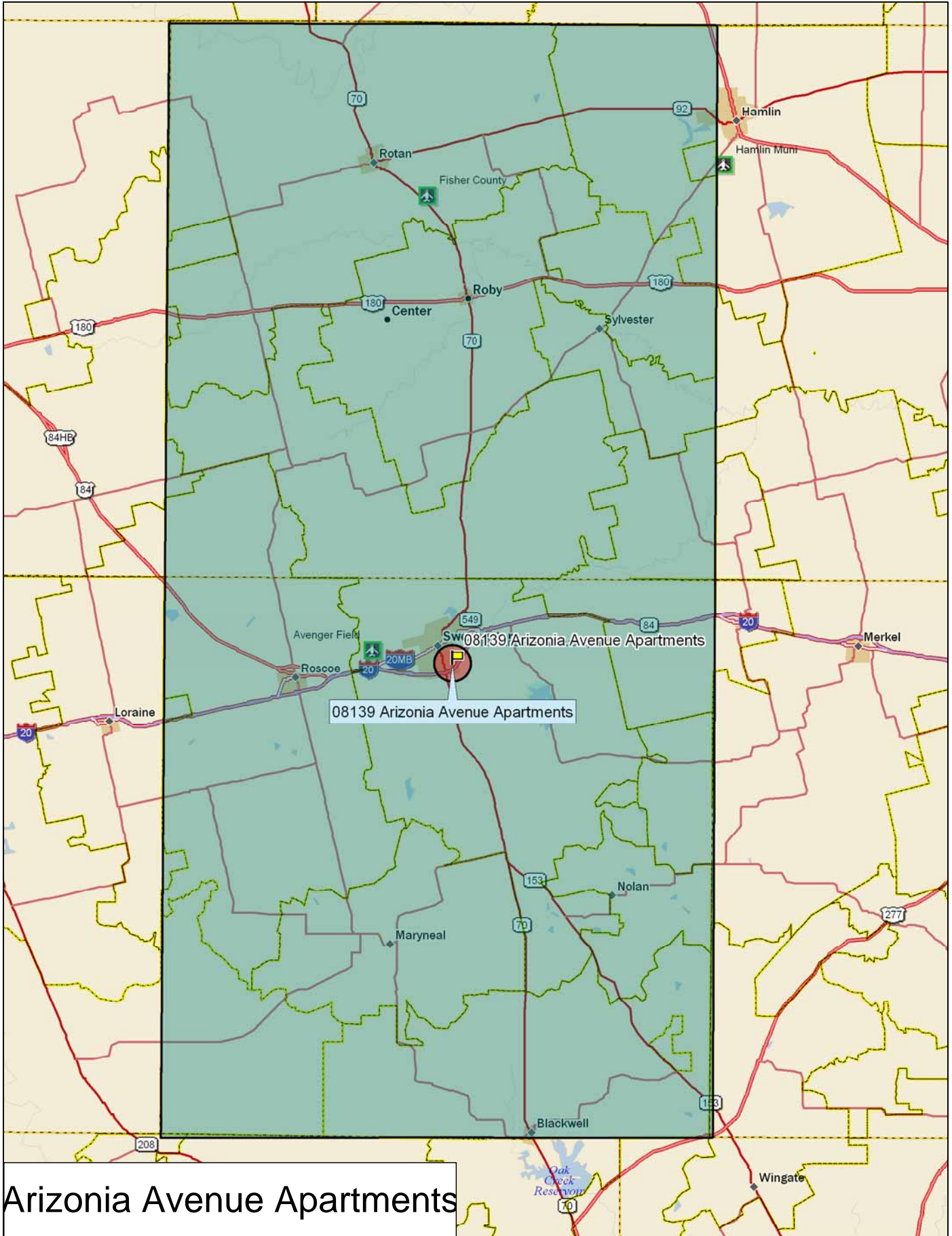
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$424,800	\$437,544	\$450,670	\$464,190	\$478,116	\$554,268	\$642,548	\$744,889	\$1,001,069
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	439,200	452,376	465,947	479,926	494,323	573,056	664,329	770,140	1,035,004
Vacancy & Collection Loss	(32,940)	(33,928)	(34,946)	(35,994)	(37,074)	(42,979)	(49,825)	(57,760)	(77,625)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$406,260	\$418,448	\$431,001	\$443,931	\$457,249	\$530,077	\$614,505	\$712,379	\$957,378
EXPENSES at 4.00%									
General & Administrative	\$20,702	\$21,530	\$22,391	\$23,287	\$24,218	\$29,465	\$35,849	\$43,616	\$64,562
Management	16,250	16,738	17,240	17,757	18,290	21,203	24,580	28,495	38,295
Payroll & Payroll Tax	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Repairs & Maintenance	35,888	37,324	38,817	40,369	41,984	51,080	62,147	75,611	111,923
Utilities	22,629	23,535	24,476	25,455	26,473	32,209	39,187	47,677	70,573
Water, Sewer & Trash	14,304	14,876	15,471	16,090	16,734	20,359	24,770	30,136	44,609
Insurance	14,640	15,226	15,835	16,468	17,127	20,837	25,352	30,844	45,657
Property Tax	34,522	35,902	37,339	38,832	40,385	49,135	59,780	72,732	107,661
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	8,960	9,318	9,691	10,079	10,482	12,753	15,516	18,877	27,943
TOTAL EXPENSES	\$257,896	\$268,049	\$278,603	\$289,575	\$300,981	\$365,140	\$443,031	\$537,605	\$791,902
NET OPERATING INCOME	\$148,364	\$150,399	\$152,398	\$154,356	\$156,269	\$164,938	\$171,473	\$174,774	\$165,476
DEBT SERVICE									
First Lien Financing	\$116,775	\$116,775	\$116,775	\$116,775	\$116,775	\$116,775	\$116,775	\$116,775	\$116,775
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$31,589	\$33,624	\$35,623	\$37,581	\$39,494	\$48,163	\$54,698	\$57,999	\$48,701
DEBT COVERAGE RATIO	1.27	1.29	1.31	1.32	1.34	1.41	1.47	1.50	1.42

HTC ALLOCATION ANALYSIS -Arizona Avenue Apartments, Sweetwater, 9% HTC #08139

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$245,000	\$108,905		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$715,900	\$715,900	\$715,900	\$715,900
Construction Hard Costs	\$3,797,900	\$4,065,923	\$3,797,900	\$4,065,923
Contractor Fees	\$631,932	\$631,932	\$631,932	\$631,932
Contingencies	\$225,690	\$225,690	\$225,690	\$225,690
Eligible Indirect Fees	\$302,500	\$302,500	\$302,500	\$302,500
Eligible Financing Fees	\$303,765	\$303,765	\$303,765	\$303,765
All Ineligible Costs	\$223,294	\$223,294		
Developer Fees				
Developer Fees	\$896,653	\$896,653	\$896,653	\$896,653
Development Reserves	\$100,000	\$100,000		
TOTAL DEVELOPMENT COSTS	\$7,442,634	\$7,574,562	\$6,874,340	\$7,142,363

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$6,874,340	\$7,142,363
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$8,936,642	\$9,285,072
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$8,936,642	\$9,285,072
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$743,529	\$772,518

Syndication Proceeds	0.8199	\$6,096,322	\$6,334,011
Total Tax Credits (Eligible Basis Method)		\$743,529	\$772,518
Syndication Proceeds		\$6,096,322	\$6,334,011
Requested Tax Credits		\$732,805	
Syndication Proceeds		\$6,008,397	
Gap of Syndication Proceeds Needed		\$5,880,038	
Total Tax Credits (Gap Method)		\$717,150	

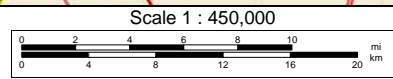


Arizona Avenue Apartments

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Applicant Evaluation

Project ID **08139**

Name **Arizona Avenue Apartments**

City: **Sweetwater**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 46

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 13

Projects grouped by score	0-9:	<u>43</u>
	10-19:	<u>3</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 46

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 7/1/2008

Date: 7/7/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 7/3/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 7 /3 /2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 7 /14/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Premier on Woodfair, TDHCA Number 08140

BASIC DEVELOPMENT INFORMATION

Site Address: 9502 Woodfair Dr. Development #: 08140
 City: Houston Region: 6 Population Served: General
 County: Harris Zip Code: 77036 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Premier on Woodfair, LP
 Owner Contact and Phone: Ruth Gaus, (512) 338-2213
 Developer: Woodfair Apartments, LLC
 Housing General Contractor: TBD
 Architect: Morningside Architects
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: S2A Development Consulting LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	390
	20 0 143 227	Market Rate Units:	18
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 308 100 0 0 0	Total Development Units:	408
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	33
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Premier on Woodfair, TDHCA Number 08140

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, NC Points: 0 US Representative: Green, District 9, NC
TX Representative: Allen, District 131, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Bill White, Mayor Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Premier New Beginnings Tenants Association, Eddie R. Frazier Jr. Letter Score: 24 S or O: S

The organization is in support of the many amenities and renovations.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and a qualified Neighborhood Organization. One person spoke in support of the development at the public hearing. Although it did not qualify for Quantifiable Community Participation, the Architectural Control Committee (Westwood) submitted a letter stating that the organization supports the proposed development because it could be the start of a revitalization of an area that used to be extremely nice neighborhood.

CONDITIONS OF COMMITMENT

1. An annual tax credit allocation not exceed \$1,200,000.
2. Receipt, review, and acceptance, prior to rehabilitation activities, of evidence of sample testing of the subject site by a qualified, licensed professional, for lead-based paint, as well as for asbestos containing materials; and evidence that any recommendations subsequent to such testing have been followed.
3. Receipt, review and acceptance of a firm commitment from the City of Houston for the \$1.2M funds with the source of the funds identified and the terms reflected in the commitment.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the rates and terms of the proposed financing change the transaction should be reevaluated, and adjustments to allocations may be warranted.
6. Receipt of a commitment of funding from the City of Houston for funds in the amount of \$1,200,000, or a commitment from a qualifying substitute source in an amount not less than \$924,372, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Premier on Woodfair, TDHCA Number 08140

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **206** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report Addendum

REPORT DATE: 07/08/08 PROGRAM: 9% HTC FILE NUMBER: 08140

DEVELOPMENT

Premier on Woodfair

Location: 9502 Woodfair Dr. Region: 6
 City: Houston County: Harris Zip: 77036 OCT DDA
 Key Attributes: Multifamily, Urban, Family, Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance, prior to rehabilitation activities, of evidence of sample testing of the subject site by a qualified, licensed professional, for lead-based paint, as well as for asbestos containing materials; and evidence that any recomme
- 2 Receipt, review and acceptance of a firm commitment from the City of Houston for the \$1.2M funds with the source of the funds identified and the terms reflected in the commitment.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the rates and terms of the proposed financing change the transaction should be reevaluated, and adjustments to allocations may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	20
50% of AMI	50% of AMI	143
60% of AMI	60% of AMI	227

PROS

- The proposed project would rehabilitate a severely dilapidated development, provide a decent and safe environment for the current tenants, and restore several hundred already-existing units to the market.

CONS

- The restoration of the abandoned units to the market would add to an area that is already highly concentrated with multifamily housing, contrary to current Department policy.

This section intentionally left blank.

- The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However, both are below the Department's 65% maximum and therefore no other mitigation is required.

ADDENDUM

This addendum recharacterizes the underwriting recommendation for the subject application based on the letter of July 11, 2008 from the TDHCA Executive Director granting the Applicant's appeal. Specifically, the original underwriting report recommended against an allocation of tax credits pursuant to Section 1.32(i)(2) of the Texas Administrative Code based on a census tract multifamily unit concentration of 5,227 units per square mile, which exceeds the 1,432 units per square mile limit; and a Primary Market Area concentration of 1,594 units per square mile, which exceeds the 1,000 units per square mile limit.

The Applicant appealed based on the provision in the Code for waiver of the rule by the Executive Director when documentation is presented to support unique circumstances to provide mitigation. The Applicant submitted letters from the state representative, the mayor of Houston, several city council members, and city officials and community leaders, all recognizing the concentration in the area but strongly supporting the rehabilitation of the subject property. The Executive Director granted the appeal. The underwriting recommendation has been amended accordingly. An annual allocation of \$1,200,000 is recommended, subject to the conditions itemized above.

Underwriter:	<i>Thomas Cavanagh</i>	Date:	July 8, 2008
Reviewing Underwriter:	<i>Raquel Morales</i>	Date:	July 8, 2008
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 8, 2008



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report (Amended Report)

REPORT DATE: 07/08/08 PROGRAM: 9% HTC FILE NUMBER: 08140

DEVELOPMENT

Premier on Woodfair

Location: 9502 Woodfair Dr. Region: 6
 City: Houston County: Harris Zip: 77036 OCT DDA
 Key Attributes: Multifamily, Urban, Family, Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$0		

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING:

Pursuant to Section 1.32(i)(2) of the Texas Administrative Code, the Underwriter has concluded a census tract multifamily unit concentration of 5,227 units per square mile, which exceeds the 1,432 units per square mile limit; and a Primary Market Area concentration of 1,594 units per square mile, which exceeds the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an excessive level of apartment dispersion based upon the Department's standard criteria.

CONDITIONS

SHOULD THE BOARD WAIVE THE ABOVE ISSUES AND APPROVE THIS APPLICATION, SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 An annual tax credit allocation not exceed \$1,200,000
- 2 Receipt, review, and acceptance, prior to rehabilitation activities, of evidence of sample testing of the subject site by a qualified, licensed professional, for lead-based paint, as well as for asbestos containing materials; and evidence that any recommendations subsequent to such testing have been followed.
- 3 Receipt, review and acceptance of a firm commitment from the City of Houston for the \$1.2M funds with the source of the funds identified and the terms reflected in the commitment.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the rates and terms of the proposed financing change the transaction should be reevaluated, and adjustments to allocations may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
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60% of AMI	60% of AMI	227

PROS

- The proposed project would rehabilitate a severely dilapidated development, provide a decent and safe environment for the current tenants, and restore several hundred already-existing units to the market.

CONS

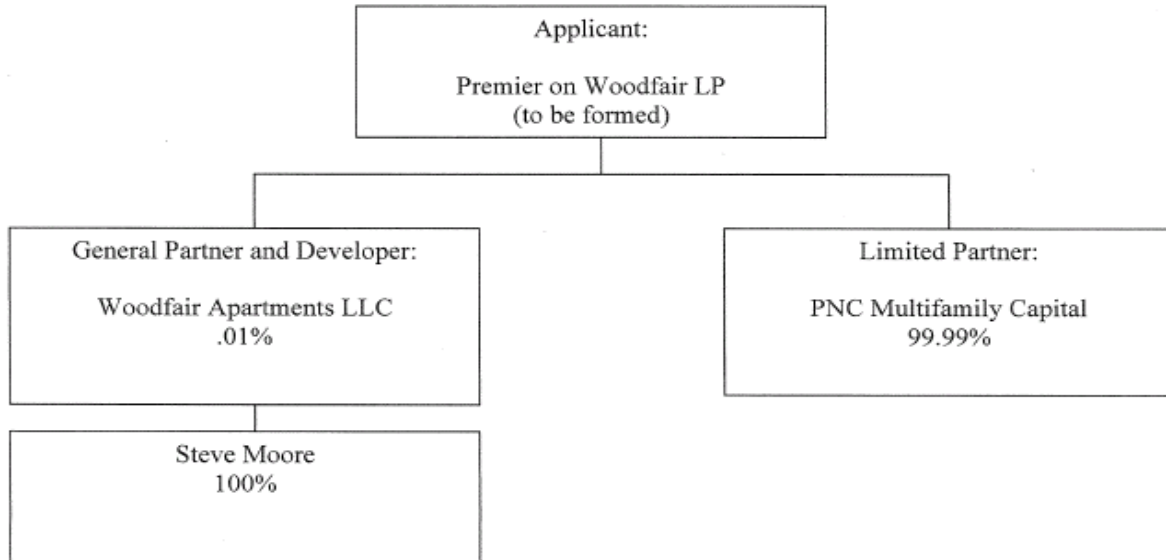
- The restoration of the abandoned units to the market would add to an area that is already highly concentrated with multifamily housing, contrary to current Department policy.
- The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However, both are below the Department's 65% maximum and therefore no other mitigation is required.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ruth Gaus Phone: (512) 338-2213 Fax: (512) 452-1012
 Email: amginvest@gmail.com

KEY PARTICIPANTS

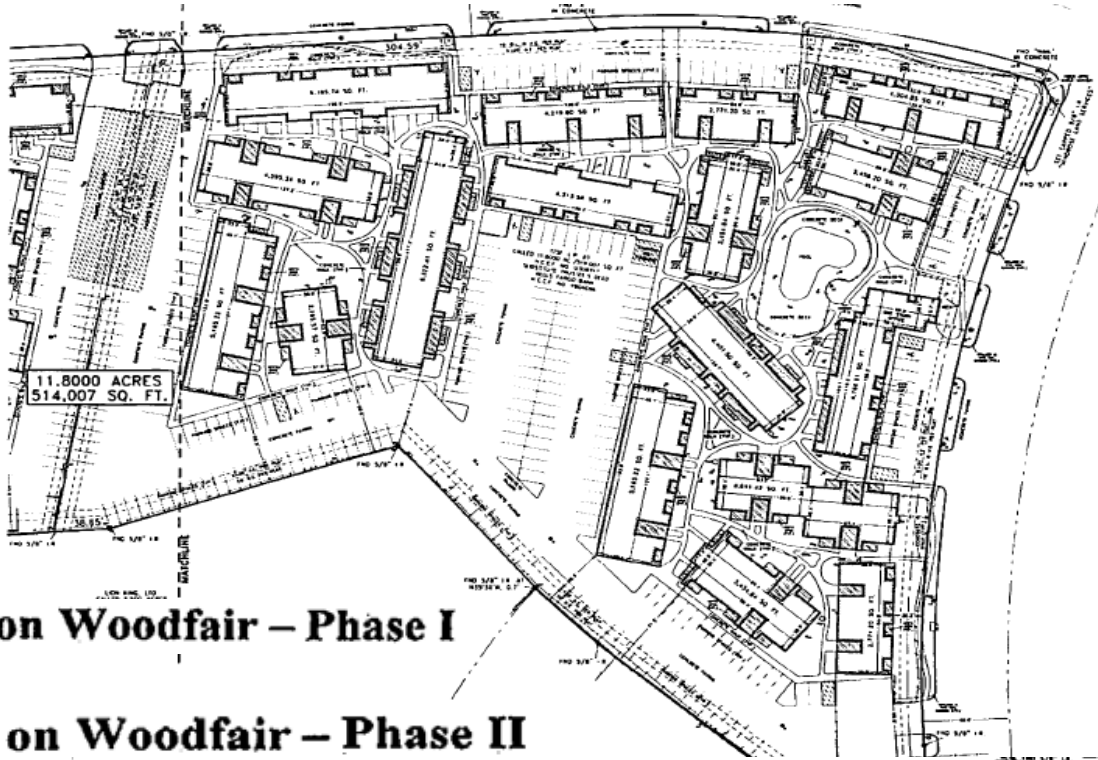
Name	Financial Notes	# Completed Developments
Premier on Woodfair LP	to be formed	None
Woodfair Apartments LLC	newly formed	
Steven Moore	N/A	

IDENTITIES of INTEREST

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

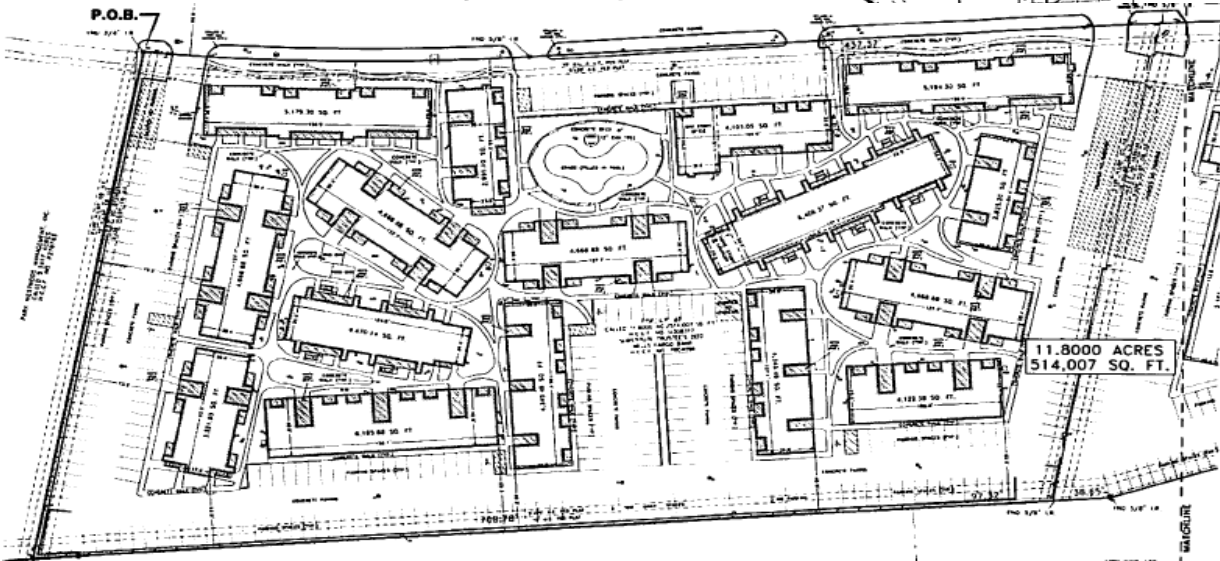
PROPOSED SITE

SITE PLAN



Premier on Woodfair – Phase I

Premier on Woodfair – Phase II



BUILDING CONFIGURATION

Bldg Type	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Floors	2	2	2	2	2	2	2	2	2	2	2	2	2	2	Bldgs
# Bldgs	2	2	1	4	6	5	3	1	1	1	3	1	2	1	33

Unit	SF	Units														Total
1/1	442	16	24													80
1/1	543			8	12	16										152
1/1	670						8	12								76
2/1	830								6	8	10	12				60
2/2	981												8	10	12	40
		16	24	8	12	16	8	12	6	8	10	12	8	10	12	408

SITE ISSUES

Net Rentable Area: 257,856
 Total Size: 11.8 acres
 Flood Zone: X500
 Zoning: N / A

Scattered site? Yes No
 Within 100-yr floodplain? Yes No
 Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/18/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: Apartments East: Woodfair Drive
 South: commercial West: commercial

Comments:
 The Inspector noted some standing water around areas in the property due to stopped up drainage lines at this time.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/29/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 22)
- "In the event of renovation or demolition, further sampling (for lead-based paint) may be required prior to these activities." (p. 26)
- "Potential asbestos containing building materials (ACBMs) in the form of wall material, ceiling material, floor material, and miscellaneous building materials in good condition were observed at the subject site. No potential suspect damaged friable ACBMs were observed at the subject site. No asbestos sampling was performed as part of this ESA ... A prior Limited Renovation Asbestos Survey, prepared by Consolidated Consulting Group, LLC, dated March 22, 2006 was provided ... None of the two hundred samples analyzed were identified as containing more than 1% asbestos." (pp. 26-27)

Comments:
 This report will be conditioned on receipt, review, and acceptance, prior to rehabilitation activities, of evidence of sample testing of the subject site, by qualified, licensed professional, for lead-based paint, as well as for asbestos containing materials; and evidence that any recommendations subsequent to such testing have been followed.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 4/14/1922
 Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830
 Number of Revisions: 0 Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 11 sq. miles 2 mile radius
 The Market Analyst defined the Primary Market Area as encompassing the following census tracts:

48201433100	48201433400	48201452900	48201453200	48201453400
48201433200	48201433500	48201453000	48201453300	48201453600
48201433300	48201433600	48201453100		

These boundaries approximately follow Bellaire Blvd. to the north, Highway 59 to the east, the Harris County line to the south, and Cook Road to the west. The Market Analyst estimates the population of the PMA to be 95,205 in 2007.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Aspen Park	060627	256	231				

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand		Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	319	-2		317	20	0	6%
1 BR/ 50% Rent Limit	133	-1		132	143	0	108%
1 BR/ 60% Rent Limit	1,065	2		1,067	136	0	13%
2 BR/ 60% Rent Limit	588	-9		579	90	231	55%

UNDERWRITER'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand		Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	140	-2		138	20	0	15%
1 BR/ 50% Rent Limit	537	-2		535	143	0	27%
1 BR/ 60% Rent Limit	157	-4		153	136	0	89%
2 BR/ 60% Rent Limit	381	-9		372	91	166	69%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 60	100%	32,132	69%	22,287	18%			4,016	52%	2,088
Mkt Analyst HISTA p. 64								8,309	52%	4,321
Underwriter	100%	20,918	69%	0	16%	8,665	62%	6,005	52%	3,123
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 60		106	69%	74	18%			13	100%	13
Mkt Analyst HISTA p. 64										-65
Underwriter			69%	-21	16%			-6	100%	-6

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)		Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 61	389	231		620	2,102	30%
Mkt Analyst HISTA p. 65	389	231		620	4,256	15%
Underwriter	390	231		621	3,117	20%

Demand Analysis

The Market Analyst concluded an inclusive capture rate of 30% (exceeding the maximum of 25%) with the methodology and data sources traditionally relied upon in these reports. That result appears to overstate the demand due to a miscalculation. The equivalent underwriting analysis concluded an inclusive capture rate of 54%. However, the subject PMA is an example where an alternative data provider, HISTA Data, offers a significantly different result. HISTA Data provides a custom tabulation of census data by household, income, household size, tenure, and age. This allows a more detailed perspective on parameters critical to our analysis, and often yields results somewhat different than the more traditional data sources.

In this case, however, HISTA suggests a much higher concentration of renter households in the low-income ranges targeted by the subject development. Based on a review of the data, and experience having managed apartments in the subject neighborhood, the Market Analyst opined that the HISTA Data is more likely to reflect the PMA than the breakdown of the demographic data provided by MapInfo. The Market Analyst concluded an inclusive capture rate of 15% based on HISTA Data; the underwriting analysis based on HISTA Data determined an inclusive capture rate of 20%. Either result is sufficient to recommend the development.

Primary Market Occupancy Rates:

"The overall occupancy of existing multifamily communities within the PMA is 86.9%. This lower overall occupancy reflects the number of older, poorly maintained units. Communities built after 1990 report an occupancy of > 94%." (p. 10)

"The competitive sub-market supply and demand analysis conducted by Apartment MarketData Research Services included 939 affordable units within the PMA, and 1,296 conventional units. The market reflects solid demand, as did the overall macro market, for all of the competitive projects in the micro-market. The occupancy rate for income restricted one bedrooms is 96.0%, for income restricted two bedrooms it is 87.8%, for income restricted three bedroom units it is 92.0%, and the overall average occupancy for income restricted units is 91.1% ... The occupancy rate for market rate one bedrooms is 95.3%, for market rate two bedrooms it is 93.0%, for market rate three bedroom s it is 96.9%, and the overall average occupancy for market rate units is 94.8%." (pp. 14-15)

Absorption Projections:

"Over the past six years, we see over 9,200 units have been absorbed in the Houston area. At the same time there has been significant negative absorption in units built prior to the 1970's. This positive overall absorption fares well for the subject."

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	442 SF	30	\$236	\$236	\$380	\$236	\$144
1 BR	442 SF	50	\$400	\$465	\$380	\$380	\$0
1 BR	543 SF	50	\$425	\$465	\$435	\$435	\$0
1 BR	543 SF	60	\$435	\$579	\$435	\$435	\$0
1 BR	670 SF	60	\$510	\$579	\$475	\$475	\$0
1 BR	670 SF	Mkt	\$520	N / A	\$475	\$475	\$0
2 BR	830 SF	60	\$590	\$678	\$570	\$570	\$0
2 BR	981 SF	60	\$655	\$678	\$635	\$635	\$0
2 BR	981 SF	Mkt	\$655	N / A	\$635	\$635	\$0

This section intentionally left blank.

Rent Analysis

The Applicant's proposed rents are slightly higher than the market rents determined by the Market Analyst, but lower than the maximum HTC program rents. The Market Analyst discussed a wide range of properties in the market segmented by decade of construction, and that more recent "affordable" properties achieve higher rents than the overall market average. This suggests that rather than a single "market rent" there is a range. Based on these observations, the Market Analyst concluded that the Applicant's proposed rents are appropriate as follows:

"In summary, we have drawn the following conclusions of the proforma rents:

- 1 The proforma rents are reasonably comparable with other "market rate" units of similar vintage;
- 2 The proforma rents are lower than the newer 'affordable' comparables in the market; and comparable to those charged by Aspen Square (1983)." (p. 115)

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing 'affordable' housing projects have an overall occupancy of 91.1%. The number reflects 63 vacant units at Aspen Park (a 2006 Private Activity Bond HTC rehabilitation development). This demonstrates that the demand for affordable rental housing is high." (p. 14)

Concentration

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 5,227 units per square mile, which exceeds the 1,432 units per square mile limit; and a Primary Market Area concentration of 1,594 units per square mile which exceeds the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an excessive level of apartment dispersion based upon the Department's standard criteria and cannot be recommended for funding.

This underwriting restriction provides for an exception where the development already exists and gives tenants displaced during rehabilitation a preference to return to their units after rehabilitation occurs. However this exception can only be automatically granted if the existing units are 80% occupied. The Executive Director can also waive this requirement for situations where unique circumstances provide mitigation. The Principal of the Applicant, Mr. Moore, has indicated that they have already acquired the property with the intent to rehabilitate the units that have been boarded up. Mr. Moore has further stated that the significant vacancy experienced at the property culminated in a foreclosure (through which they first took control of the property) at which time only 29% of the units were occupied.

Comments:

The Market Analyst acknowledged the fact that the multifamily concentration in the PMA and surrounding area exceeds the limits ... "However, since the project is planned for rehabilitation, the TDHCA concentration policy by census tract does not apply." Unfortunately, this is not correct. The 2008 Real Estate Analysis Rules provide an exception for "existing Affordable Housing which is at least 80% occupied ..." Fifty percent of the subject property is boarded up and abandoned; the other fifty percent is roughly fifty percent occupied; as a whole, the subject is well below the 80% minimum. For this reason, the Underwriter cannot recommend the subject property be funded.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/8/2008

The Applicant's proposed rents are on average 17% higher than what the property is currently collecting. The Applicant's projected operating income is based on rents that are lower than the maximum HTC program rents, but slightly higher than the overall market average. As discussed above, the Market Analyst concluded that the Applicant's proposed rents are generally appropriate. The Underwriter has utilized the market rents in this analysis versus the Applicant's proposed rents because that Market Analyst's rents are based upon a documented analysis of what the market will bear. Both the Underwriter's and Applicant's rents are lower than the current program maximums. If the full program rents could be achieved an additional \$403,560 or 18% in potential gross rent could be projected.

The Applicant proposes to get what appears to be HOME funds from the City of Houston. Because these funds may potentially have a below market interest rate, if any, the development would have to target 40% of all units in each building to households earning 50% of AMI or less. The Applicant currently has one unit short of 40% overall but 15 short of the building by building requirement.

The Applicant's projected secondary income of \$15 per unit per month is consistent with underwriting guidelines. The Applicant has allowed for losses due to vacancy and collection equal to 10% of potential gross income; the Applicant has also reduced potential income by 4.7% for rental concessions. The underwriting analysis has assumed the standard 7.5% losses for vacancy and collections. As a result of the differences discussed, the underwriting estimate of effective gross income is slightly more than 5% higher than the Applicant's projected total.

Expense: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant's projected annual operating expenses total \$3,241 per unit. This is 5% lower than the underwriting estimate of \$3,404. Specific line items with the most significant variations include general and administrative (the Applicant's projection is \$90K lower than the underwriting estimate); payroll and payroll tax (the Applicant's figure is lower by \$72K); and property tax (the Applicant's figure is higher by \$71K).

Conclusion:

As a result of the differences discussed above, the underwriting estimate of net operating income (NOI) is 6% higher than the Applicant's projection. Therefore, the Underwriter's NOI will be used to determine the development's feasibility and debt capacity. The underwriting estimates for effective gross income and operating expenses combined with the Applicant's requested financing structure, provide a debt coverage ratio (DCR) of 1.28. This is within the acceptable underwriting range of 1.15 to 1.35.

Feasibility:

The underwriting estimates and recommended financing are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a debt coverage ratio that remains above the 1.15 minimum throughout the proforma period. The project can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: National Realty Consultants Date: 2/25/2008
 Number of Revisions: none Date of Last Applicant Revision: N / A
 Land Only: 11.8 acres \$2,698,542 As of: 2/25/2008
 Existing Buildings: (as-is) \$2,171,458 As of: 2/25/2008
 Total Development: (as-is) \$4,870,000 As of: 2/25/2008

ASSESSED VALUE

Land Only: 11.8 acres \$1,285,020 Tax Year: 2008
 Existing Buildings: \$4,388,072 Valuation by: Harris County CAD
 Total Assessed Value: \$5,673,092 Tax Rate: 2.60458

EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed Acreage: 11.8
 Contract Expiration: 3/6/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$3,990,000 Other: _____
 Seller: Woodfair Apartments, LLC Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/11/2008

Acquisition Value:

Steven C. Moore, the 100% owner of Woodfair Apartments, LLC, the General Partner and Developer, acquired the property on March 6, 2007, from Wells Fargo Bank, for a purchase price of \$3,990,000, or \$338K per acre. This cost is assumed to be reasonable as the acquisition was an arm's length transaction. It should be noted that the Applicant has claimed no eligible basis on the acquisition.

Sitework Cost:

The Applicant has claimed site work costs equivalent to \$1,514 per unit, well below the underwriting guideline of \$9,000 per unit. Therefore, no additional substantiation is required. The Property Condition Assessment included a number of items under site work, such as auxiliary buildings, gazebos, and equipment such as satellite equipment and computers, that are typically included under direct construction. Even after shifting these costs to direct construction, the total sitework identified in the PCA is \$125K higher than in the Applicant's development cost schedule.

Direct Construction Cost:

The Applicant has claimed direct construction costs of \$8.5 million. The PCA indicates direct construction costs of \$8.0 million. The Underwriter inquired about the discrepancy; the Applicant indicated that approximately \$430K in repairs and maintenance had been completed since acquisition of the property. These items were not identified by the PCA inspector because they have already been completed. The Applicant provided invoices and payment records for \$434,018 in repairs. These include appliance replacements, carpet replacements, new air conditioning units, and new laminate flooring. The Underwriter has included this total with the direct construction costs identified in the PCA, as the partnership can claim these costs as part of their rehabilitation as long as they complete the rehabilitation within 24 months of when those first costs were incurred. The Applicant's projected direct construction cost is within 1% of the PCA estimate plus the documented repairs and maintenance.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Property Condition Assessment (PCA) provided by the Applicant and the information provided by the Applicant. The PCA was well documented and, when combined with the documented repairs previously completed by the Applicant, appeared to cover the scope of work provided in the application. Thus, the Underwriter's development cost schedule, as derived from the PCA, will be used to determine eligible basis and the development's need for permanent funds.

An eligible basis of \$13,318,302 supports annual tax credits of \$1,235,185. 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. The underwriter has removed the below market rate HOME funds from basis because the Applicant has indicated he wishes to claim the 30% Difficult Development Area boost which is not available to developments with below market federal funds unless the funds are removed from eligible basis.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/11/2008

Source: PNC Multifamily Capital Type: Interim to Permanent Financing

Principal: \$7,638,815 Interest Rate: 7.0% Fixed Term: 360 months

Comments:

PNC has proposed a Construction / Term Loan; construction period of two years, interest floating at Prime; Term Loan at a fixed rate established at Construction Loan closing, underwritten at 7.0%

This section intentionally left blank.

Source: HE & MAH Investments Type: Interim Financing

Principal: \$400,000 Interest Rate: tbd Fixed Amort: 12 months

Comments:

The Applicant provided a commitment letter for private funds in the amount of \$400,000, expected to be for a twelve month period at terms to be determined should the application receive an award from TDHCA.

Source: City of Houston Type: Interim to Permanent Financing

Principal: \$1,200,000 Interest Rate: tbd Fixed Amort: 360 months

Comments:

The developer anticipates receiving funds from the City of Houston in the amount of \$1,200,000. These funds may be HOME funds, or may have a different source. In the event they are HOME funds, they will be structured as a low-interest loan in accordance with federal law so that they do not reduce basis.

Source: PNC Multifamily Capital Type: Syndication

Proceeds: \$9,599,040 Syndication Rate: 80% Anticipated HTC: \$ 1,200,000

Comments:

If the syndication rate were to increase even slightly, to 80.4 cents or greater per tax credit dollar, the equity proceeds would exceed the gap in financing, and the allocation amount should be reduced accordingly. On the other hand, if the syndication rate fell to 66.9 cents or less, the additional funds required would exceed the available developer fee, and the transaction would have to be considered infeasible.

Amount: \$56,577 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio within the acceptable range of 1.15 to 1.35. However, the Applicant did not include any debt service on the anticipated \$1.2 million loan from the City of Houston. If the loan is fully amortized over 30 years at the current AFR (4.51%), the development's debt coverage ratio is marginally below the acceptable range. For purposes of this analysis, however, the Underwriter included no debt service for the proposed \$1.2M loan and removed it from basis to ensure the viability of the full requested credit even if a loan at AFR is not ultimately viable. Regardless, the city funds are important to the success of this development and therefore this report is conditioned upon receipt, review and acceptance of a firm commitment for the \$1.2M with the source of the funds identified and the terms reflected in the commitment.

This section intentionally left blank.

The Underwriter's total development cost estimate less the permanent loan of \$7,638,815 and the \$1,200,000 loan from the City of Houston indicates the need for \$9,648,616 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,206,198 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the amount determined by eligible basis and the amount determined by the gap in financing both exceed the \$1.2M allocation limit per development. The Applicant's requested amount of \$1,200,000 is recommended, resulting in proceeds of \$9,599,040 based on a syndication rate of \$0.80 per tax credit dollar.

The Underwriter's recommended financing structure indicates the need for \$49,576 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 8, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 8, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 8, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Premier on Woodfair, Houston, 9% HTC #08140

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	20	1	1	442	\$344	\$236	\$4,720	\$0.53	\$108.00	\$50.31
TC 50%	60	1	1	442	\$573	\$380	22,800	0.86	108.00	50.31
TC 50%	83	1	1	543	\$573	\$435	36,105	0.80	108.00	50.31
TC 60%	69	1	1	543	\$687	\$435	30,015	0.80	108.00	50.31
TC 60%	67	1	1	670	\$687	\$475	31,825	0.71	108.00	50.31
MR	9	1	1	670	N / A	\$475	4,275	0.71	108.00	50.31
TC 60%	60	2	1	830	\$825	\$570	34,200	0.69	147.00	50.31
TC 60%	31	2	2	981	\$825	\$635	19,685	0.65	147.00	61.31
MR	9	2	2	981	N / A	\$635	5,715	0.65	147.00	61.31
TOTAL:	408		AVERAGE:	632		\$464	\$189,340	\$0.73	\$117.56	\$51.39

INCOME

Total Net Rentable Sq Ft: **257,856**

POTENTIAL GROSS RENT

Laundry & Vending 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.62%	\$352	0.56
Management	3.60%	192	0.30
Payroll & Payroll Tax	14.04%	747	1.18
Repairs & Maintenance	6.56%	349	0.55
Utilities	6.00%	319	0.51
Water, Sewer, & Trash	5.90%	314	0.50
Property Insurance	4.16%	221	0.35
Property Tax 2.60	7.74%	412	0.65
Reserve for Replacements	5.64%	300	0.47
TDHCA Compliance Fees	0.72%	38	0.06
Other:Supportive Svcs, Security	3.02%	161	0.25
TOTAL EXPENSES	64.01%	\$3,404	\$5.39
NET OPERATING INC	35.99%	\$1,914	\$3.03

DEBT SERVICE

PNC	28.11%	\$1,495	\$2.37
City of Houston	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	7.88%	\$419	\$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)		22.01%	\$9,972	\$15.78
Off-Sites		0.00%	0	0.00
Sitework		4.02%	1,821	2.88
Direct Construction		45.88%	20,789	32.89
Contingency 4.66%		2.33%	1,054	1.67
Contractor's Fees 13.12%		6.54%	2,966	4.69
Indirect Construction		2.50%	1,133	1.79
Ineligible Costs		1.31%	594	0.94
Developer's Fees 13.85%		8.76%	3,971	6.28
Interim Financing		2.01%	910	1.44
Reserves		4.64%	2,104	3.33
TOTAL COST		100.00%	\$45,312	\$71.70
Construction Cost Recap		58.77%	\$26,629	\$42.13

SOURCES OF FUNDS

PNC	41.32%	\$18,723	\$29.62
City of Houston	6.49%	\$2,941	\$4.65
PNC	51.92%	\$23,527	\$37.23
Deferred Developer Fees	0.31%	\$139	\$0.22
Additional (Excess) Funds Req'd	-0.04%	(\$17)	(\$0.03)
TOTAL SOURCES			

TDHCA	APPLICANT
-------	-----------

\$2,272,080	\$2,334,720
73,440	73,440
0	
\$2,345,520	\$2,408,160
(175,914)	(240,816)
	(113,388)
\$2,169,606	\$2,053,956

COUNTY	IREM REGION	COMPT. REGION
--------	-------------	---------------

Harris	Houston	6
\$15.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-10.00%	of Potential Gross Income	

TDHCA	APPLICANT
\$143,654	\$53,800
78,134	65,000
\$304,629	232,753
\$142,271	156,311
130,234	168,100
127,990	98,800
90,250	104,600
167,945	238,466
122,400	122,400
15,600	16,320
65,580	65,580
\$1,388,685	\$1,322,130
\$780,921	\$731,826

PER SQ FT	PER UNIT	% OF EGI
\$0.21	\$132	2.62%
0.25	159	3.16%
0.90	570	11.33%
0.61	383	7.61%
0.65	412	8.18%
0.38	242	4.81%
0.41	256	5.09%
0.92	584	11.61%
0.47	300	5.96%
0.06	40	0.79%
0.25	161	3.19%
\$5.13	\$3,241	64.37%
\$2.84	\$1,794	35.63%

\$609,855	\$609,855	\$2.37	\$1,495	29.69%
0		\$0.00	\$0	0.00%
0		\$0.00	\$0	0.00%
\$171,066	\$121,971	\$0.47	\$299	5.94%
1.28	1.20			
1.28				

TDHCA	APPLICANT
\$4,068,461	\$4,068,461
0	0
742,770	617,870
8,481,828	8,538,649
430,000	430,000
1,210,000	1,210,000
462,382	462,382
242,255	242,255
1,620,000	1,620,000
371,322	371,322
858,413	933,493
\$18,487,431	\$18,494,432

PER SQ FT	PER UNIT	% of TOTAL
\$15.78	\$9,972	22.00%
0.00	0	0.00%
2.40	1,514	3.34%
33.11	20,928	46.17%
1.67	1,054	2.33%
4.69	2,966	6.54%
1.79	1,133	2.50%
0.94	594	1.31%
6.28	3,971	8.76%
1.44	910	2.01%
3.62	2,288	5.05%
\$71.72	\$45,329	100.00%
\$41.87	\$26,462	58.38%

RECOMMENDED

\$7,638,815	\$7,638,815	\$7,638,815
1,200,000	1,200,000	1,200,000
9,599,040	9,599,040	9,599,040
56,577	56,577	49,576
(7,001)	0	0
\$18,487,431	\$18,494,432	\$18,487,431

Developer Fee Available	\$1,620,000
% of Dev. Fee Deferred	3%
15-Yr Cumulative Cash Flow	\$3,462,831

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Premier on Woodfair, Houston, 9% HTC #08140

PAYMENT COMPUTATION

Primary	\$7,638,815	Amort	360
Int Rate	7.00%	DCR	1.28

Secondary	\$1,200,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.28

Additional	\$9,599,040	Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$609,855
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$171,066

Primary	\$7,638,815	Amort	360
Int Rate	7.00%	DCR	1.28

Secondary	\$1,200,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.28

Additional	\$9,599,040	Amort	0
Int Rate	0.00%	Aggregate DCR	1.28

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

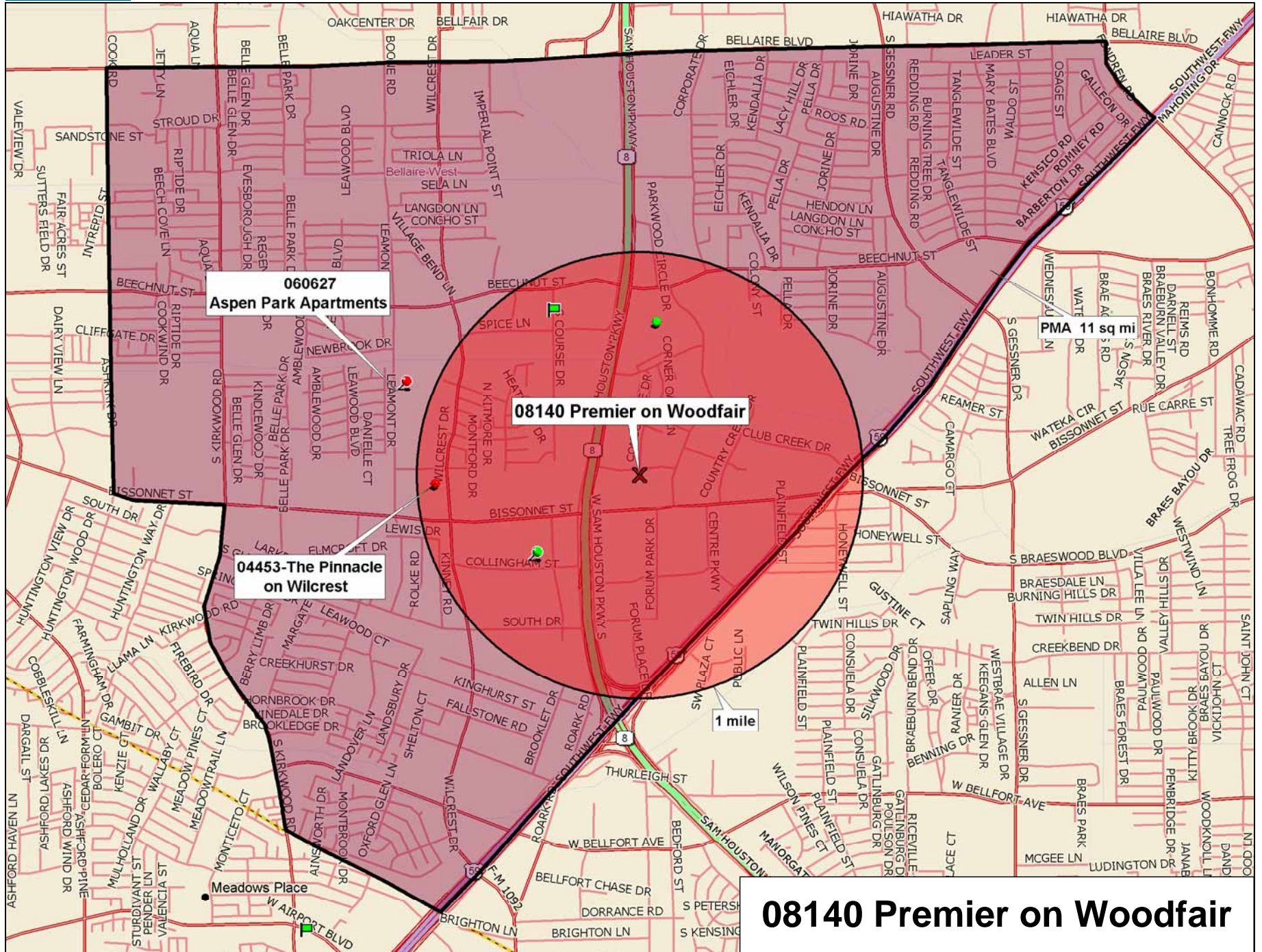
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,272,080	\$2,340,242	\$2,410,450	\$2,482,763	\$2,557,246	\$2,964,549	\$3,436,725	\$3,984,106	\$5,354,305
Secondary Income	73,440	75,643	77,912	80,250	82,657	95,823	111,085	128,777	173,066
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,345,520	2,415,886	2,488,362	2,563,013	2,639,903	3,060,372	3,547,809	4,112,884	5,527,372
Vacancy & Collection Loss	(175,914)	(181,191)	(186,627)	(192,226)	(197,993)	(229,528)	(266,086)	(308,466)	(414,553)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,169,606	\$2,234,694	\$2,301,735	\$2,370,787	\$2,441,911	\$2,830,844	\$3,281,724	\$3,804,417	\$5,112,819
EXPENSES at 4.00%									
General & Administrative	\$143,654	\$149,400	\$155,376	\$161,591	\$168,054	\$204,464	\$248,762	\$302,657	\$448,006
Management	78,134	80,478	82,892	85,379	87,940	101,947	118,184	137,008	184,127
Payroll & Payroll Tax	304,629	316,814	329,487	342,666	356,373	433,582	527,519	641,808	950,032
Repairs & Maintenance	142,271	147,962	153,880	160,035	166,437	202,496	246,367	299,743	443,693
Utilities	130,234	135,443	140,861	146,495	152,355	185,363	225,522	274,383	406,153
Water, Sewer & Trash	127,990	133,109	138,434	143,971	149,730	182,169	221,637	269,655	399,155
Insurance	90,250	93,860	97,614	101,519	105,579	128,453	156,283	190,142	281,457
Property Tax	167,945	174,663	181,650	188,916	196,472	239,039	290,827	353,836	523,763
Reserve for Replacements	122,400	127,296	132,388	137,683	143,191	174,213	211,957	257,878	381,723
Other	81,180	84,427	87,804	91,316	94,969	115,544	140,577	171,034	253,172
TOTAL EXPENSES	\$1,388,685	\$1,443,451	\$1,500,385	\$1,559,571	\$1,621,100	\$1,967,270	\$2,387,636	\$2,898,143	\$4,271,281
NET OPERATING INCOME	\$780,921	\$791,243	\$801,350	\$811,216	\$820,810	\$863,573	\$894,088	\$906,275	\$841,537
DEBT SERVICE									
First Lien Financing	\$609,855	\$609,855	\$609,855	\$609,855	\$609,855	\$609,855	\$609,855	\$609,855	\$609,855
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$171,066	\$181,388	\$191,496	\$201,361	\$210,956	\$253,719	\$284,233	\$296,420	\$231,683
DEBT COVERAGE RATIO	1.28	1.30	1.31	1.33	1.35	1.42	1.47	1.49	1.38

HTC ALLOCATION ANALYSIS -Premier on Woodfair, Houston, 9% HTC #08140

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$4,068,461	\$4,068,461		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$617,870	\$742,770	\$617,870	\$742,770
Construction Hard Costs	\$8,538,649	\$8,481,828	\$8,538,649	\$8,481,828
Contractor Fees	\$1,210,000	\$1,210,000	\$1,210,000	\$1,210,000
Contingencies	\$430,000	\$430,000	\$430,000	\$430,000
Eligible Indirect Fees	\$462,382	\$462,382	\$462,382	\$462,382
Eligible Financing Fees	\$371,322	\$371,322	\$371,322	\$371,322
All Ineligible Costs	\$242,255	\$242,255		
Developer Fees				
Developer Fees	\$1,620,000	\$1,620,000	\$1,620,000	\$1,620,000
Development Reserves	\$933,493	\$858,413		
TOTAL DEVELOPMENT COSTS	\$18,494,432	\$18,487,431	\$13,250,223	\$13,318,302

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		\$1,200,000	\$1,200,000
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,050,223	\$12,118,302
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$15,665,290	\$15,753,793
Applicable Fraction		94.24%	94.24%
TOTAL QUALIFIED BASIS		\$14,762,575	\$14,845,977
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,228,246	\$1,235,185

Syndication Proceeds	0.7999	\$9,824,987	\$9,880,494
Total Tax Credits (Eligible Basis Method)		\$1,228,246	\$1,235,185
Syndication Proceeds		\$9,824,987	\$9,880,494
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$9,599,040	
Gap of Syndication Proceeds Needed			\$9,648,616
Total Tax Credits (Gap Method)			\$1,206,198



08140 Premier on Woodfair

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Applicant Evaluation

Project ID **08140**

Name **Premier on Woodfair**

City: **Houston**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/7/2008

Date: 5/27/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4 /9 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4 /8 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Anson Park Seniors, TDHCA Number 08142

BASIC DEVELOPMENT INFORMATION

Site Address: Ambrocio Flores Jr. Rd. & Vogel Ave. Development #: 08142
 City: Abilene Region: 2 Population Served: Elderly
 County: Taylor Zip Code: 79603 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Anson Park Seniors, LP
 Owner Contact and Phone: Theresa Martin-Holder, (512) 258-9194
 Developer: NewLife Housing Foundation
 Housing General Contractor: Charter Contractors LP
 Architect: Cross Architects
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: NewLife Housing Foundation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	4 0 28 48	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 56 24 0 0 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$8,288,877
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	7
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$781,619	\$776,637			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Anson Park Seniors, TDHCA Number 08142

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S

Points: 14 US Representative: Neugebauer, District 19, NC

TX Representative: King, District 71, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 44 In Opposition 0

Quantifiable Community Participation Input:

Sears Park Revitalization Committee, Ovelia Campos

Letter Score: 24 S or O: S

The development will allow senior citizens to continue to live close to family and extended family while retaining some independence.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s), non-official(s), and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review and acceptance of a firm commitment by the City of Abilene or another acceptable source by carryover explaining the source and terms of financing.
2. Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a soil vapor analysis, and testing for asbestos containing materials and lead based paint prior to demolition or removal of existing structures.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
5. Receipt of a commitment of funding from the City of Abilene for funds in the amount of \$420,000, or a commitment from a qualifying substitute source in an amount not less than \$414,444, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
6. Receipt of a commitment of funding from Donco, Inc. in the amount of \$170,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$165,778 as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Anson Park Seniors, TDHCA Number 08142

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **201** Meeting a Required Set-Aside Credit Amount*: \$776,637

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/08 PROGRAM: HTC 9% FILE NUMBER: 08142

DEVELOPMENT

Anson Park Seniors

Location: Ambrocio Flores Jr. Road & Vogel Avenue Region: 2
 City: Abilene County: Taylor Zip: 79603 QCT DDA
 Key Attributes: Seniors, New Construction, Urban/Exurban

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$776,637			\$776,637		

CONDITIONS

- 1 Receipt, review and acceptance of a firm commitment by the City of Abilene or another acceptable source by carryover explaining the source and terms of financing.
- 2 Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a soil vapor analysis, and testing for asbestos containing materials and lead based paint prior to demolition or removal of existing structures.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	48

PROS

- The Developers have considerable experience with HTC multifamily projects.

CONS

- The Applicant's high expense to income ratio only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.

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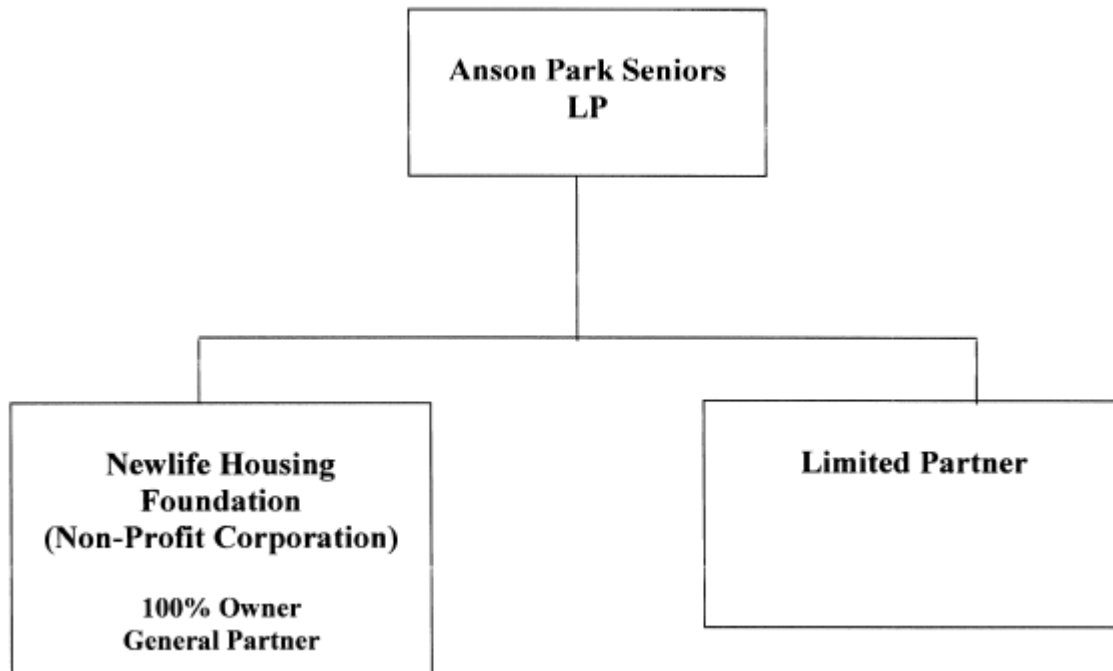
- The anticipated syndication proceeds as a percentage of total cost (79%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.
- Multiple Recognized Environmental Concerns were identified in the submitted Environmental Site Assessment.
- The proposed number of two-bedroom units targeting 60% elderly family households may be more than the demand for such units given the Market Analyst's high capture rates for this unit type.
- Both the Market Analyst and Underwriter conclude inclusive capture rates in the traditional method above the Department maximum guideline however a HISTA based calculation by both provide an acceptable capture rate.

PREVIOUS UNDERWRITING REPORTS

The Applicant submitted a tax credit application for Anson Park Seniors in 2007 (#07285), but the application was withdrawn before initial underwriting had been finalized.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Theresa Martin-Holder Phone: (512) 258-9194 Fax: (512) 258-9449
 Email: tholder@newlifehousing.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
New Life Foundation	N/A	0
Michael Hartman	N/A	5

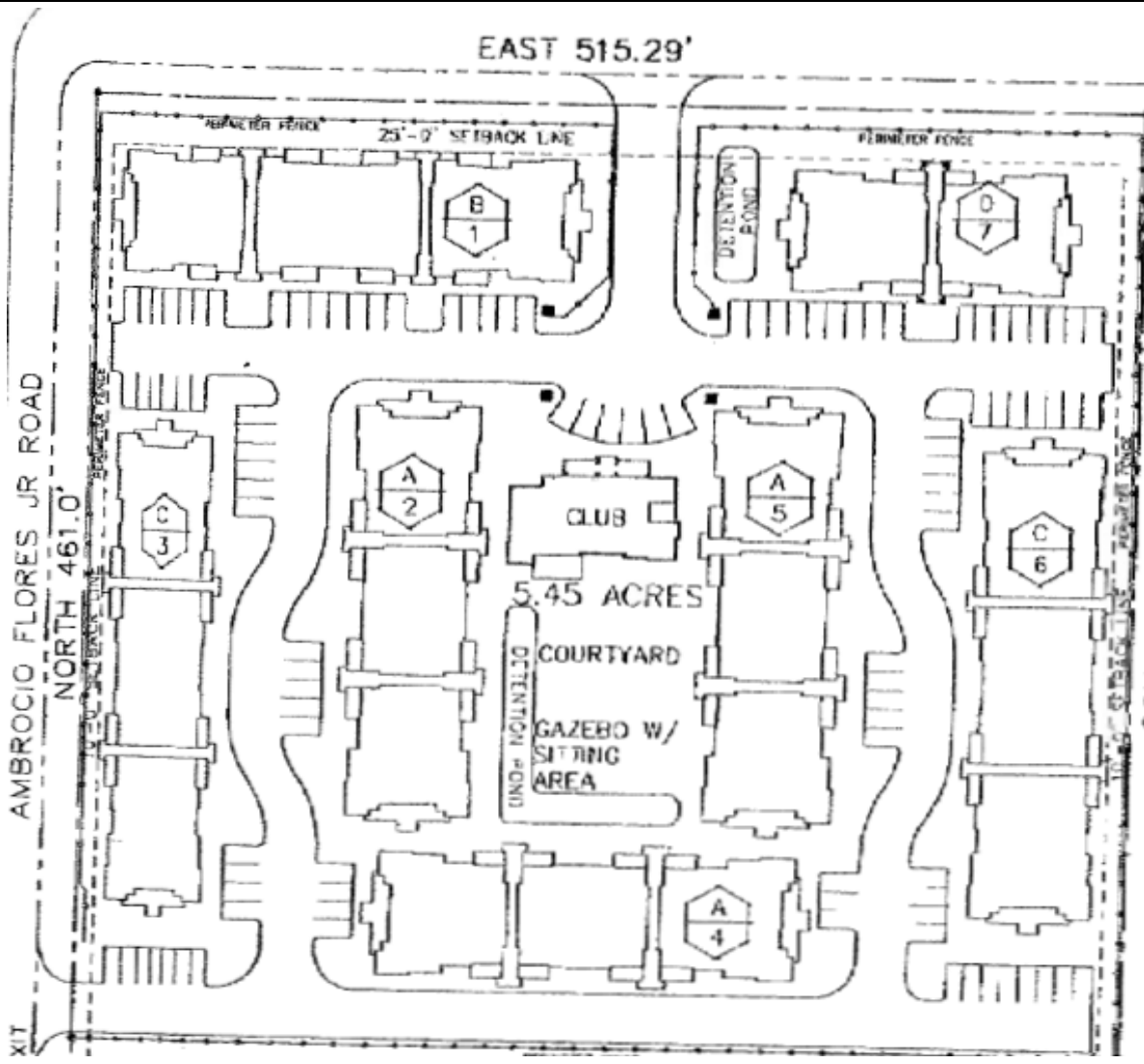
IDENTITIES of INTEREST

- The Applicant, Developer and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D								Total Buildings
Floors/Stories	1	1	1	1								
Number	3	1	2	1								7

BR/BA	SF	Units										Total Units	Total SF
1/1	750	12	4	4	8							56	42,000
2/2	1,000		8	8								24	24,000
Units per Building		12	12	12	8							80	66,000

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SITE ISSUES

Total Size: 5.45 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: PDH-97 Needs to be re-zoned? Yes No N/A

Comments:

The PDH-97 (Planned Development District with Historic Overlay Zoning) ordinance states that Multifamily Residential development is permitted to a density of 24 units per acre. The subject development is proposing 14.7 units per acre which is within the permitted number.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/2/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Vogel Avenue and residential uses. East: residential & commercial uses
 South: vacant land and residential uses West: Ambrocio Flores Jr. Rd & undeveloped land.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: MATRIX ENVIRONMENTAL SCIENCES, INC. Date: 2/16/2008

Comments:

An update to the PHASE I ESA dated April 16, 2005 was submitted for the subject property. While the February 16, 2008 update revealed no Recognized Environmental Conditions (RECs), the original ESA made the following recommendations:

- "Soil Vapor analysis should be completed in the area immediately below and around the aboveground storage tank on the south side of the house to verify that the AST has not leaked in the past and that it is not presently leaking.
 - If remodeling, demolition or renovation of the subject property structures is planned a State of Texas Licensed Asbestos Contractor will need to conduct an Asbestos Inspection prior to the start of work.
 - Testing for Lead based paint is recommended for the house due to its age." (pps. 35-36)
- Therefore, receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a soil vapor analysis, and testing for asbestos containing materials and lead based paint prior to demolition or removal of existing structures is a condition of this report.

MARKET HIGHLIGHTS

Provider: MarketData, LLC Date: 3/20/2007

Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 189.92 square feet (7.8 miles radius)

"For this analysis, we utilized a "primary market area" encompassing 190.8 square miles...These boundaries approximately follow as such: North: Taylor County Line East: Taylor County Line South: County Roads 337, 147, 106, 122 West: FM 707, CR 309." (p.33) The estimated 2007 population of the PMA is 113,130.

Secondary Market Area (SMA):

The Market Analyst did not indicate a secondary market area (SMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
The Arbors at Rose Park	05141	80	77	N/A			

INCOME LIMITS						
Taylor						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,700	\$12,200	\$13,750	\$15,250	\$16,450	\$17,700
50	\$17,800	\$20,350	\$22,900	\$25,450	\$27,500	\$29,500
60	\$21,360	\$24,420	\$27,480	\$30,540	\$33,000	\$35,400

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	101	3		104	4	11	11%
1 BR/50% Rent Limit	76	48		124	28	28	23%
1 BR/60% Rent Limit	145	8		153	24	80	52%
2 BR/60% Rent Limit	37	2		39	24	37	95%

OVERALL DEMAND									
		Target Households	Household Size	Income Eligible	Tenure	Demand			
PMA DEMAND from TURNOVER									
Market Analyst	p. 56	13,903	100%	13,903	3%	456	Included in Eliq %	40%	183
Underwriter		22% 13,917	100%	13,917	3%	456	Included in Eliq %	40%	182
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst	p. 56			164	3%	5	Included in Eliq %	100%	5
Underwriter			100%	306	3%	10	Included in Eliq %	100%	10

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 57	80	77	0	157	188	83.51%
Underwriter		80	77	0	157	192	81.62%
HISTA-based Data Model		80	77	0	157	337	46.55%

Inclusive Capture Rate:

It should be noted, both the Underwriter and the Market Analyst calculated inclusive capture rates above the current Department maximum of 75% for elderly developments; however, in 2007, the Real Estate Analysis rules were revised to require Market Analysts provide demand by unit type, as data to perform such calculations had been made readily available by HISTA. In addition to demand by unit type, HISTA provides another data source to calculate overall demand and an inclusive capture rate. Both the Underwriter and the Market Analyst were able to calculate an acceptable inclusive capture rate using the alternate HISTA data source; therefore, the Underwriter has utilized the independently calculated lower alternate inclusive capture rate calculation of 46.55%, which is within current Department guidelines for the subject development. The Market Analyst's inclusive capture rate calculation using HISTA data is 32.8%.

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Primary Market Occupancy Rates:

"The current occupancy of the market area is 95.3% as a result of increasing demand." (p.103)

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. An 8% monthly lease-up rate would be as follows: (p.101)

Month	7	8	9	10	11	12	13	14	15	16	17	18	Total: 93%
Units	6	6	6	6	6	6	6	6	6	6	6	8	74
Note: During months 1-6, the project will be under construction so no units will be occupied.													

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%	\$194	\$194	\$525	\$194	\$331
1 BR	750 SF	50%	\$384	\$384	\$525	\$384	\$141
1 BR	750 SF	60%	\$480	\$480	\$525	\$480	\$45
2 BR	1,000 SF	60%	\$569	\$569	\$650	\$569	\$81

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing "affordable" senior housing projects have an overall occupancy of 100%. This demonstrates that the demand for affordable rental housing is high, and that there is a shortage of affordable senior housing in this market." (p.101)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of less than one unit per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 38 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of September 21, 2006, maintained by the Abilene Housing Authority, from the 2008 program gross rent limits. Tenants will be required to pay electric, water, and sewer utility costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,417 per unit is within 5% of the Underwriter's estimate of \$3,283, derived from the TDHCA database, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative (\$12K higher), Utilities (\$9K lower), and Property Insurance (\$8K higher).

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Both the Applicant's and Underwriter's expense to income ratios (64.97% and 62.42%, respectively) are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 8.28 acres	\$11,066	Tax Year:	2008
1-acre	\$1,336	Valuation by:	Taylor CAD
5.45 acres prorated	\$7,284	Tax Rate:	2.3076

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 5.45

Contract Expiration: 11/30/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$250,000 Other: _____

Seller: Eagles Nest Enterprises, LLC Related to Development Team? Yes No

Comment

It is worth noting that the Co-Developer of the subject application, Michael Hartman, is also the Co-Developer in another 9% HTC application (Villages at Snyder, #08143). Eagles Nest Enterprises, LLC is the other Developer in the Villages at Snyder application as well. However, the Applicant provided a statement indicating that the two were not related. Therefore, this will be considered an arm's length transaction.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$45,872 per acre or \$3,125 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction despite the business partner relationship that the buyer and seller have on another transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$9K per unit is the maximum current Department guideline. As such, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$150K or 4% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost 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 \$7,197,745 supports annual tax credits of \$778,508. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: City of Abilene Type: Permanent Financing

Principal: \$210,000 Interest Rate: 1.0% Fixed Amort: 180 months
Grant: \$210,000

Comments:

The Applicant has made application to the City of Abilene for a contribution totaling \$420,000. The Applicant anticipates \$210K of the funds be structured as a loan and the other \$210K granted to the development. However, as of the date of this underwriting report, we have not received a commitment for these funds. While these funds do not appear to be necessary for minimum financial feasibility, they are of concern due to their unknown source.

Typically funds such as these are redirected federal funds and to the extent that they are repayable at below market interest rates or are grants they would have to be removed from basis or the development risk losing the ability to claim the 9% credit. Therefore, receipt, review and acceptance by carryover of a firm commitment by the City of Abilene or another acceptable source with the terms and source identified is a condition of this report.

Source: Raymond James Type: Interim to Permanent Financing

Interim: \$2,871,720 Interest Rate: 8.25% Fixed Amort: 24 months
Permanent: \$1,100,000 Interest Rate: 8.25% Fixed Amort: 360 months

Source: Raymond James Type: Syndication

Proceeds: \$6,561,926 Syndication Rate: 84% Anticipated HTC: \$ 776,637

Comments:

Due to the recent volatility in credit pricing, it should be noted, the syndication price may be at the high end of current market prices and any decrease in rate could increase the amount of deferred developer and contractor fee. Additionally, a decrease below \$0.739 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.846, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: \$36,951 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$1,131,168 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$1,131,168 and \$590K in other permanent funds indicates the need for \$6,567,709 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$777,321 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$776,637), the gap-driven amount (\$777,321), and eligible basis-derived estimate (\$778,508), the Applicant's request of \$776,637 is recommended resulting in proceeds of \$6,561,926 based on a syndication rate of 84.5%.

The Underwriter's recommended financing structure indicates the need for \$5,783 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

Underwriter:	_____	Date:	<u>July 15, 2008</u>
	<i>Diamond Unique Thompson</i>		
Reviewing Underwriter:	_____	Date:	<u>July 15, 2008</u>
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	<u>July 15, 2008</u>
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Anson Park Seniors, Abilene, HTC 9% #08142

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%		4	1	1	750	\$286	\$194	\$776	\$0.26	\$92.00	\$10.00
TC 50%		28	1	1	750	\$476	\$384	\$10,752	\$0.51	\$92.00	\$10.00
TC 60%		24	1	1	750	\$572	\$480	\$11,520	\$0.64	\$92.00	\$10.00
TC 60%		24	2	2	1,000	\$687	\$569	\$13,656	\$0.57	\$118.00	\$10.00
TOTAL:		80		AVERAGE:	825		\$459	\$36,704	\$0.56	\$99.80	\$10.00

INCOME

	Total Net Rentable Sq Ft:	66,000		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$440,448	\$440,448	Taylor		2
Secondary Income	Per Unit Per Month:	\$15.00		14,400	14,400	\$15.00	Per Unit Per Month	
Other Support Income:				0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$454,848	\$454,848			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(34,114)	(34,116)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				\$420,734	\$420,732			

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.55%	\$239	0.29	\$19,144	\$31,600	\$0.48	\$395	7.51%
Management	5.00%	263	0.32	21,037	21,037	0.32	263	5.00%
Payroll & Payroll Tax	17.00%	894	1.08	71,522	72,000	1.09	900	17.11%
Repairs & Maintenance	8.19%	431	0.52	34,477	35,440	0.54	443	8.42%
Utilities	4.46%	235	0.28	18,768	9,600	0.15	120	2.28%
Water, Sewer, & Trash	3.51%	185	0.22	14,784	16,480	0.25	206	3.92%
Property Insurance	4.18%	220	0.27	17,574	26,000	0.39	325	6.18%
Property Tax	2.3076	10.01%	0.64	42,136	38,000	0.58	475	9.03%
Reserve for Replacements	4.75%	250	0.30	20,000	20,000	0.30	250	4.75%
TDHCA Compliance Fees	0.76%	40	0.05	3,200	3,200	0.05	40	0.76%
Other:	0.00%	0	0.00	0		0.00	0	0.00%
TOTAL EXPENSES	62.42%	\$3,283	\$3.98	\$262,643	\$273,357	\$4.14	\$3,417	64.97%
NET OPERATING INC	37.58%	\$1,976	\$2.40	\$158,091	\$147,375	\$2.23	\$1,842	35.03%

DEBT SERVICE

				TDHCA	APPLICANT			
Raymond James	23.57%	\$1,240	\$1.50	\$99,167	\$99,167	\$1.50	\$1,240	23.57%
City of Abilene	3.58%	\$189	\$0.23	15,082	15,082	\$0.23	\$189	3.58%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	10.42%	\$548	\$0.66	\$43,842	\$33,126	\$0.50	\$414	7.87%
AGGREGATE DEBT COVERAGE RATIO				1.38	1.29			
RECOMMENDED DEBT COVERAGE RATIO				1.35				

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)		3.13%	\$3,125	\$3.79	\$250,000	\$250,000	\$3.79	\$3,125	3.02%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		9.02%	9,000	10.91	720,000	720,000	10.91	9,000	8.69%
Direct Construction		48.14%	48,042	58.23	3,843,331	3,993,040	60.50	49,913	48.17%
Contingency	5.00%	2.86%	2,852	3.46	228,167	235,652	3.57	2,946	2.84%
Contractor's Fees	14.00%	8.00%	7,986	9.68	638,866	659,825	10.00	8,248	7.96%
Indirect Construction		9.24%	9,219	11.17	737,500	737,500	11.17	9,219	8.90%
Ineligible Costs		1.59%	1,590	1.93	127,232	127,232	1.93	1,590	1.53%
Developer's Fees	14.44%	11.76%	11,735	14.22	938,836	938,836	14.22	11,735	11.33%
Interim Financing		4.17%	4,161	5.04	332,892	332,892	5.04	4,161	4.02%
Reserves		2.08%	2,079	2.52	166,328	293,900	4.45	3,674	3.55%
TOTAL COST	100.00%	\$99,789	\$120.96	\$7,983,152	\$8,288,877	\$125.59	\$103,611	100.00%	
Construction Cost Recap		68.02%	\$67,880	\$82.28	\$5,430,364	\$5,608,517	\$84.98	\$70,106	67.66%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Raymond James	13.78%	\$13,750	\$16.67	\$1,100,000	\$1,100,000	\$1,131,168	Developer Fee Available
City of Abilene	5.26%	\$5,250	\$6.36	420,000	420,000	420,000	\$938,836
Donco, Inc	2.13%	\$2,125	\$2.58	170,000	170,000	170,000	
Raymond James	82.20%	\$82,024	\$99.42	6,561,926	6,561,926	6,561,926	% of Dev. Fee Deferred
Deferred Developer Fees	0.46%	\$462	\$0.56	36,951	36,951	5,783	1%
Additional (Excess) Funds Req'd	-3.83%	(\$3,822)	(\$4.63)	(305,725)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,983,152	\$8,288,877	\$8,288,877	\$829,241

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Anson Park Seniors, Abilene, HTC 9% #08142

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$56.07	\$3,700,815
Adjustments				
Exterior Wall Finish	3.20%		\$1.79	\$118,426
Elderly	3.00%		1.68	111,024
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(163,020)
Floor Cover			2.43	160,380
Breezeways/Balconies	\$58.41	13,159	11.65	768,614
Plumbing Fixtures	\$805	72	0.88	57,960
Rough-ins	\$400	160	0.97	64,000
Built-In Appliances	\$1,850	80	2.24	148,000
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$46.15		0.00	0
Heating/Cooling			1.90	125,400
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$73.30	2,800	3.11	205,247
Other: fire sprinkler	\$2.15	66,000	2.15	141,900
SUBTOTAL			82.41	5,438,746
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(10.71)	(707,037)
TOTAL DIRECT CONSTRUCTION COSTS			\$71.69	\$4,731,709
Plans, specs, survy, bld prmts	3.90%		(\$2.80)	(\$184,537)
Interim Construction Interest	3.38%		(2.42)	(159,695)
Contractor's OH & Profit	11.50%		(8.24)	(544,147)
NET DIRECT CONSTRUCTION COSTS			\$58.23	\$3,843,331

PAYMENT COMPUTATION

Primary	\$1,100,000	Amort	360
Int Rate	8.25%	DCR	1.59

Secondary	\$210,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.38

Additional	\$170,000	Amort	
Int Rate		Aggregate DCR	1.38

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$101,977
Secondary Debt Service	15,082
Additional Debt Service	0
NET CASH FLOW	\$41,032

Primary	\$1,131,168	Amort	360
Int Rate	8.25%	DCR	1.55

Secondary	\$210,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.35

Additional	\$170,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

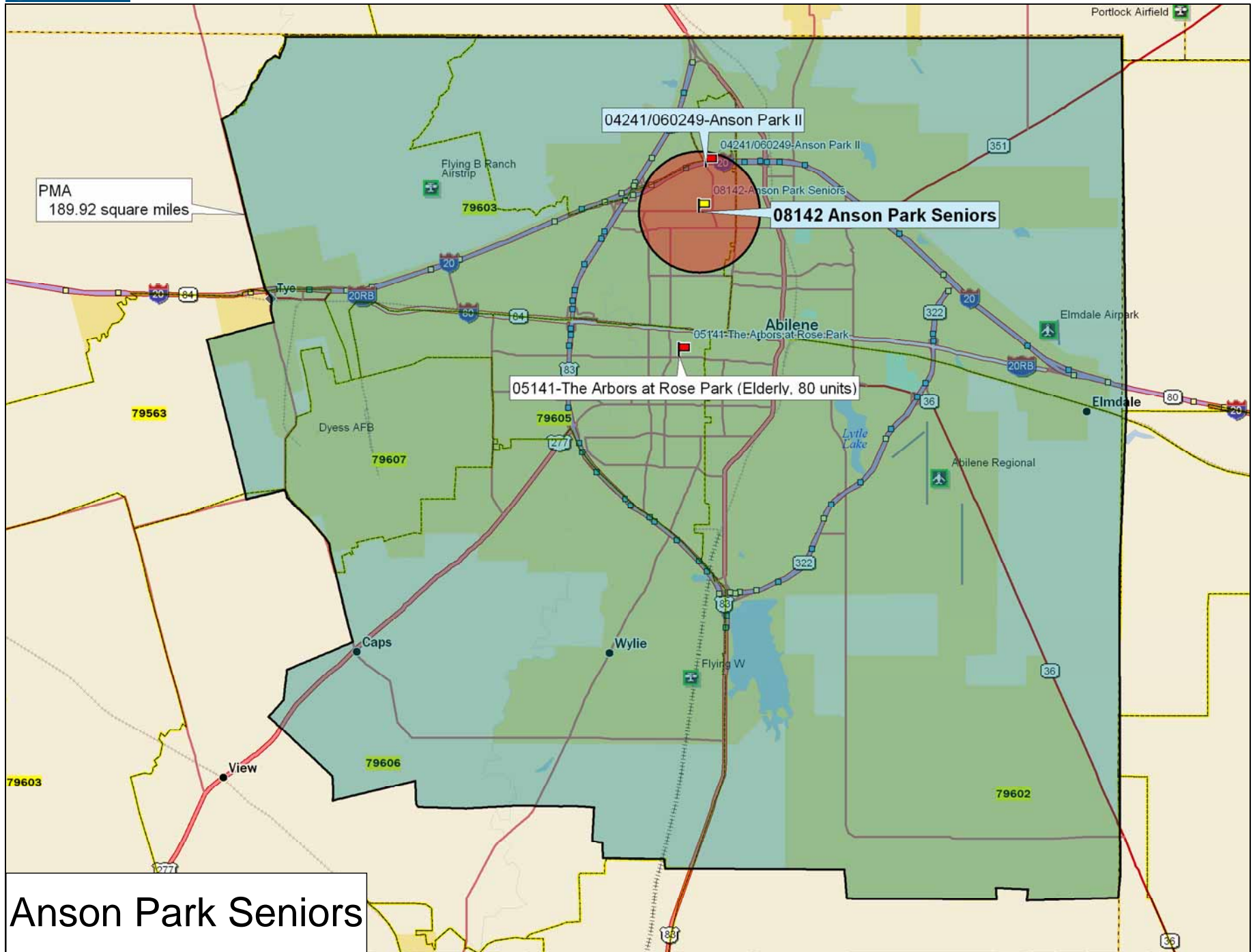
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$440,448	\$453,661	\$467,271	\$481,289	\$495,728	\$574,685	\$666,217	\$772,328	\$1,037,945
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	454,848	468,493	482,548	497,025	511,935	593,473	687,998	797,579	1,071,879
Vacancy & Collection Loss	(34,114)	(35,137)	(36,191)	(37,277)	(38,395)	(44,511)	(51,600)	(59,818)	(80,391)
Employee or Other Non-Rental Units or Conces	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$420,734	\$433,356	\$446,357	\$459,748	\$473,540	\$548,963	\$636,399	\$737,760	\$991,488
EXPENSES at 4.00%									
General & Administrative	\$19,144	\$19,910	\$20,707	\$21,535	\$22,396	\$27,248	\$33,152	\$40,334	\$59,705
Management	21,037	21,668	22,318	22,987	23,677	27,448	31,820	36,888	49,574
Payroll & Payroll Tax	71,522	74,383	77,358	80,452	83,671	101,798	123,853	150,686	223,052
Repairs & Maintenance	34,477	35,857	37,291	38,782	40,334	49,072	59,704	72,639	107,523
Utilities	18,768	19,519	20,299	21,111	21,956	26,713	32,500	39,541	58,531
Water, Sewer & Trash	14,784	15,375	15,990	16,630	17,295	21,042	25,601	31,148	46,106
Insurance	17,574	18,277	19,009	19,769	20,560	25,014	30,433	37,027	54,809
Property Tax	42,136	43,822	45,575	47,398	49,293	59,973	72,966	88,775	131,408
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	3,200	3,328	3,461	3,600	3,744	4,555	5,541	6,742	9,980
TOTAL EXPENSES	\$262,643	\$272,939	\$283,639	\$294,762	\$306,322	\$371,330	\$450,204	\$545,916	\$803,061
NET OPERATING INCOME	\$158,091	\$160,418	\$162,718	\$164,986	\$167,218	\$177,633	\$186,194	\$191,844	\$188,427
DEBT SERVICE									
First Lien Financing	\$101,977	\$101,977	\$101,977	\$101,977	\$101,977	\$101,977	\$101,977	\$101,977	\$101,977
Second Lien	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$41,032	\$43,359	\$45,659	\$47,927	\$50,159	\$60,574	\$69,135	\$74,785	\$71,368
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.43	1.52	1.59	1.64	1.61

HTC ALLOCATION ANALYSIS -Anson Park Seniors, Abilene, HTC 9% #08142

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$250,000	\$250,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$720,000	\$720,000	\$720,000	\$720,000
Construction Hard Costs	\$3,993,040	\$3,843,331	\$3,993,040	\$3,843,331
Contractor Fees	\$659,825	\$638,866	\$659,825	\$638,866
Contingencies	\$235,652	\$228,167	\$235,652	\$228,167
Eligible Indirect Fees	\$737,500	\$737,500	\$737,500	\$737,500
Eligible Financing Fees	\$332,892	\$332,892	\$332,892	\$332,892
All Ineligible Costs	\$127,232	\$127,232		
Developer Fees				
Developer Fees	\$938,836	\$938,836	\$938,836	\$938,836
Development Reserves	\$293,900	\$166,328		
TOTAL DEVELOPMENT COSTS	\$8,288,877	\$7,983,152	\$7,617,745	\$7,439,592

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		\$210,000	\$210,000
B.M.R. loans used to finance cost in eligible basis		\$210,000	\$210,000
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$7,197,745	\$7,019,592
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$9,357,069	\$9,125,469
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$9,357,069	\$9,125,469
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$778,508	\$759,239

Syndication Proceeds	0.8449	\$6,577,735	\$6,414,928
Total Tax Credits (Eligible Basis Method)		\$778,508	\$759,239
Syndication Proceeds		\$6,577,735	\$6,414,928
Requested Tax Credits		\$776,637	
Syndication Proceeds		\$6,561,926	
Gap of Syndication Proceeds Needed		\$6,567,709	
Total Tax Credits (Gap Method)		\$777,321	

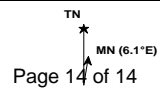


Anson Park Seniors

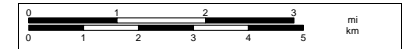
Data use subject to license.

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Scale 1 : 137,500



1" = 2.17 mi

Data Zoom 10-5

Applicant Evaluation

Project ID **08142**

Name **Anson Park Seniors**

City: **Abilene**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Projects in Material Noncompliance

Yes No

Projects grouped by score	0-9: <u>3</u>
	10-19: <u>1</u>
	20-29: <u>0</u>

Total # of MF awards not yet monitored or pending review: 1

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 4

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/19/2008

Date: 5/21/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 5/21/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 5/21/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Oasis at the Park, TDHCA Number 08145

BASIC DEVELOPMENT INFORMATION

Site Address: 420 N. Port Development #: 08145
 City: Corpus Christi Region: 10 Population Served: General
 County: Nueces Zip Code: 78408 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: ADR
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: TX LULAC Oasis at the Park Housing, L.P.
 Owner Contact and Phone: David Marquez, (210) 228-0560
 Developer: Apartments of the Village
 Housing General Contractor: Meridian Commercial, LP
 Architect: Gonzalez Newell Bender Architects
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: The Richman Group of Companies
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	3 0 77 0	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	80 0 0 0 0 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input checked="" type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$292,131	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oasis at the Park, TDHCA Number 08145

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, NC Points: 0 US Representative: Ortiz, District 27, S
TX Representative: Herrero, District 34, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Daniel Gallegos, Community Development Administrator

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
The Salvation Army S or O: S
Wesley Community Center S or O: S
Catholic Charities of Corpus Christi S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Oasis at the Park, TDHCA Number 08145

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Northside Apartments, TDHCA Number 08147

BASIC DEVELOPMENT INFORMATION

Site Address: 1800 N. Texas Blvd. Development #: 08147
 City: Weslaco Region: 11 Population Served: General
 County: Hidalgo Zip Code: 78596 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: TX Northside Housing, LP
 Owner Contact and Phone: David Marquez, (210) 228-0560
 Developer: Housing Authority of the County of Hidalgo
 Housing General Contractor: Meridian Commercial, LP
 Architect: Mata, Villarreal & Garcia Design Group
 Market Analyst: N/A
 Syndicator: The Richman Group of Companies
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	289
	14 0 102 173	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 38 156 79 16 0	Total Development Units:	289
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	57
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$979,901	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Northside Apartments, TDHCA Number 08147

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S

Points: 14 US Representative: Hinojosa, District 15, NC

TX Representative: Martinez, District 39, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition: 0

Quantifiable Community Participation Input:

Northside Apartment Resident Council, Hipolito Perez

Letter Score: 24 S or O: S

The apartments are old and need modernization.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Northside Apartments, TDHCA Number 08147

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **165** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Staff received insufficient information to review for threshold and financial feasibility.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

American GI Forum Village I & II, TDHCA Number 08149

BASIC DEVELOPMENT INFORMATION

Site Address: 1801 Bosquez St., Box 81 Development #: 08149
City: Robstown Region: 10 Population Served: General
County: Nueces Zip Code: 78380 Allocation: Rural
HTC Set Asides: [x] At-Risk [x] Nonprofit [] USDA [] Rural Rescue HTC Housing Activity*: RH
HOME Set Asides: [x] CHDO [x] Preservation [] General Acquisition: [x]

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Robstown-GI Forum Village, LP
Owner Contact and Phone: Walter Martinez, (210) 821-4300
Developer: Housing and Community Services, Inc.
Housing General Contractor: Amstar, Inc.
Architect: AG Associates Architects
Market Analyst: Butler Burgher, Inc.
Syndicator: Hudson Housing Capital, LLC
Supportive Services: Housing and Community Services, Inc.
Consultant: Lucas & Associates, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 76
4 0 27 45 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 8 20 30 18 0 Total Development Units: 76
Type of Building: Total Development Cost*: \$8,525,976
[x] Duplex [] 5 units or more per building Number of Residential Buildings: 48
[] Triplex [] Detached Residence HOME High Total Units: 0
[] Fourplex [] Single Room Occupancy HOME Low Total Units: 19
[] Townhome [] Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$735,000 \$735,000
HOME Activity Fund Amount: \$750,000 \$750,000 40 40 AFR
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

American GI Forum Village I & II, TDHCA Number 08149

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, NC Points: 0 US Representative: Ortiz, District 27, NC
TX Representative: Herrero, District 34, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Rodrigo Ramon, Jr., Mayor Resolution of Support from Local Government [checked]

Individuals and Businesses In Support: 23 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

SERCO S or O: S
Knights of Columbus S or O: S
Boys & Girls Clubs, Robstown Unit S or O: S
Kiwanis Club Of Robstown S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations. Nineteen residents from the development signed a statement of support.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed change to a tenant paid utility structure and approval of the projected lower utility allowances or a comparable increase in gross HAP rents.
2. Receipt, review, and acceptance, by HOME loan closing, of evidence that the 221(d)4 mortgage as proposed has been approved.
3. Receipt, review, and acceptance, by cost certification, of evidence regarding whether or not the existing Section 236 IRP has been retained and leveraged to access additional debt.
4. Receipt, review, and acceptance, by cost certification, of evidence that electric utilities are individually metered for each unit.
5. Receipt, review, and acceptance, by carryover, of documentation from the local taxing authority that the subject property under the new ownership structure would be eligible to receive a partial property tax exemption as proposed.
6. Receipt, review and acceptance, by commitment, of approval of a zoning change or a variance to allow for the subject development.
7. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$750,000, or a commitment from a qualifying substitute source in an amount not less than \$426,299, as required by §50.9(i)(5) of the 2008 QAP.
8. Receipt, review and acceptance of documentation before cost certification that the Applicant has followed the recommendation of the ESA provider to implement an Operations & Maintenance Program with regard to asbestos in accordance with local, state and federal regulations before, during, and after the renovation of the subject property.
9. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
10. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

American GI Forum Village I & II, TDHCA Number 08149

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **202** Meeting a Required Set-Aside Credit Amount*: \$735,000

Recommendation: Competitive in At-Risk Set-Aside

HOME Activity Funds:

Loan Amount: \$750,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/03/08 PROGRAM: 9% HTC/HOME FILE NUMBER: 08149

DEVELOPMENT

American GI Forum Village I & II

Location: 1801 Bosquez Street Region: 10
 City: Robstown County: Nueces Zip: 78380 OCT DDA
 Key Attributes: Acquisition/Rehabilitation, Multifamily, Family, At-Risk, CHDO, Rural

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION**		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$750,000	AFR	*/40	\$750,000	AFR	40/40
Housing Tax Credit (Annual)	\$735,000			\$735,000		

* Applicant requested the loan be repayable from cashflow.

** The Underwriter recommends that, as long as the 221(d)4 mortgage is maintained, the HOME funds should be fully amortized over 40 years with regular payments made from available surplus cashflow and any unpaid amounts to accrue interest at AFR and repaid as cashflow allows.

CONDITIONS

- 1 Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed change to a tenant paid utility structure and approval of the projected lower utility allowances or a comparable increase in gross HAP rents.
- 2 Receipt, review, and acceptance, by HOME loan closing, of evidence that the 221(d)4 mortgage as proposed has been approved.
- 3 Receipt, review, and acceptance, by cost certification, of evidence regarding whether or not the existing Section 236 IRP has been retained and leveraged to access additional debt.
- 4 Receipt, review, and acceptance, by cost certification, of evidence that electric utilities are individually metered for each unit.
- 5 Receipt, review, and acceptance, by carryover, of documentation from the local taxing authority that the subject property under the new ownership structure would be eligible to receive a partial property tax exemption as proposed.
- 6 Receipt, review and acceptance, by commitment, of approval of a zoning change or a variance to allow for the subject development.
- 7 Receipt, review and acceptance of documentation before cost certification that the Applicant has followed the recommendation of the ESA provider to implement an Operations & Maintenance Program with regard to asbestos in accordance with local, state and federal regulations before, during, and after the renovation of the subject property.
- 8 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 9 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LIHTC LURA

Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	27
60% of AMI	60% of AMI	45

TDHCA SET-ASIDES for HOME LURA

Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI/Low HOME	4
50% of AMI	Low HOME	15

PROS

- Applicant proposes the revitalization of existing 37 to 38 year old affordable housing units and maintenance of the existing HAP rental assistance contract serving 70 units.
- The proposed rehabilitation will limit the displacement of existing tenants.

CONS

- The Underwriter's expense to income ratio of 71% which is well above the 65% threshold, but the maintenance of the HAP contract is an exception to this requirement.
- The Applicant has proposed a savings of more than \$1,000 per unit annually in operating expenses over adjusted 2007 actual expenses.
- The Applicant indicates that the benefits of an existing HUD interest reduction subsidy payment will not be leveraged because of a difficult approval process, which could be increasing the amount of TDHCA funds needed.

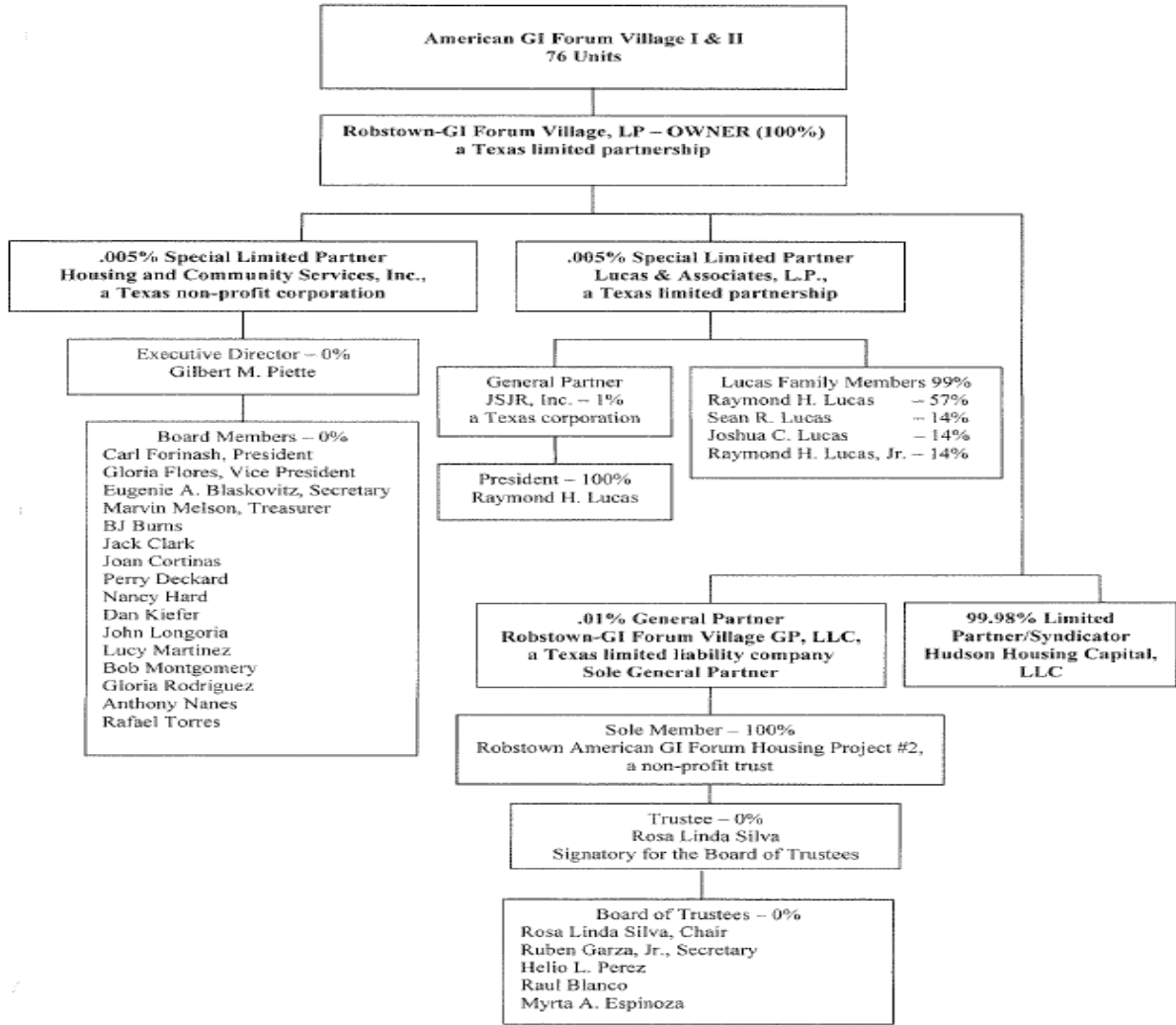
PREVIOUS UNDERWRITING REPORTS

No previous reports.

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Walter Martinez Phone: (210) 821-4300 Fax: (210) 821-4303
 Email: wmnhmc@aol.com

KEY PARTICIPANTS

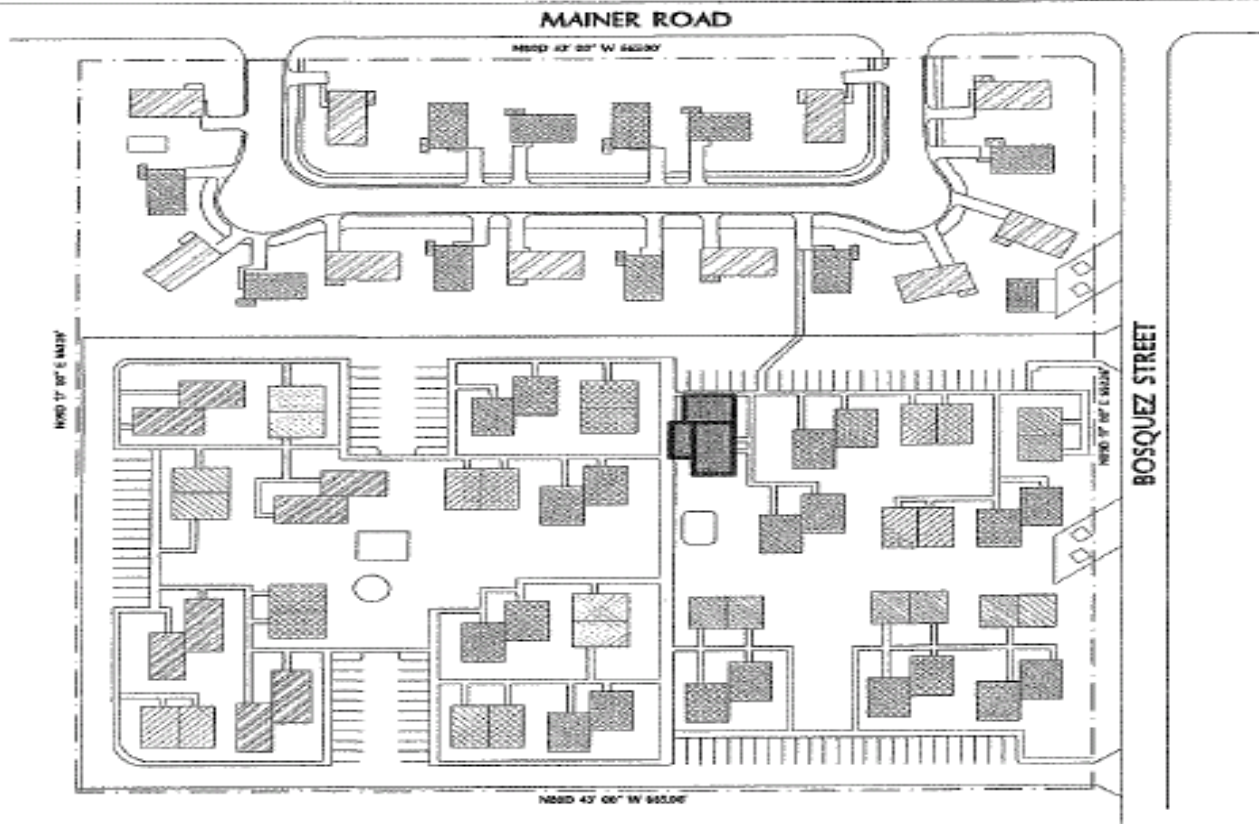
Name	Financial Notes	# Completed Developments
Housing & Community Services, Inc.	Limited Liquidity	11
Lucas & Associates, LP	N/A	11
Rafael Torres	N/A	12

IDENTITIES of INTEREST

- o The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- o The Seller will retain 100% control of the GP interest after rehabilitation. Therefore, the transfer of the property is an identity of interest transaction.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F						Total Buildings
Floors/Stories	1	1	1	1	1	1						
Number	4	10	10	10	4	10						48

BR/BA	SF	Units										Total Units	Total SF
1BR	672	2										8	5,376
2BR	864		2									20	17,280
3BR	945			2								20	18,900
3BR	960				1							10	9,600
4BR	1,080					2						8	8,640
4BR	1,200						1					10	12,000
Units per Building		2	2	2	1	2	1					76	71,796

Rehabilitation Summary

The developer is proposing to replace and upgrade the kitchens, bathrooms, appliances and flooring. All appliances will be replaced with energy efficient models. All units will be modernized to include amenities found in conventional properties including dishwashers, garbage disposals, and ceiling fans. The developer's proposed renovation work includes approximately \$55K to be spent on the HVAC system, \$464K on finishes, \$461K on woods and plastics, \$458K on electrical, \$28K on new roofs, \$197K on doors and windows, and \$332K on the community building, which is largely attributed to a proposed addition to the building.

Relocation Plan

The Applicant plans to renovate the property in phases whereby specific buildings and units will be targeted, tenants will be moved out of those units, renovations will be completed and then tenants will be relocated to the completed units. Some residents will be relocated in vacant units on the property, some residents will live with friends and relatives and receive a lump sum payment, and some residents will be housed in other multifamily properties while their units are renovated; however, all cost associated with the Relocation Plan will be incurred by the Applicant.

SITE ISSUES

Total Size: 10.11 acres Scattered site? [] Yes [X] No
Flood Zone: A Within 100-yr floodplain? [X] Yes [] No
Zoning: Not Zoned Needs to be re-zoned? [X] Yes [] No [] N/A

Comments:

The subject apartments are located in a 100-year floodplain; however, the Applicant proposes maintenance of the existing HAP contract and a 221(d)4 FHA insured first mortgage.

Per the QAP, "Any Development proposing New Construction or Reconstruction and located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation or Adaptive Reuse, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction. "

The subject site is not currently zoned; however, the Applicant has filed with the City to receive proper zoning. According to the Applicant, the appropriate zoning was inadvertently omitted when the property was annexed by the city many years ago. However, the property has functioned as a multifamily property since they were constructed in 1970-1971. Accordingly, it is a condition of this report that proper zoning be received and documentation be provided to the Department before commencement of construction.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/16/2008

Overall Assessment:

[] Excellent [X] Acceptable [] Questionable [] Poor [] Unacceptable

Surrounding Uses:

North: Mainer Rd. with Nueces County Park beyond,
East: Bosquez Rd. with single family residences and undeveloped land beyond,
South: Undeveloped tract and Nueces County Park beyond,
West: Undeveloped tract and Nueces County Park beyond.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services, Inc. Date: 3/2/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- The assessment did not reveal any on-site or off-site recognized environmental conditions in connection with the property. However, the subject buildings were constructed in 1970/1971 and asbestos containing materials (ACM's) are located throughout. The materials in their present state appear to be safe; however, if repairs and/or renovations require the removal or disturbance of this material, then the property must be operated under an asbestos Operations and Maintenance Plan (O&M).

Accordingly, it is a condition of this report that an Operations and Maintenance (O&M) Program be developed or implemented (if a plan is already prepared) to manage the asbestos-containing materials in places found at the facility, to ensure they remain in good condition.

MARKET HIGHLIGHTS

Provider: LandAmerica Commercial Services, Inc. Date: 3/28/2008
 Contact: B. Diana Butler Phone: (214) 739-0700 Fax: (214) 361-8168
 Number of Revisions: 1 Date of Last Applicant Revision: 5/30/2008

Primary Market Area (PMA): 711.55 square miles (15.1 mile radius)
 "The Primary Market Area (PMA) is the area bounded by the Nueces County line to the north, south, and west, and Leopard Street, CR 358 and the Corpus Christi Bay to the east." (p. 3)

Secondary Market Area (SMA):
 The market analyst did not indicate a Secondary Market Area (SMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Figueroa Apts.	#05024	44	44	N/A			

INCOME LIMITS						
Nueces						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,100	\$11,550	\$13,000	\$14,450	\$15,600	\$16,750
50	\$16,850	\$19,300	\$21,700	\$24,100	\$26,050	\$27,950
60	\$20,220	\$23,160	\$26,040	\$28,920	\$31,260	\$33,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 50% Rent Limit	133	1	0	134	2	0	1.49%
1 BR/ 60% Rent Limit	158	1	0	159	5	7	7.55%
2 BR/ 30% Rent Limit	80	0	0	80	1	0	1.25%
2 BR/ 50% Rent Limit	158	1	0	159	7	0	4.40%
2 BR/ 60% Rent Limit	170	1	0	171	12	22	19.88%
3 BR/ 30% Rent Limit	11	0	0	11	2	0	18.18%
3 BR/ 50% Rent Limit	166	1	0	167	11	0	6.59%
3 BR/ 60% Rent Limit	197	1	0	198	17	8	12.63%
4 BR/ 30% Rent Limit	132	1	0	133	1	0	0.75%
4 BR/ 50% Rent Limit	189	1	0	190	6	0	3.16%
4 BR/ 60% Rent Limit	220	1	0	221	11	2	5.88%

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OVERALL DEMAND													
		Target Households		Household Size		Income Eligible		Tenure		Demand			
PMA DEMAND from TURNOVER													
Market Analyst	p.	57	100%	22,827	100%	22,827	26%	6,024	26%	1,551	67%	1,039	
Underwriter			100%	22,919	100%	22,919	39%	8,997	26%	2,317	67%	1,552	
PMA DEMAND from HOUSEHOLD GROWTH													
Market Analyst	p.	57			100%	44	26%	12	26%	3	100%	3	
Underwriter					100%	67	39%	26	26%	7	100%	7	
INCLUSIVE CAPTURE RATE													
		Subject Units		Unstabilized Comparable (PMA)		Unstabilized Comparable (25% SMA)		Total Supply		Total Demand (w/25% of SMA)		Inclusive Capture Rate	
Market Analyst	p.	57	76	44	0	120	1,042	11.51%					
Underwriter			76	44	0	120	1,559	7.70%					

Comments:

The Underwriter has utilized an income band that accounts for the Section 8 assistance received on 70 of the 76 units. Households residing in units receiving Section 8 pay rent based on a percentage of their income. Therefore, households with very low income are often eligible to rent in properties with a HAP contract. The Market Analyst utilized a more restrictive income band as if the property would not continue to operate with a HAP contract, which is the primary reason for the Market Analyst's higher inclusive capture rate.

Primary Market Occupancy Rates:

The average overall occupancy of the PMA in December 2007 was 91.7%.

Absorption Projections:

"The best absorption indication is provided by South Pointe and Holly Park, as they are HTC properties. As such, absorption of 15 per month for the subject units is reasonable. However, the subject is currently stabilized and the relocation plan during renovation of the property will limit the amount of tenant movement, and it is likely that the residents will continue to live at the existing property. Furthermore, the subject currently exist with affordable units; therefore the minimal additional new demand will have very little effect on the subject units." (p. 76)

Unit Type (% AMI)				Current Contract Rent*	Proposed Contract Rent	Market Rent	Underwriting Rent	Savings Over Market
MUTIFAMILY UNITS (PHASE II)								
1 BR	672 SF	50%/LH/HAP		472	\$535	\$472	\$63	
1 BR	672 SF	50%/HAP		472	\$535	\$472	\$63	
1 BR	672 SF	60%/HAP		472	\$535	\$472	\$63	
2 BR	864 SF	30%/LH/HAP		512	\$635	\$512	\$123	
2 BR	864 SF	50%/LH/HAP		512	\$635	\$512	\$123	
2 BR	864 SF	60%/HAP		512	\$635	\$512	\$123	
3 BR	945 SF	30%/LH/HAP		587	\$755	\$587	\$168	
3 BR	945 SF	50%/LH/HAP		587	\$755	\$587	\$168	
3 BR	945 SF	60%/HAP		587	\$755	\$587	\$168	
4 BR	1,080 SF	30%/LH/HAP		645	\$815	\$645	\$170	
4 BR	1,080 SF	50%/HAP		645	\$815	\$645	\$170	
4 BR	1,080 SF	60%/HAP		645	\$815	\$645	\$170	

SINGLE FAMILY UNITS (PHASE I)							
3 BR	960 SF	30%/LH/HAP		701	\$750	\$701	\$49
3 BR	960 SF	50%/HAP		701	\$750	\$701	\$49
3 BR	960 SF	60%/HAP		701	\$750	\$701	\$49
3 BR	960 SF	60%		634	\$750	\$634	\$116
4 BR	1,200 SF	50%/HAP		812	\$840	\$812	\$28
4 BR	1,200 SF	60%/HAP		812	\$840	\$812	\$28
4 BR	1,200 SF	60%		700	\$840	\$700	\$140

* The Applicant is proposing changes to the utility structure as discussed in the income section below. The Applicant anticipates this change to result in a net increase in contract rents due a decrease in HUD approved utility allowances, but the Applicant is projecting no change in current gross contract rents. This change will require HUD action and the report has been conditioned upon such approval.

Market Impact:

The subject units are predominately occupied and has Project-Based Section 8 Housing Assistance Contracts. The relocation plan during renovation will limit the amount of tenant movement, and it is likely that the residents will continue to live at the existing property. Therefore, the renovation of these units should have minimal impact on the market.

Comments:

The Market Analyst provided sufficient information for the Underwriter to reach an acceptable conclusion.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 127 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's rents are based on the current HUD approved HAP contract rents applicable for each phase of the property. However, the Applicant has made adjustments to the utility allowances. The multifamily portion of the property currently has an "all-bills-paid" utility structure and the Applicant anticipates transitioning to a structure with tenants paying electric and gas utility costs. The Applicant has therefore deducted utility allowances maintained by the local housing authority to determine net HAP contract rents. HUD has not, however, approved these allowances and it is unclear that they will ultimately be approved.

The single family portion of the development has already been structured with tenants paying electric and gas costs and HUD has approved allowances for these units. However, the Applicant anticipates that HUD will approve lower utility allowances once the property is rehabilitated and has used the housing authority allowances, which are lower than the current HUD approved allowances. The net effect is a projected increase in the rents collected, although it is difficult to determine the precise net effect because of the transition from all bills paid to tenant paid utilities on a portion of the property. Additionally, it is unclear if the rehabilitation will result in sufficient energy savings to support HUD's approval of lower allowances. The Housing Authority allowances are 13% to 16% lower than the HUD approved allowance for the 3 and 4 bedroom units.

Alternatively, the Applicant may also be able to secure an increase in the gross HAP contract rents if the utility allowances decrease is ultimately not an option. The Underwriter has used the Applicant's projected net contract rents with the lower utility allowances and change in the utility billing system. For the 6 non-assisted units, the Underwriter has used the tax credit net rents as reflected by the Applicant. However, receipt, review, and acceptance, by cost certification, of HUD approval of the proposed change to a tenant paid utility structure and approval of the projected lower utility allowances or a comparable increase in gross HAP rents is a condition of this report.

Department guidelines require all tenant paid utilities to be individually metered. The Applicant has indicated that this cost has been included in the rehabilitation budget, although the budget lumps many items together. Therefore, receipt, review, and acceptance, by cost certification, of evidence that electric utilities are individually metered for each unit is a condition of this report.

The Applicant's secondary income is in line with Department standards. However, the Applicant has estimated vacancy and collection loss of 5%, which is below the Department's standard of 7.5% (5% vacancy and 2.5% collection loss). The occupancy rate at the subject was 94.7% as of January 25, 2008 according to the Market Analyst and an ongoing vacancy and collection loss of 5% may be difficult to sustain. However, the actual 2007 combined vacancy and collection loss was 5.14% and has been used by the Underwriter.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$4,511 per unit is not within 5% of the Underwriter's estimate of \$4,891 per unit derived from the actual 2007 operations of the subject, TDHCA database, and other data sources. Additionally, the Applicant has several line items that differ significantly from the Underwriter's, including: general and administrative expenses (\$12K lower), utilities (\$12K lower), and property taxes (\$3K lower).

Based on the Underwriter's evaluation of the actual 2007 financial statements provided, it appears that the Applicant is projecting substantial cost savings will be achieved after rehabilitation. After accounting for the change in the utility billing structure and additional costs of operating a tax credit property (compliance fees, reserve for replacements, and property taxes) it appears that the Applicant is projecting more than \$1,000 per unit in annual savings. This is significantly more than would generally be expected particularly because the Seller will continue to maintain 100% of the GP interest after rehabilitation and the related party management company will remain in place.

Moreover, the property is required to maintain flood insurance due to its location within a 100 year floodplain. The actual 2007 insurance costs were \$829 per unit, more than twice the cost that would be expected for a comparable property not within a floodplain.

Because some savings may be reasonably achievable after rehabilitation, the Underwriter's total expenses projected of \$640 per unit in annual savings is akin to eliminating all general and administrative and management fees on a typical property. The Underwriter believes that projecting a higher level of savings could significantly negatively affect the property's ability to repay the Department's HOME funds if such savings ultimately prove to be unachievable.

The Applicant is projecting a 50% exemption due to the nonprofit control of the GP interest. The property is currently tax exempt, but this is due to 100% ownership by the nonprofit. The Underwriter has underwritten property taxes with a 50% exemption. However, if a 50% exemption is not achieved, the operating costs would increase significantly which would lower the NOI supported debt and ultimately increase the gap in financing to a level that could not be filled with repayable deferred developer fee. Therefore, if a 50% exemption is not received, the transaction would not meet the Department's rules. Accordingly, this report is conditioned upon receipt, review, and acceptance, by carryover, of documentation from the local taxing authority that the subject property under the new ownership structure would be eligible to receive a partial property tax exemption as proposed.

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Alternatively, if the Applicant is able to retain full 100% tax exempt status as the property currently has, the Applicant may be able to support a portion of the additional debt projected by them and more of the amount underwritten. However, it does not appear that this would have an impact on the Underwriter's recommendation.

Conclusion:

The Applicant's estimates of total operating expenses and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's proforma results in a DCR of 1.03. As such, the Underwriter's recommended financing structure will reflect a decrease in the permanent first lien until the projected DCR meets the Department's 1.15 minimum. This is discussed in detail in the Conclusions section.

The expense to income ratio for the Underwriter (70.58%) is well above the Department's maximum 65% ratio; however, due to the Project-Based Section 8 HAP contracts that are covering 92% of the units, the subject development meets an exception to this rule. The Applicant's ratio is 64.999%, which suggests it may have been used as a benchmark to derive expenses.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. The Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 with continued positive cash flow for 15 years after the Underwriter's adjustments to the financing are made. Therefore, the development can be characterized as feasible. Of note, the DCR falls below 1.15 in year 20 and negative cashflow by year 30 according to the Underwriter's 30 year proforma.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: LandAmerica Commercial Services, Inc. Date: 3/31/2008
 Number of Revisions: none Date of Last Applicant Revision: N/A
 Land Only: 10.1 acres \$180,000 As of: 3/5/2008
 Existing Buildings: (as-is) \$1,170,000 As of: 3/5/2008
 Total Development: (as-is) \$1,350,000 As of: 3/5/2008

ASSESSED VALUE

Land Only: 10.1 acres \$52,520 Tax Year: 2007
 Existing Buildings: \$0 Valuation by: Nueces CAD
 Total Assessed Value: \$52,520 Tax Rate: 2.605171

Comments:

The \$52,520 value indicated is for 4.04 acre portion of the development. This tract had an exemption but still had a market and assessed value assigned to it by the appraisal district. The 6.29 acre tract had an exemption and had no value assessed.

EVIDENCE of PROPERTY CONTROL

Type: Real Estate Purchase Contract Acreage: 10.11
 Contract Expiration: 6/30/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,520,000 Other: _____
 Seller: Robstown American GI Forum & Robstown American GI Forum Housing Project #2 Related to Development Team? Yes No

Comments:

The Applicant information and County property tax records indicated the two tracts to be a total of 10.33 acres; however, the Real Estate Purchase Contract and the title insurance commitment indicate the acreage to be 10.11 acres. Accordingly, it is a condition of this that a survey be provided before closing on the purchase of the subject property.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The transfer of the subject development is an identity of interest transaction because the Seller will continue to maintain 100% control of the GP interest. The appraisal provided by the purchaser provided an "as is" value for both the land and buildings of \$1,350,000, and an "as is" value of the land only of \$180,000; however, the Applicant is purchasing the property at a price of \$1,520,000. The Applicant used a land value of \$250,000, a building value of \$1,270,000, and closing costs and acquisition legal fees of \$76,000 in its Development Cost Schedule. The original acquisition cost of the two properties combined according to 2007 audited financial statements was \$2,431,889. Accordingly, the acquisition cost utilized by the Underwriter is based upon the "as is" appraised value of the subject property (\$1,350,000) which is the lesser of the two (original cost vs. "as is" appraisal value) plus the Applicant's estimated closing costs (\$76,000).

To determine the eligible building basis, the Underwriter used the appraised value of \$1,350,000 less the Applicant's land value of \$250,000 resulting in eligible basis of \$1,100,000.

Sitework Cost:

The Applicant's proposed site work cost of \$8,995 per unit is high for a rehabilitation development; however, it is within the Department's guidelines and is equal to the PCA estimate. A significant source of this cost is the recommended replacement of all concrete driveways for the 20 single family units (\$114,000) and on-site electrical (\$247,000) which is not fully discussed by the PCA provider but may be attributed to the individual metering of each unit. The Underwriter has relied upon the PCA estimate.

Direct Construction Cost:

The Underwriter used the direct construction cost that was provided by the third party Property Condition Assessment provider of \$3,028,410. The Applicant's direct construction cost is \$24K (1%) lower than that of the PCA provider. The Underwriter has used the PCA estimate.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting limits in the Department's guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. The Underwriter's development costs yield an eligible basis of \$7,879,765 and an eligible basis derived tax credit amount of \$772,349 annually. It should be noted that the Applicant used lower applicable percentages of 3.40% and 7.93% respectively which accounts for a majority of the difference between the Underwriter's projections and the Applicant's requested amount. However, it appears that the Applicant's request is still lower than the eligible credit derived with these lower percentages.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Existing Financing:

The Applicant indicated that the existing HUD loans will be extinguished in full at closing. However, in correspondence with the Underwriter, the Applicant indicated that the property has a remaining Section 236 Interest Reduction Payment (IRP) on an existing FHA insured mortgage. Generally, the IRP subsidizes the effective interest rate down to 1%, which provides substantial benefit to the property's capacity to carry debt.

Existing IRP properties that apply for housing tax credits often opt to retain and leverage the benefit of this existing IRP through a process known as "decoupling." This process allows the underlying loan to be extinguished and replaced with new debt but the IRP is retained by the property. Moreover, the IRP is often leveraged in order to receive additional market rate debt for rehabilitation. This additional debt is essentially collateralized by the IRP (instead of the real property as typical for real estate loans) and the IRP payments are passed directly through to the lender to service the additional debt.

As a result, retention of an existing IRP typically allows a property being rehabilitated to leverage additional conventional debt to pay for rehabilitation. The Applicant has, however, indicated that they will not seek to retain the existing IRP because the HUD approval process is too difficult. It should be noted that several 9% HTC applications each year propose to and successfully go through the decoupling process in order to leverage this existing benefit and potentially reduce the funding needed from the Department to fill the gap in financing. Moreover, it has been contemplated by several highly regarded law firms and CPAs that the decoupling of the IRP from the existing underlying debt and leveraging to access additional market rate funds does not affect a development's eligibility for 9% HTCs because the IRP is not considered new Federal money in the transaction.

The Applicant has provided no additional information regarding the IRP and therefore the Underwriter cannot accurately estimate the potential additional source of financing the Applicant may be foregoing and any effects it could have on the recommended tax credit allocation. However, if the IRP is ultimately retained and used to access more than \$220,208 in additional debt, the deferred developer fee would be eliminated, the gap in financing would decrease, and the recommended tax credit amount would also decrease accordingly. Therefore, receipt, review, and acceptance, by cost certification, of evidence regarding whether or not the existing Section 236 IRP has been retained and leveraged to access additional debt is a condition of this report.

Source:	<u>Evanston Financial</u>	Type:	<u>Interim to Permanent Financing</u>		
Interim:	<u>\$1,445,000</u>	Interest Rate:	<u>6.75%</u>	<input checked="" type="checkbox"/> Fixed	Term: <u>24</u> months
Permanent:	<u>\$1,445,000</u>	Interest Rate:	<u>6.75%</u>	<input checked="" type="checkbox"/> Fixed	Term: <u>480</u> months

Comments:

The commitment indicates that the mortgage is anticipated to be an FHA Section 221(d)4 insured loan. The 221(d)4 program allows for a 40 year fixed rate mortgage for multifamily developments being substantially rehabilitated. The mortgage will carry a 0.45% Mortgage Insurance Premium (MIP) which has been included as a separate line item in the Underwriter's projected debt service.

Source:	<u>Hudson Housing Capital</u>	Type:	<u>Syndication</u>		
Proceeds:	<u>\$6,320,367</u>	Syndication Rate:	<u>86%</u>	Anticipated HTC:	<u>\$ 735,000</u>
Amount:	<u>\$155,929</u>	Type:	<u>Deferred Developer Fees</u>		

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.84. At this point, the level of required deferred developer fees would not be repayable within 15 years and the transaction would not be viable. Alternatively, should the final credit price increase to more than \$0.89, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the adjusted Evanston first lien of \$1,235,201 and requested HOME loan of \$750,000 indicates the need for \$6,540,775 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$760,631 annually would be required to fill this gap in financing. Should the Board choose to make an award, of the three possible tax credit allocations, Applicant's request (\$735,000), the gap-driven amount (\$760,631), and eligible basis-derived estimate (\$772,349), the Applicant's request of \$735,000 would be recommended resulting in proceeds of \$6,320,367 based on a syndication rate of 86%.

The Underwriter recommends a HOME award not to exceed \$750,000 to be structured as a fully amortizing second lien with a rate equal to AFR (underwritten at 4.37%) and parity of term with the first lien. Should the first lien remain a 221(d)4 mortgage, the fully amortized payments should be made from surplus cashflow and any unpaid amounts should accrue. Federal regulations in 24 CFR § 200.85 prevent 221(d)4 mortgages from being coupled with another parity lien source of financing. Additionally, any secondary source of debt must be structured as repayable from cashflow. The Department has historically maintained a Memorandum of Understanding with HUD to allow for any TDHCA debt sources to be structured accordingly and the Underwriter recommends that the subject HOME funds be structured accordingly.

If the 221(d)4 structure is ultimately not pursued, the HOME funds should not be structured with a surplus cashflow component. Receipt, review, and acceptance, by HOME loan closing, of evidence that the 221(d)4 mortgage as proposed has been approved is a condition of this report.

The Underwriter's recommended financing structure indicates the need for \$220,408 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation.

Underwriter:	<hr/>	Date:	<hr/>
	<i>D. Burrell</i>		July 3, 2008
Reviewing Underwriter:	<hr/>	Date:	<hr/>
	<i>Cameron Dorsey</i>		July 3, 2008
Director of Real Estate Analysis:	<hr/>	Date:	<hr/>
	<i>Tom Gouris</i>		July 3, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

American GI Forum Village I & II, Robstown, 9% HTC/HOME #08149

Type of Unit	Assist	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
MUTIFAMILY UNITS (PHASE II)											
TC 50%/LH	HAP	1	1	1	672	\$451	\$472	\$472	\$0.70	\$81.00	\$63.00
TC 50%	HAP	2	1	1	672	\$451	\$472	\$944	\$0.70	\$81.00	\$63.00
TC 60%	HAP	5	1	1	672	\$542	\$472	\$2,360	\$0.70	\$81.00	\$63.00
TC 30%/LH	HAP	1	2	1	864	\$325	\$512	\$512	\$0.59	\$97.00	\$69.00
TC 50%/LH	HAP	7	2	1	864	\$542	\$512	\$3,584	\$0.59	\$97.00	\$69.00
TC 60%	HAP	12	2	1	864	\$651	\$512	\$6,144	\$0.59	\$97.00	\$69.00
TC 30%/LH	HAP	1	3	1.5	945	\$375	\$587	\$587	\$0.62	\$118.00	\$72.00
TC 50%/LH	HAP	7	3	1.5	945	\$626	\$587	\$4,109	\$0.62	\$118.00	\$72.00
TC 60%	HAP	12	3	1.5	945	\$752	\$587	\$7,044	\$0.62	\$118.00	\$72.00
TC 30%/LH	HAP	1	4	2	1,080	\$418	\$645	\$645	\$0.60	\$138.00	\$80.00
TC 50%	HAP	3	4	2	1,080	\$698	\$645	\$1,935	\$0.60	\$138.00	\$80.00
TC 60%	HAP	4	4	2	1,080	\$838	\$645	\$2,580	\$0.60	\$138.00	\$80.00
SINGLE FAMILY UNITS (PHASE I)											
TC 30%/LH	HAP	1	3	1	960	\$375	\$701	\$701	\$0.73	\$118.00	\$72.00
TC 50%	HAP	4	3	1	960	\$626	\$701	\$2,804	\$0.73	\$118.00	\$72.00
TC 60%	HAP	2	3	1	960	\$752	\$701	\$1,402	\$0.73	\$118.00	\$72.00
TC 60%		3	3	1	960	\$752	\$634	\$1,902	\$0.66	\$118.00	\$72.00
TC 50%	HAP	3	4	2	1,200	\$698	\$812	\$2,436	\$0.68	\$138.00	\$80.00
TC 60%	HAP	4	4	2	1,200	\$838	\$812	\$3,248	\$0.68	\$138.00	\$80.00
TC 60%		3	4	2	1,200	\$838	\$700	\$2,100	\$0.58	\$138.00	\$80.00
TOTAL:		76		AVERAGE:	945		\$599	\$45,509	\$0.63	\$113.32	\$72.16

INCOME		Total Net Rentable Sq Ft:			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT REGION
POTENTIAL GROSS RENT					\$546,108	\$546,108	Nueces		10
Secondary Income			Per Unit Per Month:	\$10.00	9,120	9,120	\$10.00	Per Unit Per Month	
Other Support Income:					0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					\$555,228	\$555,228			
Vacancy & Collection Loss			% of Potential Gross Income:	-5.14%	(28,554)	(27,756)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$526,674	\$527,472			
EXPENSES									
		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.73%	\$328	0.35	\$24,920	\$12,700	\$0.18	\$167	2.41%
Management		5.00%	346	0.37	26,334	26,374	0.37	347	5.00%
Payroll & Payroll Tax		15.14%	1,049	1.11	79,731	84,955	1.18	1,118	16.11%
Repairs & Maintenance		7.84%	543	0.58	41,286	40,000	0.56	526	7.58%
Utilities		4.04%	280	0.30	21,253	9,000	0.13	118	1.71%
Water, Sewer, & Trash		11.96%	829	0.88	62,995	56,300	0.78	741	10.67%
Property Insurance		11.96%	829	0.88	63,014	64,680	0.90	851	12.26%
Property Tax	2.605171	5.01%	347	0.37	26,372	23,000	0.32	303	4.36%
Reserve for Replacements		4.33%	300	0.32	22,800	22,800	0.32	300	4.32%
TDHCA Compliance Fees		0.58%	40	0.04	3,040	3,040	0.04	40	0.58%
Other:		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES					\$371,744	\$342,849	\$4.78	\$4,511	65.00%
NET OPERATING INC					\$154,930	\$184,623	\$2.57	\$2,429	35.00%
DEBT SERVICE									
Evanston First Lien		19.86%	\$1,377	\$1.46	\$104,622	\$110,796	\$1.54	\$1,458	21.01%
TDHCA HOME Loan		7.64%	\$529	\$0.56	40,230	40,230	\$0.56	\$529	7.63%
Mortgage Insur Premium		1.05%	\$73	\$0.08	5,546	0	\$0.00	\$0	0.00%
NET CASH FLOW					\$4,532	\$33,597	\$0.47	\$442	6.37%
AGGREGATE DEBT COVERAGE RATIO					1.03	1.22			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

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)		16.73%	\$18,763	\$19.86	\$1,426,000	\$1,596,000	\$22.23	\$21,000	18.41%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.02%	8,995	9.52	683,620	683,620	9.52	8,995	7.88%
Direct Construction		35.52%	39,848	42.18	3,028,410	3,003,731	41.84	39,523	34.64%
Contingency	9.93%	4.32%	4,852	5.14	368,735	368,735	5.14	4,852	4.25%
Contractor's Fees	13.91%	6.05%	6,792	7.19	516,229	516,229	7.19	6,792	5.95%
Indirect Construction		12.42%	13,928	14.74	1,058,500	1,058,500	14.74	13,928	12.21%
Ineligible Costs		2.00%	2,240	2.37	170,211	170,211	2.37	2,240	1.96%
Developer's Fees	12.59%	10.33%	11,593	12.27	881,098	881,098	12.27	11,593	10.16%
Interim Financing		2.85%	3,200	3.39	243,173	243,173	3.39	3,200	2.80%
Reserves		1.76%	1,974	2.09	150,000	150,000	2.09	1,974	1.73%
TOTAL COST		100.00%	\$112,184	\$118.75	\$8,525,976	\$8,671,297	\$120.78	\$114,096	100.00%
Construction Cost Recap		53.92%	\$60,487	\$64.03	\$4,596,994	\$4,572,315	\$63.68	\$60,162	52.73%

SOURCES OF FUNDS									
					TDHCA	APPLICANT	RECOMMENDED		
Evanston First Lien		16.95%	\$19,013	\$20.13	\$1,445,000	\$1,445,000	\$1,235,201	Developer Fee Available	
TDHCA HOME Loan		8.80%	\$9,868	\$10.45	750,000	750,000	750,000	\$881,098	
Hudson Housing HTC Equity		74.13%	\$83,163	\$88.03	6,320,368	6,320,368	6,320,367	% of Dev. Fee Deferred	
Deferred Developer Fees		1.83%	\$2,052	\$2.17	155,929	155,929	220,408	25%	
Additional (Excess) Funds Req'd		-1.70%	(\$1,912)	(\$2.02)	(145,321)	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$8,525,976	\$8,671,297	\$8,525,976	\$369,507	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
American GI Forum Village I & II, Robstown, 9% HTC/HOME #08149

PAYMENT COMPUTATION

Primary	\$1,445,000	Amort	480
Int Rate	6.75%	DCR	1.48

Secondary	\$750,000	Amort	480
Int Rate	4.46%	Subtotal DCR	1.07

Additional		Amort	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE

Primary Debt Service	\$89,432
Secondary Debt Service	39,712
Mortgage Insur Premium	5,546
NET CASH FLOW	\$20,240

Primary	\$1,235,201	Amort	480
Int Rate	6.75%	DCR	1.73

Secondary	\$750,000	Amort	480
Int Rate	4.37%	Subtotal DCR	1.20

Additional		Amort	
Int Rate		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	\$546,108	\$562,491	\$579,366	\$596,747	\$614,649	\$712,547	\$826,037	\$957,604	\$1,286,939
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	555,228	571,885	589,041	606,713	624,914	724,447	839,832	973,596	1,308,431
Vacancy & Collection Loss	(28,554)	(29,411)	(30,293)	(31,202)	(32,138)	(37,256)	(43,190)	(50,070)	(67,289)
Employee or Other Non-Rental Units or C	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$526,674	\$542,474	\$558,748	\$575,511	\$592,776	\$687,190	\$796,642	\$923,526	\$1,241,142
EXPENSES at 4.00%									
General & Administrative	\$24,920	\$25,916	\$26,953	\$28,031	\$29,152	\$35,468	\$43,153	\$52,502	\$77,716
Management	26,334	27,124	27,937	28,776	29,639	34,360	39,832	46,176	62,057
Payroll & Payroll Tax	79,731	82,920	86,237	89,687	93,274	113,482	138,068	167,981	248,653
Repairs & Maintenance	41,286	42,937	44,655	46,441	48,299	58,763	71,494	86,983	128,757
Utilities	21,253	22,103	22,988	23,907	24,863	30,250	36,804	44,778	66,282
Water, Sewer & Trash	62,995	65,515	68,135	70,861	73,695	89,662	109,087	132,721	196,459
Insurance	63,014	65,535	68,156	70,882	73,717	89,689	109,120	132,761	196,519
Property Tax	26,372	27,427	28,524	29,665	30,851	37,535	45,667	55,561	82,244
Reserve for Replacements	22,800	23,712	24,660	25,647	26,673	32,452	39,482	48,036	71,105
Other	3,040	3,162	3,288	3,420	3,556	4,327	5,264	6,405	9,481
TOTAL EXPENSES	\$371,744	\$386,351	\$401,534	\$417,316	\$433,720	\$525,987	\$637,972	\$773,905	\$1,139,273
NET OPERATING INCOME	\$154,930	\$156,123	\$157,215	\$158,195	\$159,056	\$161,203	\$158,670	\$149,622	\$101,869
DEBT SERVICE									
First Lien Financing	\$89,432	\$89,432	\$89,432	\$89,432	\$89,432	\$89,432	\$89,432	\$89,432	\$89,432
Second Lien	39,712	39,712	39,712	39,712	39,712	39,712	39,712	39,712	39,712
Mortgage Insur Premium	5,546	5,517	5,486	5,452	5,417	5,199	4,893	4,466	3,029
NET CASH FLOW	\$20,240	\$21,463	\$22,585	\$23,599	\$24,495	\$26,861	\$24,633	\$16,012	(\$30,304)
DEBT COVERAGE RATIO	1.15	1.16	1.17	1.18	1.18	1.20	1.18	1.12	0.77

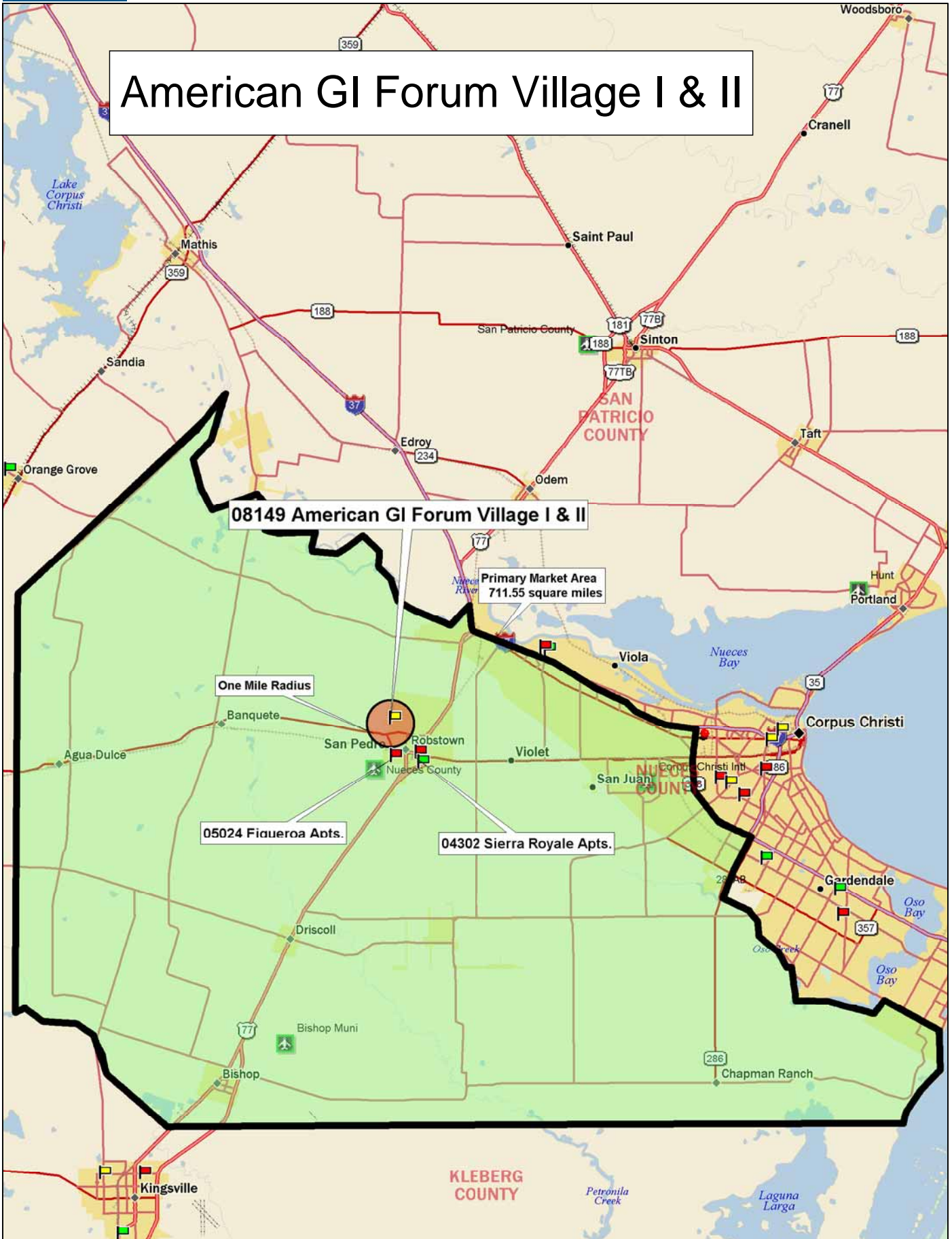
HTC ALLOCATION ANALYSIS -American GI Forum Village I & II, Robstown, 9% HTC/HOME #08149

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$326,000	\$326,000				
Purchase of buildings	\$1,270,000	\$1,100,000	\$1,270,000	\$1,100,000		
Off-Site Improvements						
Sitework	\$683,620	\$683,620			\$683,620	\$683,620
Construction Hard Costs	\$3,003,731	\$3,028,410			\$3,003,731	\$3,028,410
Contractor Fees	\$516,229	\$516,229			\$516,229	\$516,229
Contingencies	\$368,735	\$368,735			\$368,735	\$368,735
Eligible Indirect Fees	\$1,058,500	\$1,058,500			\$1,058,500	\$1,058,500
Eligible Financing Fees	\$243,173	\$243,173			\$243,173	\$243,173
All Ineligible Costs	\$170,211	\$170,211				
Developer Fees						
Developer Fees	\$881,098	\$881,098			\$881,098	\$881,098
Development Reserves	\$150,000	\$150,000				
TOTAL DEVELOPMENT COSTS	\$8,671,297	\$8,525,976	\$1,270,000	\$1,100,000	\$6,755,086	\$6,779,765

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,270,000	\$1,100,000	\$6,755,086	\$6,779,765
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,270,000	\$1,100,000	\$8,781,612	\$8,813,695
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,270,000	\$1,100,000	\$8,781,612	\$8,813,695
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$45,085	\$39,050	\$730,630	\$733,299

Syndication Proceeds	0.8599	\$387,692	\$335,796	\$6,282,790	\$6,305,743
Total Tax Credits (Eligible Basis Method)				\$775,715	\$772,349
Syndication Proceeds				\$6,670,482	\$6,641,540
Requested Tax Credits				\$735,000	
Syndication Proceeds				\$6,320,367	
Gap of Syndication Proceeds Needed				\$6,686,096	\$6,540,775
Total Tax Credits (Gap Method)				\$777,531	\$760,631

American GI Forum Village I & II



Applicant Evaluation

Project ID # **08149**

Name: **American GI Forum Village I & II**

City: **Robstown**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 9

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 6

Total # of MF awards not yet monitored or pending review: 3

10-19: 3

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 9

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/15/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/17/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/23/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Manor/Oak Village Apartments, TDHCA Number 08150

BASIC DEVELOPMENT INFORMATION

Site Address: 2330/2334 Austin Hwy Development #: 08150
 City: San Antonio Region: 9 Population Served: General
 County: Bexar Zip Code: 78218 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: OM/OV, LP
 Owner Contact and Phone: Gilbert M. Piette, (210) 821-4300
 Developer: Housing and Community Services, Inc.
 Housing General Contractor: Galaxy Builders, Ltd.
 Architect: Gonzalez Newell Bender Architects
 Market Analyst: Butler Burgher, Inc.
 Syndicator: Hudson Housing Capital, LLC
 Supportive Services: Housing and Community Services, Inc.
 Consultant: Lucas & Associates, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	229
	12 80 137	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 50 79 80 20 0	Total Development Units:	229
Type of Building:		Total Development Cost*:	\$21,497,129
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	34
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Manor/Oak Village Apartments, TDHCA Number 08150

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Wentworth, District 25, S Points: 14 US Representative: Smith, District 21, NC
TX Representative: Straus, District 121, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Ruth Jones McClendon, State Representative, District 120

Individuals and Businesses In Support: 21 In Opposition 0

Quantifiable Community Participation Input:

Oak Manor/Oak Village Resident Council, Albert Mendez Letter Score: 24 S or O: S
Our community is in need of the updates and modern appliances.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
SER Jobs for Progress, Inc. of San Antonio S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and a civic organization. Twenty residents from the development signed a statement of support.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by cost certification, of HUD approval of the changes to the utility billing system, proposed utility allowances, and proposed contract rents.
2. Receipt, review, and acceptance, by commitment, of documentation from HUD that confirms that the property is eligible to receive additional HOME funds as proposed and information regarding any existing restrictions associated with the existing City of San Antonio HOME funding.
3. Receipt, review and acceptance of documentation that the Applicant has followed the recommendation of the ESA provider to implement an Operations & Maintenance (O&M) Program with regard to asbestos in accordance with local, state and federal regulations before, during, and after the renovation of the subject property.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
6. Receipt of a commitment of funding from the City of San Antonio Housing and Neighborhood Services Department for funds in the amount of \$1,100,000, or a commitment from a qualifying substitute source in an amount not less than \$1,068,418, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Oak Manor/Oak Village Apartments, TDHCA Number 08150

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **206** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Competitive in At-Risk Set-Aside

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/07/08 PROGRAM: 9% HTC FILE NUMBER: 08150

DEVELOPMENT																					
Oak Manor / Oak Village Apartments																					
Location: 2330/2334 Austin Highway				Region: 9																	
City: San Antonio		County: Bexar		Zip: 78218		<input checked="" type="checkbox"/> OCT <input type="checkbox"/> DDA															
Key Attributes: Multifamily, Family, Non-Profit, Urban, At-Risk, Acquisition/Rehabilitation																					
ALLOCATION																					
	REQUEST			RECOMMENDATION																	
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term															
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000																	
CONDITIONS																					
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, by cost certification, of HUD approval of the changes to the utility billing system, proposed utility allowances, and proposed contract rents. 2 Receipt, review, and acceptance, by commitment, of documentation from HUD that confirms that the property is eligible to receive additional HOME funds as proposed and information regarding any existing restrictions associated with the existing City of San Antonio HOME funding. 3 Receipt, review and acceptance of documentation that the Applicant has followed the recommendation of the ESA provider to implement an Operations & Maintenance (O&M) Program with regard to asbestos in accordance with local, state and federal regulations before, during, and after the renovation of the subject property. 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old. 5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted. 																					
SALIENT ISSUES																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">80</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">137</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	12	50% of AMI	50% of AMI	80	60% of AMI	60% of AMI	137
TDHCA SET-ASIDES for LURA																					
Income Limit	Rent Limit	Number of Units																			
30% of AMI	30% of AMI	12																			
50% of AMI	50% of AMI	80																			
60% of AMI	60% of AMI	137																			
PROS			CONS																		
<ul style="list-style-type: none"> ▫ The proposed transaction will revitalize an existing 40 to 41 year old HUD property and the existing Section 8 HAP rental subsidy on 220 units. 			<ul style="list-style-type: none"> ▫ The development may not be eligible to receive the anticipated HOME funds due to existing 2003 HOME funds received, which would require deferral of virtually all of the developer and contractor fees. 																		

- The proposed rehabilitation will limit the displacement of existing tenants.

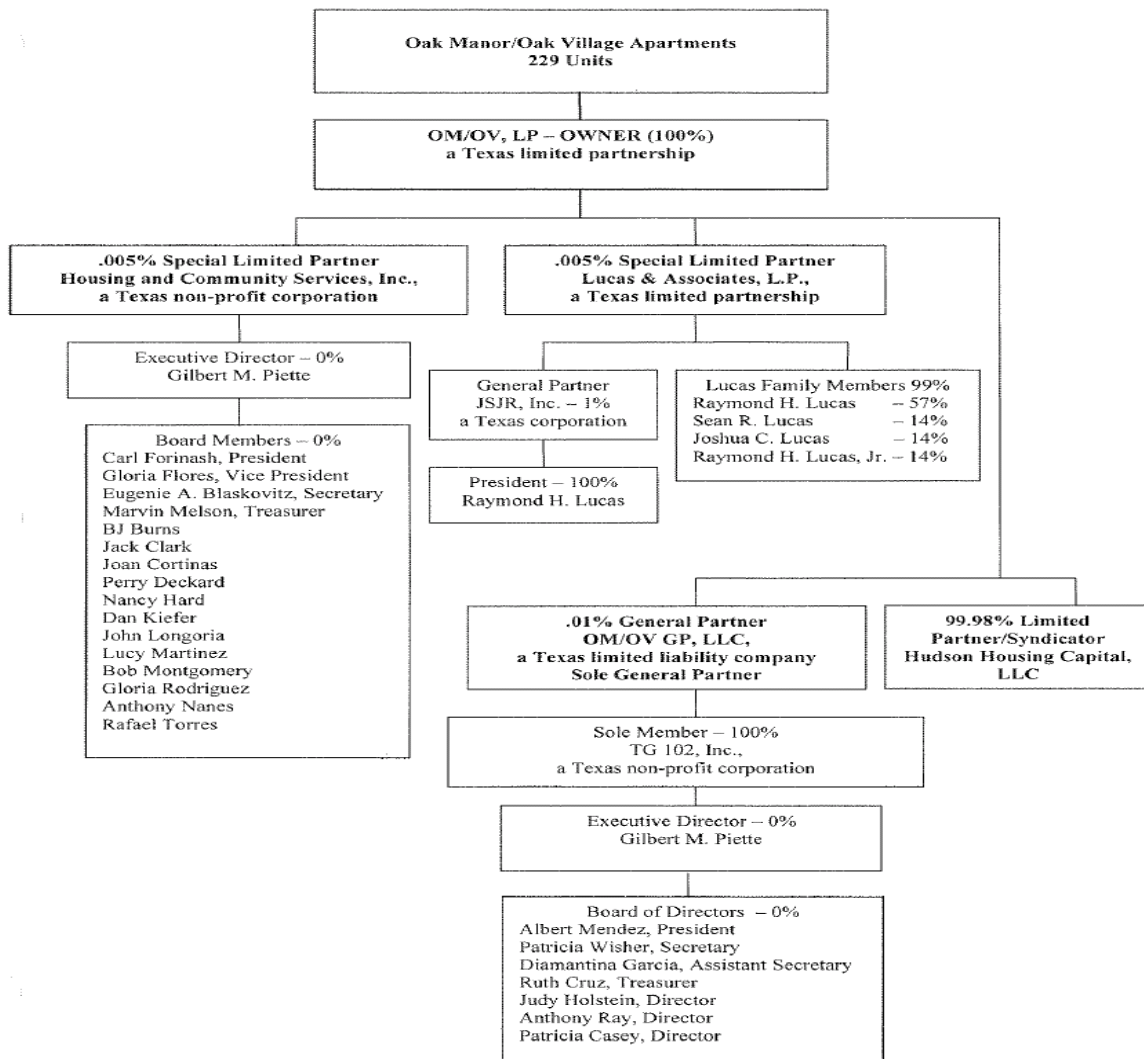
- The proposed transaction will extinguish 11 year old HUD 221(d)3 financing and existing 5 year old HOME funds with new HUD 221(d)4 financing and HOME funds.
- The transaction as proposed will utilize the extensive existing reserves to repay the outstanding HUD debt and allow for the related Seller to increase the sales price to the Applicant with a Seller note in the approximate amount of the existing reserves.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Gilbert M. Piette Phone: (210) 821-4300 Fax: (210) 821-4313
 Email: gilp@hscorp. Org

KEY PARTICIPANTS

Name	Net Assets	# Completed Developments
Housing & Community Services, Inc.	Limited Liquidity	11
Lucas & Associates	N/A	11
Rafael Torres	N/A	12

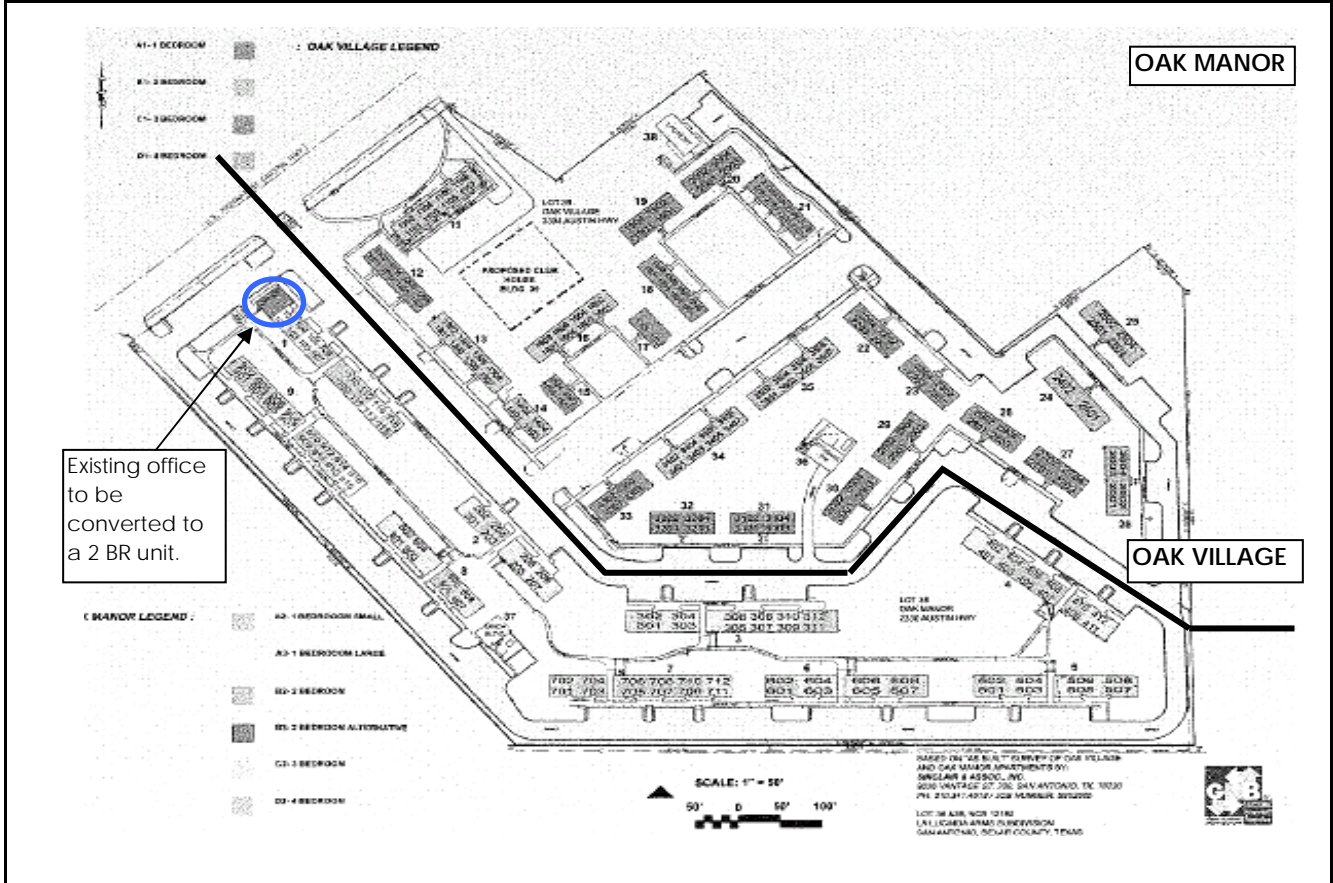
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The Seller will retain 100% control of the GP interest after rehabilitation. Therefore, the transfer of the property is an identity transaction.

PROPOSED SITE

SITE PLAN



This section intentionally left blank.

BUILDING CONFIGURATION

OAK VILLAGE											
Building Type	1	2	3	4	5	6	7	8			Total Buildings
Floors/Stories	2	2	2	2	1	2	1	2			
Number	5	3	1	1	1	11	1	2			25

BR/BA	SF	Units								Total Units	Total SF	
	581		8		4	2					30	17,430
	707	8		4							44	31,108
	977						4				44	42,988
	1,181							2	4		10	11,810
Units per Building		8	8	4	4	2	4	2	4		128	103,336

OAK MANOR											
Building Type	9	10	11	12	13	14					Total Buildings
Floors/Stories	2	2	2	2	2	2					
Number	1	2	1	2	2	1					9

BR/BA	SF	Units								Total Units	Total SF	
	592	6					4				10	5,920
	619	6					4				10	6,190
	806	4	2	2	8		8				34	27,404
	997	1									1	997
	1,049		6	8	4	4					36	37,764
	1,332			2		4					10	13,320
Units per Building		17	8	12	12	8	16				101	91,595

Rehabilitation Summary

The developer is proposing to replace and upgrade the kitchens, bathrooms, appliances and flooring. All appliances will be replaced with energy efficient models. All units will be modernized to include amenities found in conventional properties including dishwashers, garbage disposals, and ceiling fans. The developer's proposed renovation works includes approximately \$1M to be spent on the HVAC system, \$776K on woods and plastics, \$635K on electrical, \$400K on new roofs, \$353K on doors and windows and \$625K on a new community building.

Relocation Plan

The Applicant plans to renovate the property in phases whereby specific buildings and units will be targeted, tenants will be moved out of those units, renovations will be completed and then tenants will be relocated to the completed units. Some residents will be relocated in vacant units on the property, some residents will live with friends and relatives and receive a lump sum payment, and some residents will be housed in other multifamily properties while their units are renovated; however, all cost associated with the Relocation Plan will be incurred by the Applicant.

SITE ISSUES

Total Size:	<u>18.111</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>C-2</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> N/A

This section intentionally left blank.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/13/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Apartments and retail building East: Commercial businesses
 South: Single family residences West: Bakery outlet & mobile home sales

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services Date: 3/5/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

The assessment did not reveal any on-site or off-site recognized environmental conditions in connection with the property. However, the subject buildings were constructed in 1967/1968 and asbestos containing materials (ACM's) are located throughout. The materials in their present state appear to be safe; however, if repairs and/or renovations require the removal or disturbance of this material, then the property must be operated under an asbestos Operations and Maintenance Plan (O&M).

Accordingly, it is a condition of this report that an Operations and Maintenance (O&M) Program be developed or implemented (if a plan is already prepared) to manage the asbestos-containing materials in places found at the facility, to ensure they remain in good condition.

MARKET HIGHLIGHTS

Provider: LandAmerica Commercial Services Date: 3/7/2008

Contact: B. Diane Butler Phone: (214) 739-0700 Fax: (214) 361-8168

Number of Revisions: 1 Date of Last Applicant Revision: 5/30/2008

Primary Market Area (PMA): 23.20 square miles (2.73 mile radius)

"The Primary Market Area (PMA) is the area bound by IH 410 to the north and east, US 281 to the west, and IH 10 to the south." (p. 3)

Secondary Market Area (SMA):

The market analyst did not indicate a Secondary Market Area (SMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Artisan @ Salado	60417	252	252	N/A			

Comment:

One other development in the Primary Market Area that received a tax credit award in 2006 other than Artisan at Salado Fall; was #060416 The Landing Apartments. However, the Landing Apartments received tax credits as an acquisition/rehabilitation development and had an existing tenant base. Therefore, this property is not treated as an unstabilized property for the purpose of determining capture rates in this analysis.

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,500	\$13,100	\$14,750	\$16,400	\$17,700	\$19,000
50	\$19,150	\$21,900	\$24,600	\$27,350	\$29,550	\$31,750
60	\$22,980	\$26,280	\$29,520	\$32,820	\$35,460	\$38,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	224	2	0	224	3	0	1.34%
1 BR/ 50% Rent Limit	522	4	0	526	17.0	6	4.37%
1 BR/ 60% Rent Limit	630	5	0	635	30	46	11.97%
2 BR/ 30% Rent Limit	270	2	0	272	16	0	5.88%
2 BR/ 50% Rent Limit	624	5	0	629	16	0	2.54%
2 BR/ 60% Rent Limit	678	5	0	683	47	120	24.45%
3 BR/ 30% Rent Limit	414	3	0	417	4	0	0.96%
3 BR/ 50% Rent Limit	666	5	0	671	28	0	4.17%
3 BR/ 60% Rent Limit	787	6	0	793	48	80	16.14%
4 BR/ 30% Rent Limit	482	4	0	486	1	0	0.21%
4 BR/ 50% Rent Limit	734	5	0	739	7	0	0.95%
4 BR/ 60% Rent Limit	845	6	0	851	12	0	1.41%

OVERALL DEMAND											
		Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER											
Market Analyst	p. 58	100%	29,695	100%	29,695	31%	9,220	50%	4,571	69%	3,131
Underwriter		100%	29,553	100%	29,553	42%	12,333	50%	6,114	69%	4,188
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 58			100%	143	31%	44	50%	22	100%	22
Underwriter				100%	135	42%	56	50%	28	100%	28
SMA DEMAND from TURNOVER											

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 58	229	252	0	481	3,153	15.25%
Underwriter		229	252	0	481	4,216	11.41%

Comments:

The Underwriter has utilized an income band that accounts for the Section 8 assistance. Households residing in units receiving Section 8 pay rent based on a percentage of their income. Therefore, households with very low income are often eligible to rent in properties with a HAP contract. The Market Analyst utilized a more restrictive income band as if the property would not continue to operate with a HAP contract, which is the primary reason for the Market Analyst's higher inclusive capture rate.

Primary Market Occupancy Rates:

The average occupancy of the PMA in January 2008 was 91.1%.

Absorption Projections:

"The best indication of absorption is from Artisan at Salado Falls as it is in the subject's submarket and is currently in lease-up. Therefore, we assumed an absorption rate at 22 units per month of the subject. However, the subject is currently stabilized and the relocation plan during renovation of the property will limit the amount of tenant movement, and it is likely that the residents will continue to live at the existing property. Furthermore, the subject currently exists with affordable units, therefore, the minimal additional new demand will have little effect on the subject units." (p. 78)

This section intentionally left blank.

Unit Type (% AMI)	Current Contract Rent*	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
OAK VILLAGE					
1 BR 581 SF 30%/HAP	\$543	\$543	\$560	\$543	\$0*
1 BR 581 SF 50%/HAP	\$543	\$543	\$560	\$543	\$0*
1 BR 581 SF 60%/HAP	\$543	\$543	\$560	\$543	\$0*
1 BR 581 SF 60%	\$504	\$556	\$560	\$556	\$52*
2 BR 707 SF 30%/HAP	\$631	\$631	\$660	\$631	\$0*
2 BR 707 SF 50%/HAP	\$631	\$631	\$660	\$631	\$0*
2 BR 707 SF 60%/HAP	\$631	\$631	\$660	\$631	\$0*
2 BR 707 SF 60%	\$597	\$667	\$660	\$667	\$70*
3 BR 977 SF 30%/HAP	\$798	\$797	\$855	\$798	\$0*
3 BR 977 SF 50%/HAP	\$798	\$797	\$855	\$798	\$0*
3 BR 977 SF 60%/HAP	\$798	\$797	\$855	\$798	\$0*
3 BR 977 SF 60%	\$758	\$764	\$855	\$765	\$7*
4 BR 1,181 SF 50%/HAP	\$834	\$834	\$950	\$834	\$0*
4 BR 1,181 SF 60%/HAP	\$834	\$834	\$950	\$834	\$0*
OAK MANOR					
1 BR 592 SF 50%/HAP	\$551	\$551	\$565	\$551	\$0*
1 BR 592 SF 60%/HAP	\$551	\$551	\$565	\$551	\$0*
1 BR 619 SF 30%/HAP	\$556	\$556	\$580	\$556	\$0*
1 BR 619 SF 50%/HAP	\$556	\$556	\$575	\$556	\$0*
1 BR 619 SF 60%/HAP	\$556	\$556	\$575	\$556	\$0*
2 BR 806 SF 30%/HAP	\$657	\$657	\$685	\$657	\$0*
2 BR 806 SF 50%/HAP	\$657	\$657	\$685	\$657	\$0*
2 BR 806 SF 60%/HAP	\$657	\$657	\$685	\$657	\$0*
2 BR 806 SF 60%	\$617	\$667	\$685	\$667	\$50*
2 BR 997 SF 60%	N/A	\$667	\$740	\$667	N/A
3 BR 1,049 SF 30%/HAP	\$797	\$796	\$875	\$797	\$0*
3 BR 1,049 SF 50%/HAP	\$797	\$796	\$875	\$797	\$0*
3 BR 1,049 SF 60%/HAP	\$797	\$796	\$875	\$797	\$0*
4 BR 1,332 SF 30%/HAP	\$938	\$938	\$995	\$938	\$0*
4 BR 1,332 SF 50%/HAP	\$938	\$938	\$995	\$938	\$0*
4 BR 1,332 SF 60%/HAP	\$938	\$938	\$995	\$938	\$0*

* The current contract rents for all units are based on an "all bills paid" utility structure and the proposed Section 8 contract rents are assuming HUD approval of a system with tenants paying for electricity. No other change in the contract rents for the Section 8 units are projected, but HUD must still approve the utility allowances as proposed. For the units not receiving rental assistance, the Applicant has assumed the net tax credit rent limits which does reflect an increase over the current contract rents even when accounting for a utility system change. This projected increase is shown in the last column.

Market Impact:

The subject units are currently 93% occupied and has Project-Based Section 8 Housing Assistance Contracts. The relocation plan during renovation will limit the amount of tenant movement, and it is likely that the residents will continue to live at the existing property. Therefore, the renovation of these units should have minimal impact on the market.

Comments:

The projected inclusive capture rates are within the Department's current thresholds and the property is currently 93% occupied. The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 363 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 387 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid electric utility allowances from HUD Section 8 HAP contract units. For the units under the HAP contract but not currently receiving Section 8 assistance, the Applicant has used the tax credit rent limits less utility allowances. The Applicant has used the local housing authority utility allowances which have not been approved by HUD.

Currently, the property is an "all-bills-paid" property. However, the Applicant is proposing to install individual electric utility meters at all units as part of the rehabilitation and transition to a system with tenants paying for electric utility costs (the Owner would remain responsible for gas water heating costs). HUD must approve the proposed utility allowances in order to achieve the projected HAP contract rents. The Underwriter has used the Applicant's proposed HAP contract rents assuming HUD's approval of the proposed utility allowances and non-Section 8 contract rents. However, this report is conditioned upon receipt, review, and acceptance, by cost certification, of HUD approval of the changes to the utility system, proposed utility allowances, and proposed contract rents.

The Applicant's estimate of secondary income is in line with Department standards, but the Applicant's vacancy and collection loss is lower than the standard 7.5%. However, the property maintains a HAP contract on 96% of the units and the Underwriter has reviewed the 2007 actual expenses. Based on this information, the Underwriter has used the actual 2007 vacancy and collection loss of 5.23%. The Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$4,891 per unit is within 5% of the Underwriter's estimate of \$4,723 derived from actual 2007 audited financials, the TDHCA database and third party data sources. The Applicant has two line items that differ significantly from the Underwriter's, specifically: general and administrative expenses (\$59K lower); and payroll and payroll taxes (\$122K higher).

It should be noted that the Seller will continue to maintain 100% of the GP interest after rehabilitation and the related party management company will remain in place. Based on the Underwriter's evaluation of the actual 2007 financial statements provided, it appears that the Applicant is projecting substantial cost savings will be achieved after rehabilitation. The Underwriter is also projecting a significant level of savings although this is largely attributed to the extraordinary general and administrative and repairs and maintenance costs incurred in 2007.

The Applicant is projecting a 50% exemption due to the nonprofit control of the GP interest. The property is currently tax exempt, but this is due to 100% ownership by the nonprofit. The Underwriter has underwritten property taxes with a 50% exemption. However, if a 50% exemption is not achieved, the operating costs would increase significantly which would lower the NOI supported debt but the increase in gap financing could still be filled with repayable deferred developer fees.

Alternatively, if the Applicant is able to retain full 100% tax exempt status as the property currently has, the Applicant may be able to support a portion of the additional debt projected by the Applicant and more than the amount underwritten. However, it does not appear that this would have an impact on the Underwriter's recommendation regarding the tax credit amount.

Conclusion:

The Applicant's estimates of income, total operating expenses, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's proforma results in a DCR below the 1.15 minimum when the HOME and reserves cashflow notes are fully amortized and included in debt service. Therefore, the Underwriter's recommended financing structure will reflect a decrease in the first lien to bring the development's DCR within the guideline. It should be noted that the projected repayability of the cashflow notes is essential to the viability of the transaction due to the source of each note. This is discussed in detail in the Financing and Conclusions sections.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. The Applicant's base year effective gross income and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow after the Underwriter's adjustments to the financing are made.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: LandAmerica Commercial Services Date: 2/25/2008
Number of Revisions: none Date of Last Applicant Revision: N/A
Land Only: 18.1 acres \$1,090,000 As of: 2/25/2008
Existing Buildings: (as-is) \$7,260,000 As of: 2/25/2008
Total Development: (as-is) \$8,350,000 As of: 2/25/2008

ASSESSED VALUE

Land Only: 18.1 acres \$1,262,270 Tax Year: 2007
Existing Buildings: \$4,379,960 Valuation by: Bexar CAD
Total Assessed Value: \$5,642,230 Tax Rate: 2.97137

EVIDENCE of PROPERTY CONTROL

Type: Real Estate Purchase Agreements (2) Acreage: 18.1
Contract Expiration: 6/30/2009 Valid Through Board Date? [X] Yes [] No
Acquisition Cost: \$5,725,000 Other:
Seller: TG 102, Inc. & TG 103, Inc. Related to Development Team? [X] Yes [] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The transfer of the subject development is an identity of interest transaction because the Seller will continue to maintain 100% control of the GP interest. A contract for each property was provided and reflect a total purchase price of \$5,725,000, which is roughly equivalent to the existing HUD debt that will be extinguished. However, the Applicant's development cost schedule appears to reflect an overstated price of \$5,825,000 and \$220,000 in closing costs. The appraisal provided reflects a total "as is" value of \$8,350,000, which supports the Applicant's purchase price.

The Applicant also provided audited financials that reflect a total cost basis of \$7,333,144 in the land and buildings. This value is inclusive of the original asset value (not including depreciation) plus all capitalizable holding costs and other potential basis adjustments. This figure appears to support the transfer price. The Underwriter's cost schedule reflects the Applicant's contract price of \$5,725,000.

Additionally, the Underwriter has determined eligible building basis by deducting the assessed land value of \$1,262,270 from the contract price, which results in an eligible building basis of \$4,462,730. The Applicant used a land value of \$600,000 and the overstated transfer price to derive an eligible building value of \$5,225,000. While the Underwriter's lower eligible building basis has the effect of reducing the acquisition eligible basis, it appears that the total eligible basis remains significantly higher than required to support the Applicant's request of \$1,200,000 in credits.

Sitework Cost:

The Applicant's proposed site work cost of \$8,990 per unit is very high for a rehabilitation development. The third-party Property Condition Assessment (PCA) reflects the same amount of sitework costs. According to the PCA, \$1,419,800 in on-site electrical work is immediately needed, which accounts for 69% of the sitework cost. The PCA states, "The electrical distribution system, for both sites (Oak Manor/Oak Village) is being recommended by Medellin Engineering Incorporated (Electrical Engineer) to be replaced. The present system has been viewed as being a safety hazard" (tab 8). Additionally, a signed and sealed engineers letter is included in the PCA.

Direct Construction Cost:

The Underwriter used the direct construction cost that was provided by the third party Property Condition Assessment provider of \$6,324,203. The Applicant's direct construction cost is \$124K (2%) lower than that of the PCA provider.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting limits in the Department's guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis.

An eligible basis of \$4,462,730 is used for the acquisition and \$14,682,797 is used for rehabilitation which supports total annual tax credits of \$1,746,518. This figure will be compared to the Applicant's request and the tax credits calculated based on gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Existing Financing:

The Applicant provided 2007 audited financial statements for both Oak Village and Oak Manor. Note E in the financial statements indicate that in 2003 Housing and Community Services Inc entered into a Promissory Note and HOME Loan Agreement for \$157,542 in HOME funds from the City of San Antonio. According to the audited financial statements, the loan was paid in full from surplus cash during 2007.

It is not clear, however, that any use restrictions associated with these HOME funds would have expired at that point, and the title commitment provided does not appear to reflect any liens or land use restrictions associated with the HOME funds. Moreover, the Applicant's sources and uses of funds reflects \$1,100,000 in HOME funds for the proposed new transaction.

Due to concerns regarding the existing use restrictions and the ability of the Applicant to receive additional HOME funds, this report is conditioned upon receipt, review, and acceptance, by commitment, of documentation from HUD that confirms that the property is eligible to receive additional HOME funds as proposed and information regarding any existing restrictions associated with the existing HOME funding.

This section intentionally left blank.

Also of note, the development received approximately \$6M in HUD Section 221(d)3 funding in 1997. The federal funds that have been utilized by the subject development over the past 11 years have already been substantial and the proposed transaction will extinguish this 11 year old HUD financing and replace it with new FHA insured 221(d)4 financing, HOME funds, and tax credits.

Source:	<u>Evanston Financial</u>	Type:	<u>Interim to Permanent Financing</u>		
Interim:	<u>\$7,200,000</u>	Interest Rate:	<u>6.75%</u>	<input checked="" type="checkbox"/>	Fixed Term: <u>12</u> months
Permanent:	<u>\$7,200,000</u>	Interest Rate:	<u>6.75%</u>	<input checked="" type="checkbox"/>	Fixed Term: <u>480</u> months

Comments:

The commitment indicates that the mortgage is anticipated to be an FHA Section 221(d)4 insured loan. The 221(d)4 program allows for a 40 year fixed rate mortgage for multifamily developments being substantially rehabilitated. The mortgage will carry a 0.45% Mortgage Insurance Premium (MIP) which has been included in the projected first lien debt service in the recommended sources of funds.

Source:	<u>City of San Antonio HOME Funds</u>	Type:	<u>Interim to Permanent Financing</u>		
Interim:	<u>\$1,100,000</u>	Interest Rate:	<u>AFR</u>	<input checked="" type="checkbox"/>	Fixed Amort: <u>24</u> months
Permanent:	<u>\$1,100,000</u>	Interest Rate:	<u>AFR</u>	<input checked="" type="checkbox"/>	Fixed Amort: <u>480</u> months

Comments:

The documentation provided reflects a cashflow repayment structure with a term of 40 years and interest rate equal to AFR (underwritten at 4.37%). As discussed above however, it is currently unclear if this source of funding will ultimately be available due to the 2003 HOME funds from the City of San Antonio; the application for these funds is currently pending. This report has been conditioned on confirmation from HUD that the development will be able to receive these additional HOME funds.

The Underwriter has included this source of funds in the annual debt service for determining the development's debt coverage ratio (DCR) in order to ensure that this source can be projected to be fully repayable over 40 years. Failure to project the repayability of this source could call into question whether it is really a grant or below market rate federal financing and this could ultimately disqualify the development for 9% tax credits. Based on the Underwriter's analysis, this source is fully amortizable and repayable over 40 years.

Of note, the FHA 221(d)4 mortgage insurance program requires all subordinate debt to have a cashflow repayment structure.

Source:	<u>TG 102, Inc. & TG 103, Inc.</u>	Type:	<u>Interim to Permanent Financing</u>		
Interim:	<u>\$1,800,000</u>	Interest Rate:	<u>AFR</u>	<input checked="" type="checkbox"/>	Fixed Amort: <u>24</u> months
Permanent:	<u>\$1,800,000</u>	Interest Rate:	<u>AFR</u>	<input checked="" type="checkbox"/>	Fixed Amort: <u>480</u> months

Comments:

The \$1,800,000 will consist of two loans, one will be in the amount of \$600,000 from TG 102, Inc., and the second loan will be from TG 103, Inc. in the amount of \$1,200,000 according to the Applicant. These are to be cash flow loans and will be payable only from excess cash over forty (40) years.

Based on documentation provided by the Applicant, it appears that these funds consist of existing reserves held in escrow by HUD. A letter from HUD indicates that the funds are available to be released by HUD to fund rehabilitation consistent with those proposed in the application. The Applicant has indicated that these funds will be structured as loans (as reflected above) from the existing Owners to the proposed partnerships.

This structure is atypical of transactions utilizing existing reserves for rehabilitation. Generally, the reserve accounts transfer with the property when the acquisition takes place and the reserves are drawn down to fund the rehabilitation directly. The reason for structuring these funds as loans at AFR is not clear, but this may be to avoid any possibility that they would undermine the development's eligibility for 9% tax credits since the funds are currently held by HUD.

The Underwriter has accordingly included the debt service in the DCR calculation to ensure that the loans can be projected to be repaid. Moreover, due to the structure, repayment is important to ensure that the funds are not considered equity in the transaction which could undermine the Limited Partner's access to 99.99% of the credits. Based on the Underwriter's analysis, this source is fully amortizable and repayable over 40 years.

Source: Hudson Housing Capital Type: Syndication
Proceeds: \$10,558,944 Syndication Rate: 88% Anticipated HTC: \$ 1,200,000

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.827. At this point, the level of required deferred fees would not be repayable within 15 years and the transaction would not be viable. Alternatively, the final credit price can increase to more than par before all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$709,404 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15 when the cashflow loans are fully amortized and included in regular debt service. Therefore, the current underwriting analysis assumes a decrease in the permanent 221(d)4 loan amount to \$6,212,080 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Underwriter's total development cost estimate less the adjusted 221(d)4 loan of \$6,212,080, HOME loan of \$1,100,000, and reserves loans of \$1,800,000 indicates the need for \$12,385,049 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,407,533 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,407,533), and eligible basis-derived estimate (\$1,746,518), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$10,558,944 based on a syndication rate of 88%.

The Underwriter's recommended financing structure indicates the need for \$1,826,105 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

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Should the Applicant ultimately not receive the anticipated \$1,100,000 in HOME funds, the development's gap in financing would increase but the development's cashflow would also increase to allow for sufficient future cashflow to repay in increased deferred fees required. However, close to 100% of the contractor fees would be required to be deferred, which may not be an acceptable source of gap financing. Therefore, a reevaluation of the transaction would be prudent if the anticipated HOME funds are ultimately not received.

Underwriter:	_____	Date: _____
	<i>D. Burrell</i>	<i>July 7, 2008</i>
Reviewing Underwriter:	_____	Date: _____
	<i>Cameron Dorsey</i>	<i>July 7, 2008</i>
Director of Real Estate Analysis:	_____	Date: _____
	<i>Tom Gouris</i>	<i>July 7, 2008</i>

MULTIFAMILY COMPARATIVE ANALYSIS

Oak Manor / Oak Village Apartments, San Antonio, 9% HTC #08150

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
OAK VILLAGE										
TC 30%/HAP	2	1	1	581	\$307	\$543	1,086	0.93	58.78	49.97
TC 50%/HAP	10	1	1	581	\$513	543	5,432	0.93	58.78	49.97
TC 60%/HAP	16	1	1	581	\$615	543	8,692	0.93	58.78	49.97
TC 60%	2	1	1	581	\$615	556	1,112	0.96	58.78	49.97
TC 30%/HAP	2	2	1	707	\$368	631	1,263	0.89	70.69	64.19
TC 50%/HAP	16	2	1	707	\$615	631	10,101	0.89	70.69	64.19
TC 60%/HAP	24	2	1	707	\$738	631	15,151	0.89	70.69	64.19
TC 60%	2	2	1	707	\$738	667	1,335	0.94	70.69	64.19
TC 30%/HAP	2	3	1	977	\$426	798	1,595	0.82	88.47	84.69
TC 50%/HAP	15	3	1	977	\$711	798	11,963	0.82	88.47	84.69
TC 60%/HAP	25	3	1	977	\$853	798	19,938	0.82	88.47	84.69
TC 60%	2	3	1	977	\$853	765	1,529	0.78	88.47	84.69
TC 50%/HAP	4	4	1.5	1,181	\$793	834	3,336	0.71	105.04	116.38
TC 60%/HAP	6	4	1.5	1,181	\$952	834	5,004	0.71	105.04	116.38
OAK MANOR										
TC 50%/HAP	4	1	1	592	\$513	551	2,205	0.93	58.78	49.97
TC 60%/HAP	6	1	1	592	\$615	551	3,307	0.93	58.78	49.97
TC 30%/HAP	1	1	1	619	\$307	556	556	0.90	58.78	49.97
TC 50%/HAP	3	1	1	619	\$513	556	1,669	0.90	58.78	49.97
TC 60%/HAP	6	1	1	619	\$615	556	3,337	0.90	58.78	49.97
TC 30%/HAP	2	2	1	806	\$368	657	1,315	0.82	70.69	64.19
TC 50%/HAP	12	2	1	806	\$615	657	7,888	0.82	70.69	64.19
TC 60%/HAP	18	2	1	806	\$738	657	11,832	0.82	70.69	64.19
TC 60%	2	2	1	806	\$738	667	1,335	0.83	70.69	64.19
TC 60%	1	2	1	997	\$738	667	667	0.67	70.69	64.19
TC 30%/HAP	2	3	1	1,049	\$426	797	1,593	0.76	88.47	84.69
TC 50%/HAP	13	3	1	1,049	\$711	797	10,355	0.76	88.47	84.69
TC 60%/HAP	21	3	1	1,049	\$853	797	16,727	0.76	88.47	84.69
TC 30%/HAP	1	4	1.5	1,332	\$475	938	938	0.70	105.04	116.38
TC 50%/HAP	3	4	1.5	1,332	\$793	938	2,814	0.70	105.04	116.38
TC 60%/HAP	6	4	1.5	1,332	\$952	938	5,628	0.70	105.04	116.38
TOTAL:	229		AVERAGE:	851		\$697	\$159,702	\$0.82	\$69.60	\$72.80

INCOME				TOTAL Net Rentable Sq Ft: 194,931		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$1,916,425	\$1,915,500	Bexar	San Antonio	9
Secondary Income		Per Unit Per Month:	\$10.00			27,480	27,480	\$10.00	Per Unit Per Month	
Other Support Income:						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$1,943,905	\$1,942,980			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.23%			(101,718)	(97,152)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$1,842,187	\$1,845,828			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.19%	\$417	0.49	\$95,587	\$36,500	\$0.19	\$159	1.98%	
Management		5.00%	402	0.47	92,109	92,220	0.47	403	5.00%	
Payroll & Payroll Tax		13.77%	1,107	1.30	253,585	375,769	1.93	1,641	20.36%	
Repairs & Maintenance		6.15%	495	0.58	113,308	109,300	0.56	477	5.92%	
Utilities		5.86%	472	0.55	107,985	89,000	0.46	389	4.82%	
Water, Sewer, & Trash		6.62%	533	0.63	122,040	117,400	0.60	513	6.36%	
Property Insurance		3.71%	298	0.35	68,282	76,077	0.39	332	4.12%	
Property Tax	2.97137	4.62%	371	0.44	85,055	80,000	0.41	349	4.33%	
Reserve for Replacements		3.73%	300	0.35	68,700	68,700	0.35	300	3.72%	
TDHCA Compliance Fees		0.50%	40	0.05	9,160	9,160	0.05	40	0.50%	
Other: Supportive Services & Security		3.57%	288	0.34	65,857	65,857	0.34	288	3.57%	
TOTAL EXPENSES		58.72%	\$4,723	\$5.55	\$1,081,669	\$1,119,983	\$5.75	\$4,891	60.68%	
NET OPERATING INC		41.28%	\$3,321	\$3.90	\$760,518	\$725,845	\$3.72	\$3,170	39.32%	
DEBT SERVICE										
Evanston Financial / 221(d)4		28.30%	\$2,276	\$2.67	\$521,300	\$552,061	\$2.83	\$2,411	29.91%	
City of San Antonio - HOME Funds		3.20%	\$258	\$0.30	59,003	59,003	\$0.30	\$258	3.20%	
Existing Reserves Loans		5.24%	\$422	\$0.50	96,551	0	\$0.00	\$0	0.00%	
NET CASH FLOW		4.54%	\$365	\$0.43	\$83,664	\$114,781	\$0.59	\$501	6.22%	
AGGREGATE DEBT COVERAGE RATIO					1.12	1.19				
RECOMMENDED DEBT COVERAGE RATIO						1.15				

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)		28.12%	\$26,397	\$31.01	\$6,045,000	\$6,045,000	\$31.01	\$26,397	28.29%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.58%	8,990	10.56	2,058,710	2,058,710	10.56	8,990	9.63%
Direct Construction		29.42%	27,617	32.44	6,324,203	6,199,205	31.80	27,071	29.01%
Contingency	9.85%	3.84%	3,606	4.24	825,791	825,791	4.24	3,606	3.86%
Contractor's Fees	13.79%	5.38%	5,048	5.93	1,156,106	1,156,106	5.93	5,048	5.41%
Indirect Construction		7.63%	7,164	8.42	1,640,500	1,640,500	8.42	7,164	7.68%
Ineligible Costs		2.40%	2,251	2.64	515,549	515,549	2.64	2,251	2.41%
Developer's Fees	11.01%	8.83%	8,292	9.74	1,898,843	1,898,843	9.74	8,292	8.89%
Interim Financing		3.62%	3,400	3.99	778,644	778,644	3.99	3,400	3.64%
Reserves		1.18%	1,108	1.30	253,783	250,000	1.28	1,092	1.17%
TOTAL COST		100.00%	\$93,874	\$110.28	\$21,497,129	\$21,368,348	\$109.62	\$93,312	100.00%
Construction Cost Recap		48.21%	\$45,261	\$53.17	\$10,364,810	\$10,239,812	\$52.53	\$44,715	47.92%

SOURCES OF FUNDS

						RECOMMENDED	
Evanston Financial / 221(d)4	33.49%	\$31,441	\$36.94	\$7,200,000	\$7,200,000	\$6,212,080	Developer Fee Available
City of San Antonio - HOME Funds	5.12%	\$4,803	\$5.64	1,100,000	1,100,000	1,100,000	\$1,898,843
Existing Reserves Loans	8.37%	\$7,860	\$9.23	1,800,000	1,800,000	1,800,000	
Hudson Housing HTC Equity	49.12%	\$46,109	\$54.17	10,558,944	10,558,944	10,558,944	% of Dev. Fee Deferred
Deferred Developer Fees	3.30%	\$3,098	\$3.64	709,404	709,404	1,826,105	96%
Additional (Excess) Funds Req'd	0.60%	\$562	\$0.66	128,781	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$21,497,129	\$21,368,348	\$21,497,129	\$2,456,954

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Oak Manor / Oak Village Apartments, San Antonio, 9% HTC #08150

PAYMENT COMPUTATION

Primary	\$7,200,000	Amort	480
Int Rate	6.75%	DCR	1.46

Secondary	\$1,100,000	Amort	480
Int Rate	4.46%	Subtotal DCR	1.31

Additional	\$1,800,000	Amort	480
Int Rate	4.46%	Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE APPLICANT'S

NOI:

Primary Debt Service + Mortgage Insur	\$477,662
City of San Antonio - HOME Funds	58,244
Existing Reserves Loans	95,308
NET CASH FLOW	\$94,631

Primary	\$6,212,080	Amort	480
Int Rate	6.75%	DCR	1.52

Secondary	\$1,100,000	Amort	480
Int Rate	4.37%	Subtotal DCR	1.35

Additional	\$1,800,000	Amort	480
Int Rate	4.37%	Aggregate DCR	1.15

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	\$1,915,500	\$1,972,965	\$2,032,154	\$2,093,119	\$2,155,912	\$2,499,293	\$2,897,366	\$3,358,841	\$4,514,001
Secondary Income	27,480	28,304	29,154	30,028	30,929	35,855	41,566	48,186	64,758
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,942,980	2,001,269	2,061,307	2,123,147	2,186,841	2,535,148	2,938,932	3,407,027	4,578,760
Vacancy & Collection Loss	(97,152)	(104,720)	(107,861)	(111,097)	(114,430)	(132,656)	(153,784)	(178,278)	(239,591)
Employee or Other Non-Rental Ur	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,845,828	\$1,896,550	\$1,953,446	\$2,012,050	\$2,072,411	\$2,402,492	\$2,785,147	\$3,228,749	\$4,339,169
EXPENSES at 4.00%									
General & Administrative	\$36,500	\$37,960	\$39,478	\$41,058	\$42,700	\$51,951	\$63,206	\$76,900	\$113,831
Management	92,220	94,754	97,597	100,525	103,540	120,032	139,150	161,313	216,791
Payroll & Payroll Tax	375,769	390,800	406,432	422,689	439,597	534,836	650,710	791,689	1,171,893
Repairs & Maintenance	109,300	113,672	118,219	122,948	127,866	155,568	189,272	230,279	340,869
Utilities	89,000	92,560	96,262	100,113	104,117	126,675	154,119	187,510	277,560
Water, Sewer & Trash	117,400	122,096	126,980	132,059	137,341	167,097	203,299	247,344	366,130
Insurance	76,077	79,120	82,285	85,576	88,999	108,281	131,741	160,283	237,258
Property Tax	80,000	83,200	86,528	89,989	93,589	113,865	138,534	168,548	249,492
Reserve for Replacements	68,700	71,448	74,306	77,278	80,369	97,782	118,966	144,741	214,251
Other	75,017	78,018	81,138	84,384	87,759	106,773	129,905	158,050	233,952
TOTAL EXPENSES	\$1,119,983	\$1,163,628	\$1,209,225	\$1,256,618	\$1,305,878	\$1,582,859	\$1,918,903	\$2,326,654	\$3,422,025
NET OPERATING INCOME	\$725,845	\$732,922	\$744,221	\$755,431	\$766,533	\$819,634	\$866,245	\$902,095	\$917,143
DEBT SERVICE									
First Lien Financing	\$477,662	\$477,517	\$477,361	\$477,194	\$477,015	\$475,918	\$474,383	\$472,232	\$465,006
Second Lien	58,244	58,244	58,244	58,244	58,244	58,244	58,244	58,244	58,244
Other Financing	95,308	95,308	95,308	95,308	95,308	95,308	95,308	95,308	95,308
NET CASH FLOW	\$94,631	\$101,854	\$113,309	\$124,686	\$135,966	\$190,163	\$238,310	\$276,311	\$298,586
DEBT COVERAGE RATIO	1.15	1.16	1.18	1.20	1.22	1.30	1.38	1.44	1.48

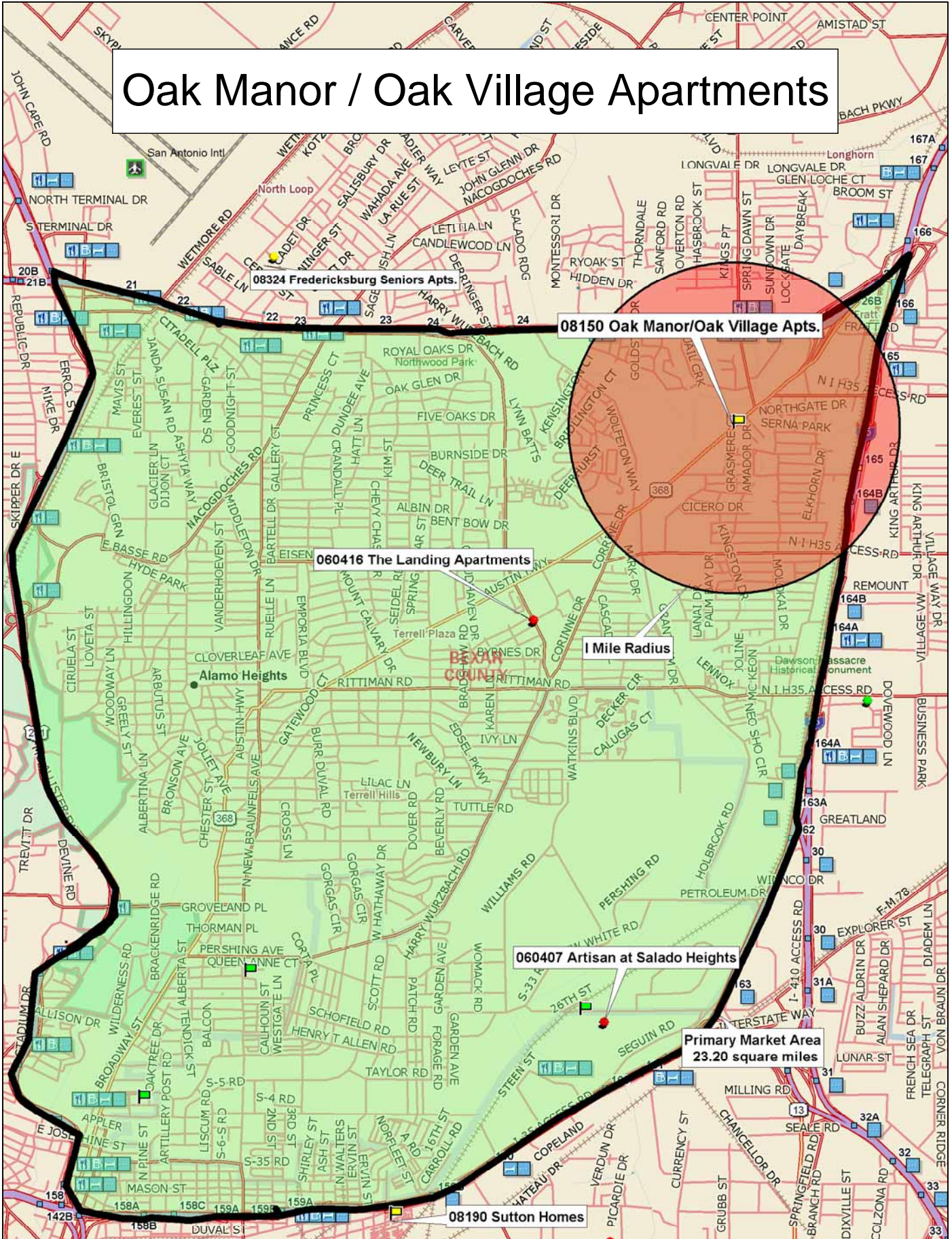
HTC ALLOCATION ANALYSIS -Oak Manor / Oak Village Apartments, San Antonio, 9% HTC #08150

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$820,000	\$1,582,270				
Purchase of buildings	\$5,225,000	\$4,462,730	\$5,225,000	\$4,462,730		
Off-Site Improvements						
Sitework	\$2,058,710	\$2,058,710			\$2,058,710	\$2,058,710
Construction Hard Costs	\$6,199,205	\$6,324,203			\$6,199,205	\$6,324,203
Contractor Fees	\$1,156,106	\$1,156,106			\$1,156,106	\$1,156,106
Contingencies	\$825,791	\$825,791			\$825,791	\$825,791
Eligible Indirect Fees	\$1,640,500	\$1,640,500			\$1,640,500	\$1,640,500
Eligible Financing Fees	\$778,644	\$778,644			\$778,644	\$778,644
All Ineligible Costs	\$515,549	\$515,549				
Developer Fees						
Developer Fees	\$1,898,843	\$1,898,843			\$1,898,843	\$1,898,843
Development Reserves	\$250,000	\$253,783				
TOTAL DEVELOPMENT COSTS	\$21,368,348	\$21,497,129	\$5,225,000	\$4,462,730	\$14,557,799	\$14,682,797

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$5,225,000	\$4,462,730	\$14,557,799	\$14,682,797
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$5,225,000	\$4,462,730	\$18,925,139	\$19,087,636
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$5,225,000	\$4,462,730	\$18,925,139	\$19,087,636
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$185,488	\$158,427	\$1,574,572	\$1,588,091

Syndication Proceeds	0.8799	\$1,632,127	\$1,394,017	\$13,854,844	\$13,973,806
Total Tax Credits (Eligible Basis Method)				\$1,760,059	\$1,746,518
Syndication Proceeds				\$15,486,971	\$15,367,824
Requested Tax Credits				\$1,200,000	
Syndication Proceeds				\$10,558,944	
Gap of Syndication Proceeds Needed				\$12,256,268	\$12,385,049
Total Tax Credits (Gap Method)				\$1,392,897	\$1,407,533

Oak Manor / Oak Village Apartments

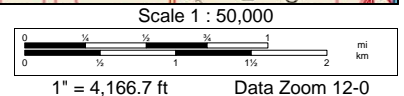


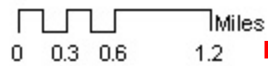
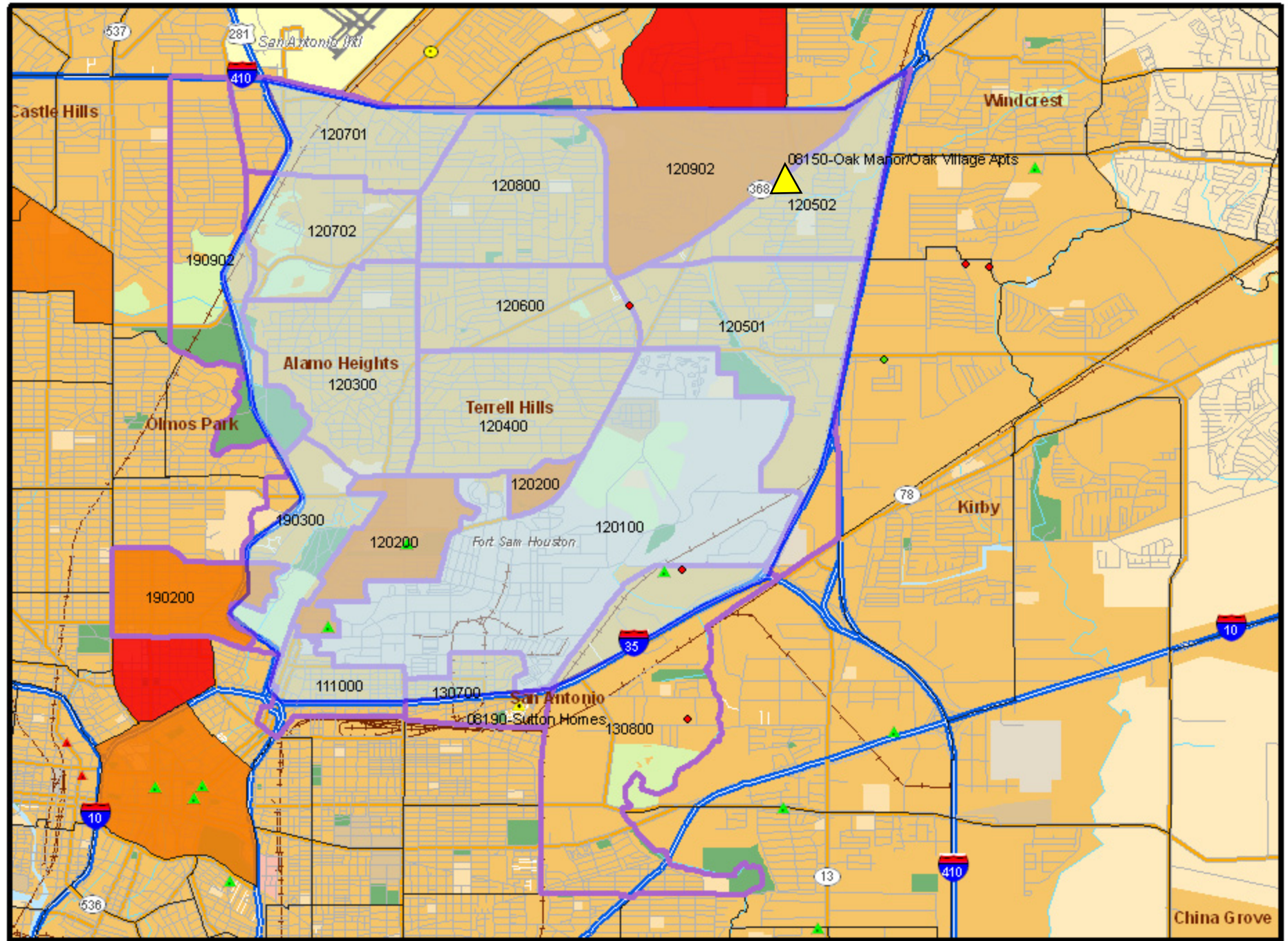
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TN
 MN (5.3°E)
 Page 18 of 19





Concentration Key
 Red Tracts: > 1432 units/sq.mi.
 Orange Tracts: 1000 to 1432 units/sq.mi.

08150 - Oak Manor / Oak Village Apts

Applicant Evaluation

Project ID # **08150**

Name: **Oak Manor/Oak Village Apts**

City: **San Antonio**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 9

Projects in Material Noncompliance

Yes No

Projects 0-9: 6

Total # of MF awards not yet monitored or pending review: 3

Projects grouped by score 10-19: 3

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 9

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/15/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/17/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/23/2008

Comments (if applicable):

Loan #530707003 TG 303, Inc.: Delinquent Loan - Ref'd to Enforcement - Waiting on HUD info to clear from Bert Murray.

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Parkview Terrace, TDHCA Number 08151

BASIC DEVELOPMENT INFORMATION

Site Address: 211 W. Audrey Development #: 08151
 City: Pharr Region: 11 Population Served: General
 County: Hidalgo Zip Code: 78577 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: PHDC Parkview Terrace, Ltd.
 Owner Contact and Phone: J. Fernando Lopez, (956) 783-1316
 Developer: Brownstone Affordable Housing, Ltd.
 Housing General Contractor: Brownstone Construction, Ltd.
 Architect: Brownstone Architects & Planners, Inc.
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: Leslie Holleman & Associates, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	100
	5 0 35 60	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 28 44 28 0 0	Total Development Units:	100
Type of Building:		Total Development Cost*:	\$10,761,573
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	20
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$985,000	\$985,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Parkview Terrace, TDHCA Number 08151

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S

Points: 14 US Representative: Hinojosa, District 15, NC

TX Representative: Flores, District 36, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Dr. Daniel P. King, Superintendent

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Parkview Terrace Resident Council, Veronica Padilla

Letter Score: 24 S or O: S

This new development will replace old obsolete housing with new affordable housing with better amenities and services for the tenants.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by commitment, of documentation verifying the appropriate rezoning of the site for the use as planned.
2. Receipt, review, and acceptance, by cost certification, of evidence that the Phase I ESA recommendations regarding asbestos and any subsequent environmental report recommendations (inclusive of any recommendations regarding lead based paint) have been carried out.
3. Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed public housing operating subsidy for 30 of the 100 units.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
6. Receipt of a commitment of funding from the Housing Authority of the City of Pharr for funds in the amount of \$594,288, or a commitment from a qualifying substitute source in an amount not less than \$538,079, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Parkview Terrace, TDHCA Number 08151

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **214** Meeting a Required Set-Aside Credit Amount*: \$985,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/22/08 PROGRAM: HTC 9% FILE NUMBER: 08151

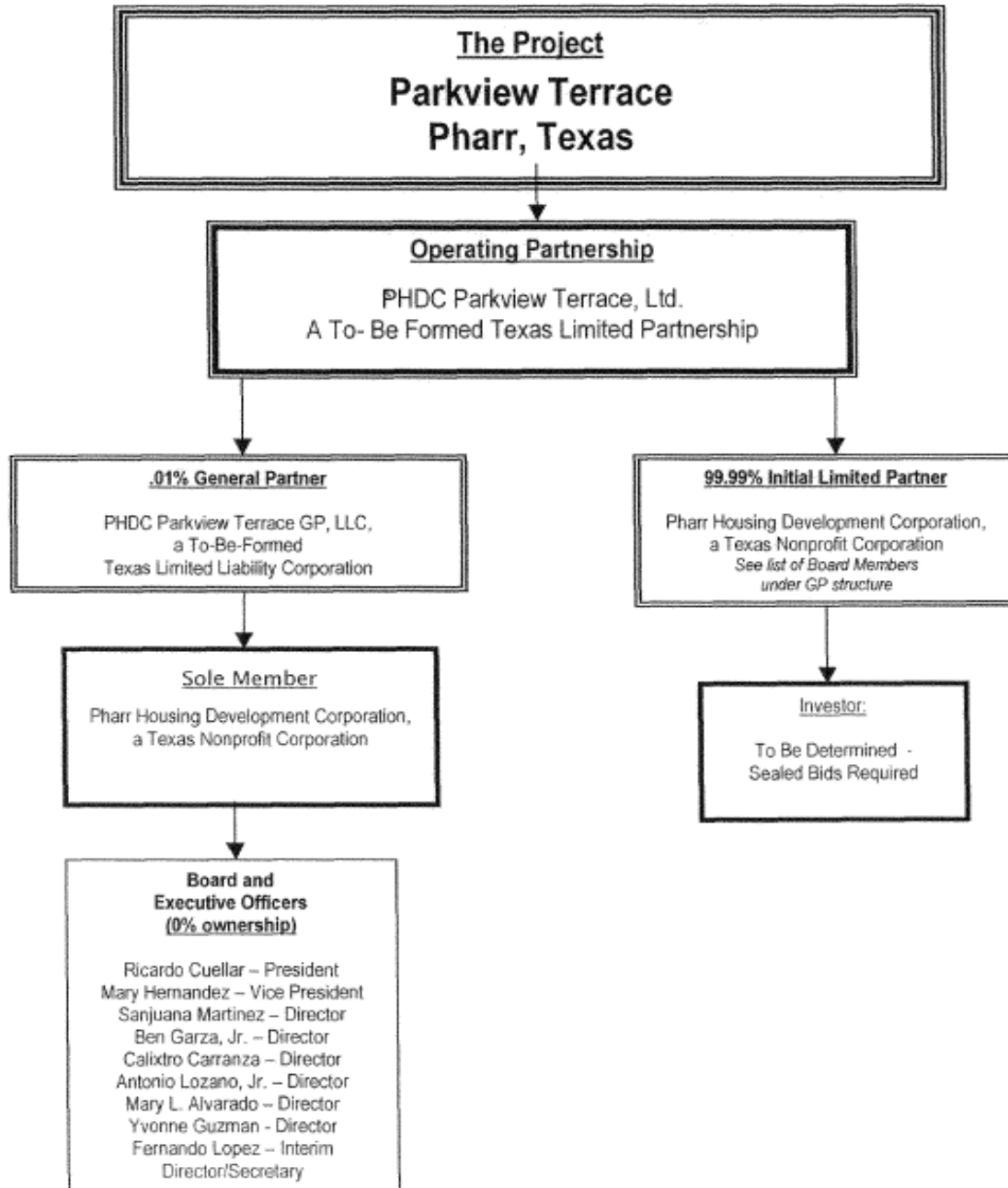
DEVELOPMENT																					
Parkview Terrace																					
Location: 211 W. Audrey Street					Region: 11																
City: Pharr	County: Hidalgo	Zip: 78577	<input type="checkbox"/> OCT	<input checked="" type="checkbox"/> DDA																	
Key Attributes: Family, Urban, Reconstruction																					
ALLOCATION																					
	REQUEST			RECOMMENDATION																	
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term															
Housing Tax Credit (Annual)	\$985,000			\$985,000																	
CONDITIONS																					
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, by commitment, of documentation verifying the appropriate rezoning of the site for the use as planned. 2 Receipt, review, and acceptance, by cost certification, of evidence that the Phase I ESA recommendations regarding asbestos and any subsequent environmental report recommendations (inclusive of any recommendations regarding lead based paint) have been carried out. 3 Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed public housing operating subsidy for 30 of the 100 units. 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old. 5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted. 																					
SALIENT ISSUES																					
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">35</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	5	50% of AMI	50% of AMI	35	60% of AMI	60% of AMI	60
TDHCA SET-ASIDES for LURA																					
Income Limit	Rent Limit	Number of Units																			
30% of AMI	30% of AMI	5																			
50% of AMI	50% of AMI	35																			
60% of AMI	60% of AMI	60																			
PROS			CONS																		
<ul style="list-style-type: none"> ◦ This is the reconstruction of a 40 year old affordable housing development. 			<ul style="list-style-type: none"> ◦ The re-development of this property will result in the elimination of 70 public housing units (PHU's). ◦ The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio significantly over 65%. The public housing subsidy will offset the impact of volatile expenses on 30% of the units. 																		

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: J. Fernando Lopez Phone: (956) 783-1316 Fax: (956) 783-0955
Email: fernando@pharrha.com

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KEY PARTICIPANTS

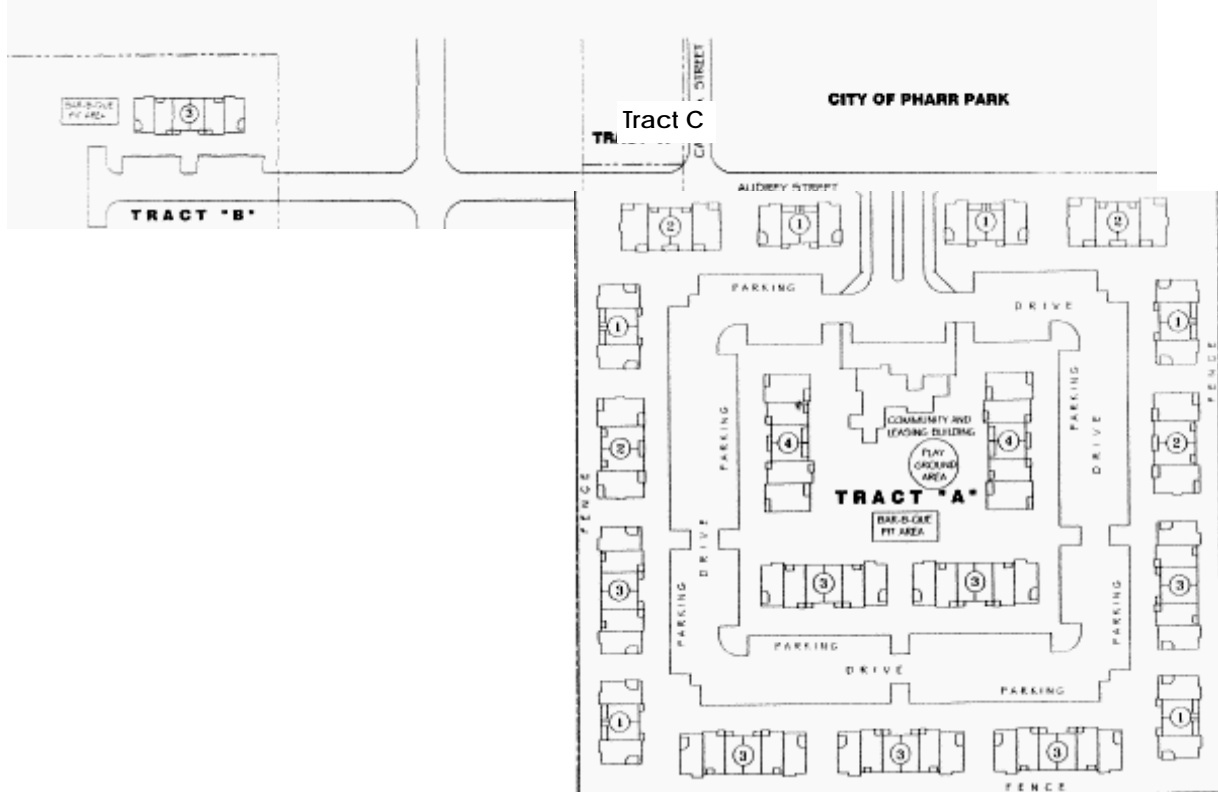
Name	Financial Status	# Completed Developments
Pharr Housing Development Corp.	N/A	3
Brownstone Affordable Housing, Ltd.	N/A	6
Three B Ventures, Inc.	N/A	6
J. Fernando Lopez	N/A	3
William Brown	N/A	6
Doak Brown	N/A	6

IDENTITIES of INTEREST

- o The Applicant, Developer, General Contractor, and Architect are related entities. These are common relationships for HTC-funded developments.
- o The current owner is regarded as a related party due to the proposed long-term lease of the site and the on-going related partnership interest.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	2	2	2	2							
Number	6	4	8	2							20

BR/BA	SF	Units								Total Units	Total SF
1/1	750	2		2						28	21,000
2/1	980		2		2					12	11,760
2/1.5	980	2		2	2					32	31,360
3/2	1,150		2	2	2					28	32,200
Units per Building		4	4	6	6					100	96,320

Reconstruction:

The subject site currently has a 40+ year old 100 unit Public Housing Complex which will be demolished and reconstructed. The existing units were constructed with federal funds, and the demolition and reconstruction will be approved by HUD. The Applicant has proposed demolition of the existing structures and construction of 20 new residential buildings each with four to six one and two story townhome units. The outer units of all 20 proposed buildings will be the one story units.

Thirty (30) of the 100 units will be public housing units (PHU's) that will be receiving an operating subsidy. The Applicant has an Operating Subsidy Agreement that states the Applicant will enter into a Regulatory and Operating Agreement with the Pharr Housing Authority. The operating subsidies for the public housing units will commence upon completion of the public housing units and the term will be for 40 years. The displaced families will be provided vouchers for relocation from either a new allocation from HUD, or from the Housing Authority's current voucher allocation (no HUD approval required). The Applicant has included the value of this in-kind assistance as a use of funds in the development cost schedule and as a source of funds.

Relocation Plan:

Families occupying the 100 units to be demolished will be provided a notice of HUD approval of the demolition, their need to relocate, and relocation and other assistance available. The Housing Authority will make available public housing units that may be vacant at the time of relocation, and to the extent necessary, the Housing Authority will coordinate relocation with Housing Authorities in adjoining and nearby cities and the Hidalgo County Housing Authority. Residents will be reimbursed for actual and reasonable relocation expenses.

SITE ISSUES

Total Size:	<u>12.57</u> acres	Scattered site?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
Flood Zone:	<u>B</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>R-2</u>	Needs to be re-zoned?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A

Comments:

The subject site is currently zoned R-2, Two Family Residential District; however, the Applicant has applied for a zoning change to R-4, High Density Multi-Family Residential District. The zoning change will allow a town home or apartment complex within the city's requirements. Receipt, review, and acceptance by commitment, of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

The site is divided into three (3) tracts. Tract A is the main tract and is located along Audrey Street, south of the Victor Garcia Municipal Park. Tract B is located just west of Tract A and is separated by private single family residences. Tract C is located along Camellia Street, west of the Victor Garcia Municipal Park. Accessibility to Tracts A&B is from W. Audrey Street and Tract C is accessible from Camellia Street and Polk Avenue. Tract C does not appear to have any improvements planned for it.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/29/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

Tract A:

North:	<u>Victor Garcia Municipal Park</u>	East:	<u>Businesses and Offices</u>
South:	<u>Single Family Residences</u>	West:	<u>Single Family Residences</u>

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Tract B:
 North: Church East: Single Family Residences
 South: Single Family Residences West: Undeveloped Land

Tract C:
 North: Single Family Residences East: Victor Garcia Municipal Park
 South: Tract A of Subject Property Church

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services, Inc. Date: 2/5/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- According to the ESA provided, a limited asbestos inspection was performed by the inspector and that based on the age of construction the presence of asbestos containing materials is likely and suspect materials were noted. The ESA states, "As repair or renovation plans require removal or disturbance of these suspect building materials/finishes and in adherence with the Texas Asbestos Health Protection Rules (TAHPR) a Texas licensed Asbestos Inspector (i.e. Astex) must be called to conduct a comprehensive asbestos survey of the subject site" (p. 10).
- Regarding Lead Based Paint, the ESA states that testing for LBP was not part of the Scope of Work. A recommendation regarding presence of Lead Based Paint is required by Department rules. Therefore, receipt, review, and acceptance, by commitment, of a recommendation regarding lead based paint from the ESA provider is a condition of this report.

Comments:

Receipt, review, and acceptance, by cost certification, of evidence that the Phase I ESA recommendations regarding asbestos and any subsequent environmental report recommendations (inclusive of any recommendations regarding lead based paint) have been carried out, is a condition of this report.

MARKET HIGHLIGHTS

Provider: The Gerald A. Teel Company, Inc. Date: 3/27/2008
 Contact: Tim Treadway Phone: (713) 467-5858 Fax: (713) 467-0704
 Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 31.22 square miles (3.16 mile radius)

The primary market area is considered the City of Pharr and immediate surrounding areas, including much of McAllen and San Juan. This includes the following Census Tracts: 48215020901, 4821502902, 48215021000, 48215021201, 48215021202, 482150214401, 48215021402, 48215021500, 48215021600, 48215012700, 48215021801, 48215021802.

Secondary Market Area (SMA):

"The secondary market would be the adjoining communities neighboring Pharr, including portions of McAllen, Mission, Edinburg, San Juan and Alamo, if applicable. (p. 4)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Alamo Village Apts	#05074	56	0	N/A			
Sunset Terrace	#07183	100	0				

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Comments:

The Alamo Village and Sunset Terrace Apartments listed above are located in the PMA of the subject property; however, the units are not included in the capture rate calculations because Alamo Village is an acquisition/rehabilitation development that was over 98% occupied before its renovations and Sunset Terrace was a reconstruction development that already had tenants before its reconstruction.

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,500	\$10,850	\$12,200	\$13,550	\$14,650	\$15,700
50	\$15,800	\$18,100	\$20,350	\$22,600	\$24,400	\$26,200
60	\$18,960	\$21,720	\$24,420	\$27,120	\$29,280	\$31,440

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30%	145	10	0	155	1	0	0.65%
2BR/30%	99	14	0	113	2	0	1.77%
3BR/30%	121	6	0	127	2	0	1.57%
1BR/50%	118	46	0	164	8	0	4.88%
2BR/50%	147	1	0	148	20	0	13.51%
3BR/50%	144	10	0	154	7	0	4.55%
1BR/60%	131	0	0	131	19	0	14.50%
2BR/60%	117	3	0	120	22	0	18.33%
3BR/60%	152	5	0	157	19	0	12.10%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. Add	100%	27,419	86%	23,690	46%	10,826	32%	3,464	55%	1,905
Underwriter		100%	27,451	86%	23,718	32%	7,552	32%	2,417	55%	1,329
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. Add			86%	934	46%	427	32%	137	86%	117
Underwriter				86%	912	32%	251	32%	80	100%	80

INCLUSIVE CAPTURE RATE							
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst	p.	100	0	0	100	2,023	4.94%
Underwriter		100	0	0	100	1,409	7.09%

Comments:

An inclusive capture rate was also calculated using HISTA Data information with the resulting rate being 36%. This capture rate is beyond the Department's acceptable rate of 25%; however, this method is not being used by the Underwriter for making a recommendation, the traditional method is being used to make a recommendation. Additionally, the property is currently occupied and it is likely that a significant number of the existing tenants will choose to live at the property after completion of the reconstruction. Therefore, the capture rate in this case is less significant.

Primary Market Occupancy Rates:

"Occupancies are stabilized in the data sample, with the existing product that was surveyed reporting occupancy levels ranging from 57% to 98%, with an average of just over 87%; however, the five stabilized projects show an average of 94%." (p. 97)

Absorption Projections:

"Absorption has been examined in various scenarios, with a projected rate of about 5 to 7 units per month if available for lease up at this time." (p. 97)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 750 SF 30%/PHU	\$100	\$201	\$665	\$100	\$565		
1 BR 750 SF 50%/PHU	\$100	\$308	\$665	\$100	\$565		
1 BR 750 SF 60%	\$446	\$446	\$665	\$446	\$219		
2 BR 980 SF 30%/PHU	\$125	\$240	\$770	\$125	\$645		
2 BR 980 SF 50%/PHU	\$125	\$436	\$770	\$125	\$645		
2 BR 980 SF 50%	\$436	\$436	\$785	\$436	\$349		
2 BR 980 SF 60%	\$534	\$534	\$785	\$534	\$251		
3 BR 1,150 SF 30%/PHU	\$150	\$276	\$925	\$150	\$775		
3 BR 1,150 SF 50%/PHU	\$150	\$502	\$925	\$150	\$775		
3 BR 1,150 SF 60%	\$616	\$616	\$925	\$616	\$309		

Market Impact:

"...there is an abundance of older, outdated product in the market, which is not performing as well as the newer high grade product. This is not unexpected, as much of the product is older, and less desirable than the newer more modern product. It is probable that the newer replacement product will likely still continue to pull tenants out of the aging old product in declining locations." (p. 96)

Comment:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 71 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 95 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's current rent schedule reflects that 70% of the units are tax credit units with projected rents collected per unit calculated by subtracting tenant-paid utilities (as maintained by the Housing Authority of the City of Pharr) from the 2008 housing tax credit program rent limits. Tenants will be required to pay all electrical costs. The remaining 30 units (inclusive of all units affordable at 30% of AMI) will be considered public housing units (PHUs). In order to more accurately estimate income, the Underwriter has set the development's public housing unit rents, based on the average income for public housing tenants, lower than the maximum rents allowed under HTC guidelines.

This section intentionally left blank.

On the 30 public housing units discussed above, the Pharr Housing Authority has executed an Operating Subsidy Agreement whereby they have agreed to pay an annual operating subsidy equal to the difference between operating expenses for the units and the amount of rent for tenants earning less than 60% of Area Media Family Income (AMFI), but in no event can it exceed the operating subsidy paid to the Housing Authority by HUD. In calculating income, the subsidy will be equal to the public housing units prorated share of expenses less the tenant contribution and no debt can be serviced by the public housing units.

The Applicant's secondary income and vacancy and collection loss reflect current TDHCA underwriting guidelines. However, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of vacancy and collection loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as Public Housing Units. This change results in a total vacancy and collection loss rate of 5.25% of the development's potential gross income. Despite these differences, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,454 per unit is not within 5% of the Underwriter's estimate of \$3,195, derived from the TDHCA database, and third-party data sources. The Applicant's budget shows water, sewer & trash to be \$33K higher, and property insurance to be \$11K lower when compared to the database averages.

The Underwriter is assuming the 100% property tax exemption as proposed by the Applicant. This will be achieved through a long-term lease of the property for 50 years by the Applicant from the Pharr Housing Authority. The Applicant has estimated nominal annual property taxes of \$10 as a result of the proposed ownership structure and ground lease of the property.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are not within 5% of the Underwriter's; therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's Year One proforma results in a debt coverage ratio above the Department's 1.35 maximum. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised annual debt service estimate were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. It should also be noted that both the Applicant and Underwriter's proforma reflect a high expense to income ratio, and the Applicant's estimate at 67.71% is above the 65% maximum guideline in 10TAC §1.32(i)(4); however the rule allows for mitigation of this concern in the form of an ongoing operating subsidy. Therefore with the proposed operating subsidy, the operating proforma is acceptable.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	12.6 acres	<u>\$930,442</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>\$5,048,210</u>	Valuation by:	<u>Hidalgo CAD</u>
Total Assessed Value:		<u>\$5,978,652</u>	Tax Rate:	<u>2.73152</u>

EVIDENCE of PROPERTY CONTROL

Type: Contract for Lease Acreage: 12.6
 Contract Expiration: 3/1/2009 Valid Through Board Date? Yes No
 Lease Costs: \$10 per year (50 years) Other: This will be a long-term lease.
 Owner: Housing Authority of Pharr Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2008

Acquisition Value:

The Applicant will lease the subject property from the Housing Authority of the City of Pharr under a fifty (50) year ground lease at the rate of \$10 per year. The Pharr Housing Authority is an affiliate of the general partner. This lease will allow the Applicant to derive the benefits of a 100% property tax exemption for the operation of this affordable housing development. Neither the Applicant nor the Underwriter has included any acquisition cost in the total development cost .

Sitework Cost:

The Applicant's claimed sitework costs of \$8,895 per unit under eligible basis are within current Department guidelines. This is an unusually high amount for a reconstruction on a site that has been previously developed; however, the Applicant provided substantiation by a third party architect although they were not required to do so based upon the amount claimed for site work cost under eligible basis. It should be noted, that the Applicant did however estimate a demolition cost of \$350,000 in site work cost, but this item was allocated to the ineligible cost line item by both the Applicant and the Underwriter.

Direct Construction Cost:

The Applicant's direct construction cost is \$118K or 2% lower than the Underwriter's Marshall and Swift Residential Cost Handbook-derived estimate.

Conclusion:

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 \$9,108,035 supports annual tax credits of \$985,125. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2008

Source: PNC Bank Type: Interim to Permanent Financing

Interim: \$1,500,000 Interest Rate: 7.5% Fixed Term: 24 months

Permanent: \$1,500,000 Interest Rate: 7.5% Fixed Term: 360 months

Source: PNC Bank Type: Interim Financing

Principal: \$4,200,000 Interest Rate: 7.5% Fixed Amort: 24 months

Comments:

Terms of the loan are a floating rate to be determined at Underwriting (underwritten at 7.5%), a 1.5% origination fee, and a 24-month term. The final loan amount is to be based on 85% of the MAI Appraised Value, including the tax credits.

Source: Pharr Housing Authority Type: Relocation Vouchers

Principal: \$594,288 Conditions: _____

Comments:

"The Pharr Housing Authority will provide vouchers to provide relocation assistance for the 100 families residing at Parkview Terrace. The 100 displaced families will be provided vouchers from either a new allocation of vouchers from HUD, or from the Housing Authority's current voucher allocation (no HUD approval required). As these families are current Public Housing residents, the Project Owner is responsible for their relocation and housing during the period the project is under development. This voucher assistance represents an "in-kind contribution to the development and will provide a direct reduction to the Total Development Cost." (Application Financing Narrative)

Source: PNC Multifamily Capital Type: Syndication

Proceeds: \$8,273,173 Syndication Rate: 84% Anticipated HTC: \$ 985,000

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer fee, and any decrease below \$0.749 per credit dollar may jeopardize the financial feasibility of the deal. Alternatively, should the final credit price increase to more than \$0.862, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$394,112 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35 excluding any debt service for the public housing units. The underwriting analysis assumes an increase in the permanent loan amount to \$1,667,289 based on the terms reflected in the application materials. As a result, the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$1,667,289 and in-kind donation of \$594,288 indicates the need for \$8,499,996 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,012,005 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$985,000), the gap-driven amount (\$1,012,005), and eligible basis-derived estimate (\$985,125), the Applicant's request of \$985,000 is recommended.

The Underwriter's recommended financing structure indicates the need for \$226,823 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within five years of stabilized operation.

Underwriter:	_____	Date:	July 22, 2008
	<i>D. Burrell</i>		
Reviewing Underwriter:	_____	Date:	July 22, 2008
	<i>Diamond Unique Thompson</i>		
Director of Real Estate Analysis:	_____	Date:	July 22, 2008
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Parkview Terrace, Pharr, HTC 9% #08151

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC30/PHU	1	1	1	750	\$245	\$100	\$100	\$0.13	\$43.50	\$26.75
TC50/PHU	8	1	1	750	\$408	\$100	\$800	\$0.13	\$43.50	\$26.75
TC60	19	1	1	750	\$490	\$447	\$8,484	\$0.60	\$43.50	\$26.75
TC30/PHU	2	2	1	980	\$295	\$125	\$250	\$0.13	\$54.00	\$28.75
TC50/PHU	10	2	1	980	\$490	\$125	\$1,250	\$0.13	\$54.00	\$28.75
TC50	10	2	1.5	980	\$490	\$436	\$4,360	\$0.44	\$54.00	\$28.75
TC60	22	2	1.5	980	\$588	\$534	\$11,748	\$0.54	\$54.00	\$28.75
TC30/PHU	2	3	2	1,150	\$340	\$150	\$300	\$0.13	\$64.00	\$30.50
TC50/PHU	7	3	2	1,150	\$566	\$150	\$1,050	\$0.13	\$64.00	\$30.50
TC60	19	3	2	1,150	\$680	\$616	\$11,704	\$0.54	\$64.00	\$30.50
TOTAL:	100		AVERAGE:	963		\$400	\$40,046	\$0.42	\$53.86	\$28.68

INCOME				Total Net Rentable Sq Ft:	96,320	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$480,546	\$480,432	Hidalgo		11
Secondary Income		Per Unit Per Month:	\$4.40			5,280	5,280	\$4.40	Per Unit Per Month	
Other Support Income: Public Housing Operating Subsidy						50,840	66,504	\$55.42	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$536,666	\$552,216			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.25%			(28,175)	(41,412)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$508,491	\$510,804			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI		
General & Administrative	6.28%	\$319	0.33			\$31,937	\$32,900	\$0.34	\$329	6.44%
Management	5.00%	254	0.26			25,425	25,540	0.27	255	5.00%
Payroll & Payroll Tax	19.39%	986	1.02			98,606	91,412	0.95	914	17.90%
Repairs & Maintenance	8.70%	443	0.46			44,253	51,600	0.54	516	10.10%
Utilities	3.18%	162	0.17			16,158	18,000	0.19	180	3.52%
Water, Sewer, & Trash	6.77%	344	0.36			34,416	67,200	0.70	672	13.16%
Property Insurance	5.80%	295	0.31			29,471	18,000	0.19	180	3.52%
Property Tax	2.73152%	0	0.00			0	10	0.00	0	0.00%
Reserve for Replacements	4.92%	250	0.26			25,000	26,500	0.28	265	5.19%
TDHCA Compliance Fees	0.79%	40	0.04			4,000	4,000	0.04	40	0.78%
Other: Supportive Services, Security	2.01%	102	0.11			10,200	10,200	0.11	102	2.00%
TOTAL EXPENSES	62.83%	\$3,195	\$3.32			\$319,465	\$345,362	\$3.59	\$3,454	67.61%
NET OPERATING INC	37.17%	\$1,890	\$1.96			\$189,025	\$165,442	\$1.72	\$1,654	32.39%
DEBT SERVICE										
PNC Bank	24.75%	\$1,259	\$1.31			\$125,859	\$125,859	\$1.31	\$1,259	24.64%
Additional Financing	0.00%	\$0	\$0.00			0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00			0		\$0.00	\$0	0.00%
NET CASH FLOW	12.42%	\$632	\$0.66			\$63,167	\$39,583	\$0.41	\$396	7.75%
AGGREGATE DEBT COVERAGE RATIO						1.50	1.31			
RECOMMENDED DEBT COVERAGE RATIO						1.35				

CONSTRUCTION COST										
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bldg)		0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%	
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%	
Sitework		8.20%	8,895	9.23	889,500	889,500	9.23	8,895	8.27%	
Direct Construction		45.90%	49,813	51.72	4,981,338	4,863,000	50.49	48,630	45.19%	
Contingency	4.90%	2.65%	2,876	2.99	287,625	287,625	2.99	2,876	2.67%	
Contractor's Fees	13.72%	7.42%	8,054	8.36	805,350	805,350	8.36	8,054	7.48%	
Indirect Construction		5.95%	6,455	6.70	645,500	645,500	6.70	6,455	6.00%	
Ineligible Costs		13.23%	14,360	14.91	1,436,038	1,436,038	14.91	14,360	13.34%	
Developer's Fees	14.78%	10.95%	11,880	12.33	1,188,005	1,188,005	12.33	11,880	11.04%	
Interim Financing		3.95%	4,291	4.45	429,055	429,055	4.45	4,291	3.99%	
Reserves		1.75%	1,903	1.98	190,350	217,500	2.26	2,175	2.02%	
TOTAL COST		100.00%	\$108,528	\$112.67	\$10,852,761	\$10,761,573	\$111.73	\$107,616	100.00%	
Construction Cost Recap		64.17%	\$69,638	\$72.30	\$6,963,813	\$6,845,475	\$71.07	\$68,455	63.61%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
PNC Bank	13.82%	\$15,000	\$15.57		\$1,500,000	\$1,500,000	\$1,667,289		Developer Fee Available	
Additional Financing	0.00%	\$0	\$0.00		0	0	0		\$1,188,005	
Pharr HA- Relocation Vouchers	5.48%	\$5,943	\$6.17		594,288	594,288	594,288			
HTC Syndication Proceeds	76.23%	\$82,732	\$85.89		8,273,173	8,273,173	8,273,173		% of Dev. Fee Deferred	
Deferred Developer Fees	3.63%	\$3,941	\$4.09		394,112	394,112	226,823		19%	
Additional (Excess) Funds Req'd	0.84%	\$912	\$0.95		91,188	0	0		15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$10,852,761	\$10,761,573	\$10,761,573		\$1,129,496	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Parkview Terrace, Pharr, HTC 9% #08151

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$62.32	\$6,002,741
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
9-Ft. Ceilings	3.00%		1.87	180,082
Roofing			0.00	0
Subfloor			(1.24)	(118,955)
Floor Cover			3.13	301,231
Breezeways/Balconies	\$31.31	11,160	3.63	349,364
Plumbing Fixtures	\$965	(120)	(1.20)	(115,800)
Rough-ins	\$425	100	0.44	42,500
Built-In Appliances	\$2,425	100	2.52	242,500
Interior Stairs	\$1,575	60	0.98	94,500
Enclosed Corridors	\$52.40		0.00	0
Heating/Cooling			1.90	183,008
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$72.63	3,061	2.31	222,320
Other: fire sprinkler	\$1.95	96,320	1.95	187,824
SUBTOTAL			78.61	7,571,315
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.81		(14.94)	(1,438,550)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.67	\$6,132,765
Plans, specs, survy, bid prm	3.90%		(\$2.48)	(\$239,178)
Interim Construction Interest	3.38%		(2.15)	(206,981)
Contractor's OH & Profit	11.50%		(7.32)	(705,268)
NET DIRECT CONSTRUCTION COSTS			\$51.72	\$4,981,338

PAYMENT COMPUTATION

Primary	\$1,500,000	Amort	360
Int Rate	7.50%	DCR	1.50

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.50

Additional	\$8,273,173	Amort	0
Int Rate	0.00%	Aggregate DCR	1.50

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$139,895
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$49,130

Primary	\$1,667,289	Amort	360
Int Rate	7.50%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$8,273,173	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$480,546	\$494,962	\$509,811	\$525,106	\$540,859	\$627,004	\$726,869	\$842,640	\$1,132,438
Secondary Income	5,280	5,438	5,602	5,770	5,943	6,889	7,986	9,259	12,443
Other Support Income: Public H	50,840	52,803	54,843	56,963	59,165	80,964	107,792	140,741	233,102
POTENTIAL GROSS INCOME	536,666	553,204	570,256	587,838	605,966	714,857	842,647	992,640	1,377,983
Vacancy & Collection Loss	(28,175)	(29,043)	(29,938)	(30,861)	(31,813)	(37,530)	(44,239)	(52,114)	(72,344)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$508,491	\$524,161	\$540,318	\$556,976	\$574,153	\$677,327	\$798,408	\$940,526	\$1,305,639
EXPENSES at 4.00%									
General & Administrative	\$31,937	\$33,214	\$34,543	\$35,925	\$37,362	\$45,456	\$55,305	\$67,286	\$99,600
Management	25,425	26,208	27,016	27,849	28,708	33,866	39,920	47,026	65,282
Payroll & Payroll Tax	98,606	102,551	106,653	110,919	115,355	140,348	170,754	207,749	307,519
Repairs & Maintenance	44,253	46,023	47,864	49,778	51,769	62,985	76,631	93,233	138,008
Utilities	16,158	16,804	17,476	18,176	18,903	22,998	27,980	34,042	50,391
Water, Sewer & Trash	34,416	35,793	37,224	38,713	40,262	48,985	59,597	72,509	107,332
Insurance	29,471	30,650	31,876	33,151	34,477	41,947	51,034	62,091	91,910
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Other	14,200	14,768	15,359	15,973	16,612	20,211	24,590	29,917	44,285
TOTAL EXPENSES	\$319,465	\$332,011	\$345,051	\$358,605	\$372,694	\$452,378	\$549,104	\$666,526	\$982,293
NET OPERATING INCOME	\$189,025	\$192,150	\$195,267	\$198,371	\$201,459	\$224,949	\$249,304	\$274,000	\$323,346
DEBT SERVICE									
First Lien Financing	\$139,895	\$139,895	\$139,895	\$139,895	\$139,895	\$139,895	\$139,895	\$139,895	\$139,895
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$49,130	\$52,255	\$55,372	\$58,476	\$61,564	\$85,053	\$109,409	\$134,105	\$183,451
DEBT COVERAGE RATIO	1.35	1.37	1.40	1.42	1.44	1.61	1.78	1.96	2.31

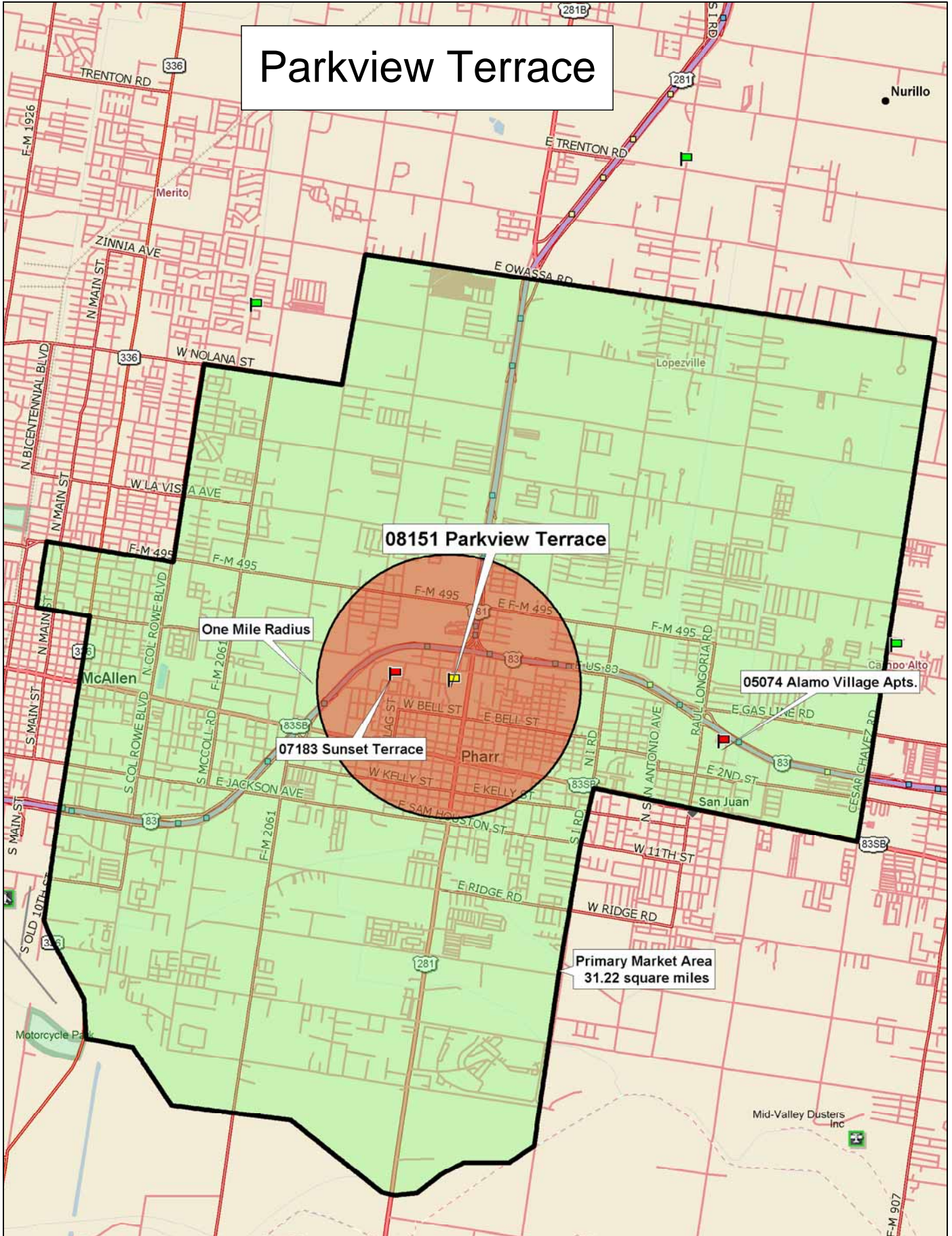
HTC ALLOCATION ANALYSIS -Parkview Terrace, Pharr, HTC 9% #08151

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land				
Purchase of buildings				
Off-Site Improvements				
Sitework	\$889,500	\$889,500	\$889,500	\$889,500
Construction Hard Costs	\$4,863,000	\$4,981,338	\$4,863,000	\$4,981,338
Contractor Fees	\$805,350	\$805,350	\$805,350	\$805,350
Contingencies	\$287,625	\$287,625	\$287,625	\$287,625
Eligible Indirect Fees	\$645,500	\$645,500	\$645,500	\$645,500
Eligible Financing Fees	\$429,055	\$429,055	\$429,055	\$429,055
All Ineligible Costs	\$1,436,038	\$1,436,038		
Developer Fees			\$1,188,005	
Developer Fees	\$1,188,005	\$1,188,005		\$1,188,005
Development Reserves	\$217,500	\$190,350		
TOTAL DEVELOPMENT COSTS	\$10,761,573	\$10,852,761	\$9,108,035	\$9,226,373

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$9,108,035	\$9,226,373
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$11,840,445	\$11,994,285
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$11,840,445	\$11,994,285
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$985,125	\$997,925

Syndication Proceeds	0.8399	\$8,274,223	\$8,381,728
Total Tax Credits (Eligible Basis Method)		\$985,125	\$997,925
Syndication Proceeds		\$8,274,223	\$8,381,728
Requested Tax Credits		\$985,000	
Syndication Proceeds		\$8,273,173	
Gap of Syndication Proceeds Needed		\$8,499,996	
Total Tax Credits (Gap Method)		\$1,012,005	

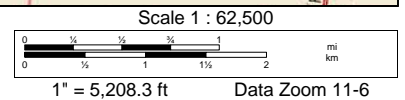
Parkview Terrace



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Applicant Evaluation

Project ID # **08151**

Name: **Parkview Terrace**

City: **Pharr**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 2

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 1

Total # of MF awards not yet monitored or pending review: 8

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 2

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/7/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4 /9 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4 /8 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Heights at Corral, TDHCA Number 08152

BASIC DEVELOPMENT INFORMATION

Site Address: 1000 W. Corral Ave. Development #: 08152
 City: Kingsville Region: 10 Population Served: General
 County: Kleberg Zip Code: 78363 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: The Heights at Corral, Ltd.
 Owner Contact and Phone: Socorro (Cory) Hinojosa, (361) 592-6783
 Developer: Brownstone Affordable Housing, Ltd.
 Housing General Contractor: Brownstone Construction, Ltd.
 Architect: Brownstone Architects & Planners, Inc.
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: Leslie Holleman & Associates, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	4 0 28 48	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 24 38 18 0 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$8,513,552
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	13
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$784,000	\$784,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Heights at Corral, TDHCA Number 08152

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S

Points: 14 US Representative: Ortiz, District 27, NC

TX Representative: Escobar, District 43, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Kingsville Resident Association, Reina V. Sustaita

Letter Score: 24 S or O: S

The proposed development will replace the old housing units with new affordable housing units with additional tenant services and amenities.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and a qualified Neighborhood Organization. One person spoke in support of the development at the public hearing.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by cost certification, of evidence that the Phase I ESA recommendations regarding asbestos and any subsequent environmental report recommendations (inclusive of any recommendations regarding lead based paint) have been carried out.
2. Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed public housing operating subsidy for 20 of the 80 units.
3. Receipt, review, and acceptance, by commitment, of an explanation from the Applicant's CPA of the apparent inclusion of demolition costs as includable in eligible basis as reflected in a letter dated May 20, 2008.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Heights at Corral, TDHCA Number 08152

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **217** Meeting a Required Set-Aside Credit Amount*: \$784,000

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when Rural tax credits are collapsed.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/22/08 PROGRAM: 9% HTC FILE NUMBER: 08152

DEVELOPMENT

The Heights at Corral

Location: 1000 W. Corral Avenue Region: 10
 City: Kingsville County: Kleberg Zip: 78363 OCT DDA
 Key Attributes: Multifamily, Family, Rural, Reconstruction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$784,000			\$784,000		

CONDITIONS

- 1 Receipt, review, and acceptance, by cost certification, of evidence that the Phase I ESA recommendations regarding asbestos and any subsequent environmental report recommendations (inclusive of any recommendations regarding lead based paint) have been carried out.
- 2 Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed public housing operating subsidy for 20 of the 80 units.
- 3 Receipt, review, and acceptance, by commitment, of an explanation from the Applicant's CPA of the apparent inclusion of demolition costs as includable in eligible basis as reflected in a letter dated May 20, 2008.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	48

PROS

- The Applicant proposes the reconstruction of 53 year old public housing and maintenance of a public housing subsidy on 20 of the 80 units.

CONS

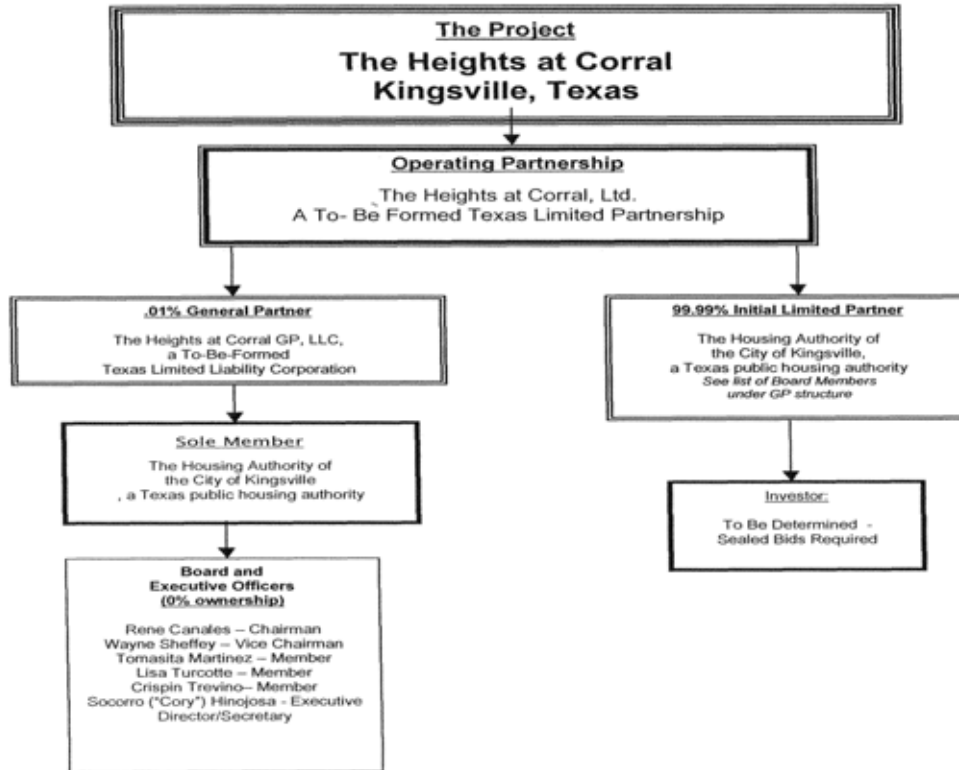
- The expense to income ratio is above the 65% maximum, but the public housing subsidy will offset the impact of volatile expenses on 20% of the units.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Socorro (Cory) Hinojosa Phone: (361) 592-6783 Fax: (361) 595-1997
 Email: chinojosa@khatx.com

KEY PARTICIPANTS

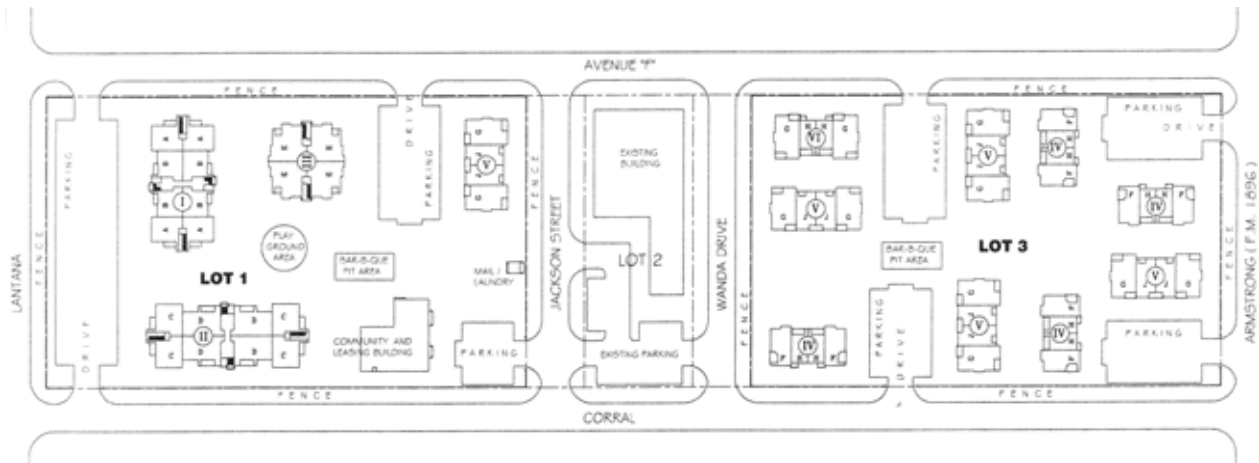
Name	Financial Notes	# Completed Developments
Housing Authority of Kingsville	N/A	0
Brownstone Affordable Housing, Ltd.	N/A	6
Three B. Ventures, Inc.	N/A	6
Socorro Hinojosa	N/A	2
William Brown	N/A	6
Doak Brown	N/A	6

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and Architect are related entities. These are common relationships for HTC-funded developments.
- The current owner is regarded as a related party due to the proposed long-term lease of the site and the on-going related partnership interest.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1-Apt	2-Apt	3-Apt	4 TH	5 TH	6 TH					Total Buildings
Floors/Stories	2	2	2	2	2	2					
Number	1	1	1	4	5	1					13

BR/BA	SF	Units								Total Units	Total SF
1/1	750	16			2					24	18,000
2/1	980					2	2			12	11,760
2/1.5	980				2		2			10	9,800
2/2	980		8							8	7,840
2/2	1,015		8							8	8,120
3/2	1,150			8		2				18	20,700
Units per Building		16	16	8	4	4	4			80	76,220

Reconstruction:

The subject site currently has a 53+ year old 80 unit Public Housing Complex which will be demolished and reconstructed. The existing units were constructed with federal funds, and the demolition and reconstruction will be approved by HUD. The proposed new development will be an 80-unit garden apartment community consisting of a combination of apartment and townhome units. The development will contain one, two and three bedroom units in 13 residential buildings and will have a leasing/clubhouse/community building.

Twenty (20) of the 80 units will be public housing units (PHU's) that will be receiving an operating subsidy. The Applicant has an Operating Subsidy Agreement that states the Applicant will enter into a Regulatory and Operating Agreement with the Kingsville Housing Authority. The operating subsidies for the public housing units will commence upon completion of the public housing units and the term will be for 40 years. The displaced families will be provided vouchers for relocation from either a new allocation from HUD, or from the Housing Authority's current voucher allocation (no HUD approval required). The Applicant has included the value of this assistance into the development cost schedule as a source of funds.

Relocation Plan:

Families occupying the 80 to be demolished units will be provided a notice of HUD approval of the demolition, their need to relocate, and relocation and other assistance available. The Housing Authority will make available public housing units that may be vacant at the time of relocation, and to the extent necessary, the Housing Authority will coordinate relocation with Housing Authorities in adjoining and nearby cities and the Kingsville Housing Authority. Residents will be reimbursed for actual and reasonable relocation expenses.

SITE ISSUES

Total Size:	<u>6.3163</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>C</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>R-3 Multi-Family</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/16/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North:	<u>Single Family Residential</u>	East:	<u>Citgo Station & Apartments Beyond</u>
South:	<u>Texas A&M Campus & Stadium</u>	West:	<u>Apartments</u>

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services Date: 2/5/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- According to the ESA provided, a limited asbestos inspection was performed by the inspector and that based on the age of construction the presence of asbestos containing materials is likely and suspect materials were noted. The ESA states, "As repair or renovation plans require removal or disturbance of these suspect building materials/finishes and in adherence with the Texas Asbestos Health Protection Rules (TAHPR) a Texas licensed Asbestos Inspector (i.e. Astex) must be called to conduct a comprehensive asbestos survey of the subject site" (p. 10).
- Regarding Lead Based Paint, the ESA states that testing for LBP was not part of the Scope of Work. A recommendation regarding presence of Lead Based Paint is required by Department rules. Therefore, receipt, review, and acceptance, by commitment, of a recommendation regarding lead based paint from the ESA provider is a condition of this report.

Comments:

Receipt, review, and acceptance, by cost certification, of evidence that the Phase I ESA recommendations regarding asbestos and any subsequent environmental report recommendations (inclusive of any recommendations regarding lead based paint) have been carried out, is a condition of this report.

MARKET HIGHLIGHTS

Provider: The Gerald A. Teel Company, Inc. Date: 3/28/2008

Contact: Tim Treadway Phone: (713) 467-5858 Fax: (713) 467-0704

Number of Revisions: 1 Date of Last Applicant Revision: 5/23/2008

Primary Market Area (PMA): 205.72 square miles (8.11 mile radius)

"The primary market area is considered the City of Kingsville and immediate surrounding areas, including the whole of Kleberg County." (p. 4)

Secondary Market Area (SMA):

"The secondary market would be the adjoining communities neighboring Kleberg County, including portions of Alice, Bishop, Robstown and Corpus Christi, Jim Wells County, Nueces County, and Brooks County, if applicable. The secondary market has not been considered in the analysis." (p. 4)

This section intentionally left blank.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
LULAC Manor	#07199	78	0	N/A			

INCOME LIMITS						
Kleberg						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	125	-9	0	116	2	0	1.72%
1BR/50% Rent Limit	165	-14	0	151	9	0	5.96%
1BR/60% Rent Limit	108	-5	0	103	13	0	12.62%
2BR/30% Rent Limit	193	-53	0	140	1	0	0.71%
2BR/50% Rent Limit	182	-50	0	132	11	0	8.33%
2BR/60% Rent Limit	78	-14	0	64	26	0	40.63%
3BR/30% Rent Limit	67	-17	0	50	1	0	2.00%
3BR/50% Rent Limit	82	-20	0	62	8	0	12.90%
3BR/60% Rent Limit	42	-9	0	33	9	0	27.27%

Comments:

The Analyst used HISTA data to determine demand for each unit type. Based on HISTA data, the number of lower income households appears to decrease between 2007 and 2012 while the number of higher income households increases over the same period. This difference is more ambiguous in the overall demand calculations and results in an overall positive growth demand figure for the Market Analyst.

Also of note, the Market Analyst's inclusive capture rates for the two and three bedroom 60% units are higher than the Department's threshold of 25%. While this threshold applies only to the overall inclusive capture rate for determining feasibility, these capture rates are indicative of a potential lack of demand for these unit types.

OVERALL DEMAND									
PMA DEMAND from TURNOVER									
		Renter Households		Household Size		Income Eligible		Demand	
Market Analyst	30%	100%	4,494	90%	4,049	11%	437	23%	101
Market Analyst	50%	100%	4,494	90%	4,049	23%	931	55%	512
Market Analyst	60%	100%	4,494	90%	4,049	22%	872	55%	480
Market Analyst	Total								1,092
		All Households		Household Size		Income Eligible		Tenure	
Underwriter		100%	10,918	90%	9,837	62%	6,097	41%	2,506
								55%	1,378

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PMA DEMAND from HOUSEHOLD GROWTH											
		Annual Renter Growth		Household Size		Income Eligible		Tenure		Demand	
Market Analyst	30%	100%	16	90%	14	11%	2			100%	2
Market Analyst	50%	100%	16	90%	14	23%	3			100%	3
Market Analyst	60%	100%	16	90%	14	22%	3			100%	3
Market Analyst	Total										8
		Annual HH Growth		Household Size		Income Eligible		Tenure		Demand	
Underwriter		100%	-13	90%	-12	62%	-7	41%	-3	100%	-3

DEMAND from OTHER SOURCES											
Market Analyst											8
Underwriter											0

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. Adm	80	0	0	80	1,108	7.22%
Underwriter		80	0	0	80	1,375	5.82%

Comments:

The Underwriter used a larger income band in order to account for extremely low income households that will be able to live in the public housing units due to the subsidy proposed for these units. The Market Analyst does not incorporate a larger income band and this difference is the primary cause for the discrepancy in overall demand figures.

Primary Market Occupancy Rates:

"Based on current market conditions, as well as anticipated market conditions in the near term, we consider an overall stabilized occupancy rate of 94% to be reasonable." (p. 23)

Absorption Projections:

According to the Market Analyst, the subject units will replace units on a 1 to 1 basis; therefore, the reconstructed units are already effectively absorbed.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%/PHU	N/A	\$179	\$700	N/A	N/A
1 BR	750 SF	50%/PHU	N/A	\$342	\$700	N/A	N/A
1 BR	750 SF	50%	\$342	\$342	\$700	\$342	\$358
1 BR	750 SF	60%	\$424	\$424	\$700	\$424	\$276
2 BR	980 SF	30%/PHU	N/A	\$209	\$825	N/A	N/A
2 BR	980 SF	50%/PHU	N/A	\$404	\$825	N/A	N/A
2 BR	980 SF	50%	\$404	\$404	\$825	\$404	\$421
2 BR	980 SF	60%	\$502	\$502	\$840	\$502	\$338
2 BR	980 SF	60%	\$502	\$502	\$850	\$502	\$348
2 BR	1,015 SF	60%	\$502	\$502	\$900	\$502	\$398
3 BR	1,150 SF	30%/PHU	N/A	\$234	\$975	N/A	N/A
3 BR	1,150 SF	50%/PHU	N/A	\$460	\$975	N/A	N/A
3 BR	1,150 SF	50%	\$460	\$460	\$975	\$460	\$515
3 BR	1,150 SF	60%	\$574	\$574	\$975	\$574	\$401

Market Impact:

"The subject property will have minimal affect on the market, and will open up the market to a greater pool of possible renters." (p. 84)

Comments:

The Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 229 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 2 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents for 60 of the proposed 80 units are equal to the 2008 gross program rents less the applicable utility allowances maintained by the Housing Authority of the City of Kingsville. The remaining 20 units (inclusive of all 30% of AMI units) are proposed to be public housing units (PHUs) and rents collected from the tenants will vary based on their ability to pay. The Applicant has used arbitrary rents for these units and has included a PHU subsidy in the secondary income.

For the non-public housing units, the Underwriter has used rents equal to the net rents reflected by the Applicant. These rents are achievable according to the Market Analyst.

Based on the Underwriter's knowledge of public housing, the Housing Authority typically agrees to an annual operating subsidy equal to the difference between operating expenses for the units and the amount of rent for tenants earning not more than 50% of Area Median Family Income but in no event shall it exceed the operating subsidy paid to the HA by HUD. The Underwriter has assumed the subsidy will be equal to the PHUs' prorated share of expenses less the tenant contribution and that no debt can be serviced by the public housing units. The Applicant has provided an Operating and Regulatory Agreement confirming this structure. Therefore, the Underwriter has used rents equal to \$100 and has reflected the subsidy amount as a source of secondary income. The PHUs will effectively operate at breakeven NOI.

Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed public housing operating subsidy for 20 of the 80 units is a condition of this report.

The Applicant's secondary income and vacancy and collection loss (7.5%) is in line with the current TDHCA underwriting standard. However, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter has changed the underwriting vacancy and collection loss to 7.5% for only the non-PHUs resulting in a total vacancy and collection loss of 6.2%. The Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,378 per unit is within 5% of the Underwriter's estimate of \$3,507 per unit derived from the TDHCA database, IREM, and additional documentation provided by the Applicant. However, two of the Applicant's line items differ significantly from the Underwriter's, specifically: payroll and payroll tax (\$14K lower); and reserve for replacements. The Applicant's estimate for reserve for replacement's is equal to \$263 per unit, higher than the Underwriting standard of \$250 per unit for new construction and reconstruction.

The Underwriter is assuming the 100% property tax exemption as proposed by the Applicant. This will be achieved through a long-term lease of the property for 50 years by the Applicant from the Pharr Housing Authority.

Both the Applicant's and the Underwriter's expense to income ratios (69.75% and 70.14% respectively) are above the normal Department maximum of 65%; however, twenty (20) of the units will operate under the operating subsidy agreement discussed above. The existence of the Operating Subsidy Agreement with the Kingsville Housing Authority will mitigate the risk associated with the high expense to income ratios.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are all within 5% of the Underwriter's; generally the Applicant's proforma would be used to determine the projected debt coverage ratio (DCR). However, the 30 year proforma derived from the Applicant's expenses does not fully incorporate the public housing subsidy and generally understates cashflow as a result. The Underwriter's proforma fully contemplates the impact of the subsidy and therefore more accurately projects cashflow consistent with the Department's methodology.

The Underwriter's Year One proforma results in a debt coverage ratio of 1.36%; however, when the Housing Authority's soft debt is included in annual debt service, the projected DCR falls below the Department's minimum of 1.15. The Underwriter has accordingly decreased the first lien debt in order to bring the all-in DCR within the 1.15 to 1.35 guideline. The projected ability to repay the Housing Authority loan is important for mitigating the potential risk associated with deferred payment of federally sourced monies. This is discussed in more detail in the conclusions section below.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised annual debt service estimate were utilized, as adjusted, resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Gerald A. Teel Company, Inc. Date: 3/27/2008
 Number of Revisions: none Date of Last Applicant Revision: N/A
 Land Only: 6.31 acres \$100,000 As of: 3/27/2008
 Existing Buildings: (as-is) \$0 As of: 3/27/2008
 Total Development: (as-is) \$100,000 As of: 3/27/2008

Comments:

The Appraiser valued the leasehold estate of the land only. The existing buildings will be demolished at a cost of \$350,000 as estimated by the Applicant. This cost will be bourn by the Applicant but does not appear to be contemplated in the appraisal.

ASSESSED VALUE

Land Only: 6.31 acres \$0 Tax Year: 2007
 Existing Buildings: \$0 Valuation by: Kleberg CAD
 Total Assessed Value: \$0 Tax Rate: 2.1084

Comment:

The subject property is currently owned by the Housing Authority of the City of Kingsville and is 100% exempt from real property taxes. No valuation was done by the appraisal district.

EVIDENCE of PROPERTY CONTROL

Type: Contract for Lease Acreage: 6.31
 Contract Expiration: 3/1/2009 Valid Through Board Date? Yes No
 Lease Costs: \$10 per year (50 years) Other: This will be a long-term lease.
 Owner: Housing Authority of Kingsville Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/28/2008

Acquisition Value:

The Applicant will lease the subject property from the Housing Authority of the City of Kingsville (100% owner of the GP) under a fifty (50) year ground lease at a nominal cost of \$10 per year. The Appraiser determined a land value of \$100,000, although this value may be questionable if the \$350,000 cost of demolishing the existing buildings (which hold no value for the Applicant) is fully contemplated. This does not impact the subject identity of interest transfer, however, since the land is effectively being donated. The lease is one component of the proposed ownership structure that may allow the Applicant to achieve a 100% ad valorem property tax exemption on the property.

Sitework Cost:

The Applicant's claimed sitework costs of \$12,263 per unit (inclusive of demolition costs) are above current Department threshold of \$9,000 per unit. This is an unusually high amount for a reconstruction on a site that has been previously developed; however, the Applicant provided support from a third party architect. The Applicant and Underwriter have allocated \$350,000 in demolition costs to the ineligible line item. However, a CPA letter provided to support the eligibility of the costs appears to suggest that all of the sitework costs including this demolition would be eligible.

It is highly doubtful that this is the case and it is of concern that the CPA opinion is inclusive of demolition costs without any further explanation. As such, receipt, review, and acceptance, by commitment, of an explanation from the Applicant's CPA of the apparent inclusion of demolition costs as includable in eligible basis as reflected in a letter dated May 20, 2008 is a condition of this report.

Direct Construction Cost:

The Applicant's direct construction cost is \$60K or 2% higher than the Underwriter's Marshall and Swift Residential Cost Handbook-derived estimate.

The Applicant also submitted a Property Condition Assessment (PCA) in accordance with Department guidelines, which appears to support the Applicant's decision to reconstruct the existing 80 units rather than rehabilitate the units. The PCA reflects a combined sitework and direct construction cost of \$4,795,033 that would be required to improve the property to a standard that would allow for no capital needs for at least 5 years. This total sitework and direct cost estimate amounts to \$73 per net rentable square foot (66,000 existing NRSF) compared to the Applicant's estimate for reconstructing the property with 10,220 more rentable area of \$65 per net rentable square foot (including demolition).

Conclusion:

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 \$7,249,140 supports annual tax credits of \$784,067. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/28/2008

Source: PNC Bank Type: Interim to Permanent Financing
 Interim: \$1,050,000 Interest Rate: 7.5% Fixed Term: 24 months
 Permanent: \$1,050,000 Interest Rate: 7.5% Fixed Term: 360 months
 Comments:

The lender's term sheet reflects a minimum DCR of 1.20; although the Underwriter has used a minimum DCR of 1.15 in accordance with Department guidelines and has included secondary debt in annual debt service.

Source: PNC Bank Type: Interim/Bridge Financing
 Principal: \$3,500,000 Interest Rate: 7.5% Fixed Amort: 24 months
 Source: Kingsville Housing Authority Type: Interim to Permanent Financing
 Interim: \$325,000 Interest Rate: 6.0% Fixed Term: 24 months
 Permanent: \$325,000 Interest Rate: 6.0% Fixed Term: 360 months
 Comments:

This loan will be secured by a second lien Deed of Trust on the real estate and personal property of the development and will otherwise be non-recourse to the Borrower. Interest will be payable in two sections: The first \$125,000 advanced on the loan will bear interest at the long-term AFR (fixed at closing; estimated by the Underwriter at 4.37% from February), thereafter, funds advanced up to the \$325,000 will have interest at prime based on the Wall Street Journal (estimated by the Underwriter at 6.5% from February). The loan will have a 30-year term and will be repaid from available cash flow. The Underwriter has used a blended interest rate of 5.681%.

Source: Kingsville Housing Authority Type: In-Kind Donation
 Principal: \$332,112 Conditions: _____
 Comments:

The Kingsville Housing Authority proposes vouchers for relocation of the existing 80 households residing at The Heights at Corral. The 80 displaced families will be provided vouchers from either a new allocation of vouchers from HUD or from the Housing Authority's current voucher allocation. The Applicant has indicated that HUD approval would not be needed if the Housing Authority's existing voucher pool is used; although it is unclear that 80 of the Housing Authority's existing vouchers are not already committed.

The Applicant reflected a comparable relocation cost as ineligible in the development cost schedule and the Underwriter did likewise.

Source: PNC Multifamily Capital Type: Syndication
 Proceeds: \$6,584,941 Syndication Rate: 84% Anticipated HTC: \$ 784,000
 Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline only a fraction of one cent. At this point, deferred developer fee would exceed the 15 year cashflow and the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.879, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$221,499 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15 when the soft second lien debt from the Housing Authority is included in annual debt service. The Underwriter has included this debt service due to the potential risk associated with deferred payment of federally sourced funds. While the interest rate is at or above AFR as required to avoid being characterized as below market, repayment of the principal and interest will be deferred and repayable upon maturity. This repayment structure puts the transaction at risk since repayment of this debt is not projected or contemplated in the financing structure as required to avoid being recharacterized as a grant, which could be required to be removed from eligible basis.

Accordingly, the current underwriting analysis assumes a decrease in the permanent loan amount to \$968,000 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Applicant's total development cost estimate less the adjusted first lien of \$968,000, Housing Authority loan of \$325,000, and Housing Authority relocation funds of \$332,112 indicates the need for \$6,888,440 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$820,134 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$784,000), the gap-driven amount (\$820,134), and eligible basis-derived estimate (\$784,067), the Applicant's request of \$784,000 is recommended resulting in proceeds of \$6,584,941 based on a syndication rate of 84%.

The Underwriter's recommended financing structure indicates the need for \$303,499 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

Underwriter:

D. Burrell

Date: July 22, 2008

Reviewing Underwriter:

Cameron Dorsey

Date: July 22, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 22, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

The Heights at Corral, Kingsville, 9% HTC #08152

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/PHU	2	1	1	750	\$245	\$100	\$200	\$0.13	\$65.85	\$40.77
TC 50%/PHU	4	1	1	750	\$408	\$100	\$400	\$0.13	\$65.85	\$40.77
TC 50%	5	1	1	750	\$408	\$342	\$1,710	\$0.46	\$65.85	\$40.77
TC 60%	13	1	1	750	\$490	\$424	\$5,512	\$0.57	\$65.85	\$40.77
TC 30%/PHU	1	2	1	980	\$295	\$100	\$100	\$0.10	\$85.96	\$45.62
TC 50%/PHU	8	2	1	980	\$490	\$100	\$800	\$0.10	\$85.96	\$45.62
TC 50%	3	2	1	980	\$490	\$404	\$1,212	\$0.41	\$85.96	\$45.62
TC 60%	10	2	1.5	980	\$588	\$502	\$5,020	\$0.51	\$85.96	\$45.62
TC 60%	8	2	2	980	\$588	\$502	\$4,016	\$0.51	\$85.96	\$45.62
TC 60%	8	2	2	1,015	\$588	\$502	\$4,016	\$0.49	\$85.96	\$45.62
TC 30%/PHU	1	3	2	1,150	\$340	\$100	\$100	\$0.09	\$106.10	\$49.77
TC 50%/PHU	4	3	2	1,150	\$566	\$100	\$400	\$0.09	\$106.10	\$49.77
TC 50%	4	3	2	1,150	\$566	\$460	\$1,840	\$0.40	\$106.10	\$49.77
TC 60%	9	3	2	1,150	\$680	\$574	\$5,166	\$0.50	\$106.10	\$49.77
TOTAL:	80		AVERAGE:	953		\$381	\$30,492	\$0.40	\$84.46	\$45.10

INCOME

Total Net Rentable Sq Ft: 76,220

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
 Other Support Income: PHU Operating Subsidy

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -6.20%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.59%	\$329	0.35
Management	5.00%	250	0.26
Payroll & Payroll Tax	21.08%	1,054	1.11
Repairs & Maintenance	10.06%	503	0.53
Utilities	5.07%	253	0.27
Water, Sewer, & Trash	7.93%	397	0.42
Property Insurance	6.67%	333	0.35
Property Tax 2.1084	0.00%	0	0.00
Reserve for Replacements	5.00%	250	0.26
TDHCA Compliance Fees	0.80%	40	0.04
Other: SuppServices/Secur	1.95%	98	0.10
TOTAL EXPENSES	70.14%	\$3,507	\$3.68

NET OPERATING INC

DEBT SERVICE

PNC Bank	22.03%	\$1,101	\$1.16
PHA Relocation Vouchers	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	7.83%	\$392	\$0.41

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		0.00%	\$0	\$0.00
Off-Sites		0.00%	0	0.00
Sitework		7.50%	7,888	8.28
Direct Construction		46.42%	48,796	51.22
Contingency 5.00%		2.70%	2,834	2.97
Contractor's Fees 14.00%		7.55%	7,936	8.33
Indirect Construction		6.04%	6,350	6.66
Ineligible Costs		12.89%	13,555	14.23
Developer's Fees 15.00%		11.12%	11,685	12.26
Interim Financing		3.89%	4,094	4.30
Reserves		1.89%	1,985	2.08
TOTAL COST		100.00%	\$105,124	\$110.34
Construction Cost Recap		64.17%	\$67,454	\$70.80

SOURCES OF FUNDS

PNC Bank	12.49%	\$13,125	\$13.78
Kingsville Housing Authority - Loan	3.86%	\$4,063	\$4.26
PHA Relocation Vouchers	3.95%	\$4,151	\$4.36
HTC Syndication Proceeds	78.30%	\$82,312	\$86.39
Deferred Developer Fees	2.63%	\$2,769	\$2.91
Additional (Excess) Funds Req'd	-1.23%	(\$1,296)	(\$1.36)
TOTAL SOURCES			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$365,904	\$371,604
Secondary Income	14,400	4,320
Other Support Income: PHU Operating Subsidy	46,144	42,996
POTENTIAL GROSS INCOME	\$426,448	\$418,920
Vacancy & Collection Loss	(26,453)	(31,416)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$399,995	\$387,504
EXPENSES		
General & Administrative	\$26,348	\$27,100
Management	20,000	19,375
Payroll & Payroll Tax	84,300	70,110
Repairs & Maintenance	40,248	38,280
Utilities	20,270	14,400
Water, Sewer, & Trash	31,731	39,000
Property Insurance	26,677	30,000
Property Tax 2.1084	0	10
Reserve for Replacements	20,000	21,000
TDHCA Compliance Fees	3,200	3,200
Other: SuppServices/Secur	7,800	7,800
TOTAL EXPENSES	\$280,574	\$270,275
NET OPERATING INC	\$119,421	\$117,229
DEBT SERVICE		
PNC Bank	\$88,101	\$88,101
PHA Relocation Vouchers	0	0
Additional Financing	0	0
NET CASH FLOW	\$31,320	\$29,128
AGGREGATE DEBT COVERAGE RATIO	1.36	1.33
RECOMMENDED DEBT COVERAGE RATIO	1.15	

COUNTY	IREM REGION	COMPT. REGION
Kleberg		10
\$4.50	Per Unit Per Month	
\$44.79	Per Unit Per Month	
-7.50%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.36	\$339	6.99%
0.25	242	5.00%
0.92	876	18.09%
0.50	479	9.88%
0.19	180	3.72%
0.51	488	10.06%
0.39	375	7.74%
0.00	0	0.00%
0.28	263	5.42%
0.04	40	0.83%
0.10	98	2.01%
\$3.55	\$3,378	69.75%
\$1.54	\$1,465	30.25%
\$1.16	\$1,101	22.74%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.38	\$364	7.52%

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$0	\$0	\$0.00	\$0	0.00%	
0	0	0.00	0	0.00%	
631,000	631,000	8.28	7,888	7.41%	
3,903,713	3,964,000	52.01	49,550	46.56%	
226,736	229,750	3.01	2,872	2.70%	
634,860	643,300	8.44	8,041	7.56%	
508,000	508,000	6.66	6,350	5.97%	
1,084,412	1,084,412	14.23	13,555	12.74%	
934,779	945,540	12.41	11,819	11.11%	
327,550	327,550	4.30	4,094	3.85%	
158,838	180,000	2.36	2,250	2.11%	
\$8,409,887	\$8,513,552	\$111.70	\$106,419	100.00%	
\$5,396,308	\$5,468,050	\$71.74	\$68,351	64.23%	

	RECOMMENDED	
\$1,050,000	\$1,050,000	\$968,000 Developer Fee Available
325,000	325,000	\$945,540
332,112	332,112	
6,584,941	6,584,941	% of Dev. Fee Deferred
221,499	221,499	32%
(103,665)	0	15-Yr Cumulative Cash Flow
\$8,409,887	\$8,513,552	\$369,389

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Heights at Corral, Kingsville, 9% HTC #08152

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$58.42	\$4,452,748
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.00%		1.75	133,582
Roofing			0.00	0
Subfloor			(1.24)	(94,132)
Floor Cover			2.43	185,215
Breezeways/Balconies	\$24.01	8,658	2.73	207,835
Plumbing Fixtures	\$885	76	0.88	67,260
Rough-ins	\$413	120	0.65	49,500
Built-In Appliances	\$2,138	80	2.24	171,000
Exterior Stairs	\$1,800	10	0.24	18,000
Enclosed Corridors	\$48.50	0	0.00	0
Heating/Cooling			1.90	144,818
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$70.61	4,333	4.01	305,964
Other: fire sprinkler	\$1.95	76,220	1.95	148,629
SUBTOTAL			75.97	5,790,420
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.83		(12.91)	(984,371)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.05	\$4,806,049
Plans, specs, survy, bld prmt	3.90%		(2.46)	(187,436)
Interim Construction Interest	3.38%		(2.13)	(162,204)
Contractor's OH & Profit	11.50%		(7.25)	(552,696)
NET DIRECT CONSTRUCTION COSTS			\$51.22	\$3,903,713

PAYMENT COMPUTATION

Primary	\$1,050,000	Amort	360
Int Rate	7.50%	DCR	1.36

Secondary	\$325,000	Amort	0
Int Rate	5.681%	Subtotal DCR	1.36

Additional	\$332,112	Amort	
Int Rate		Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$81,221
Secondary Debt Service	22,588
Additional Debt Service	0
NET CASH FLOW	\$15,612

Primary	\$968,000	Amort	360
Int Rate	7.50%	DCR	1.47

Secondary	\$325,000	Amort	360
Int Rate	5.681%	Subtotal DCR	1.15

Additional	\$332,112	Amort	
Int Rate		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	\$365,904	\$376,881	\$388,188	\$399,833	\$411,828	\$477,422	\$553,463	\$641,615	\$862,277
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income: PHU Op	46,144	48,187	50,318	52,541	54,858	68,020	84,238	104,204	158,974
POTENTIAL GROSS INCOME	45,821	439,900	453,783	468,109	482,894	564,230	659,482	771,069	1,055,185
Vacancy & Collection Loss	(26,453)	(27,287)	(28,148)	(29,037)	(29,954)	(35,000)	(40,908)	(47,830)	(65,454)
Employee or Other Non-Rental L	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$19,368	\$412,613	\$425,634	\$439,072	\$452,939	\$529,231	\$618,574	\$723,240	\$989,732
EXPENSES at 4.00%									
General & Administrative	\$26,348	\$27,402	\$28,498	\$29,638	\$30,824	\$37,502	\$45,627	\$55,512	\$82,171
Management	20,000	20,631	21,282	21,954	22,647	26,462	30,929	36,162	49,487
Payroll & Payroll Tax	84,300	87,672	91,179	94,826	98,619	119,985	145,981	177,608	262,903
Repairs & Maintenance	40,248	41,858	43,533	45,274	47,085	57,286	69,697	84,797	125,521
Utilities	20,270	21,081	21,924	22,801	23,713	28,850	35,101	42,705	63,214
Water, Sewer & Trash	31,731	33,000	34,320	35,693	37,120	45,163	54,947	66,852	98,957
Insurance	26,677	27,744	28,854	30,008	31,208	37,970	46,196	56,204	83,196
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	11,000	11,440	11,898	12,374	12,868	15,656	19,048	23,175	34,305
TOTAL EXPENSES	\$280,574	\$291,628	\$303,119	\$315,064	\$327,482	\$397,340	\$482,159	\$585,153	\$862,127
NET OPERATING INCOME	\$119,421	\$120,985	\$122,515	\$124,008	\$125,457	\$131,891	\$136,415	\$138,087	\$127,605
DEBT SERVICE									
First Lien Financing	\$81,221	\$81,221	\$81,221	\$81,221	\$81,221	\$81,221	\$81,221	\$81,221	\$81,221
Second Lien	22,588	22,588	22,588	22,588	22,588	22,588	22,588	22,588	22,588
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$15,612	\$17,176	\$18,706	\$20,199	\$21,648	\$28,082	\$32,606	\$34,278	\$23,796
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.19	1.21	1.27	1.31	1.33	1.23

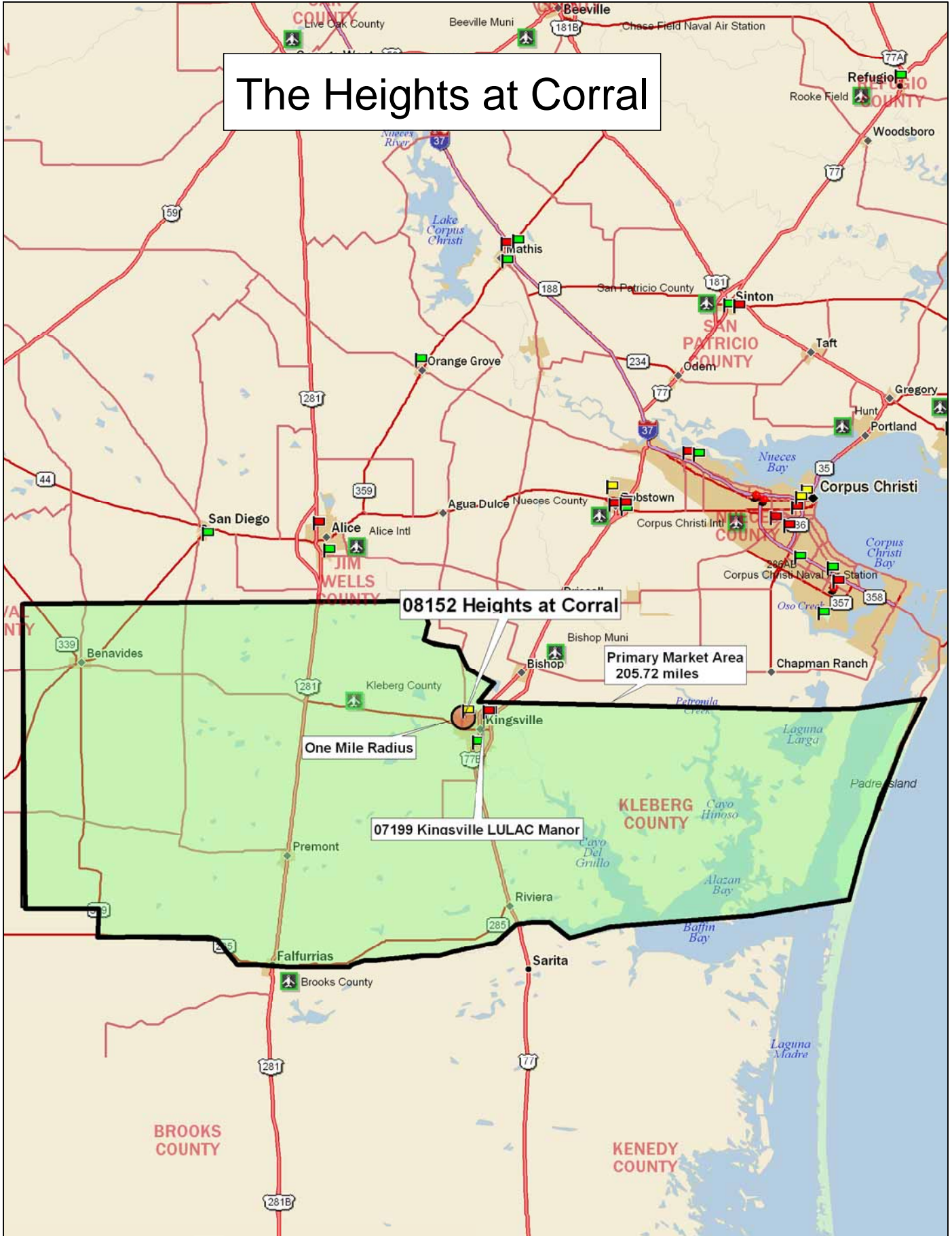
HTC ALLOCATION ANALYSIS -The Heights at Corral, Kingsville, 9% HTC #08152

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land				
Purchase of buildings				
Off-Site Improvements				
Sitework	\$631,000	\$631,000	\$631,000	\$631,000
Construction Hard Costs	\$3,964,000	\$3,903,713	\$3,964,000	\$3,903,713
Contractor Fees	\$643,300	\$634,860	\$643,300	\$634,860
Contingencies	\$229,750	\$226,736	\$229,750	\$226,736
Eligible Indirect Fees	\$508,000	\$508,000	\$508,000	\$508,000
Eligible Financing Fees	\$327,550	\$327,550	\$327,550	\$327,550
All Ineligible Costs	\$1,084,412	\$1,084,412		
Developer Fees				
Developer Fees	\$945,540	\$934,779	\$945,540	\$934,779
Development Reserves	\$180,000	\$158,838		
TOTAL DEVELOPMENT COSTS	\$8,513,552	\$8,409,887	\$7,249,140	\$7,166,637

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,249,140	\$7,166,637
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$9,423,882	\$9,316,628
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$9,423,882	\$9,316,628
Applicable Percentage			8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$784,067	\$775,143

Syndication Proceeds	0.8399	\$6,585,504	\$6,510,554
Total Tax Credits (Eligible Basis Method)		\$784,067	\$775,143
Syndication Proceeds		\$6,585,504	\$6,510,554
Requested Tax Credits		\$784,000	
Syndication Proceeds		\$6,584,941	
Gap of Syndication Proceeds Needed		\$6,888,440	
Total Tax Credits (Gap Method)		\$820,134	

The Heights at Corral



08152 Heights at Corral

Primary Market Area
205.72 miles

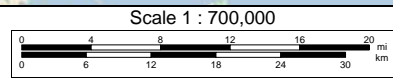
One Mile Radius

07199 Kinsville LULAC Manor

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Applicant Evaluation

Project ID **08152**

Name **Heights at Corral**

City: **Kingsville**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 4

Total # of MF awards not yet monitored or pending review: 5

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 4

Total # of SF Contracts: 2

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/20/2008

Date: 5/21/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/21/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5/21/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mineral Wells Pioneer Crossing, TDHCA Number 08154

BASIC DEVELOPMENT INFORMATION

Site Address: 2509 E. Hubbard Development #: 08154
 City: Mineral Wells Region: 3 Population Served: General
 County: Palo Pinto Zip Code: 76067 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Mineral Wells Pioneer Crossing, LP
 Owner Contact and Phone: Noor Allah Jooma, (214) 448-0829
 Developer: Jubilee Development, LLC
 Housing General Contractor: Urban Progress CDC
 Architect: Architettura, Inc.
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: TBD
 Consultant: The Youngs Company

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	4 0 28 48	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 24 48 8 0 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	10
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	12
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	4
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$805,355	\$0			
HOME Activity Fund Amount:	\$625,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mineral Wells Pioneer Crossing, TDHCA Number 08154

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, NC

Points: 0

US Representative: Thornberry, District 13, NC

TX Representative: Keffer, District 60, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0

In Opposition 0

Quantifiable Community Participation Input:

North East Neighborhood Organization, Joe Ruelas

Letter Score: 24 S or O: S

There is presently a shortage of safe, affordable housing in Mineral Wells.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mineral Wells Pioneer Crossing, TDHCA Number 08154

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **198** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

SilverLeaf at Chandler, TDHCA Number 08157

BASIC DEVELOPMENT INFORMATION

Site Address: 801 FM 2010 Development #: 08157
 City: Chandler Region: 4 Population Served: Elderly
 County: Henderson Zip Code: 75758 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Solutions Plus, Inc.
 Owner Contact and Phone: Mike Sugrue, (903) 887-4344
 Developer: StoneLeaf Development, LLC
 Housing General Contractor: Stone Leaf Builders, LLC
 Architect: Architettura, Inc.
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: N/A
 Consultant: The Youngs Company

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	4 0 28 48	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 44 36 0 0 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$7,919,780
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	40
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	13
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	4
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$763,244	\$761,465			
HOME Activity Fund Amount:	\$1,658,090	\$1,658,090	30	30	AFR
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

SilverLeaf at Chandler, TDHCA Number 08157

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, NC

Points: 0

US Representative: Hensarling, District 5, NC

TX Representative: Brown, District 4, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Joye Rains, Mayor

Resolution of Support from Local Government

S, Jim Moffeit, City Administrator

Individuals and Businesses In Support: 0

In Opposition 0

Quantifiable Community Participation Input:

Northwest Chandler Neighborhood Alliance, Marshall Crawford, Jr.

Letter Score: 24 S or O: S

The City of Chandler has a shortage of housing available for senior adults with limited income. The proposed development is a welcomed and needed addition.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. This development is only recommended to the extent that a competing development, Lakeview Apartments #08262 is not allocated tax credits with priority over the subject this year.
2. Receipt, review and acceptance of documentation that the Applicant has accomplished one of the following three options in their entirety: 1)contracted with a different General Contractor for this proposed development; 2) reduced the total development cost by the acquisition cost reflected in the application (\$221,272); or 3) requests and receives a waiver from the TDHCA Board for §50.9(h)(14)(G)(ii) of the 2008 QAP for having not met the required deadline to submit the required appraisal and submits an acceptable appraisal and documentation to support the Seller 's original acquisition and holding costs pursuant to §50.9(h)(7)(A)(iv).
3. HOME funds for this award are expected to be drawn at one time for interim loan takeout at the completion of construction and only when a clear first lien can be accomplished.
4. Receipt, review, and acceptance by commitment of a zoning change from the City of Chandler Planning and Zoning Commission approving a zoning change from R1 to Multi Family (MF).
5. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
6. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

SilverLeaf at Chandler, TDHCA Number 08157

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **204** Meeting a Required Set-Aside Credit Amount*: \$761,465

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$1,658,090

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/05/08 PROGRAM: 9%HTC/HOME FILE NUMBER: 08157

DEVELOPMENT

SilverLeaf at Chandler

Location: 801 FM 2010 Region: 4

City: Chandler County: Henderson Zip: 75758 OCT DDA

Key Attributes: Elderly, New Construction, Rural, and Duplexes

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$1,658,090	4.50%	40/40	\$1,658,090	AFR	30/30
Housing Tax Credit (Annual)	\$761,465			\$761,465		

CONDITIONS

- 1 This development is only recommended to the extent that a competing development, Lakeview Apartments #08262 is not allocated tax credits with priority over the subject this year.
- 2 Receipt, review and acceptance of documentation that the Applicant has accomplished one of the following three options in their entirety: 1)contracted with a different General Contractor for this proposed development; 2) reduced the total development cost by the acquisition cost reflected in the application (\$221,272); or 3) requests and receives a waiver from the TDHCA Board for §50.9(h)(14)(G)(ii) of the 2008 QAP for having not met the required deadline to submit the required appraisal and submits an acceptable appraisal and documentation to support the Seller's original acquisition and holding costs pursuant to §50.9(h)(7)(A)(iv).
- 3 HOME funds for this award are expected to be drawn at one time for interim loan takeout at the completion of construction and only when a clear first lien can be accomplished.
- 4 Receipt, review, and acceptance by commitment of a zoning change from the City of Chandler Planning and Zoning Commission approving a zoning change from R1 to Multi Family (MF).
- 5 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 6 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	48

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30%/ Low Home	4
50% of AMI	Low Home	0
60% to 80% of AMI	High Home	13

The Applicant included only 16 HOME units (20.0% of the units) in the application. However 20.9% of the funds are coming from HOME and therefore 17 HOME units must be provided.

PROS

- The developer has a considerable amount of experience in the development of affordable housing.
- This would be the first tax credit development in Chandler

CONS

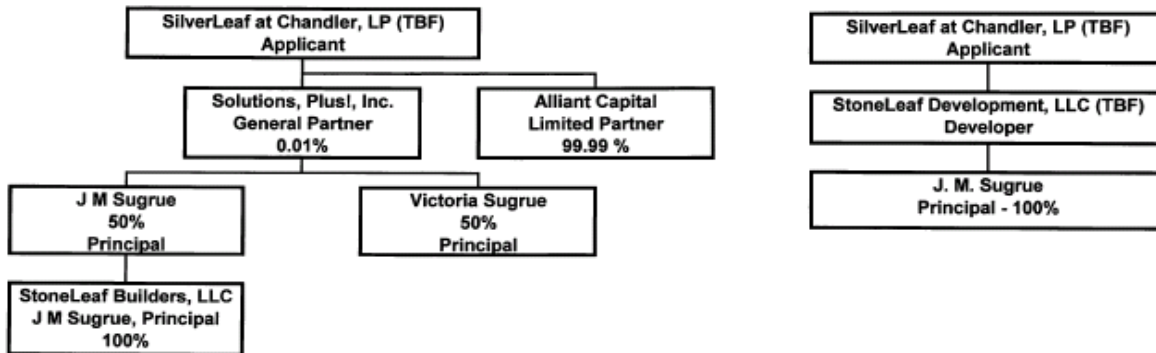
- The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.
- The Applicant has no permanent conventional financing therefore without the HOME funds, the Development would not be financially feasible.
- The Market Analyst's analysis suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mike Sugrue Phone: (903) 887-4344 Fax: (903) 887-4355
 Email: msugrue@hotmail.com

KEY PARTICIPANTS

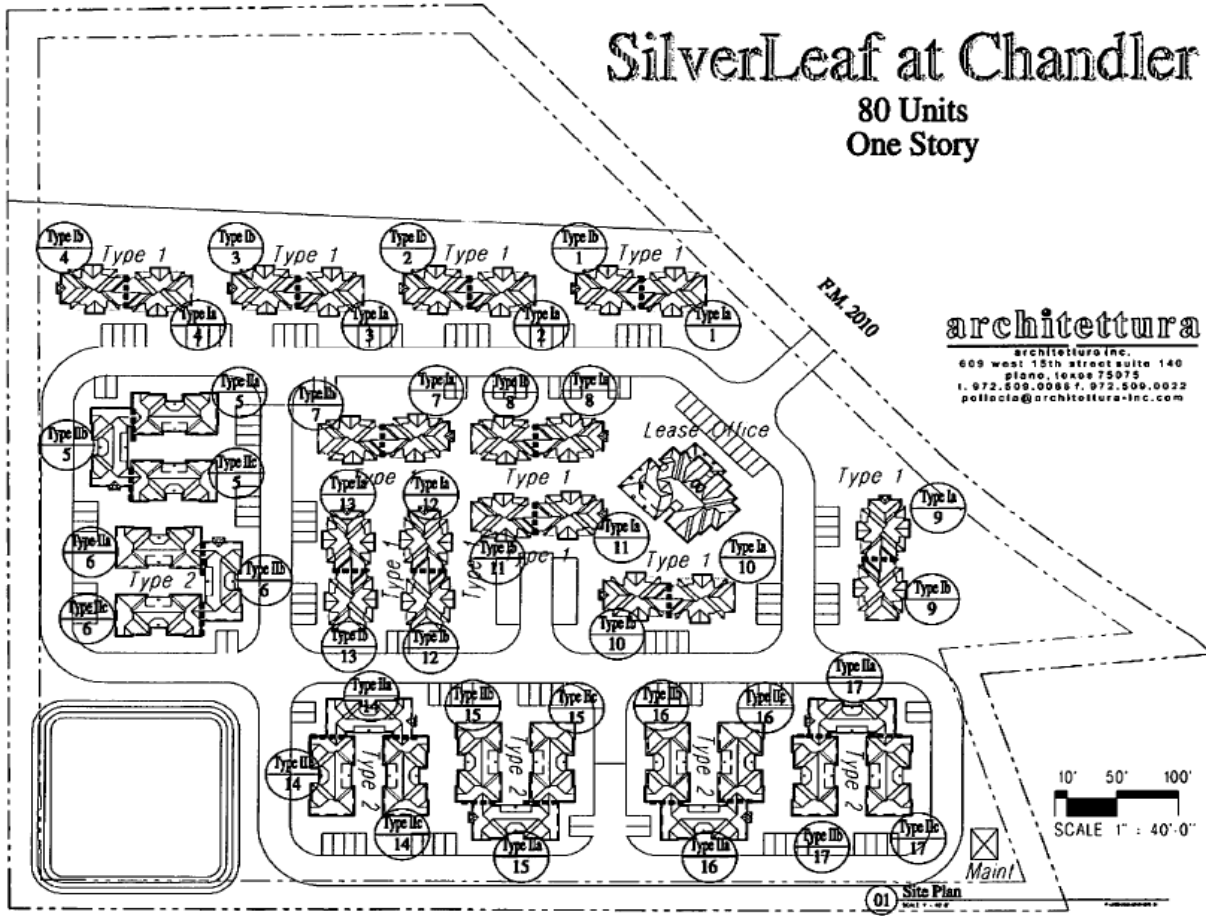
Name	Financial Notes	# Completed Developments
SilverLeaf at Chandler, LP	N/A	0
StoneLeaf Development, LLC	N/A	0
Solutions Plus, Inc.	N/A	7
J.M. Sugrue	N/A	7

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	One	Two																Total Buildings	
Floors/Stories	1	1																	
Number	22	18																	40

BR/BA	SF	Units														Total Units	Total SF		
1/1	750	2																44	33,000
2/1	900		2															36	32,400
Units per Building		2	2															80	65,400

SITE ISSUES

Total Size: 13.02 acres Scattered site? Yes No

Flood Zone: X Within 100-yr floodplain? Yes No

Zoning: R1 Needs to be re-zoned? Yes No N/A

Comments:
Currently is zoned R1 and a request to the City of Chandler to change the zoning to MF has been submitted. This is being made a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/11/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Single-family residences East: FM 2010 and pasture land beyond
 South: Pasture land and Single-family West: Pasture land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: ETTL Engineers and Consultants, Inc. Date: 3/3/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/20/2008

Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 213.32 square miles (8.2 miles radius)

"For this analysis, we utilized a "primary market area" encompassing 213.4 square miles.

The boundaries of the Primary Market Area follow those of the census tracts listed in

Section 2.1.3 of this report. These boundaries approximately follow as such:

North: Henderson County Line, SH 64, CR 46, FM 2016, US 69, SH 323 North

East: SH 323 East

South: SH 323 South, CR 1113, CR 1110, Lake Palestine, Flat Creek, Muscadine Branch

West: Muscadine Branch, FM 1803, CR 3503, CR 3506, CR 3507"

The population of the PMA in 2008 was estimated to be 78,203.

Secondary Market Area (SMA):

N/A

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Lake View Apartments	08262	140	LP-134	N/A			

Lake View Apartments is a proposed 140-unit total / 134 unit 9% HTC development targeting seniors within the defined PMA boundaries in Tyler; however, it is a lower scoring application as of the date of this underwriting report.

INCOME LIMITS						
Henderson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

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MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	66	3	0	69	3	0	4%
1 BR/ 50% Rent Limit	48	88	0	136	16	0	12%
1 BR/ 60% Rent Limit	105	5	0	110	25	0	23%
2 BR/ 30% Rent Limit	11	0	0	11	1	0	9%
2 BR/ 50% Rent Limit	11	19	0	30	12	0	40%
2 BR/ 60% Rent Limit	23	1	0	24	23	0	96%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 57	9,181	100%	9,181	included in Tenure %	3%	289	34% 98
Underwriter	36% 9,170	100%	9,170	100%	9,170	3% 289	34% 98
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 57		100%	217	included in Tenure %	3%	5	100% 5
Underwriter		100%	81	100%	81	3% 3	100% 3
DEMAND from OTHER SOURCES							
Market Analyst p. 58							10
Underwriter							10

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 59	80	0	0	80	113	70.6%
Underwriter	80	0	0	80	111	72.2%
HISTA-Based Data Alternate	80	0	0	80	269	29.74%

If Lake View Apartments were to be funded, this analysis suggests there would be limited support for additional units as the inclusion of any more HTC units yields a capture above the current Department maximum of 75% for senior developments, therefore this report is conditioned upon Lake View Apartments not being funded in the 2008 allocation.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 94.7% as a result of increasing demand despite recent new construction. Affordable projects are 95.4% occupied and the two affordable senior projects are 98.4% occupied." (p. 12)

Absorption Projections:

"Absorption over the previous eight years for all unit types has been 233 units per year. We expect this to continue as the number of new household continues to grow, and as additional rental units become available." (p. 13)

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RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%	\$174	174	\$680	174	\$506
1 BR	750 SF	50%	\$343	343	\$680	343	\$337
1 BR	750 SF	60%	\$428	428	\$680	428	\$252
2 BR	900 SF	30%	\$207	207	\$730	207	\$523
2 BR	900 SF	50%	\$411	411	\$730	411	\$319
2 BR	900 SF	60%	\$513	513	\$730	513	\$217

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. The two existing "affordable" (senior) housing projects in the Primary Market Area have an average occupancy of 98.4%, and the one "affordable" (senior) project in Chandler is 100% occupied. This demonstrates that the demand for affordable rental housing is high, and that there is a shortage of affordable senior housing in this market." (p. 16)

Comments:

The market study was performed in accordance with the Department's guidelines and provides sufficient information on which to base a funding recommendation. The inclusive capture rates calculated by the Market Analyst and Underwriter are above 50% but marginally below Department's 75% threshold for elderly transactions.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 2.7 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 11.7 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting "All Electric" tenant-paid utility allowances as of July 1, 2007, maintained by The City of Tyler Housing Authority from the 2008 program gross rent limits. The HOME rents do not at this time impact the HTC rents because the HTC rents are equal to or less than the HOME rents for the proposed HOME units. Tenants will be required to pay electric utility costs only.

The Applicant elected to set aside 32 units (40%) targeting households earning 50% or less. This level of targeting is often used to eliminate the taint of a federal below market HOME loan but in this case the Applicant is also claiming the 30% boost for choosing a site in a DDA or OCT which makes this method of removing the taint ineffective. Instead the HOME funding must be at an interest rate equal or greater than the Applicable Federal Rate (AFR).

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,102 per unit is within 5% of the Underwriter's estimate of \$3,168, derived from the TDHCA database, and third-party data sources. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, specifically: payroll and payroll tax (\$6K higher), repairs and maintenance (\$6K lower), utilities (\$5K lower), and property tax (\$8K higher).

Conclusion:

The Applicant's total operating expense and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity.

The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. While the Underwriter's expense to income ratio is above the Department's 65% maximum, the Applicant's is marginally below and because the Applicant's income overall is within the Department tolerances the development is technically underwritten at below the 65% threshold.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	12.6 acres	\$28,830	Tax Year:	2007
Existing Buildings:		\$0	Valuation by:	Tax Statement
Total Assessed Value:		\$28,830	Tax Rate:	2.492934

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 13.016

Contract Expiration: 12/31/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$221,272 Other: _____

Seller: Neches Construction Related to Development Team? Yes No

Comments:

While the Applicant has indicated that the sales contract is not a related party transaction, the Applicant identifies Neches Construction, the seller of the property, as the development General Contractor as well as a Lender in the transaction. This will be discussed in the Acquisition Value section.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 3 Date of Last Applicant Revision: 5/22/2008

Acquisition Value:

The site cost of \$17,000 per acre or \$2,766 per unit is a reasonable price but it is uncertain that it is truly a fair price because the Seller is also the General Contractor and the only appraised value the Applicant provided was the much lower tax assessor value. The Applicant also did not provide documentation of the original acquisition and holding costs. Both of these are requirements of identity of interest transactions where a member of the development team, such as the general contractor, is the seller of the land.

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Due to the fact that Neches Construction is represented to be a part of the Development Team in this application, the acquisition is characterized as an identity of interest transaction. There is no provision in the QAP or the underwriting rules for the applicant to provide the appraisal required for an identity of interest transaction after the deadline. Therefore, this report is conditioned upon receipt, review and acceptance of documentation that the Applicant has accomplished one of the following three options in their entirety: 1) contracted with a different General Contractor for this proposed development; 2) reduced the total development cost by the acquisition cost reflected in the application (\$221,272); or 3) requests and receives a waiver from the TDHCA Board for **§50.9(h)(14)(G)(ii)** of the 2008 QAP for having not met the required deadline to submit the required appraisal and submits an acceptable appraisal and documentation to support the Seller's original acquisition and holding costs pursuant to **§50.9(h)(7)(A)(iv)**.

The Underwriter evaluated the initial impact of the second option by calculating the Applicant's total development cost estimate less the total acquisition cost for the site of \$221,272 and determined that the deferred developer fee would decrease from \$246K to \$25K to account for this difference. Thus the initial impact of this option would not require a gap reduction in the credit recommendation all else held equal.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,963 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$155.2K or 3.8% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$95,160 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.

Contingency & 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, but the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$16,557 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

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 \$7,210,063 supports annual tax credits of \$779,840. 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

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 5/19/2008

Source: JP Morgan Chase Type: Interim Financing

Principal: \$2,700,000 Interest Rate: 6.6% Fixed Term: 30 months

Comments:

Rate floats based on the 1 month LIBOR rate + 225 basis points

Source: Chandler Area Economic Development Type: Interim Financing

Principal: \$400,000 Interest Rate: 4.4% Fixed Term: 12 months

Comments:

Rate set by the Applicable Federal Rate

Source: Neches Construction Type: Interim Financing
Principal: \$160,000 Interest Rate: 5.0% Fixed Term: 12 months
Comments:

Neches is also the Seller of the land and the general contractor

Source: TDHCA HOME Type: Permanent Financing
Principal: \$1,658,090 Interest Rate: AFR Fixed Amort: 480 months
Comments:

Original request was for 40 year amortization but because of the high anticipated DCR the Underwriter is recommending a more conventional amortization over 30 years. Must maintain AFR interest rate or significant rent restructure or HOME funds removed from basis.

Source: Alliant Capital, Ltd. Type: Syndication
Proceeds: \$6,028,867 Syndication Rate: 79% Anticipated HTC: \$ 763,244
Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.72.5. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase in even a nominal amount the anticipated deferred developer fee would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$246,718 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The proforma analysis results in a debt coverage ratio within the Department's guidelines of 1.35 (at 1.49) using the correct debt service number of \$85,524; therefore the underwriting analysis assumes a decrease in the amortization term of the HOME permanent loan to a more conventional 30 years based on the principal balance reflected in the application materials.

The Applicant's total development cost estimate less the HOME loan of \$1,658,090 indicates the need for \$6,261,690 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$792,719 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$761,465), the gap-driven amount (\$792,719), and eligible basis-derived estimate (\$779,840), the Applicant's request of \$761,465 is recommended resulting in proceeds of \$6,014,815 based on a syndication rate of 79%.

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The Underwriter's recommended financing structure indicates the need for \$246,875 in additional permanent funds. Deferred developer in this amount appear to be repayable from development cashflow within five years of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the amended number of HOME units to (17) total units.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on only deferred developer fee based upon first year income is relatively high but this is less meaningful because it neglects to consider the tax credit induced equity. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter:	_____	Date:	_____
	<i>Carl Hoover</i>		July 5, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 5, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 5, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

SilverLeaf at Chandler, Chandler, 9%HTC/HOME #08157

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC30%/LH	3	1	1	750	\$255	\$174	\$522	\$0.23	\$81.00	\$25.00
TC 50%	16	1	1	750	\$424	\$343	5,488	0.46	81.00	25.00
TC 60%	25	1	1	750	\$509	\$428	10,700	0.57	81.00	25.00
TC30%/LH	1	2	1	900	\$306	\$207	207	0.23	99.00	29.00
TC50%/HH	13	2	1	900	\$510	\$411	5,343	0.46	99.00	29.00
TC 60%	22	2	1	900	\$612	\$513	11,286	0.57	99.00	29.00
TOTAL:	80		AVERAGE:	818		\$419	\$33,546	\$0.51	\$89.10	\$26.80

INCOME

Total Net Rentable Sq Ft: 65,400

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
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	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
General & Administrative	6.03%	\$288	0.35	\$23,007	\$19,300	Henderson		4
Management	5.00%	238	0.29	19,062	19,119	\$10.00	Per Unit Per Month	
Payroll & Payroll Tax	15.64%	746	0.91	59,643	66,000	\$0.00	Per Unit Per Month	
Repairs & Maintenance	7.98%	380	0.47	30,415	24,670			
Utilities	4.49%	214	0.26	17,107	12,000			
Water, Sewer, & Trash	6.75%	322	0.39	25,728	24,000			
Property Insurance	4.82%	230	0.28	18,383	15,000			
Property Tax 2.492934	8.37%	399	0.49	31,910	40,000			
Reserve for Replacements	5.25%	250	0.31	20,000	20,000			
TDHCA Compliance Fees	0.84%	40	0.05	3,200	3,040			
Other:	1.31%	63	0.08	5,000	5,000			
TOTAL EXPENSES	66.48%	\$3,168	\$3.88	\$253,455	\$248,129	\$3.79	\$3,102	64.89%
NET OPERATING INC	33.52%	\$1,597	\$1.95	\$127,786	\$134,239	\$2.05	\$1,678	35.11%

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
HOME-TDHCA	23.46%	\$1,118	\$1.37	\$89,450	\$107,395	\$1.64	\$1,342	28.09%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	10.06%	\$479	\$0.59	\$38,336	\$26,844	\$0.41	\$336	7.02%
AGGREGATE DEBT COVERAGE RATIO				1.43	1.25			
RECOMMENDED DEBT COVERAGE RATIO					1.31			

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)		2.74%	\$2,763	\$3.38	\$221,000	\$221,000	\$3.38	\$2,763	2.79%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.88%	8,963	10.96	717,000	717,000	10.96	8,963	9.05%
Direct Construction		50.05%	50,502	61.78	4,040,162	3,885,000	59.40	48,563	49.05%
Contingency 4.73%		2.79%	2,813	3.44	225,000	225,000	3.44	2,813	2.84%
Contractor's Fees 13.54%		7.98%	8,054	9.85	644,280	644,280	9.85	8,054	8.14%
Indirect Construction		5.52%	5,575	6.82	446,000	446,000	6.82	5,575	5.63%
Ineligible Costs		3.99%	4,027	4.93	322,160	322,160	4.93	4,027	4.07%
Developer's Fees 14.90%		11.85%	11,963	14.63	957,000	957,000	14.63	11,963	12.08%
Interim Financing		4.36%	4,404	5.39	352,340	352,340	5.39	4,404	4.45%
Reserves		1.83%	1,848	2.26	147,821	150,000	2.29	1,875	1.89%
TOTAL COST		100.00%	\$100,910	\$123.44	\$8,072,763	\$7,919,780	\$121.10	\$98,997	100.00%
CONSTRUCTION Cost Recap		69.70%	\$70,331	\$86.03	\$5,626,442	\$5,471,280	\$83.66	\$68,391	69.08%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
HOME-TDHCA	20.54%	\$20,726	\$25.35	\$1,658,090	\$1,658,090	\$1,658,090	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0			\$940,443
HTC Syndication Proceeds	74.51%	\$75,187	\$91.97	6,014,972	6,014,972	6,014,815	% of Dev. Fee Deferred
Deferred Developer Fees	3.06%	\$3,084	\$3.77	246,718	246,718	246,875	26%
Additional (Excess) Funds Req'd	1.90%	\$1,912	\$2.34	152,983	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$8,072,763	\$7,919,780	\$7,919,780	\$578,695

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

SilverLeaf at Chandler, Chandler, 9%HTC/HOME #08157

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$69.26	\$4,529,625
Adjustments				
Exterior Wall Finish	2.10%		\$1.45	\$95,122
Elderly	5.00%		3.46	226,481
9-Ft. Ceilings	3.20%		2.22	144,948
Roofing			0.00	0
Subfloor			(1.85)	(120,990)
Floor Cover			3.08	201,432
Breezeways/Balconies	\$19.81	4,844	1.47	95,960
Plumbing Fixtures	(\$965)	160	(2.36)	(154,400)
Rough-ins	\$425	160	1.04	68,000
Built-In Appliances	\$2,425	80	2.97	194,000
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$59.34		0.00	0
Heating/Cooling			1.90	124,260
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$68.93	3,596	3.79	247,877
Other: fire sprinkler			0.00	0
SUBTOTAL			86.43	5,652,315
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.88		(10.37)	(678,278)
TOTAL DIRECT CONSTRUCTION COSTS			\$76.06	\$4,974,037
Plans, specs, survy, bld prnt	3.90%		(\$2.97)	(\$193,987)
Interim Construction Interes	3.38%		(2.57)	(167,874)
Contractor's OH & Profit	11.50%		(8.75)	(572,014)
NET DIRECT CONSTRUCTION COSTS			\$61.78	\$4,040,162

PAYMENT COMPUTATION

Primary	\$1,658,090	Amort	480
Int Rate	4.50%	DCR	1.43

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.43

Additional		Amort	
Int Rate		Aggregate DCR	1.43

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$97,184
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$30,602

Primary	\$1,658,090	Amort	360
Int Rate	4.19%	DCR	1.31

Secondary	\$246,875	Amort	0
Int Rate	0.00%	Subtotal DCR	1.31

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.31

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

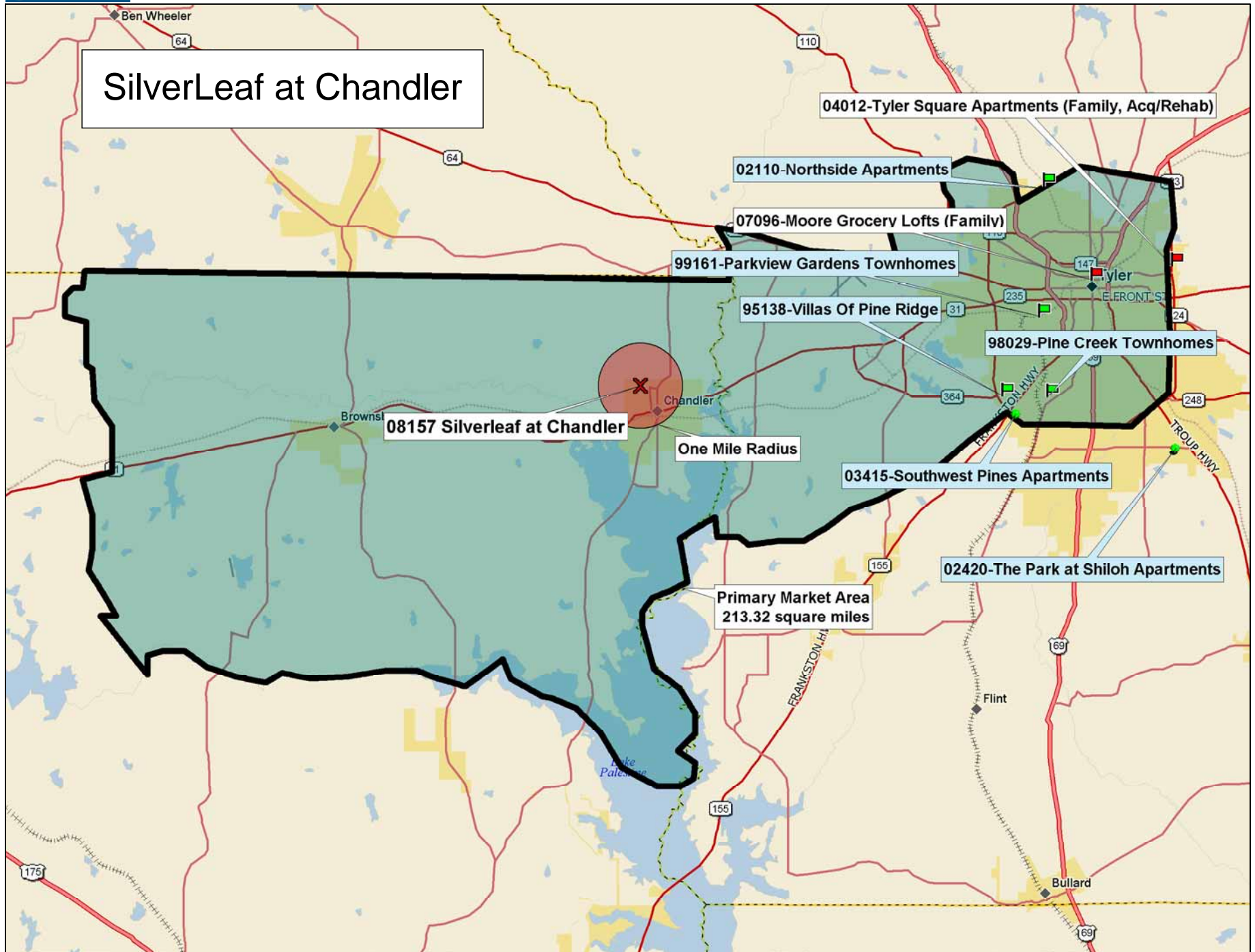
	INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$403,776	\$415,889	\$428,366	\$441,217	\$454,453	\$526,836	\$610,747	\$708,024	\$951,525
Secondary Income		9,600	9,888	10,185	10,490	10,805	12,526	14,521	16,834	22,623
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		413,376	425,777	438,551	451,707	465,258	539,362	625,268	724,857	974,148
Vacancy & Collection Loss		(31,008)	(31,933)	(32,891)	(33,878)	(34,894)	(40,452)	(46,895)	(54,364)	(73,061)
Employee or Other Non-Rental		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$382,368	\$393,844	\$405,659	\$417,829	\$430,364	\$498,910	\$578,373	\$670,493	\$901,087
EXPENSES at 4.00%										
General & Administrative		\$19,300	\$20,072	\$20,875	\$21,710	\$22,578	\$27,470	\$33,421	\$40,662	\$60,190
Management		19,119	19,693	20,284	20,892	21,519	24,946	28,920	33,526	45,056
Payroll & Payroll Tax		66,000	68,640	71,386	74,241	77,211	93,939	114,291	139,052	205,831
Repairs & Maintenance		24,670	25,657	26,683	27,750	28,860	35,113	42,720	51,976	76,937
Utilities		12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Water, Sewer & Trash		24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Insurance		15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Property Tax		40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Reserve for Replacements		20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other		8,040	8,362	8,696	9,044	9,406	11,443	13,923	16,939	25,074
TOTAL EXPENSES		\$248,129	\$257,863	\$267,981	\$278,497	\$289,428	\$350,899	\$425,491	\$516,015	\$759,258
NET OPERATING INCOME		\$134,239	\$135,981	\$137,678	\$139,332	\$140,936	\$148,011	\$152,882	\$154,478	\$141,828
DEBT SERVICE										
First Lien Financing		\$97,184	\$97,184	\$97,184	\$97,184	\$97,184	\$97,184	\$97,184	\$97,184	\$97,184
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$37,055	\$38,797	\$40,494	\$42,148	\$43,752	\$50,827	\$55,698	\$57,294	\$44,644
DEBT COVERAGE RATIO		1.38	1.40	1.42	1.43	1.45	1.52	1.57	1.59	1.46

HTC ALLOCATION ANALYSIS -SilverLeaf at Chandler, Chandler, 9%HTC/HOME #08157

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$221,000	\$221,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$717,000	\$717,000	\$717,000	\$717,000
Construction Hard Costs	\$3,885,000	\$4,040,162	\$3,885,000	\$4,040,162
Contractor Fees	\$644,280	\$644,280	\$644,280	\$644,280
Contingencies	\$225,000	\$225,000	\$225,000	\$225,000
Eligible Indirect Fees	\$446,000	\$446,000	\$446,000	\$446,000
Eligible Financing Fees	\$352,340	\$352,340	\$352,340	\$352,340
All Ineligible Costs	\$322,160	\$322,160		
Developer Fees			\$940,443	
Developer Fees	\$957,000	\$957,000		\$957,000
Development Reserves	\$150,000	\$147,821		
TOTAL DEVELOPMENT COSTS	\$7,919,780	\$8,072,763	\$7,210,063	\$7,381,782

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$7,210,063	\$7,381,782
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$9,373,082	\$9,596,316
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$9,373,082	\$9,596,316
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$779,840	\$798,413

Syndication Proceeds	0.7899	\$6,159,962	\$6,306,671
Total Tax Credits (Eligible Basis Method)		\$779,840	\$798,413
Syndication Proceeds		\$6,159,962	\$6,306,671
Requested Tax Credits		\$761,465	
Syndication Proceeds		\$6,014,815	
Gap of Syndication Proceeds Needed		\$6,261,690	
Total Tax Credits (Gap Method)		\$792,719	



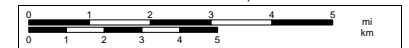
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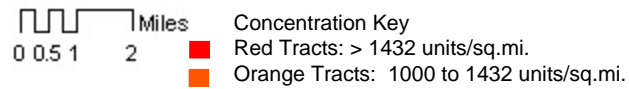
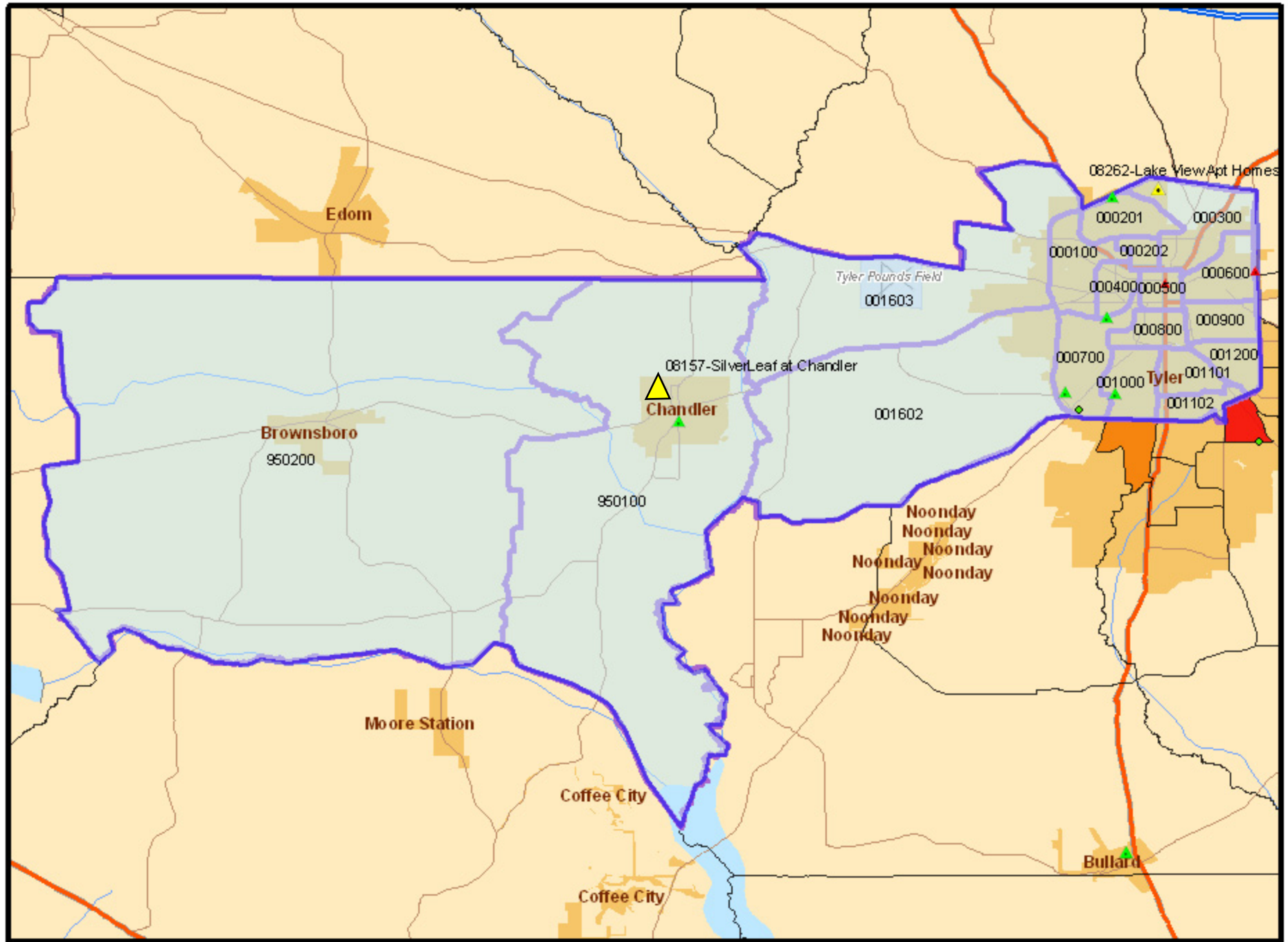
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 Page 14 of 15

Scale 1 : 200,000



1" = 3.16 mi

Data Zoom 10-0



08157 - Silverleaf at Chandler

Applicant Evaluation

Project ID # **08157**

Name: **SilverLeaf at Chandler**

City: **Chandler**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 1

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/10/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/16/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Villas at Beaumont, TDHCA Number 08158

BASIC DEVELOPMENT INFORMATION

Site Address: 2200 Beaumont Ave. Development #: 08158
 City: McAllen Region: 11 Population Served: Elderly
 County: Hidalgo Zip Code: 78501 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: The Villas at Beaumont, Ltd.
 Owner Contact and Phone: Joe Saenz, (956) 686-3951
 Developer: Leslie Hollman & Associates, Inc.
 Housing General Contractor: Brownstone Construction, Ltd.
 Architect: Brownstone Construction, Ltd
 Market Analyst: The Gerald A. Teel Company, Inc.
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: Flores Residential LC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	36
	2 0 13 21	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 36 0 0 0 0	Total Development Units:	36
Type of Building:		Total Development Cost*:	\$3,632,411
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$376,000	\$376,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas at Beaumont, TDHCA Number 08158

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, S

Points: 14 US Representative: Hinojosa, District 15, NC

TX Representative: Flores, District 36, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Richard Cortez, Mayor

Resolution of Support from Local Government

Individuals and Businesses In Support: 6 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Affordable Homes of South Texas, Inc.

S or O: S

Senior Companion Program

S or O: S

Area Agency on Aging of the Lower Rio Grande Valley

S or O: S

Amigos Del Valle, Inc.

S or O: S

Thigpen-Zavala Elementary PTA #11838

S or O: S

AARP Senior Community Service Employment Program

S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by cost certification, of a fully executed HUD Section 8 Housing Assistance Program (HAP) contract with documentation verifying the assumed contract rents, and if rents charged to tenants are above maximum tax credit rents, then an adjustment to the tax credit award may be warranted at the time of or before issuance of the 8609s.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas at Beaumont, TDHCA Number 08158

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$376,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

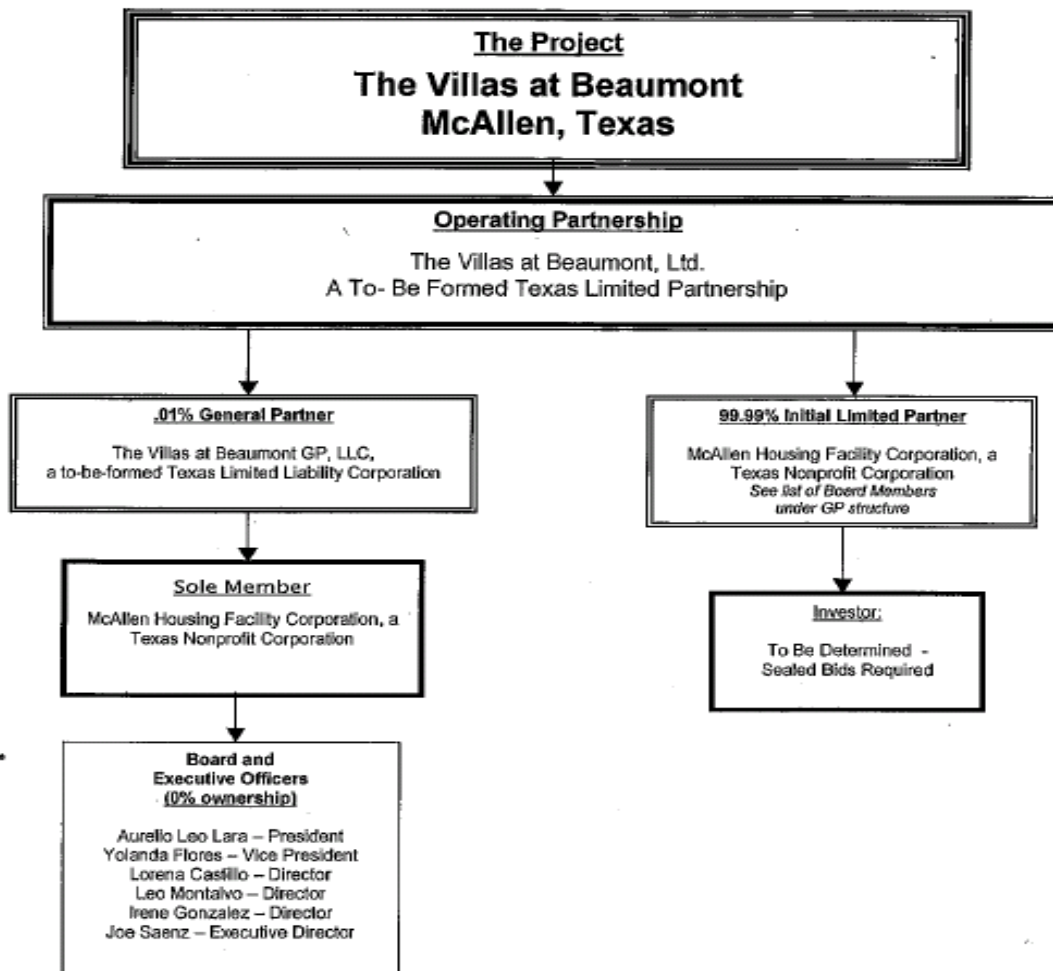
REPORT DATE: 07/23/08 PROGRAM: 9% HTC FILE NUMBER: 08158

DEVELOPMENT																					
Villas at Beaumont																					
Location: 2200 Beaumont Avenue					Region: 11																
City: McAllen		County: Hidalgo		Zip: 78501		<input type="checkbox"/> OCT <input checked="" type="checkbox"/> DDA															
Key Attributes: Elderly, Multifamily, New Construction																					
ALLOCATION																					
	REQUEST			RECOMMENDATION																	
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term															
Housing Tax Credit (Annual)	\$376,000			\$376,000																	
CONDITIONS																					
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, by cost certification, of a fully executed HUD Section 8 Housing Assistance Program (HAP) contract with documentation verifying the assumed contract rents, and if rents charged to tenants are above maximum tax credit rents, then an adjustment to the tax credit award may be warranted at the time of or before issuance of the 8609s. 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old. 3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted. 																					
SALIENT ISSUES																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">13</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">21</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	2	50% of AMI	50% of AMI	13	60% of AMI	60% of AMI	21
TDHCA SET-ASIDES for LURA																					
Income Limit	Rent Limit	Number of Units																			
30% of AMI	30% of AMI	2																			
50% of AMI	50% of AMI	13																			
60% of AMI	60% of AMI	21																			
PROS			CONS																		
<ul style="list-style-type: none"> ▫ There is strong demand for subsidized seniors housing units at the lowest income levels in this region of the State. 			<ul style="list-style-type: none"> ▫ The Development's expense to income ratio exceeds the Department's maximum guidelines; however, it will be mitigated by the project-based housing assistance contract that is to be executed for the property. ▫ The Applicant did not provide information regarding the actual HAP contract rents that are anticipated. 																		

PREVIOUS UNDERWRITING REPORTS

No previous reports.

**DEVELOPMENT TEAM
OWNERSHIP STRUCTURE**



CONTACT

Contact: Joe Saenz Phone: (956) 686-3951 Fax: (956) 686-3112
 Email: jasaenz@mcaha.org

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
McAllen Housing Facility Corporation	N/A	2
Leslie Holleman	N/A	8
Joe Saenz	N/A	2

¹ Liquidity = Current Assets - Current Liabilities

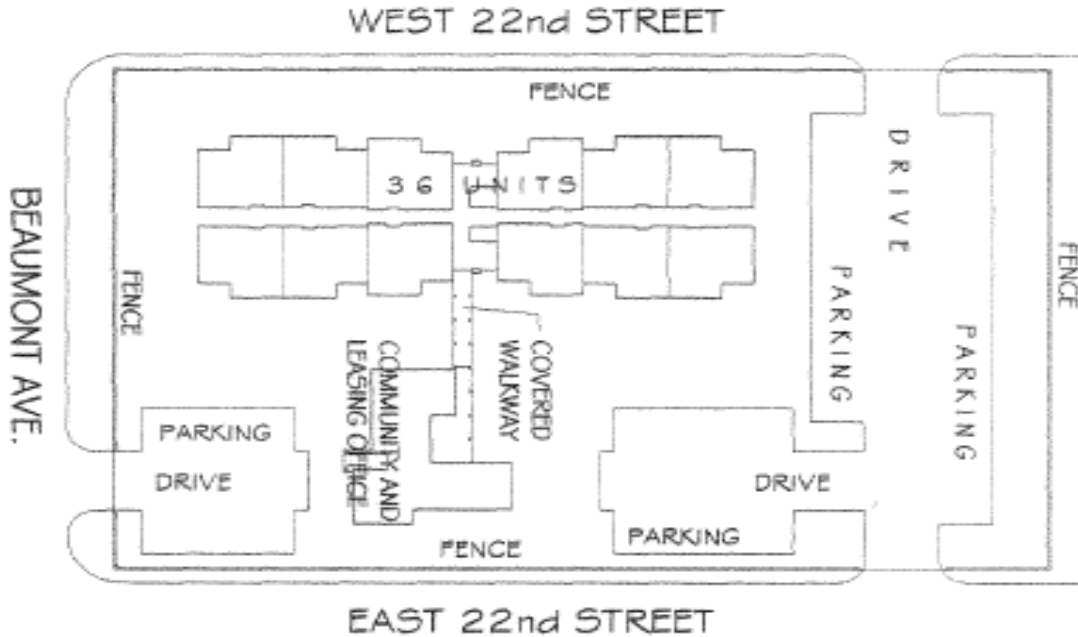
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IDENTITIES of INTEREST

- The Applicant, Developer, Co-Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The transaction is regarded as an identity of interest due to the Housing Authorities current ownership of the site and proposed 100% ownership of the General Partner interest in the Applicant.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A									Total Buildings
Floors/Stories	3									
Number	1									1

BR/BA	SF	Units								Total Units	Total SF
1/1	750	36								36	27,000
Units per Building		36								36	27,000

SITE ISSUES

Total Size: 1.667 acres Scattered site? Yes No

Flood Zone: C Within 100-yr floodplain? Yes No

Zoning: R3-A Multifamily Needs to be re-zoned? Yes No N/A

This section intentionally left blank.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/25/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

- North: Retail, export and light industrial businesses adjacent, and beyond,
- East: Retail, export and light industrial business adjacent, and residential beyond,
- South: Residential adjacent, and beyond,
- West: Residential adjacent, and small bar and garage type businesses beyond.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services Date: 2/4/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- The assessment revealed no onsite nor off-site recognized environmental conditions in connection with the property.

MARKET HIGHLIGHTS

Provider: The Gerald A. Teel Company, Inc. Date: 3/28/2008

Contact: Tim Treadway Phone: (713) 467-5858 Fax: (713) 467-0704

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 23.71 square miles (2.75 mile radius)

"The primary market area is considered the city limits of McAllen; however, as the local population of McAllen exceeds TDHCA limits, we have chosen the main core of the market area. This includes the following 15 Census Tracts: 48215020501, 48215050502, 48215020600, 4825020701, 4821500721, 48215020722, 48215020723, 48215020724, 48215020801, 48215020802, 48215020901, 48215020902, 482150210000, 48215021100, and 48215021201." (p. 4)

Secondary Market Area (SMA):

"The secondary market area (SMA) would consist of those potential renters in the smaller adjoining communities neighboring McAllen, including portions of Mission, Edinburg, Pharr, San Juan and Alamo, as well as the remaining parts of McAllen, if applicable. No demand has been considered from the secondary market." (p. 4)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Retama Village	#060071	128	0	N/A			
Retama Village II	#07182	74	0				

Comments:

Retama Village and Retama Village Phase II are both reconstruction family developments and are not considered to be comparable because the subject has only elderly units.

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	35	17	1	53	2	0	3.76%
1BR/50% Rent Limit	18	17	0	35	13	0	36.93%
1BR/60% Rent Limit	20	17	19	56	21	0	37.37%

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst	p. 67	7,254	44%	3,214	27%	861	34%	289	61%	175
Underwriter		23% 7,257	44%	3,215	41%	1,327	34%	444	24%	108
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. 67		44%	156	27%	42	34%	14	100%	14
Underwriter			44%	185	41%	34	34%	11	100%	11
DEMAND from OTHER SOURCES										
Market Analyst	p. 67									22
Underwriter										0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 67	36	0	36	211	17.05%
Underwriter		36	0	36	119	30.28%

Comment:

The Underwriter used a turnover rate of 24% based on actual turnover for elderly properties in the Department's portfolio. This rate is substantially lower than the 61% turnover used by the Analyst, but continues to result in an inclusive capture rate within the Department's guideline. The Underwriter also used a larger income band to account for the anticipated Section 8 rental subsidy, although the capture rate would be below the maximum if the vouchers were ultimately not received. Lastly, the Analyst included other sources of demand that are already embedded in the Underwriter's calculations. The Underwriter also calculated the inclusive capture rate using HISTA Data and concluded it to be 29%, which is within the Department's acceptable level.

Primary Market Occupancy Rates:

"Occupancies are stabilized in the data sample, with the existing product that was surveyed reporting occupancy levels ranging from 57% to 98% with an average of just over 87%; however, the five stabilized projects show an average of 94%. The stabilized occupancy for the subject is anticipated to be approximately 93% to 94%, including a 1% collection loss." (p. 86)

"Based on current market conditions, as well as anticipated market conditions in the near term, we consider an overall stabilized occupancy rate of 94% to be reasonable." (p. 23)

Absorption Projections:

"Absorption has been examined in various scenarios, with a projected rate of about 6 to 8 units per month if available for lease up at this time." (p. 86)

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%	\$190	\$190	\$635	\$190	\$445
1 BR	750 SF	50%	\$353	\$353	\$635	\$353	\$282
1 BR	750 SF	60%	\$435	\$435	\$635	\$435	\$200

Comment:

The Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 277 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 202 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utilities from the 2008 program rent limits. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Tenants are to pay electrical costs. The Underwriter also used 2008 maximum program rents less tenant paid utilities. It should be noted that the Applicant intends to obtain a Project-Based Section 8 Housing Assistance contract covering these units; however, the contract cannot be obtained until after the Applicant receives an award of housing tax credits.

Accordingly, it is a condition of this report that the Applicant provide a copy of the executed HUD Project-Based Section 8 Housing Assistance contract to the Department by cost certification, and if rents to be charged to tenants are above maximum tax credit rents, then, an adjustment to the tax credit award may be warranted at the time of or before issuance of the 8609s.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$3,046 per unit is within 5% of the Underwriter's estimate of \$3,089 derived from the TDHCA database and third party data sources. However, the Applicant has several line items that differ significantly from the Underwriter's, specifically, general and administrative expenses (\$4K higher), management fees (\$4K lower), payroll and payroll taxes (\$3K lower), and utilities (\$5K higher). Additionally, both the Applicant and the Underwriter's expense to income ratios are high at 69.68% and 70.15% respectively. The Department's normal maximum expense to income ratio is 65%; however, the subject property will have a Project-Based HUD Section 8 Housing Assistance contract which will mitigate this risk and allows the ratio to exceed 65% under Department rules.

The Applicant and Underwriter have assumed that a 100% ad valorem property tax exemption will be available for the development due to the proposed ground lease with the Housing Authority and 100% GP ownership by an instrumentality of the Housing Authority. This is a common ownership structure used to achieve such an exemption.

Conclusion:

The Applicant's estimate of effective gross income, expenses and net operating income are all within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma yields a DCR within the Department's guidelines.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. The Applicant's base year effective gross income and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow for the first 15 years. Therefore, the development can be characterized as feasible. It should be noted however, that the Applicant's 30 year proforma reflects negative cash flow by year 30.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	1.67 acres	<u>\$196,020</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>\$0</u>	Valuation by:	<u>Hidalgo CAD</u>
Total Assessed Value:		<u>\$196,020</u>	Tax Rate:	<u>2.8012</u>

EVIDENCE of PROPERTY CONTROL

Type: Contract For Lease Acreage: 1.67

Contract Expiration: 3/1/2009 Valid Through Board Date? Yes No

Acquisition Cost: Long-term Lease Other: _____

Seller: McAllen Housing Facility Corp. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/21/2008

Acquisition Value:

The Applicant will lease the subject property from the McAllen Housing Facility Corporation (an affiliate of the City of McAllen and instrumentality of the McAllen Housing Authority) under a fifty (50) year ground lease at the rate of \$10 per year. The transfer is regarded as an identity of interest transaction due to the ongoing ownership by the Housing Authority. However, the leasehold interest is effectively being granted to the Applicant and therefore, no appraisal is required.

Sitework Cost:

The Applicant's claimed sitework cost of \$8,569 per unit are within the Department's guidelines. Therefore, no further third party substantiation is required.

Direct Construction Cost:

The Applicant's direct construction cost is \$63K or 4% higher than the Underwriter's Marshall and Swift Residential Cost Handbook-derived estimate.

Conclusion:

The Applicant's direct construction cost is 4% higher than the Underwriter's and total construction cost is 3% higher; therefore, the Applicant's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,478,236 supports annual tax credits of \$376,206. 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.

This section intentionally left blank.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/21/2008

Source: PNC Bank Type: Interim Financing

Principal: \$1,950,000 Interest Rate: 7.5% Fixed Amort: 24 months

Comments:

This construction loan will be secured by a second lien Deed of Trust on the real estate and personal property of the development, as well as personal guarantees of a Principal of the Developer. Terms of the loan are a floating rate equal to Prime (underwritten at 7.5%), a 0.5% origination fee, and a 24-month term.

Source: McAllen Housing Facility Corporation Type: Interim Financing

Principal: \$181,650 Interest Rate: AFR Fixed Amort: 24 months

Source: PNC Bank Type: Interim to Permanent Financing

Interim: \$425,000 Interest Rate: 7.5% Fixed Term: 24 months

Permanent: \$425,000 Interest Rate: 7.5% Fixed Term: 180 months

Source: PNC Multifamily Capital Type: Syndication

Proceeds: \$3,158,084 Syndication Rate: 84% Anticipated HTC: \$ 376,000

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.80. Beyond this point, the required deferred developer fee would exceed the projected 15 year cashflow and the transaction would not meet the Department's feasibility criteria. Alternatively, should the final credit price increase to more than \$0.85, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$49,328 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$425,000 indicates the need for \$3,207,411 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$381,873 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$376,000), the gap-driven amount (\$381,873) and eligible basis-derived estimate (\$376,206), the Applicant's request of \$376,000 is recommended resulting in proceeds of \$3,158,084 based on a syndication rate of 84%.

The Underwriter's recommended financing structure indicates the need for \$49,327 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 5 years of stabilized operation.

Underwriter:

D. Burrell

Date: July 23, 2008

Reviewing Underwriter:

Cameron Dorsey

Date: July 23, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Villas at Beaumont, McAllen, 9% HTC #08158

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/HAP	2	1	1	750	\$245	\$190	\$380	\$0.25	\$55.00	\$22.00
TC 50%/HAP	13	1	1	750	\$408	\$353	\$4,589	\$0.47	\$55.00	\$22.00
TC 60%/HAP	21	1	1	750	\$490	\$435	\$9,135	\$0.58	\$55.00	\$22.00
TOTAL:	36		AVERAGE:	750		\$392	\$14,104	\$0.52	\$55.00	\$22.00

INCOME

Total Net Rentable Sq Ft: 27,000

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	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.24%	\$231	0.31	\$8,306	\$12,720	\$0.47	\$353	8.08%
Management	7.90%	348	0.46	12,531	7,868	0.29	219	5.00%
Payroll & Payroll Tax	18.66%	822	1.10	29,585	26,312	0.97	731	16.72%
Repairs & Maintenance	10.07%	444	0.59	15,968	14,496	0.54	403	9.21%
Utilities	5.84%	257	0.34	9,252	14,400	0.53	400	9.15%
Water, Sewer, & Trash	8.06%	355	0.47	12,780	15,600	0.58	433	9.91%
Property Insurance	5.82%	256	0.34	9,228	6,480	0.24	180	4.12%
Property Tax 2.8012	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	5.68%	250	0.33	9,000	7,200	0.27	200	4.58%
TDHCA Compliance Fees	0.91%	40	0.05	1,440	1,440	0.05	40	0.92%
Other: Supportive Srv, ground lease,	1.97%	87	0.12	3,130	3,130	0.12	87	1.99%
TOTAL EXPENSES	70.15%	\$3,089	\$4.12	\$111,220	\$109,646	\$4.06	\$3,046	69.68%
NET OPERATING INC	29.85%	\$1,315	\$1.75	\$47,332	\$47,710	\$1.77	\$1,325	30.32%
DEBT SERVICE								
PNC Bank	22.49%	\$991	\$1.32	\$35,660	\$35,660	\$1.32	\$991	22.66%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	7.36%	\$324	\$0.43	\$11,672	\$12,050	\$0.45	\$335	7.66%
AGGREGATE DEBT COVERAGE RATIO				1.33	1.34			
RECOMMENDED DEBT COVERAGE RATIO					1.34			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.73%	8,569	11.43	308,500	308,500	11.43	8,569	8.49%
Direct Construction		44.03%	43,246	57.66	1,556,861	1,619,924	60.00	44,998	44.60%
Contingency 5.00%		2.64%	2,591	3.45	93,268	96,421	3.57	2,678	2.65%
Contractor's Fees 14.00%		7.39%	7,254	9.67	261,150	269,978	10.00	7,499	7.43%
Indirect Construction		10.39%	10,200	13.60	367,200	367,200	13.60	10,200	10.11%
Ineligible Costs		2.46%	2,419	3.22	87,070	87,070	3.22	2,419	2.40%
Developer's Fees 20.00%		15.97%	15,686	20.91	564,697	579,707	21.47	16,103	15.96%
Interim Financing		6.69%	6,570	8.76	236,507	236,507	8.76	6,570	6.51%
Reserves		1.71%	1,677	2.24	60,389	67,104	2.49	1,864	1.85%
TOTAL COST		100.00%	\$98,212	\$130.95	\$3,535,643	\$3,632,411	\$134.53	\$100,900	100.00%
Construction Cost Recap		62.78%	\$61,661	\$82.21	\$2,219,779	\$2,294,823	\$84.99	\$63,745	63.18%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
PNC Bank	12.02%	\$11,806	\$15.74	\$425,000	\$425,000	\$425,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$579,706
HTC Syndication Proceeds	89.32%	\$87,725	\$116.97	3,158,084	3,158,084	3,158,084	% of Dev. Fee Deferred
Deferred Developer Fees	1.40%	\$1,370	\$1.83	49,327	49,327	49,327	9%
Additional (Excess) Funds Req'd	-2.74%	(\$2,688)	(\$3.58)	(96,768)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$3,535,643	\$3,632,411	\$3,632,411	\$206,010

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Villas at Beaumont, McAllen, 9% HTC #08158

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$56.44	\$1,523,891
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Elderly	3.00%		1.69	45,717
9-Ft. Ceilings	3.00%		1.69	45,717
Roofing			0.00	0
Subfloor			(0.82)	(22,230)
Floor Cover			2.43	65,610
Breezeways/Balconies	\$22.27	11,254	9.28	250,618
Plumbing Fixtures	\$805	36	1.07	28,980
Rough-ins	\$400	36	0.53	14,400
Built-In Appliances	\$1,850	36	2.47	66,600
Exterior Stairs	\$1,800	6	0.40	10,800
Enclosed Corridors	\$46.52		0.00	0
Heating/Cooling			1.90	51,300
Elevator	\$58,400	1	2.16	58,400
Comm &/or Aux Bldgs	\$76.67	2,268	6.44	173,876
Other: fire sprinkler	\$1.95	27,000	1.95	52,650
SUBTOTAL			87.64	2,366,328
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.81		(16.65)	(449,602)
TOTAL DIRECT CONSTRUCTION COSTS			\$70.99	\$1,916,726
Plans, specs, survy, bld prmt	3.90%		(\$2.77)	(\$74,752)
Interim Construction Interest	3.38%		(2.40)	(64,689)
Contractor's OH & Profit	11.50%		(8.16)	(220,423)
NET DIRECT CONSTRUCTION COSTS			\$57.66	\$1,556,861

PAYMENT COMPUTATION

Primary	\$425,000	Amort	360
Int Rate	7.50%	DCR	1.33

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.33

Additional	\$3,158,084	Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$35,660
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$12,050

Primary	\$425,000	Amort	360
Int Rate	7.50%	DCR	1.34

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.34

Additional	\$3,158,084	Amort	0
Int Rate	0.00%	Aggregate DCR	1.34

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

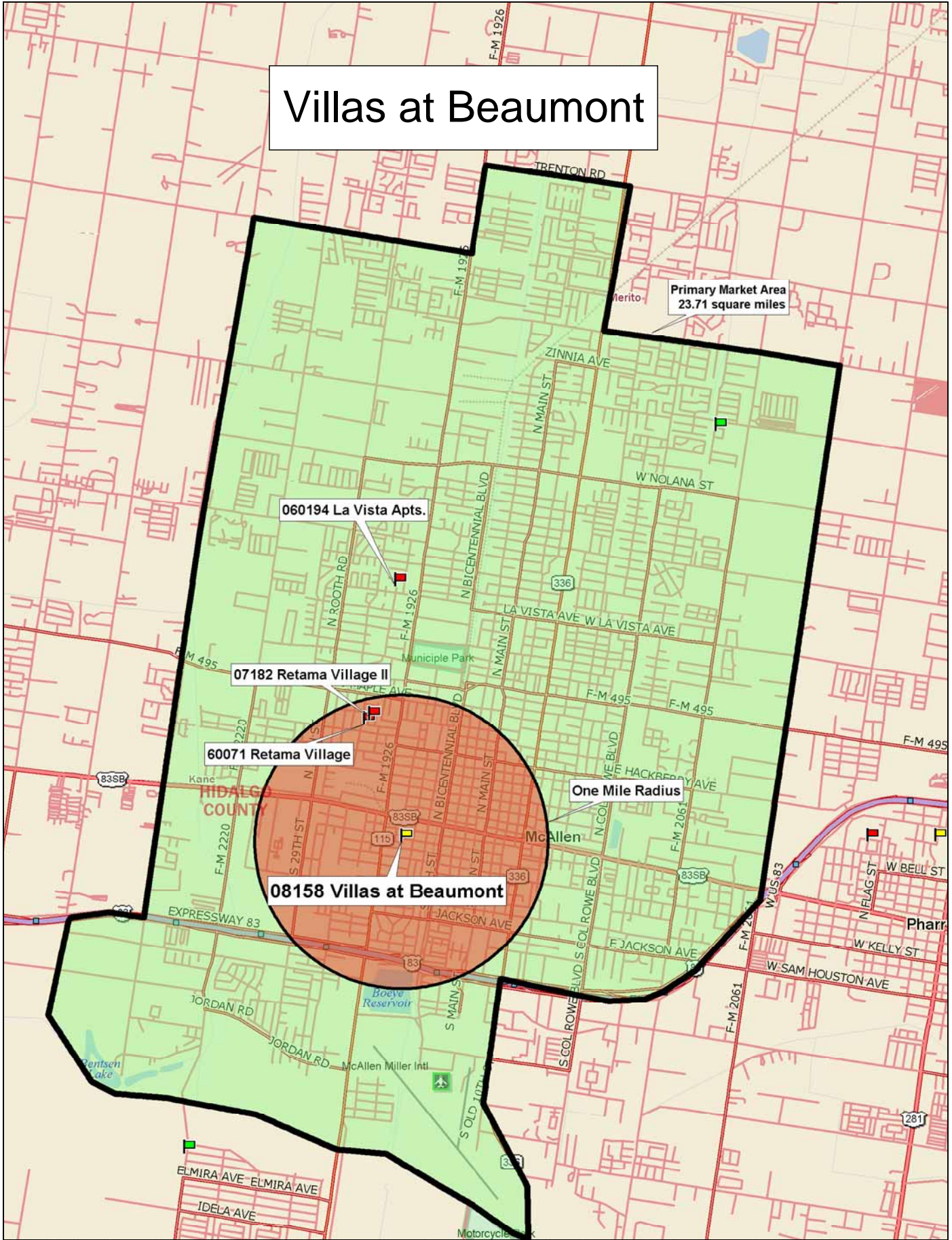
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$169,248	\$174,325	\$179,555	\$184,942	\$190,490	\$220,830	\$256,003	\$296,777	\$398,844
Secondary Income	864	890	917	944	972	1,127	1,307	1,515	2,036
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	170,112	175,215	180,472	185,886	191,463	221,958	257,310	298,292	400,880
Vacancy & Collection Loss	(12,756)	(13,141)	(13,535)	(13,941)	(14,360)	(16,647)	(19,298)	(22,372)	(30,066)
Employee or Other Non-Rental L	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$157,356	\$162,074	\$166,936	\$171,945	\$177,103	\$205,311	\$238,011	\$275,920	\$370,814
EXPENSES at 4.00%									
General & Administrative	\$12,720	\$13,229	\$13,758	\$14,308	\$14,881	\$18,105	\$22,027	\$26,799	\$39,669
Management	7,868	8,104	8,347	8,597	8,855	10,266	11,901	13,796	18,541
Payroll & Payroll Tax	26,312	27,364	28,459	29,597	30,781	37,450	45,564	55,435	82,058
Repairs & Maintenance	14,496	15,076	15,679	16,306	16,958	20,632	25,102	30,541	45,208
Utilities	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Water, Sewer & Trash	15,600	16,224	16,873	17,548	18,250	22,204	27,014	32,867	48,651
Insurance	6,480	6,739	7,009	7,289	7,581	9,223	11,221	13,652	20,209
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	4,570	4,753	4,943	5,141	5,346	6,505	7,914	9,628	14,252
TOTAL EXPENSES	\$109,646	\$113,953	\$118,430	\$123,084	\$127,921	\$155,128	\$188,147	\$228,227	\$335,951
NET OPERATING INCOME	\$47,710	\$48,121	\$48,506	\$48,861	\$49,182	\$50,183	\$49,864	\$47,693	\$34,863
DEBT SERVICE									
First Lien Financing	\$35,660	\$35,660	\$35,660	\$35,660	\$35,660	\$35,660	\$35,660	\$35,660	\$35,660
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$12,050	\$12,461	\$12,846	\$13,201	\$13,522	\$14,523	\$14,204	\$12,033	(\$797)

HTC ALLOCATION ANALYSIS -Villas at Beaumont, McAllen, 9% HTC #08158				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land				
Purchase of buildings				
Off-Site Improvements				
Sitework	\$308,500	\$308,500	\$308,500	\$308,500
Construction Hard Costs	\$1,619,924	\$1,556,861	\$1,619,924	\$1,556,861
Contractor Fees	\$269,978	\$261,150	\$269,978	\$261,150
Contingencies	\$96,421	\$93,268	\$96,421	\$93,268
Eligible Indirect Fees	\$367,200	\$367,200	\$367,200	\$367,200
Eligible Financing Fees	\$236,507	\$236,507	\$236,507	\$236,507
All Ineligible Costs	\$87,070	\$87,070		
Developer Fees			\$579,706	
Developer Fees	\$579,707	\$564,697		\$564,697
Development Reserves	\$67,104	\$60,389		
TOTAL DEVELOPMENT COSTS	\$3,632,411	\$3,535,643	\$3,478,236	\$3,388,183

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$3,478,236	\$3,388,183
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$4,521,707	\$4,404,638
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$4,521,707	\$4,404,638
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$376,206	\$366,466

Syndication Proceeds	0.8399	\$3,159,814	\$3,078,006
Total Tax Credits (Eligible Basis Method)		\$376,206	\$366,466
Syndication Proceeds		\$3,159,814	\$3,078,006
Requested Tax Credits		\$376,000	
Syndication Proceeds		\$3,158,084	
Gap of Syndication Proceeds Needed		\$3,207,411	
Total Tax Credits (Gap Method)		\$381,873	

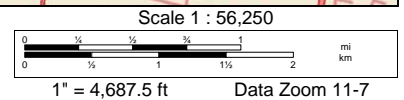
Villas at Beaumont



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Applicant Evaluation

Project ID # **08158**

Name: **Villas at Beaumont**

City: **McAllen**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 7

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 7

Total # of MF awards not yet monitored or pending review: 4

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 7

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/10/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/21/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Tres Palmas, TDHCA Number 08160

BASIC DEVELOPMENT INFORMATION

Site Address: Rich Beem, Approx. 300' N. of Montana St. Development #: 08160
 City: El Paso Region: 13 Population Served: General
 County: El Paso Zip Code: 79938 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Palmas Apartments, Ltd.
 Owner Contact and Phone: R.L. (Bobby) Bowling, IV, (915) 821-3550
 Developer: Tropicana Building Corporation
 Housing General Contractor: Tropicana Building Corporation
 Architect: ARTchitecture, Inc.
 Market Analyst: Powers Group
 Syndicator: Richman Group
 Supportive Services: Tropicana Properties/Notary
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	172
	9 0 61 102	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 20 68 72 12 0	Total Development Units:	172
Type of Building:		Total Development Cost*:	\$15,114,789
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	43
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Tres Palmas, TDHCA Number 08160

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapleigh, District 29, S Points: 14 US Representative: Reyes, District 16, NC
TX Representative: Chávez, District 76, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

S, Chente Quintanilla, State Representative, District 75

S, Patrick B. Haggerty, State Representative, District 78

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

YMCA of Greater El Paso S or O: S

Opportunity Center for the Homeless S or O: S

TVP Non-Profit S or O: S

Project Vida S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance of a clean title commitment by carryover.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.
4. Receipt of a commitment of funding from the El Paso Housing Finance Corporation for funds in the amount of \$154,000, or a commitment from a qualifying substitute source in an amount not less than \$154,000, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Tres Palmas, TDHCA Number 08160

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **188** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/03/08 PROGRAM: 9% HTC FILE NUMBER: 08160

DEVELOPMENT

Tres Palmas

Location: A parcel off Rich Beem Approximately 300 ft. N of Montana Ave. Region: 13
 City: El Paso County: El Paso Zip: 79938 QCT DDA
 Key Attributes: Family, New Construction, Urban

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance of a clean title commitment by carryover.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	9
50% of AMI	50% of AMI	61
60% of AMI	60% of AMI	102

PROS

- The development team has considerable experience with tax credit and other affordable housing developments in El Paso.

CONS

- The Applicant's and Underwriter's high expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.
- The acquisition is an identity of interest.
- The proposed number of three-bedroom units targeting 60% households may be more than the demand for such units given the Market Analyst's high capture rates for this unit type is over 100% of projected demand.

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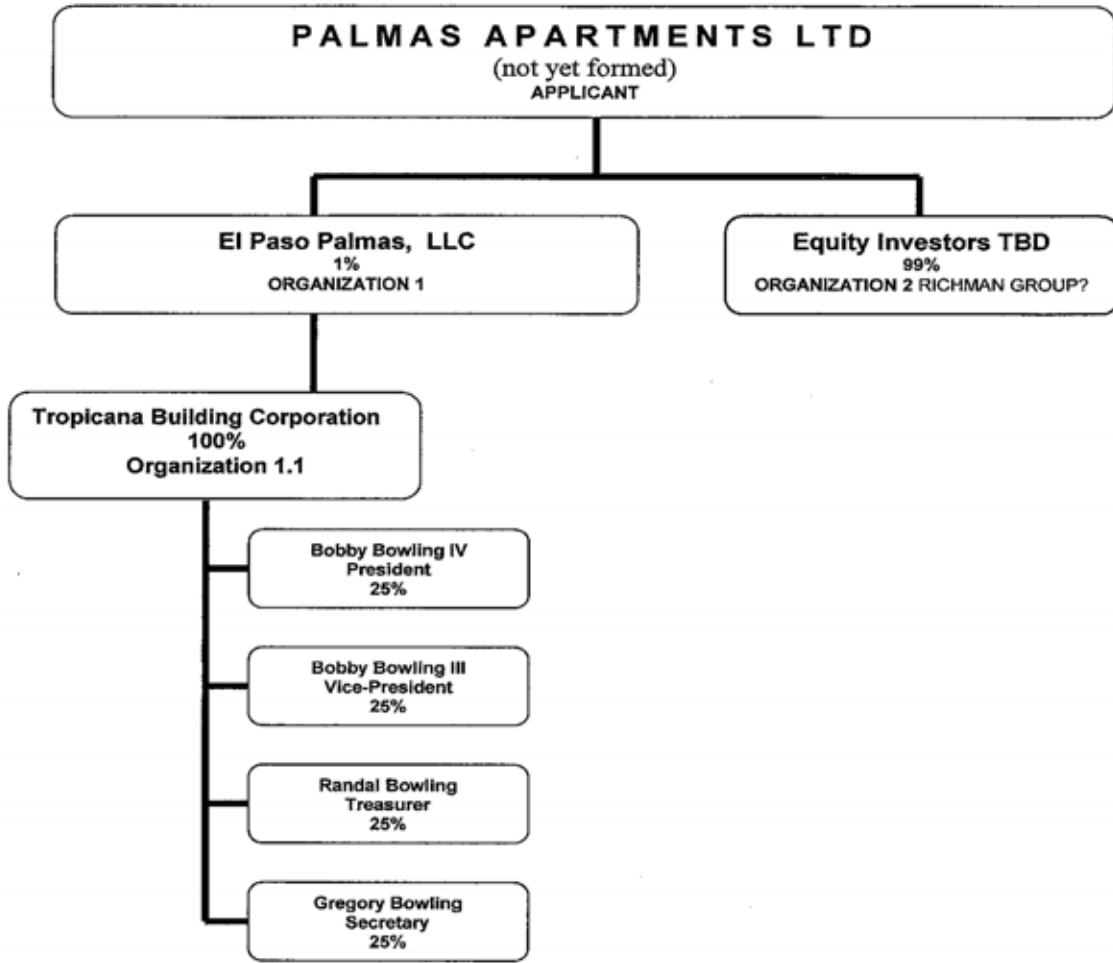
- The Underwriter's HISTA derived demand suggests an overall inclusive capture rate that exceeds the Department's 25% limit, however the Underwriter's traditional calculation comes within the limit.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: R.L. "Bobby" Bowling IV Phone: (915) 821-3550 Fax: (915) 821-3556
 Email: bbowling4@aol.com

KEY PARTICIPANTS

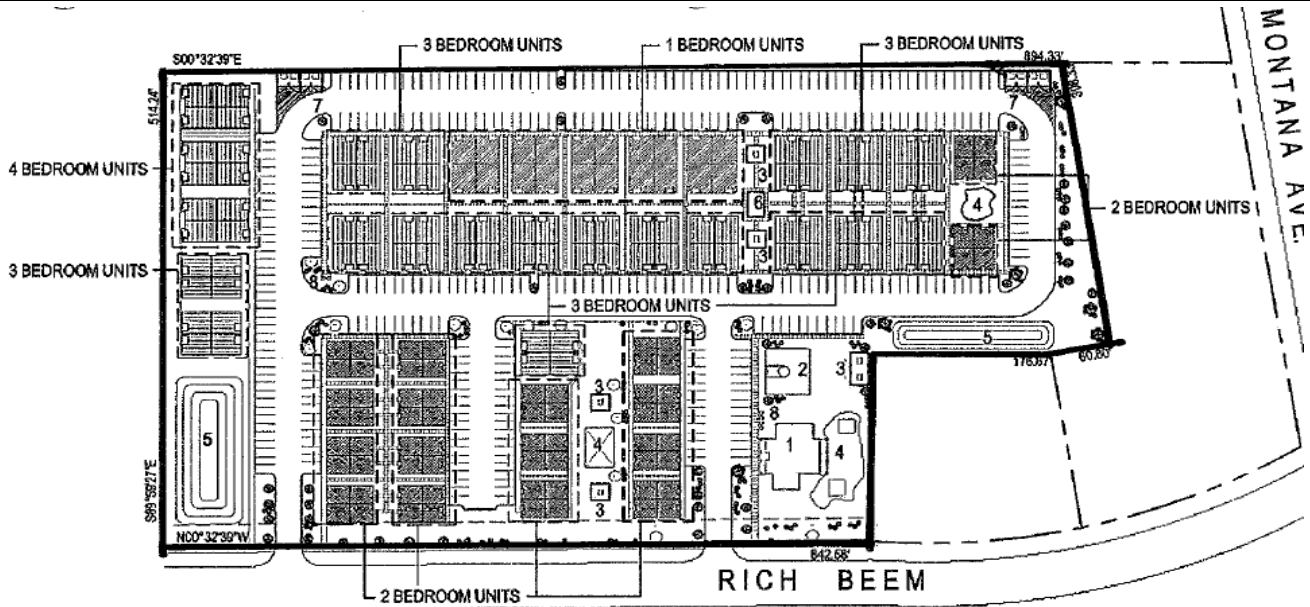
Name	Financial Notes	# Completed Developments
El Paso Palms, LLC	N/A	N/A
Tropicana Building Corporation	N/A	16
Bobby Bowling IV	N/A	16
Bobby Bowling III	N/A	16
Randall Bowling	N/A	16
Gregory Bowling	N/A	16

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The principals of Tropicana Building Corporation are also members of the seller, Bowling Construction, LLC. This will be addressed in the acquisition cost section of this report.

PROPOSED SITE

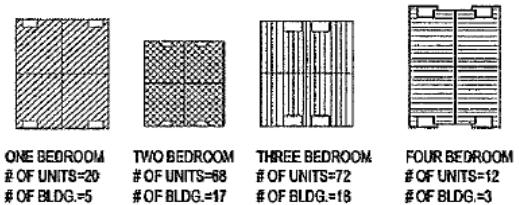
SITE PLAN



ZONE C-2
10.10 ACRES
FLOOD ZONE X

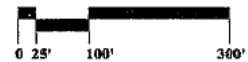
LEGEND

PARKING	
1 COMMUNITY CENTER	ONE BEDROOM UNITS: 20 x 1.5 = 30 PARKING SPACES REQ'D
2 SPORTS COURT	TWO BEDROOM UNITS: 68 x 2 = 136 PARKING SPACES REQ'D
3 BAR-B-Q AREA	THREE BEDROOM UNITS: 72 x 2 = 144 PARKING SPACES REQ'D
4 PLAY GROUND AREA	FOUR BEDROOM UNITS: 12 x 2 = 24 PARKING SPACES REQ'D
6 FOUNDING AREA	PARKING REQUIRED: 334 SPACES
8 GAZEBO	PARKING PROVIDED: 363 SPACES
7 DUMPSTER AREA	
8 MAILBOX	



TRES PALMAS SITE PLAN

Architecture • Planning • Interior Design
2617 Montana Ave., El Paso, Texas, 79903
PH:40951893-0012 Fax:40951893-0384



The site plan is typical for this developer in that it provides little to no room between buildings and very limited areas for children to play other than designated playgrounds and the parking lot. This kind of efficiency is rare for a modern tax credit development particularly made up of one and two story four-plex buildings. This design harkens to the high density feeling of section 8 and public housing projects of the past and will not sustain desirability of tenants for the long term.

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BUILDING CONFIGURATION

Building Type	I	II	III	IV							Total Buildings
Floors/Stories	1	2	2	2							
Number	5	17	18	3							43

BR/BA	SF	Units								Total Units	Total SF
1/1	706	4								20	14,120
2/1.5	905		4							68	61,540
3/2	1,035			4						72	74,520
4/2	1,221				4					12	14,652
Units per Building		4	4	4	4					172	164,832

SITE ISSUES

Total Size: 10.1 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: C-2 & C-3 Needs to be re-zoned? Yes No N/A

Comments:
 The property is presently zoned C-2 and C-3 (Community Commercial Districts). Multifamily dwellings (quadraplexes) are a permitted use in these zone districts.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/16/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: residential uses
 South: vacant land
 East: vacant land
 West: Rich Beem Blvd, Fort Bliss, Airport and vacant land.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Soil Mechanics International Date: 3/19/2008
 Recognized Environmental Concerns (RECs) and Other Concerns:
 ▫ None

MARKET HIGHLIGHTS

Provider: The Powers Group Date: 2/20/2008
 Contact: Linda Powers Phone: (915) 479-2093 Fax: (915) 613-2354
 Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 221.11 square feet (8.43 mile radius)
 "The primary market area is located in the East Planning area of El Paso, Texas. It consists of thirteen census tracts [and]...the geographic boundaries are described generally as; West: Lee Trevino and Fort Bliss Reservation Boundary; North New Mexico/Texas State Line; East: Eastern Boundary Lines of Census Tracts 103.18 and 101.11; and South: Vista Del Sol Drive." (p.54)

The estimated 2007 population of the PMA was 97,290 and is expected to increase by 8% to approximately 104,873 by 2012. Within the primary market area there were estimated to be 28,436 family households in 2007.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
None							

INCOME LIMITS						
El Paso						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	21	0		21	1	1	4.8%
1 BR/50% Rent Limit	32	1		33	3	3	9.1%
1 BR/60% Rent Limit	46	1		47	16	16	34.0%
2 BR/30% Rent Limit	25	0		25	2	2	8.0%
2 BR/50% Rent Limit	41	-1		40	32	32	80.0%
2 BR/60% Rent Limit	47	-1		46	34	34	73.9%
3 BR/30% Rent Limit	24	-1		23	3	3	13.0%
3 BR/50% Rent Limit	28	-1		27	23	23	85.2%
3 BR/60% Rent Limit	34	-1		33	46	46	139.4%
4 BR/30% Rent Limit	16	0		16	3	3	18.8%
4 BR/50% Rent Limit	16	0		16	3	3	18.8%
4 BR/60% Rent Limit	19	0		19	6	6	31.6%

3 bedroom units are already over 100% capture, according to the market analyst, which suggests there may be limited demand for additional units at this unit size and income level.

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst	p. 94	100%	28,964	98%	28,327	10%	2,802	Included in Eligible	40%	1,100
Underwriter		100%	28,446	98%	27,819	8%	2,099	Included in Eligible	32%	663
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. 94			98%	528	10%	52	Included in Eligible	100%	51
Underwriter				98%	485	8%	36	Included in Eligible	100%	36

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 95	172	0	0	172	1,151	14.94%
Underwriter		172	0	0	172	699	24.60%
HISTA-based Data Alternate		172	0	0	172	219	78.53%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rate using the traditional method to be marginally acceptable, at 24.6%. The HISTA-based data alternative method, however, concluded an inclusive capture rate of 78.53% which exceeds the Department's guideline of 25% for family targeted developments. However, since the traditional method of calculating demand is acceptable and meets the Department's rules, this development can be considered feasible based upon this conclusion.

Primary Market Occupancy Rates:

"The primary market area has an overall occupancy rate of 97.7%. The LIHTC units located within the market area have an overall occupancy rate of 97.9% reflective of the market." (p.67)

Absorption Projections:

"Based on the above analysis, I believe the subject property should absorb at the rate of about 14 units per month." (p.67)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 706 SF 30%	\$140	\$140	\$552	\$140	\$412		
1 BR 706 SF 50%	\$303	\$303	\$552	\$303	\$249		
1 BR 706 SF 60%	\$385	\$385	\$552	\$385	\$167		
2 BR 905 SF 30%	\$175	\$175	\$643	\$175	\$468		
2 BR 905 SF 50%	\$370	\$370	\$643	\$370	\$273		
2 BR 905 SF 60%	\$468	\$468	\$643	\$468	\$175		
3 BR 1,035 SF 30%	\$201	\$201	\$723	\$201	\$522		
3 BR 1,035 SF 50%	\$427	\$427	\$723	\$427	\$296		
3 BR 1,035 SF 60%	\$541	\$541	\$723	\$541	\$182		
4 BR 1,221 SF 30%	\$219	\$219	\$765	\$219	\$546		
4 BR 1,221 SF 50%	\$471	\$471	\$765	\$471	\$294		
4 BR 1,221 SF 60%	\$598	\$598	\$765	\$598	\$167		

Market Impact:

The Market Analyst did not explicitly comment on the impact the construction of the subject development will have on the market area.

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of less than 1 unit per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 7.8 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSISIncome: Number of Revisions: 2 Date of Last Applicant Revision: 6/23/2008

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of July 1, 2007, maintained by the Housing Authority of the City of El Paso, from the 2008 program gross rent limits. Tenants will be required to pay electric, natural gas, water, and sewer costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/23/2008

The Applicant's revised total annual operating expense projection at \$3,174 per unit is within 5% of the Underwriter's estimate of \$3,224, derived from the TDHCA database, and third-party data sources. One expense line item stands out as being significantly different and that is payroll which is \$23K higher than the Underwriter's estimate. The Applicant contends that the Underwriter's water sewer and trash estimate is high since tenants are paying their own water and sewer costs and the development has very limited common area and landscaping.

Conclusion:

The Applicant's income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.33, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's original estimate at 64.85% was only marginally below the maximum; however the Applicant was able to revise their estimate slightly to 62.36%, which at over 60% is still high. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. Again, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow.

ACQUISITION INFORMATION**APPRAISED VALUE**

Provider:	<u>The Powers Group</u>	Date:	<u>2/20/2008</u>
Number of Revisions:	<u>None</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	10.1 acres	<u>\$725,000</u>	As of: <u>2/20/2008</u>
Existing Buildings: (as-is)		<u>N/A</u>	As of: <u>2/20/2008</u>
Total Development: (as-is)		<u>\$725,000</u>	As of: <u>2/20/2008</u>

ASSESSED VALUE

Land Only:	502 acres	<u>\$7,258,495</u>	Tax Year:	<u>2008</u>
1 acre:		<u>\$14,459</u>	Valuation by:	<u>El Paso CAD</u>
Prorata Value (10.1 acres):		<u>\$146,032</u>	Tax Rate:	<u>2.483807</u>

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EVIDENCE of PROPERTY CONTROL

Type: Unimproved Commercial Property Contract Acreage: 10.1
 Contract Expiration: 12/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$700,000 Other: _____
 Seller: Carefree Land II, LP & Bowling Construction, LLC Related to Development Team? Yes No

TITLE

Comments:

There are two Schedule C exceptions, beyond the normal exceptions addressed at closing, for obtaining releases from deeds of trusts from parties other than the current seller and such releases may be more difficult than normal to obtain. Receipt, review, and acceptance of a clean title commitment by carryover is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided two separate contracts for the purchase of the subject site for a total of \$700,000, which equates to \$69K per acre or \$4K per unit. The property is a 10.1 acre portion of a larger 570 acre tract. Members of the owner of the General Partner are also members of the current seller of 5.05 acres of the property, Bowling Construction, LLC. East Montana Venture deeded the subject sites over to Bowling Construction, LLC & to Carefree Land II, LP on February 1, 2008. The Applicant has provided documentation of holding costs, including taxes, and return on investment, that support a value of \$143,749 for the 5.05 acre portion owned by Bowling Construction, LLC only. The other 5.05 acre portion is currently owned by Carefree Land II, LP, an unrelated party, who is selling the tract to the Applicant for \$350K. This brings the total acquisition price to \$493,749.

Therefore, the Underwriter's development cost schedule reflects an acquisition cost of \$493,749. If the Applicant's costs are used in the final analysis, the sources and uses of funds will be adjusted by the difference in acquisition costs to ensure that tax credit proceeds are not used to fund a potential excess of profit on the identity of interest transfer to the partnership.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,605 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$291K or 3% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The direct construction costs are \$7 to \$8 per square foot higher for this development than that of a more typical development in the area because the Applicant proposes to include 100% ceramic tile throughout the units. The Department's costing tool is believed to overcompensate for the cost of ceramic tile especially in El Paso and other border areas where the materials and skilled installers make the use of ceramic tile more cost effective than in other areas of the state. To the extent that the plan for ceramic tile is modified in the future, a reduction in cost and therefore a reduction in the recommended tax credit amount is likely.

Contingency & Fees:

While the Applicant's fees are within the Department's guidelines, the Applicant included no contingency leaving less margin for error in cost estimation than the typical transaction. The lack of a cushion here may be somewhat offset by the cushion provided by the additional cost of ceramic tile discussed above.

Conclusion:

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 \$14,427,040 supports annual tax credits of \$1,200,330. 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

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Bank of America Type: Interim to Permanent Financing

Interim: \$8,000,000 Interest Rate: 4.48% Fixed Amort: 24 months

Permanent: \$3,200,000 Interest Rate: 7.10% Fixed Amort: 420 months

Comments:

Interim Rate: Based on 30 Day LIBOR plus 2%; Permanent Rate: Based on 10 yr US Treasury plus applicable spread at rate lock. Underwritten at 7.1%

Source: El Paso HFC Grant Type: Grant

Principal: \$154,000 Conditions: _____

Comments:

Submitted a letter of their intent to apply. The source of these funds is unknown but to the extent that they are federal funds they would need to be provided as a loan at AFR which may be impossible financially speaking. To the extent they are truly a grant to the partnership they may need to be removed from eligible basis.

Source: Franklin Building Materials Grant Type: Grant

Principal: \$306,500 Conditions: Tax Credit Award

Comments:

The commitment letter for these funds claim no interest by Franklin in the development and it is assumed that these will be provided regardless of the use of this company as the provider of building materials for this job or other construction jobs in which the principals of the Applicant are engaged.

Source: Richman Group Type: Syndication

Proceeds: \$10,801,887 Syndication Rate: 90% Anticipated HTC: \$ 1,200,000

Comments:

The syndication price is at the high end of current market prices and a decrease in rate could increase the amount of deferred developer fee. Additionally, a decrease below \$0.844 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.97, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: \$858,653 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$3.2M, the \$154K grant from the El Paso HFC and the \$306K grant from Franklin Building Materials indicates the need for \$11,660,540 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,295,389 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1.2M), the gap-driven amount (\$1,295,389), and eligible basis-derived estimate (\$1,162,016), the Applicant's request of \$1.2M is recommended resulting in proceeds of \$10,801,887 based on a syndication rate of 90%.

The Underwriter's recommended financing structure indicates the need for \$652,402 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation.

To the extent that the two proposed grants are truly provided to the partnership as a grant they may need to be removed from eligible basis and doing so would reduce the credit by \$37,984.

Underwriter:

Diamond Unique Thompson

Date: July 3, 2008

Reviewing Underwriter:

Raquel Morales

Date: July 3, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 3, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Tres Palmas, El Paso, HTC & 9% #08160

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%		1	1	1	706	\$245	\$140	\$140	\$0.20	\$105.00	\$15.00
TC 50%		3	1	1	706	\$408	\$303	\$909	\$0.43	\$105.00	\$15.00
TC 60%		16	1	1	706	\$490	\$385	\$6,160	\$0.55	\$105.00	\$15.00
TC 30%		2	2	1.5	905	\$295	\$175	\$350	\$0.19	\$120.00	\$15.00
TC 50%		32	2	1.5	905	\$490	\$370	\$11,840	\$0.41	\$120.00	\$15.00
TC 60%		34	2	1.5	905	\$588	\$468	\$15,912	\$0.52	\$120.00	\$15.00
TC 30%		3	3	2	1,035	\$340	\$201	\$603	\$0.19	\$139.00	\$15.00
TC 50%		23	3	2	1,035	\$566	\$427	\$9,821	\$0.41	\$139.00	\$15.00
TC 60%		46	3	2	1,035	\$680	\$541	\$24,886	\$0.52	\$139.00	\$15.00
TC 30%		3	4	2	1,221	\$380	\$219	\$657	\$0.18	\$161.00	\$15.00
TC 50%		3	4	2	1,221	\$632	\$471	\$1,413	\$0.39	\$161.00	\$15.00
TC 60%		6	4	2	1,221	\$759	\$598	\$3,588	\$0.49	\$161.00	\$15.00
TOTAL:		172		AVERAGE:	958		\$443	\$76,279	\$0.46	\$129.07	\$15.00

INCOME

Total Net Rentable Sq Ft: 164,832

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$15.00
Other Support Income: cable		

POTENTIAL GROSS INCOME

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

EFFECTIVE GROSS INCOME

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT	\$915,348	\$915,348	El Paso	El Paso	13
Secondary Income	30,960	30,960	\$15.00	Per Unit Per Month	
Other Support Income: cable	0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME	\$946,308	\$946,308			
Vacancy & Collection Loss	(70,973)	(70,968)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions	0				
EFFECTIVE GROSS INCOME	\$875,335	\$875,340			

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.49%	\$330	0.34	\$56,812	\$49,000	\$0.30	\$285	5.60%
Management	4.00%	204	0.21	35,013	35,013	0.21	204	4.00%
Payroll & Payroll Tax	17.91%	912	0.95	156,806	180,000	1.09	1,047	20.56%
Repairs & Maintenance	6.36%	324	0.34	55,664	51,000	0.31	297	5.83%
Utilities	5.13%	261	0.27	44,918	38,000	0.23	221	4.34%
Water, Sewer, & Trash	4.49%	229	0.24	39,322	34,000	0.21	198	3.88%
Property Insurance	3.77%	192	0.20	32,966	32,000	0.19	186	3.66%
Property Tax	2.48 9.27%	472	0.49	81,171	75,000	0.46	436	8.57%
Reserve for Replacements	4.91%	250	0.26	43,000	43,000	0.26	250	4.91%
TDHCA Compliance Fees	0.79%	40	0.04	6,880	6,880	0.04	40	0.79%
Other: Supportive Services	0.23%	12	0.01	2,000	2,000	0.01	12	0.23%
TOTAL EXPENSES	63.35%	\$3,224	\$3.36	\$554,553	\$545,893	\$3.31	\$3,174	62.36%
NET OPERATING INC	36.65%	\$1,865	\$1.95	\$320,782	\$329,447	\$2.00	\$1,915	37.64%

DEBT SERVICE

Bank of America	28.33%	\$1,442	\$1.50	\$248,018	\$246,559	\$1.50	\$1,433	28.17%
El Paso HFC Grant	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	8.31%	\$423	\$0.44	\$72,764	\$82,888	\$0.50	\$482	9.47%

AGGREGATE DEBT COVERAGE RATIO

1.29

RECOMMENDED DEBT COVERAGE RATIO

1.33

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)		3.20%	\$2,871	\$3.00	\$493,749	\$700,000	\$4.25	\$4,070	4.57%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.59%	8,605	8.98	1,480,000	1,480,000	8.98	8,605	9.66%
Direct Construction		59.62%	53,469	55.79	9,196,746	8,906,000	54.03	51,779	58.13%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Fees	13.62%	9.43%	8,454	8.82	1,454,040	1,454,040	8.82	8,454	9.49%
Indirect Construction		2.91%	2,610	2.72	449,000	449,000	2.72	2,610	2.93%
Ineligible Costs		0.61%	547	0.57	94,000	94,000	0.57	547	0.61%
Developer's Fees	14.64%	12.19%	10,930	11.41	1,880,000	1,880,000	11.41	10,930	12.27%
Interim Financing		1.67%	1,500	1.57	258,000	258,000	1.57	1,500	1.68%
Reserves		0.77%	693	0.72	119,280	100,000	0.61	581	0.65%
TOTAL COST	100.00%	\$89,679	\$93.58	\$15,424,814	\$15,321,040	\$92.95	\$89,076	100.00%	
Construction Cost Recap		78.64%	\$70,528	\$73.59	\$12,130,786	\$11,840,040	\$71.83	\$68,837	77.28%

SOURCES OF FUNDS

				RECOMMENDED	
Bank of America	20.75%	\$18,605	\$19.41	\$3,200,000	Developer Fee Available
El Paso HFC Grant	1.00%	\$895	\$0.93	154,000	\$1,880,000
Franklin Building Materials Grant	1.99%	\$1,782	\$1.86	306,500	
Richman Group	70.03%	\$62,802	\$65.53	10,801,887	% of Dev. Fee Deferred
Deferred Developer Fees	5.57%	\$4,992	\$5.21	858,653	35%
Additional (Excess) Funds Req'd	0.67%	\$603	\$0.63	103,774	0
TOTAL SOURCES				\$15,424,814	\$15,321,040
					\$15,114,789
					\$1,656,751

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Tres Palmas, El Paso, HTC & 9% #08160

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$60.73	\$10,010,993
Adjustments				
Exterior Wall Finish Elderly	0.00%		\$0.00	\$0
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.31)	(216,133)
Floor Cover			10.84	1,786,779
Breezeways/Balconies	\$32.98	8,710	1.74	287,240
Plumbing Fixtures	\$965	44	0.26	42,460
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$1,850	172	1.93	318,200
Interior Stairs	\$1,800	152	1.66	273,600
Enclosed Corridors	\$50.81		0.00	0
Heating/Cooling				0
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$72.63	3,013	1.33	218,834
Other: fire sprinkler	\$2.15		0.00	0
SUBTOTAL			77.18	12,721,972
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(8.49)	(1,399,417)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.69	\$11,322,555
Plans, specs, survey, bld prmts	3.90%		(\$2.68)	(\$441,580)
Interim Construction Interest	3.38%		(2.32)	(382,136)
Contractor's OH & Profit	11.50%		(7.90)	(1,302,094)
NET DIRECT CONSTRUCTION COSTS			\$55.79	\$9,196,746

PAYMENT COMPUTATION

Primary	\$3,200,000	Amort	420
Int Rate	7.10%	DCR	1.29

Secondary	\$154,000	Amort	
Int Rate		Subtotal DCR	1.29

Additional	\$10,801,887	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$248,018
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$81,428

Primary	\$3,200,000	Amort	420
Int Rate	7.10%	DCR	1.33

Secondary	\$154,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.33

Additional	\$10,801,887	Amort	0
Int Rate	0.00%	Aggregate DCR	1.33

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

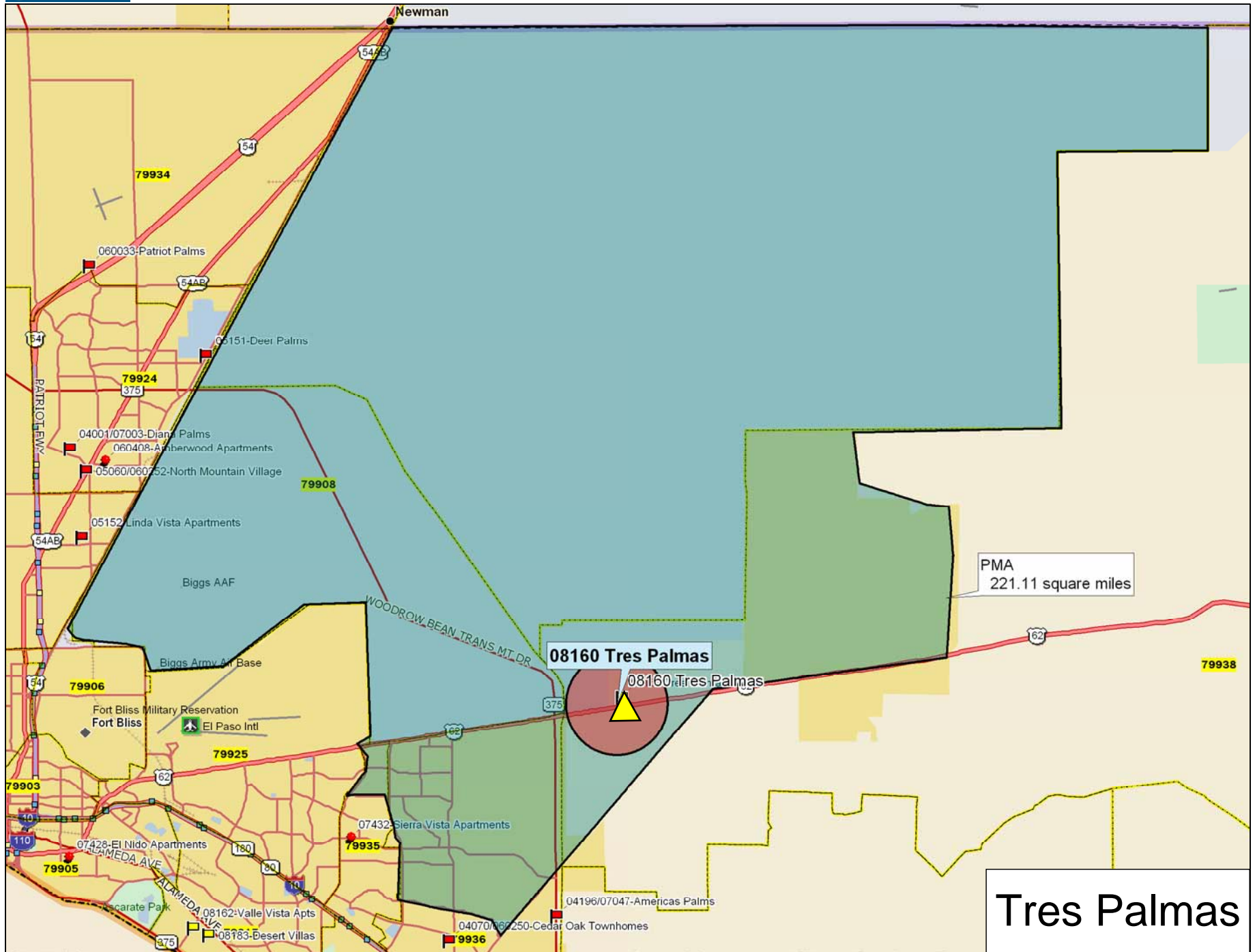
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$915,348	\$942,808	\$971,093	\$1,000,225	\$1,030,232	\$1,194,322	\$1,384,546	\$1,605,068	\$2,157,078
Secondary Income	30,960	31,889	32,845	33,831	34,846	40,396	46,830	54,289	72,959
Other Support Income: cable	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	946,308	974,697	1,003,938	1,034,056	1,065,078	1,234,717	1,431,376	1,659,357	2,230,037
Vacancy & Collection Loss	(70,968)	(73,102)	(75,295)	(77,554)	(79,881)	(92,604)	(107,353)	(124,452)	(167,253)
Employee or Other Non-Rental Units or Concess	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$875,340	\$901,595	\$928,643	\$956,502	\$985,197	\$1,142,114	\$1,324,023	\$1,534,905	\$2,062,784
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$49,000	\$50,960	\$52,998	\$55,118	\$57,323	\$69,742	\$84,852	\$103,236	\$152,814
Management	35,013	36,064	37,145	38,260	39,408	45,684	52,961	61,396	82,511
Payroll & Payroll Tax	180,000	187,200	194,688	202,476	210,575	256,196	311,702	379,233	561,357
Repairs & Maintenance	51,000	53,040	55,162	57,368	59,663	72,589	88,315	107,449	159,051
Utilities	38,000	39,520	41,101	42,745	44,455	54,086	65,804	80,060	118,509
Water, Sewer & Trash	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Insurance	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Property Tax	75,000	78,000	81,120	84,365	87,739	106,748	129,876	158,014	233,899
Reserve for Replacements	43,000	44,720	46,509	48,369	50,304	61,202	74,462	90,595	134,102
Other	8,880	9,235	9,605	9,989	10,388	12,639	15,377	18,709	27,694
TOTAL EXPENSES	\$545,893	\$567,379	\$589,713	\$612,930	\$637,065	\$772,826	\$937,639	\$1,137,743	\$1,675,768
NET OPERATING INCOME	\$329,447	\$334,216	\$338,929	\$343,572	\$348,132	\$369,288	\$386,383	\$397,162	\$387,016
DEBT SERVICE									
First Lien Financing	\$248,018	\$248,018	\$248,018	\$248,018	\$248,018	\$248,018	\$248,018	\$248,018	\$248,018
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$81,428	\$86,198	\$90,911	\$95,554	\$100,114	\$121,270	\$138,365	\$149,144	\$138,998
DEBT COVERAGE RATIO	1.33	1.35	1.37	1.39	1.40	1.49	1.56	1.60	1.56

HTC ALLOCATION ANALYSIS -Tres Palmas, El Paso, HTC & 9% #08160

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$700,000	\$493,749		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,480,000	\$1,480,000	\$1,480,000	\$1,480,000
Construction Hard Costs	\$8,906,000	\$9,196,746	\$8,906,000	\$9,196,746
Contractor Fees	\$1,454,040	\$1,454,040	\$1,454,040	\$1,454,040
Contingencies				
Eligible Indirect Fees	\$449,000	\$449,000	\$449,000	\$449,000
Eligible Financing Fees	\$258,000	\$258,000	\$258,000	\$258,000
All Ineligible Costs	\$94,000	\$94,000		
Developer Fees				
Developer Fees	\$1,880,000	\$1,880,000	\$1,880,000	\$1,880,000
Development Reserves	\$100,000	\$119,280		
TOTAL DEVELOPMENT COSTS	\$15,321,040	\$15,424,814	\$14,427,040	\$14,717,786

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		\$460,500	
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,427,040	\$14,717,786
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$14,427,040	\$14,717,786
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,427,040	\$14,717,786
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,200,330	\$1,224,520

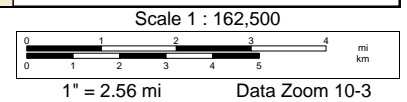
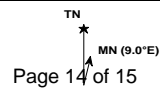
Syndication Proceeds	0.9002	\$10,804,855	\$11,022,603
Total Tax Credits (Eligible Basis Method)		\$1,200,330	\$1,224,520
Syndication Proceeds		\$10,804,855	\$11,022,603
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,801,887	
Gap of Syndication Proceeds Needed		\$11,660,540	
Total Tax Credits (Gap Method)		\$1,295,389	

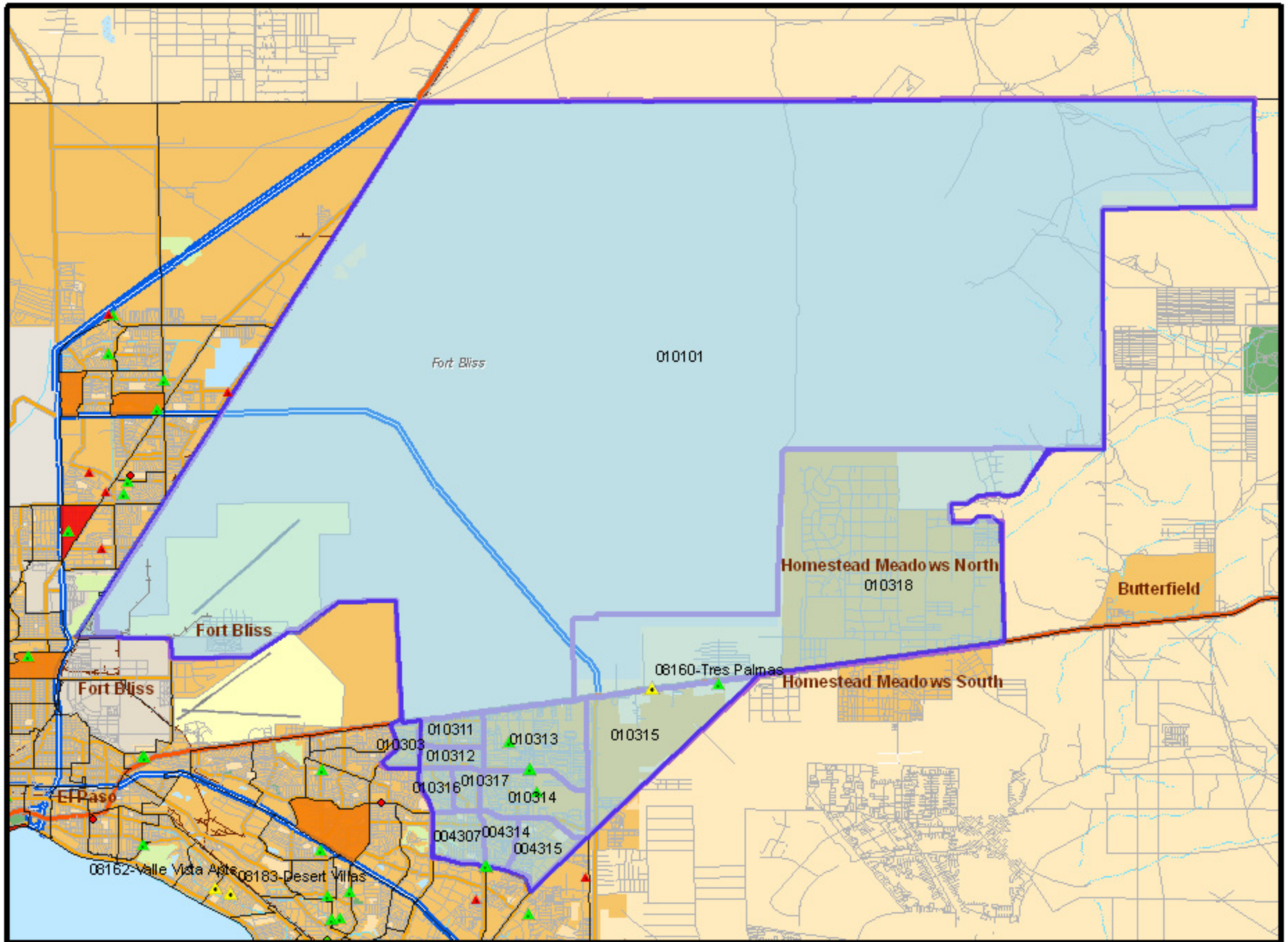


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08160 - Tres Palmas

Applicant Evaluation

Project ID **08160**

Name **Tres Palmas**

City: **El Paso**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored:	12	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		Projects grouped by score	
Total # of MF awards not yet monitored or pending review:	3			0-9:	12
SF Contract Experience <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Total # of MF Projects in Material Noncompliance:	0	10-19:	0
Total # of SF Contracts:	0			20-29:	0
				Total monitored with a score 0-29:	12

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 6/5/2008

Date: 6/6/2008

Single Audit

Single audit review not applicable Late single audit certification form (see comments)
 Single audit review found no unresolved issues Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 6/10/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 6 /11/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Canutillo Palms, TDHCA Number 08161

BASIC DEVELOPMENT INFORMATION

Site Address: S. & Adjacent to Canutillo High School, 200' W. of I-10 Development #: 08161
 City: El Paso Region: 13 Population Served: General
 County: El Paso Zip Code: 79932 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Canutillo Palms, LTD/Tropicana Building Corp.
 Owner Contact and Phone: R.L. (Bobby) Bowling, IV, (915) 821-3550
 Developer: Tropicana Building Corporation
 Housing General Contractor: Tropicana Building Corporation
 Architect: ARTchitectures, Inc.
 Market Analyst: Powers Group
 Syndicator: Richman Group
 Supportive Services: Tropicana Properties/ Notary Services
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	172
	18	0	0	154	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	20	68	72	12	0

Type of Building:

<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Total Development Units:	172
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	43
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Canutillo Palms, TDHCA Number 08161

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapleigh, District 29, S

Points: 14 US Representative: Reyes, District 16, NC

TX Representative: Haggerty, District 78, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **3**

In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Opportunity Center for the Homeless

S or O: S

TVP Non-Profit

S or O: S

Project Vida

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Canutillo Palms, TDHCA Number 08161

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **178** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

San Elizario Palms, TDHCA Number 08163

BASIC DEVELOPMENT INFORMATION

Site Address: 13800 Blk of Socorro Rd. Near Herring Rd. Development #: 08163
 City: San Elizario Region: 13 Population Served: General
 County: El Paso Zip Code: 79849 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: San Elizario Palms, Ltd
 Owner Contact and Phone: R.L. (Bobby) Bowling, IV, (915) 821-3550
 Developer: Tropicana Building Corporation
 Housing General Contractor: Tropicana Building Corporation
 Architect: ARTchitecture, Inc.
 Market Analyst: Powers Group
 Syndicator: Richman Group
 Supportive Services: Tropicana Properties/ Notary Services
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	8 0 0 72	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 4 40 32 4 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$7,455,900
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	20
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$748,456	\$748,456			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

San Elizario Palms, TDHCA Number 08163

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Uresti, District 19, S

Points: 14 US Representative: Reyes, District 16, NC

TX Representative: Quintanilla, District 75, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Project Vida

S or O: S

Opportunity Center for the Homeless

S or O: S

TVP Non-Profit

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old .
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

San Elizario Palms, TDHCA Number 08163

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **177** Meeting a Required Set-Aside Credit Amount*: \$748,456

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when Rural tax credits are collapsed.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/19/08 PROGRAM: 9% HTC FILE NUMBER: 08163

DEVELOPMENT

San Elizario Palms

Location: 808 feet Southeast of Herring Road, off Socorro Road Region: 13
 City: San Elizario County: El Paso Zip: 79849 QCT DDA
 Key Attributes: Family, New Construction, Rural

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$748,456			\$748,456		

CONDITIONS

- 1 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old .
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
60% of AMI	60% of AMI	72

PROS

-
-

CONS

- The Applicant's and Underwriter's high expense to income ratio is only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.
- The proposed number of two-bedroom units targeting 60% households may be more than the demand for such units given the Market Analyst's high capture rates for this unit type.

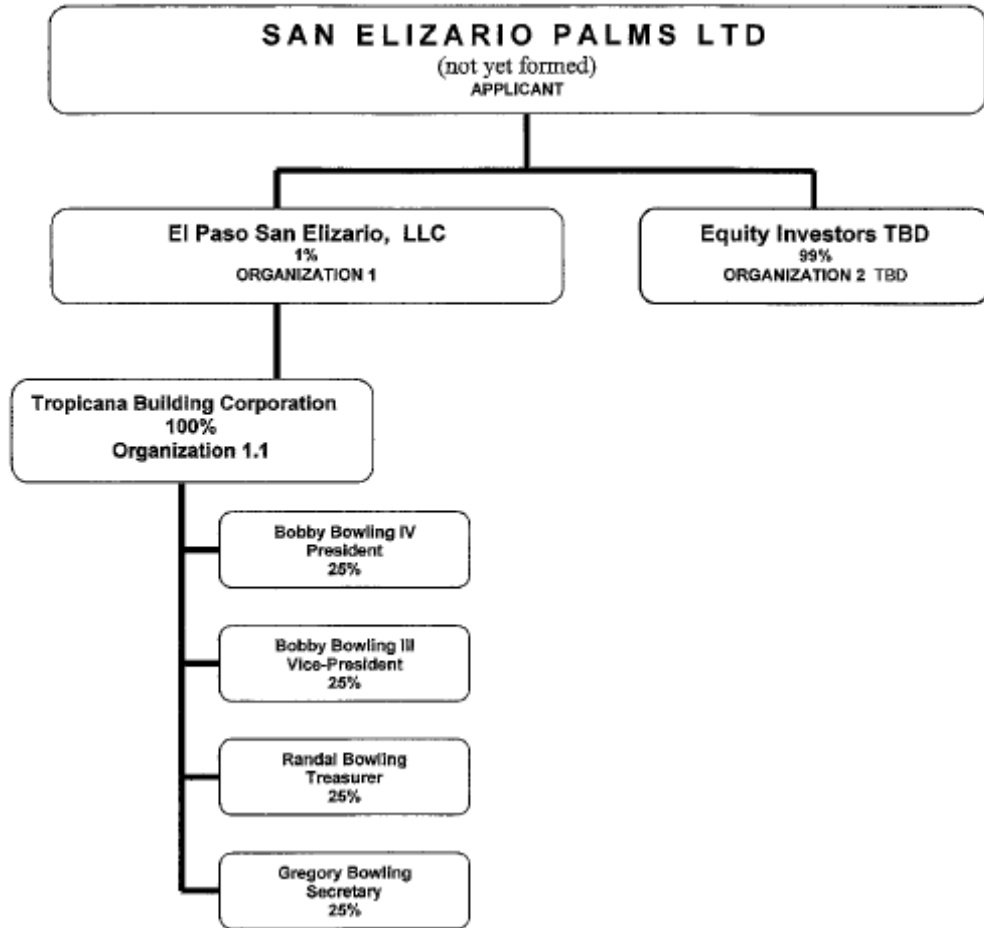
PREVIOUS UNDERWRITING REPORTS

No previous reports.

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: R.L. "Bobby" Bowling IV Phone: (915) 821-3550 Fax: (915) 821-3556
 Email: bbowling4@aol.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Completed Developments
El Paso San Elizario, LLC	N/A		N/A
Tropicana Building Corporation	N/A		16
Bobby Bowling IV	N/A		16
Bobby Bowling III	N/A		16
Randall Bowling	N/A		16
Gregory Bowling	N/A		16

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV						Total Buildings
Floors/Stories	1	2	2	2						
Number	1	10	8	1						20

BR/BA	SF	Units								Total Units	Total SF
1/1	706	4								4	2,824
2/1.5	905		4							40	36,200
3/2	1,035			4						32	33,120
4/2	1,221				4					4	4,884
Units per Building		4	4	4	4					80	77,028

SITE ISSUES

Total Size: 8.6 acres Scattered site? Yes No

Flood Zone: Zone x Within 100-yr floodplain? Yes No

Zoning: N/A Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Date: 5/19/2008

Overall Assessment: Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Socorro Road & San Elizario High School.

South: vacant farm land.

East: vacant farm land.

West: Herring Road and vacant farm land.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Soil Mechanics International Date: 3/19/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: The Powers Group Date: 3/17/2008

Contact: Linda Powers Phone: (915) 479-2093 Fax: (915) 613-2354

Number of Revisions: 1 Date of Last Applicant Revision: 4/22/2008

Primary Market Area (PMA): 70.55 square feet (4.75 miles radius)

"The primary market area encompasses a section of southeastern El Paso County known as a portion of the Lower Valley Planning Area of El Paso, the City of Socorro, the Township of Clint and the unincorporated area of San Elizario, Texas." (p.53)

The estimated 2007 population of the PMA was 94,416 and is expected to increase by 7% to approximately 101,345 by 2012. Within the primary market area there were estimated to be 25,207 family households in 2007.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Hacienda Santa Barbara	05247	41	40	N/A			
Mission Palms	060032	76	76				
Ysleta del Sur Pueblo Homes	08301	60	60				

INCOME LIMITS						
El Paso						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	39	2		41	1	0	2%
1 BR/60% Rent Limit	54	2		56	3	4	13%
2 BR/30% Rent Limit	35	0		35	4	4	23%
2 BR/60% Rent Limit	43	1		44	36	12	109%
3 BR/30% Rent Limit	34	0		34	2	4	18%
3 BR/60% Rent Limit	52	0		52	30	8	73%
4 BR/30% Rent Limit	32	0		32	1	0	3%
4 BR/60% Rent Limit	37	1		38	3	0	8%

It should be noted, while the Market Analyst has identified and included the unstabilized units at Hacienda Santa Barbara and Ysleta del Sur Pueblo Homes I in the overall inclusive capture rate calculation, only the unstabilized units for Mission Palms are included in the demand by unit types calculations. While 2 bedroom units are already over 100% capture, which suggests there may be limited demand for additional units at this unit size and income level, including the Hacienda and Ysleta del Sur units, would not cause any other unit type to exceed 100% capture.

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OVERALL DEMAND								
	Target Households	Household Size	Income Eligible	Tenure	Demand			
PMA DEMAND from TURNOVER								
Market Analyst p. 96	25,207	95% 23,967	17% 4,089	Included in Eligible	40%	1,635		
Underwriter	100% 25,215	95% 23,975	37% 8,976	24% 2,176	32%	688		
PMA DEMAND from HOUSEHOLD GROWTH								
Market Analyst p. 96					100%	73		
Underwriter		95% 408	37% 145	24% 35	100%	35		

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 98	80	176	0	256	1,708	15.0%
Underwriter	80	176	0	256	723	35.4%
HISTA-based Data Alternate	80	176	0	256	388	66.0%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rates using both methods to be acceptable at 35.4% and 66% for rural developments.

Primary Market Occupancy Rates:

"The subject property is located in San Elizario to the south of the Lower Valley sector of the city. In this sector the occupancy rates were reported as 92.68% in the fourth quarter 2007...According to Apartment Market Data, the primary market area has an overall occupancy rate of 96.7%. the LIHTC units located within the market area have an overall occupancy rate of 97.5%, substantially higher than market occupancies." (pps. 67-68)

Absorption Projections:

"Based on this analysis, I believe the subject should absorb at a rate of 15 units per month." (p.68)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 706 SF 30%	\$137	\$140	\$520	\$140	\$380		
1 BR 706 SF 60%	\$380	\$385	\$520	\$385	\$135		
2 BR 905 SF 30%	\$171	\$175	\$589	\$175	\$414		
2 BR 905 SF 60%	\$462	\$468	\$589	\$468	\$121		
3 BR 1,035 SF 30%	\$197	\$201	\$659	\$201	\$458		
3 BR 1,035 SF 60%	\$533	\$541	\$659	\$541	\$118		
4 BR 1,221 SF 30%	\$214	\$219	\$757	\$219	\$538		
4 BR 1,221 SF 60%	\$589	\$598	\$757	\$598	\$159		

Market Impact:

The Market Analyst did not explicitly comment on the impact the construction of the subject development will have on the market area.

Comments:

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

This section intentionally left blank.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 1.86 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 21.27 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 3/31/2008

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of July 1, 2007, maintained by the Housing Authority of the City of El Paso, from the 2008 program gross rent limits. Tenants will be required to pay electric, natural gas, water, and sewer costs. The Applicant has elected for an evaporative cooler and furnace for each unit. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 3/31/2008

The Applicant's total annual operating expense projection at \$3,384 per unit is within 5% of the Underwriter's estimate of \$3,439, derived from the TDHCA database, and third-party data sources.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.31, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate at 64.59% is marginally below the 65% Department guideline, as is the Underwriter's estimate at 64.73%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

Because the Applicant's NOI is generally accepted, the Applicant's expense to income ratio is also used and is acceptable. The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 46.9 acres	<u>\$131,184</u>	Tax Year:	<u>2007</u>
1 acre:	<u>\$2,799</u>		
Existing Buildings:	<u>\$14,580</u>	Valuation by:	<u>El Paso CAD</u>
Total Prorated Value (8.6 ac):	<u>\$38,650</u>	Tax Rate:	<u>1.956805</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Unimproved Property Contract</u>	Acreage: <u>8.6</u>
Contract Expiration: <u>7/1/2008</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$250,000</u>	Other: _____
Seller: <u>Haciendas Adobe Development LP</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$29,070 per acre or \$3,125 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,938 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$64K or 1% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The direct construction costs are \$7 to \$8 per square foot higher for this development than that of a more typical development in the area because the Applicant proposes to include 100% ceramic tile throughout the units. The Department's costing tool is believed to overcompensate for the cost of ceramic tile especially in El Paso and other border areas where the materials and skilled installers make the use of ceramic tile more cost effective than in other areas of the state. To the extent that the plan for ceramic tile is modified in the future, a reduction in cost and therefore a reduction in the recommended tax credit amount is likely.

Contingency & Fees:

While the Applicant's fees are within the Department's guidelines, the Applicant included no contingency leaving less margin for error in cost estimation than the typical transaction. The lack of a cushion here may be somewhat offset by the cushion provided by the additional cost of ceramic tile discussed above.

Conclusion:

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 \$6,919,900 supports annual tax credits of \$748,456. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/31/2008

Source: Bank of America Type: Interim Financing

Principal: \$2,150,000 Interest Rate: 4.7% Fixed Term: 24 months

Comments:

Rate Index: 30 day LIBOR plus 2%; Construction loan to be interest only for initial term.

Source: Bank of America Type: Permanent Financing

Principal: \$1,400,000 Interest Rate: 7.1% Fixed Amort: 360 months

Source: Franklin Building Material Type: Grant

Principal: \$150,000 Conditions: _____

Source: Richman Group Type: Syndication

Proceeds: \$5,639,983 Syndication Rate: 78% Anticipated HTC: \$ 723,147

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer and contractor fee. Additionally, a decrease below \$0.696 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.789, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted. The later impact of pricing at or above \$0.79 is relatively likely and should be reviewed at carryover and other benchmarks and adjustments to the tax credit amount made as needed.

Amount: \$67,940

Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,400,000 and \$150K in grant funds indicates the need for \$5,905,900 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$757,242 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$748,456), the gap-driven amount (\$757,242), and eligible basis-derived estimate (\$748,456), the eligible basis-derived estimate of \$748,456 is recommended resulting in proceeds of \$5,837,373 based on a syndication rate of 78%.

The Underwriter's recommended financing structure indicates the need for \$68,527 in additional permanent funds. Deferred developer are fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

Underwriter:

Diamond Unique Thompson

Date: June 19, 2008

Reviewing Underwriter:

Raquel Morales

Date: June 19, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: June 19, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

San Elizario Palms, San Elizario, 9% HTC #08163

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%		1	1	1	706	\$245	\$140	\$140	\$0.20	\$105.00	\$15.00
TC 60%		3	1	1	706	\$490	\$385	\$1,155	\$0.55	\$105.00	\$15.00
TC 30%		4	2	1.5	905	\$295	\$175	\$700	\$0.19	\$120.00	\$15.00
TC 60%		36	2	1.5	905	\$588	\$468	\$16,848	\$0.52	\$120.00	\$15.00
TC 30%		2	3	2	1,035	\$340	\$201	\$402	\$0.19	\$139.00	\$15.00
TC 60%		30	3	2	1,035	\$680	\$541	\$16,230	\$0.52	\$139.00	\$15.00
TC 30%		1	4	2	1,221	\$380	\$219	\$219	\$0.18	\$161.00	\$15.00
TC 60%		3	4	2	1,221	\$759	\$598	\$1,794	\$0.49	\$161.00	\$15.00
TOTAL:		80		AVERAGE:	963		\$469	\$37,488	\$0.49	\$128.90	\$15.00

INCOME

Total Net Rentable Sq Ft: **77,028**

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$10.00
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	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	6.22%	\$330	0.34	\$26,424	\$23,000	\$0.30	\$288	5.49%	
Management	5.00%	266	0.28	21,250	20,500	0.27	256	4.89%	
Payroll & Payroll Tax	20.31%	1,079	1.12	86,322	90,000	1.17	1,125	21.47%	
Repairs & Maintenance	6.42%	341	0.35	27,282	30,000	0.39	375	7.16%	
Utilities	4.84%	257	0.27	20,560	18,000	0.23	225	4.29%	
Water, Sewer, & Trash	4.52%	240	0.25	19,224	15,000	0.19	188	3.58%	
Property Insurance	3.62%	193	0.20	15,406	16,000	0.21	200	3.82%	
Property Tax	1.96	8.10%	430	0.45	34,440	34,000	0.44	425	8.11%
Reserve for Replacements	4.71%	250	0.26	20,000	20,000	0.26	250	4.77%	
TDHCA Compliance Fees	0.75%	40	0.04	3,200	3,200	0.04	40	0.76%	
Other: supportive services	0.24%	13	0.01	1,000	1,000	0.01	13	0.24%	
TOTAL EXPENSES	64.73%	\$3,439	\$3.57	\$275,107	\$270,700	\$3.51	\$3,384	64.59%	
NET OPERATING INC	35.27%	\$1,874	\$1.95	\$149,889	\$148,412	\$1.93	\$1,855	35.41%	

DEBT SERVICE

Bank of America	26.57%	\$1,411	\$1.47	\$112,901	\$112,901	\$1.47	\$1,411	26.94%
Franklin Building Material	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	8.70%	\$462	\$0.48	\$36,988	\$35,511	\$0.46	\$444	8.47%

AGGREGATE DEBT COVERAGE RATIO

1.33

RECOMMENDED DEBT COVERAGE RATIO

1.31

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)		3.33%	\$3,125	\$3.25	\$250,000	\$250,000	\$3.25	\$3,125	3.35%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.52%	8,938	9.28	715,000	715,000	9.28	8,938	9.59%
Direct Construction		57.32%	53,834	55.91	4,306,700	4,220,000	54.79	52,750	56.60%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Fees	13.34%	8.92%	8,374	8.70	669,900	669,900	8.70	8,374	8.98%
Indirect Construction		4.45%	4,175	4.34	334,000	334,000	4.34	4,175	4.48%
Ineligible Costs		1.14%	1,075	1.12	86,000	86,000	1.12	1,075	1.15%
Developer's Fees	13.71%	11.25%	10,563	10.97	845,000	845,000	10.97	10,563	11.33%
Interim Financing		1.81%	1,700	1.77	136,000	136,000	1.77	1,700	1.82%
Reserves		2.28%	2,141	2.22	171,279	200,000	2.60	2,500	2.68%
TOTAL COST		100.00%	\$93,923	\$97.55	\$7,513,880	\$7,455,900	\$96.79	\$93,199	100.00%
Construction Cost Recap		75.75%	\$71,145	\$73.89	\$5,691,600	\$5,604,900	\$72.76	\$70,061	75.17%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Bank of America	18.63%	\$17,500	\$18.18	\$1,400,000	\$1,400,000	\$1,400,000	Developer Fee Available
Franklin Building Material	2.00%	\$1,875	\$1.95	150,000	150,000	150,000	\$845,000
Richman Group	75.06%	\$70,500	\$73.22	5,639,983	5,837,960	5,837,373	% of Dev. Fee Deferred
Deferred Developer Fees	0.90%	\$849	\$0.88	67,940	67,940	68,527	8%
Additional (Excess) Funds Req'd	3.41%	\$3,199	\$3.32	255,957	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,513,880	\$7,455,900	\$7,455,900	\$701,593

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

San Elizario Palms, San Elizario, 9% HTC #08163

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$60.57	\$4,665,521
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(0.95)	(73,078)
Floor Cover			10.84	834,984
Balconies	\$32.00	621	0.26	19,872
Plumbing Fixtures	\$965	28	0.35	27,020
Rough-ins	\$425		0.00	0
Built-In Appliances	\$1,850	80	1.92	148,000
Interior Stairs	\$1,575	76	1.55	119,700
Enclosed Corridors	\$50.65		0.00	0
Heating/Cooling			0.00	0
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$72.63	2,967	2.80	215,493
Other: fire sprinkler	\$2.15		0.00	0
SUBTOTAL			77.34	5,957,512
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(8.51)	(655,326)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.83	\$5,302,186
Plans, specs, survy, bld prmts	3.90%		(2.68)	(206,785)
Interim Construction Interest	3.38%		(2.32)	(178,949)
Contractor's OH & Profit	11.50%		(7.92)	(609,751)
NET DIRECT CONSTRUCTION COSTS			\$55.91	\$4,306,700

PAYMENT COMPUTATION

Primary	\$1,400,000	Amort	360
Int Rate	7.10%	DCR	1.33

Secondary	\$150,000	Amort	
Int Rate		Subtotal DCR	1.33

Additional	\$5,837,960	Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE APPLICABLE

Primary Debt Service	\$112,901
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$35,511

Primary	\$1,400,000	Amort	360
Int Rate	7.10%	DCR	1.31

Secondary	\$150,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.31

Additional	\$5,837,960	Amort	0
Int Rate	0.00%	Aggregate DCR	1.31

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

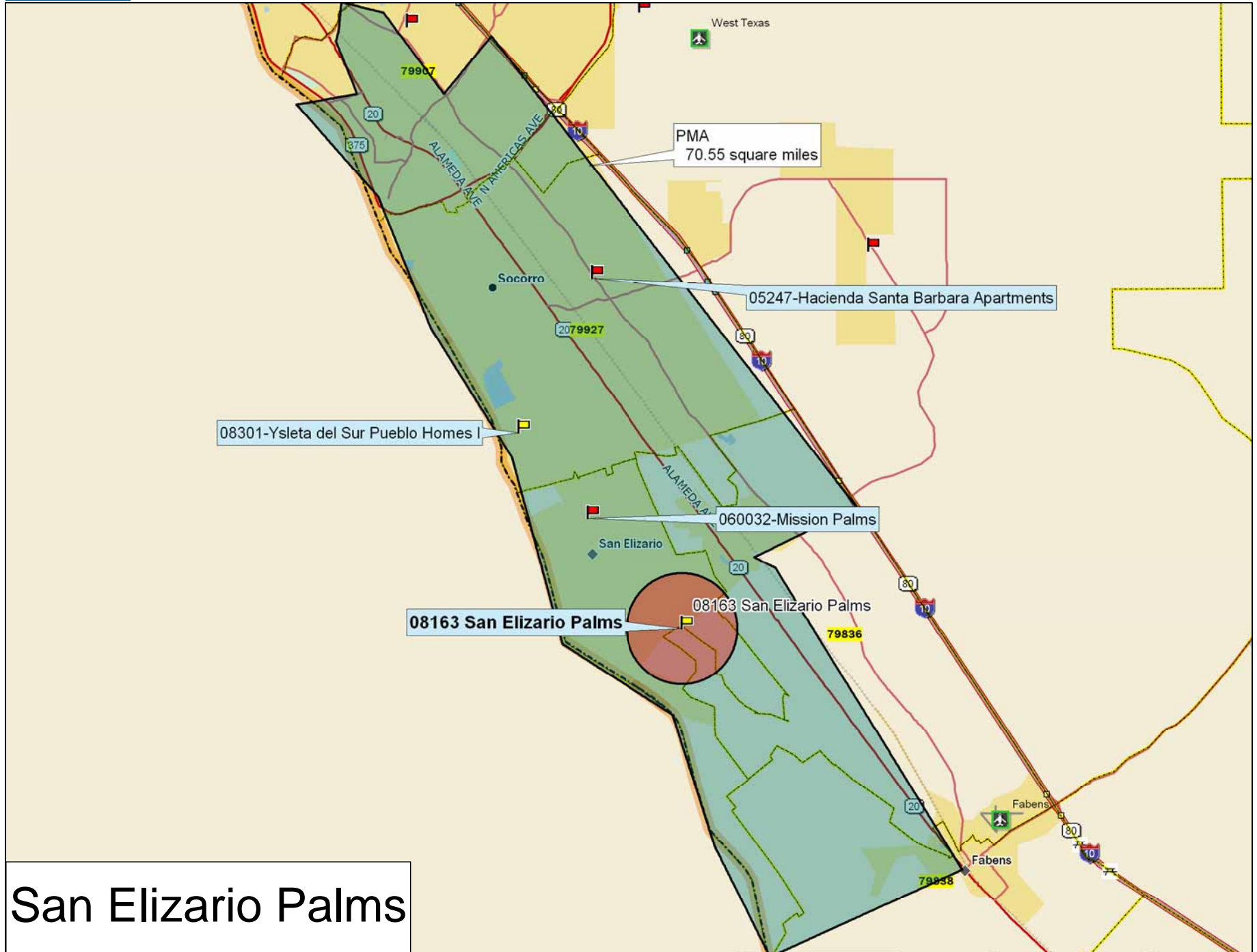
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$443,496	\$456,801	\$470,505	\$484,620	\$499,159	\$578,662	\$670,827	\$777,673	\$1,045,127
Secondary Income	9,600	9,888	10,185	10,490	10,805	12,526	14,521	16,834	22,623
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	453,096	466,689	480,690	495,110	509,964	591,188	685,348	794,507	1,067,750
Vacancy & Collection Loss	(33,984)	(35,002)	(36,052)	(37,133)	(38,247)	(44,339)	(51,401)	(59,588)	(80,081)
Employee or Other Non-Rental Units or Concess	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$419,112	\$431,687	\$444,638	\$457,977	\$471,716	\$546,848	\$633,947	\$734,919	\$987,669
EXPENSES at 4.00%									
General & Administrative	\$23,000	\$23,920	\$24,877	\$25,872	\$26,907	\$32,736	\$39,829	\$48,458	\$71,729
Management	20,500	21,115	21,749	22,401	23,073	26,748	31,008	35,947	48,310
Payroll & Payroll Tax	90,000	93,600	97,344	101,238	105,287	128,098	155,851	189,616	280,679
Repairs & Maintenance	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Insurance	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Property Tax	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	4,200	4,368	4,543	4,724	4,913	5,978	7,273	8,849	13,098
TOTAL EXPENSES	\$270,700	\$281,323	\$292,365	\$303,842	\$315,772	\$382,861	\$464,274	\$563,081	\$828,596
NET OPERATING INCOME	\$148,412	\$150,364	\$152,273	\$154,135	\$155,945	\$163,988	\$169,674	\$171,838	\$159,073
DEBT SERVICE									
First Lien Financing	\$112,901	\$112,901	\$112,901	\$112,901	\$112,901	\$112,901	\$112,901	\$112,901	\$112,901
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$35,511	\$37,463	\$39,372	\$41,234	\$43,043	\$51,086	\$56,772	\$58,937	\$46,171
DEBT COVERAGE RATIO	1.31	1.33	1.35	1.37	1.38	1.45	1.50	1.52	1.41

HTC ALLOCATION ANALYSIS -San Elizario Palms, San Elizario, 9% HTC #08163

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$250,000	\$250,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$715,000	\$715,000	\$715,000	\$715,000
Construction Hard Costs	\$4,220,000	\$4,306,700	\$4,220,000	\$4,306,700
Contractor Fees	\$669,900	\$669,900	\$669,900	\$669,900
Contingencies				
Eligible Indirect Fees	\$334,000	\$334,000	\$334,000	\$334,000
Eligible Financing Fees	\$136,000	\$136,000	\$136,000	\$136,000
All Ineligible Costs	\$86,000	\$86,000		
Developer Fees				
Developer Fees	\$845,000	\$845,000	\$845,000	\$845,000
Development Reserves	\$200,000	\$171,279		
TOTAL DEVELOPMENT COSTS	\$7,455,900	\$7,513,880	\$6,919,900	\$7,006,600

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$6,919,900	\$7,006,600
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$8,995,870	\$9,108,580
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$8,995,870	\$9,108,580
Applicable Percentage			8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$748,456	\$757,834

Syndication Proceeds	0.7799	\$5,837,376	\$5,910,514
Total Tax Credits (Eligible Basis Method)		\$748,456	\$757,834
Syndication Proceeds		\$5,837,376	\$5,910,514
Requested Tax Credits		\$748,456	
Syndication Proceeds		\$5,837,373	
Gap of Syndication Proceeds Needed		\$5,905,900	
Total Tax Credits (Gap Method)		\$757,242	

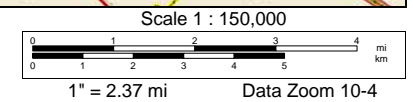


San Elizario Palms

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www.delorme.com



Applicant Evaluation

Project ID # **08163**

Name: **San Elizario Palms**

City: **San Elizario**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 12

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 3

Projects grouped by score	0-9: <u>12</u>
	10-19: <u>0</u>
	20-29: <u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 12

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/29/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/30/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/30/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Oakleaf Estates, TDHCA Number 08174

BASIC DEVELOPMENT INFORMATION

Site Address: 1195 Hwy 327 & E. Tennon Ln. Development #: 08174
City: Silsbee Region: 5 Population Served: General
County: Hardin Zip Code: 77656 Allocation: Rural
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Silsbee Oakleaf Estates, LP
Owner Contact and Phone: K.T. (Ike) Akbari, (409) 724-0020
Developer: Itex Developers
Housing General Contractor: TBD
Architect: TBD
Market Analyst: The Gerald A. Teel Company, Inc.
Syndicator: MMA Financial
Supportive Services: TBD
Consultant: Gannon Outsourcing

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 80
4 0 28 48 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 24 40 16 0 0 Total Development Units: 80
Type of Building: Total Development Cost*: \$8,069,392
Number of Residential Buildings: 5
HOME High Total Units: 0
HOME Low Total Units: 0
Duplex 5 units or more per building
Triplex Detached Residence
Fourplex Single Room Occupancy
Townhome Transitional

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$736,782 \$736,782
HOME Activity Fund Amount: \$0 \$0 0 0 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Oakleaf Estates, TDHCA Number 08174

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, NC Points: 0 US Representative: Brady, District 8, NC
TX Representative: Hamilton, District 19, N Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government []

O, Bob Burgess, Commissioner, Precinct 1
O, Adalaide Cash Balaban, City Council, District C

Individuals and Businesses In Support: 2 In Opposition 210

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2
Union Baptist Church S or O: S

General Summary of Comment:

Support received from one non-official and a civic organization.

Significant opposition was received from non-official(s) and elected official(s). The primary reasons cited include: the Development is too close to the Middle School; it will cause increased traffic congestion; low income, government subsidized housing should not be located on some of the most expensive property in Silsbee; the Development would lower property values; draining/flooding problems. A petition in opposition was submitted with 190 signatures.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance by commitment of a zoning change from the City of Silsbee Planning & Zoning Board for a small portion of the subject site from R-1 to C-2.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
4. Receipt of a commitment of funding from the City of Orange Community Development Corporation for funds in the amount of \$404,000, or a commitment from a qualifying substitute source in an amount not less than \$403,470, as required by §50.9(i)(5) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Oakleaf Estates, TDHCA Number 08174

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **169** Meeting a Required Set-Aside Credit Amount*: \$736,782

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when Rural tax credits are collapsed.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/08 PROGRAM: 9% HTC FILE NUMBER: 08174

DEVELOPMENT																					
Oakleaf Estates																					
Location: 1195 Highway 327 & East Tension Lane					Region: 5																
City: Silsbee	County: Hardin		Zip: 77656	<input type="checkbox"/> OCT	<input checked="" type="checkbox"/> DDA																
Key Attributes: Family, New Construction, Rural, and Multifamily																					
ALLOCATION																					
	REQUEST			RECOMMENDATION																	
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term															
Housing Tax Credit (Annual)	\$736,782			\$736,782																	
CONDITIONS																					
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance of a zoning change from the City of Silsbee Planning & Zoning Board for a small portion of the subject site from R-1 to C-2. 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old. 3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted. 																					
SALIENT ISSUES																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">30% of AMI</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">50% of AMI</td> <td style="text-align: center;">28</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">48</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	30% of AMI	30% of AMI	4	50% of AMI	50% of AMI	28	60% of AMI	60% of AMI	48
TDHCA SET-ASIDES for LURA																					
Income Limit	Rent Limit	Number of Units																			
30% of AMI	30% of AMI	4																			
50% of AMI	50% of AMI	28																			
60% of AMI	60% of AMI	48																			
PROS			CONS																		
<ul style="list-style-type: none"> ▫ The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary. 			<ul style="list-style-type: none"> ▫ Both the Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. 																		

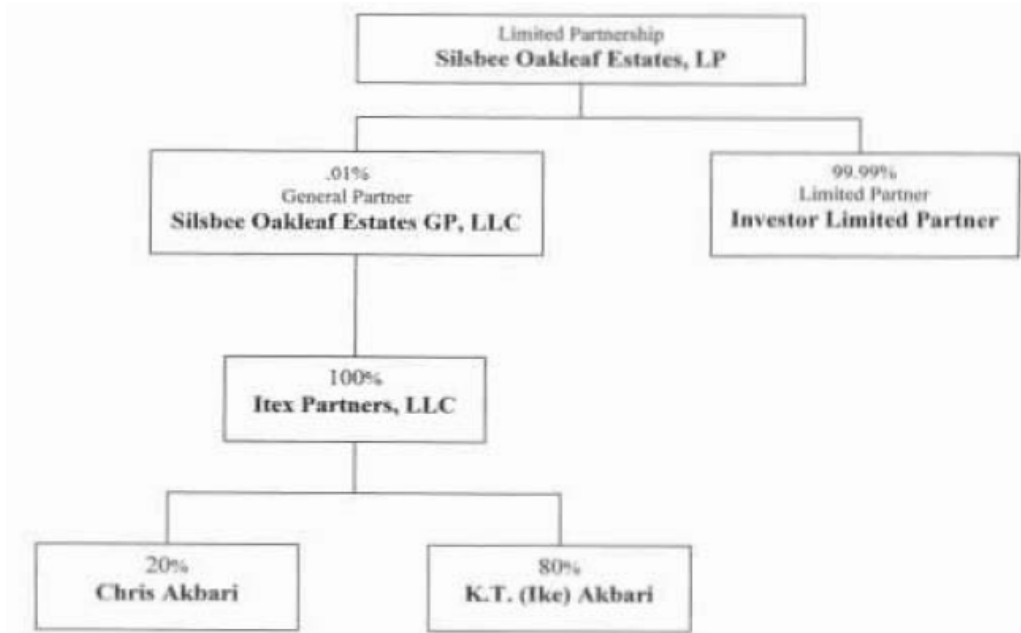
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PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: K.T. (Ike) Akbari Phone: (409) 724-0020 Fax: (409) 721-6603
 Email:

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
ITEX Partners, LLC	N/A	9
ITEX Developers, LLC	N/A	9
Baristone Developers, LLC	N/A	9
K.T. Akbari	N/A	9
Christopher A. Akbari	N/A	3

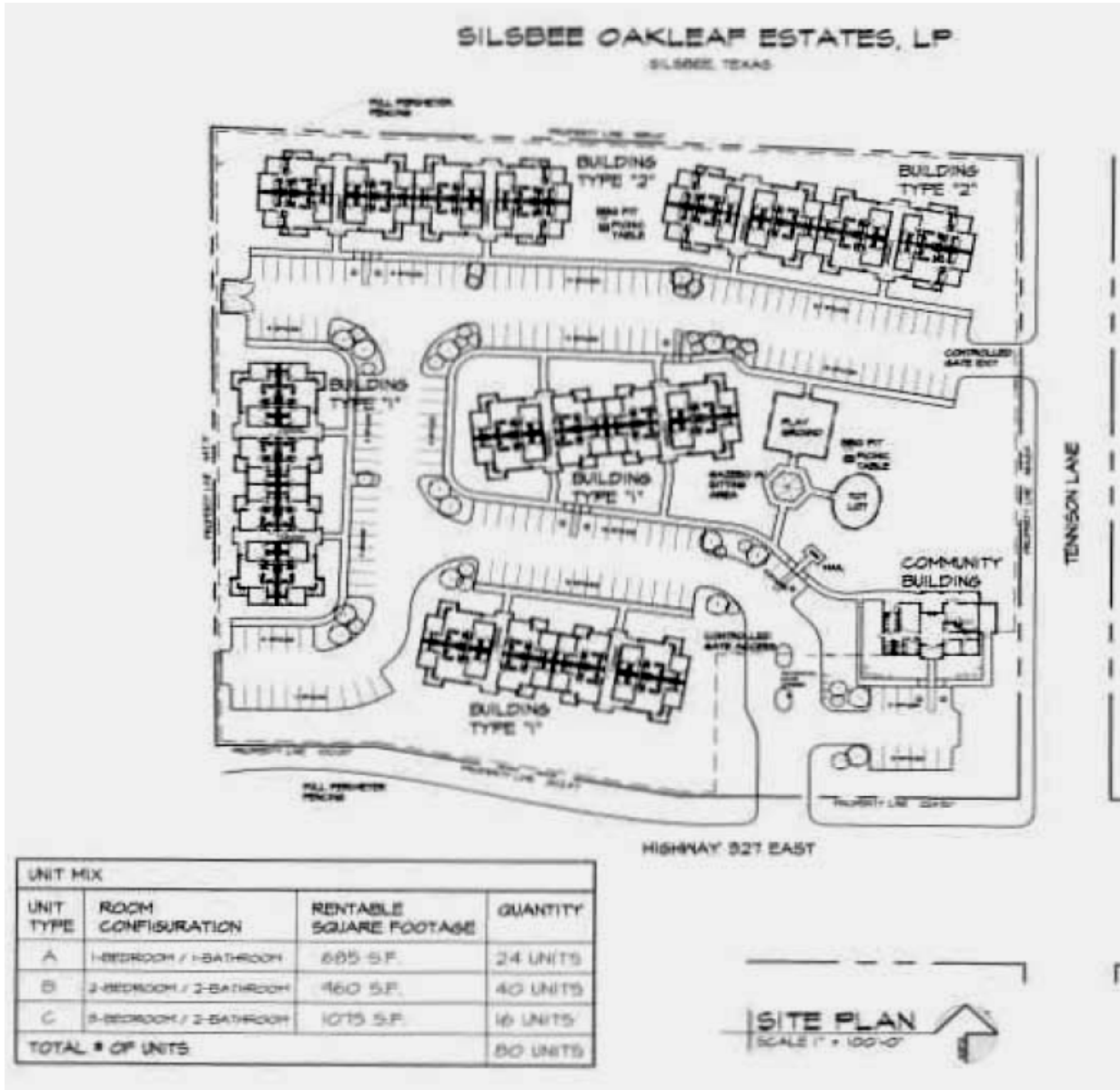
IDENTITIES of INTEREST

- The Applicant, Developer and Property Manager are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B									Total Buildings
Floors/Stories	2	2									
Number	3	2									5

BR/BA	SF	Units									Total Units	Total SF
1/1	685	8									24	16,440
2/2	960	8	8								40	38,400
3/2	1,075		8								16	17,200
Units per Building		16	16								80	72,040

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SITE ISSUES

Total Size: 5.6 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: C-2 & R-1 Needs to be re-zoned? Yes No N/A

Comments:

The majority of the property is properly zoned (C-2), but there is a small portion of the property that is zoned R-1; therefore, an application to the City of Silsbee Planning and Zoning Board has been made to have this portion also zoned C-2. This will be made a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/22/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Highway 327 and a school beyond East: Vacant wooded land
 South: Vacant wooded land West: Texas Workforce Center

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Medina Consulting Company, Inc. Date: 3/31/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

▪ None

MARKET HIGHLIGHTS

Provider: The Gerald A. Teel Company, Inc. Date: 3/24/2008

Contact: Tim Treadway Phone: (713) 467-5858 Fax: (713) 467-0704

Number of Revisions: 1 Date of Last Applicant Revision: 6/4/2008

Primary Market Area (PMA): 893.86 square feet (19.9 miles radius)

"The PMA is considered to be all of Hardin County, due to the rural character of the county and relatively sparse population." (p. 13)

Secondary Market Area (SMA):

No secondary market analysis outside the PMA was considered.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				N/A			

INCOME LIMITS						
Hardin						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,800	\$12,300	\$13,850	\$15,400	\$16,650	\$17,850
50	\$18,000	\$20,550	\$23,150	\$25,700	\$27,750	\$29,800
60	\$21,600	\$24,660	\$27,780	\$30,840	\$33,300	\$35,760

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MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	73	2	0	75	2	0	2.7%
1 BR/ 50% Rent Limit	131	-3	0	128	8	0	6.3%
1 BR/ 60% Rent Limit	86	5	0	91	14	0	15.4%
2 BR/ 30% Rent Limit	76	-7	0	69	1	0	1.4%
2 BR/ 50% Rent Limit	135	-18	0	117	14	0	12.0%
2 BR/ 60% Rent Limit	95	1	0	96	25	0	26.0%
3 BR/ 30% Rent Limit	36	-6	0	30	1	0	3.3%
3 BR/ 50% Rent Limit	58	-8	0	50	6	0	12.0%
3 BR/ 60% Rent Limit	41	2	0	43	9	0	20.9%

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst addendum	100%	19,649	93%	18,293	60%	10,976	17%	1,899	55%	1,044
Underwriter	100%	19,651	93%	18,295	38%	7,012	17%	1,213	55%	667
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst addendum			93%	186	60%	112	17%	19	100%	19
Underwriter			93%	186	38%	66	17%	11	100%	11
DEMAND from OTHER SOURCES										
Market Analyst addendum										19
Underwriter										0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst addendum	80	0	0	80	1,083	7.39%
Underwriter	80	0	0	80	679	11.79%
HISTA-Based Data Alternate	80	0	0	80	261	30.65%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rate using the traditional method to be acceptable. The revised capture rate using the HISTA-based data alternative is slightly higher than 30% but still lower than the Department's guideline of 75% for rural developments. Regardless, the traditional method is acceptable and, therefore, this development can be considered feasible based upon this method of calculating demand.

Primary Market Occupancy Rates:

"Of the newer product surveyed, included the older Autumn Trace, it appears that occupancies in Lumberton and Silsbee are over 98% for the better product. This implies that there may be some excess demand. This is further supported by the waiting list noted at Autumn Trace." (p. 30)

Absorption Projections:

"There are no new properties in Silsbee and the most recent construction is Lumberton on the Lake, which was built in 2004 and Saddlebrook, also built in 2004. To supplement our forecast of absorption for the subject we have included data from the adjoining markets. We are only aware of one project in the subject vicinity that was recently constructed, that being the 12 unit apartment project on Orange, near the High School. This property was opened in February 2003 and attained 100% occupancy in September to October 2003 indicating an absorption rate of approximately 2 units per month." (p. 32)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	685 SF	30%	\$213	\$213	\$700	\$213	\$487
1 BR	685 SF	50%	\$406	\$406	\$700	\$406	\$294
1 BR	685 SF	60%	\$503	\$503	\$700	\$503	\$197
2 BR	960 SF	30%	\$244	\$244	\$850	\$244	\$606
2 BR	960 SF	50%	\$476	\$476	\$850	\$476	\$374
2 BR	960 SF	60%	\$592	\$592	\$850	\$592	\$258
3 BR	1,075 SF	30%	\$274	\$274	\$900	\$274	\$626
3 BR	1,075 SF	50%	\$542	\$542	\$900	\$542	\$358
3 BR	1,075 SF	60%	\$675	\$675	\$900	\$675	\$225

Market Impact:

"There are no tax credit properties in the county/PMA. The bulk of the apartments are over 25 years old.....the subject will have a superior appeal to the existing products in Silsbee and would likely prove successful due to the accessibility and lack of related competitive properties in its PMA." (p. 34)

Comments:

While the Market Analyst did not provide the raw data that would allow the market study to be considered a fully self contained study from the Department's perspective, it provided sufficient information on which to potentially base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 3.1 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of less than one unit per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is/is not in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/29/2008

The Applicant's projected rents collected per unit were calculated by subtracting "All Electric" tenant-paid utility allowances as of April 2007, maintained by The Beaumont Housing Authority from the 2008 program gross rent limits. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,785 per unit is within 5% of the Underwriter's estimate of \$3,624, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, specifically: payroll and payroll tax (\$7K lower); repairs & maintenance (\$7K higher); and property tax (\$11K higher).

Conclusion:

The Applicant's estimated net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. When using the Underwriter's proforma, the estimated debt service results in a debt coverage ration (DCR) which is at the current underwriting maximum of 1.35.

Both the Applicant's and Underwriter's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	5.6 acres	<u> \$72,200 </u>	Tax Year:	<u> 2007 </u>
Existing Buildings:		<u> \$0 </u>	Valuation by:	<u> Hardin County Tax </u>
Total Assessed Value:		<u> \$72,200 </u>	Tax Rate:	<u> 2.255823 </u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 5.6

Contract Expiration: 8/31/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$400,000 Other: _____

Seller: Tennison Douglas K. Trust and Grandchildren Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$71,429 per acre or \$5,000 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,950 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$34.9K or 1% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$133,264 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.

Contingency & Fees:

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit exceeds the maximums allowed by TDHCA guidelines by \$12,420 and the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$21,809; therefore, the eligible portion of the Applicant's contractor fee and developer fee must be reduced by the same amounts.

Conclusion:

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 \$6,978,899 supports annual tax credits of \$754,838. 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

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 6/3/2008

Source: JP Morgan Chase Bank Type: Interim Financing

Principal: \$2,000,000 Interest Rate: 6.0% Fixed Term: 30 months

Comments:

The interest rate will float at JPMC (JP Morgan Chase) prime rate.

Source: City of Orange Community Development Type: Interim Financing

Principal: \$404,000 Interest Rate: 4.4% Fixed Term: 24 months

Comments:

The rate will be set by the AFR rate.

Source: JP Morgan Chase Bank Type: Permanent Financing

Principal: \$1,624,000 Interest Rate: 7.75% Fixed Amort: 360 months

Comments:

The interest rate fixed at a spread over the 10 year U.S. Treasury current rate.

Source: MMA Financial Type: Syndication

Proceeds: \$6,041,008 Syndication Rate: 82% Anticipated HTC: \$ 736,782

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.779. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the \$0.82, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$384 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,624,000 and the Rural Home funds administrated through the City of Orange indicates the need for \$6,041,392 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$736,829 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$736,782), the gap-driven amount (\$736,829), and eligible basis-derived estimate (\$754,838), the requested amount of \$736,782 is recommended resulting in proceeds of \$6,041,008 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates a nominal need of \$384 in deferred developer fees.

Underwriter:	_____	Date:	_____
	<i>Carl Hoover</i>		July 15, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 15, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 15, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Oakleaf Estates, Silsbee, 9% HTC #08174

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	685	\$288	\$213	\$426	\$0.31	\$75.00	\$32.00
TC 50%	8	1	1	685	\$481	\$406	\$3,248	\$0.59	\$75.00	\$32.00
TC 60%	14	1	1	685	\$578	\$503	\$7,042	\$0.73	\$75.00	\$32.00
TC 30%	1	2	2	960	\$346	\$244	\$244	\$0.25	\$102.00	\$37.00
TC 50%	14	2	2	960	\$578	\$476	\$6,664	\$0.50	\$102.00	\$37.00
TC 60%	25	2	2	960	\$694	\$592	\$14,800	\$0.62	\$102.00	\$37.00
TC 30%	1	3	2	1,075	\$400	\$274	\$274	\$0.25	\$126.00	\$41.00
TC 50%	6	3	2	1,075	\$668	\$542	\$3,252	\$0.50	\$126.00	\$41.00
TC 60%	9	3	2	1,075	\$801	\$675	\$6,075	\$0.63	\$126.00	\$41.00
TOTAL:	80		AVERAGE:	901		\$525	\$42,025	\$0.58	\$98.70	\$36.30

INCOME		Total Net Rentable Sq Ft:	TDHCA		APPLICANT		COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT		72,040	\$504,300	\$504,300	Hardin			5	
Secondary Income	Per Unit Per Month:	\$14.00	13,440	13,440	\$14.00		Per Unit Per Month		
Other Support Income:			0		\$0.00		Per Unit Per Month		
POTENTIAL GROSS INCOME			\$517,740	\$517,740					
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(38,831)	(38,832)	-7.50%		of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions			0						
EFFECTIVE GROSS INCOME			\$478,910	\$478,908					

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.31%	\$318	0.35	\$25,421	\$22,710	\$0.32	\$284	4.74%
Management		5.00%	299	0.33	23,945	25,887	0.36	324	5.41%
Payroll & Payroll Tax		15.43%	924	1.03	73,902	66,500	0.92	831	13.89%
Repairs & Maintenance		6.67%	400	0.44	31,967	39,500	0.55	494	8.25%
Utilities		3.96%	237	0.26	18,950	19,000	0.26	238	3.97%
Water, Sewer, & Trash		5.29%	317	0.35	25,335	26,000	0.36	325	5.43%
Property Insurance		4.62%	277	0.31	22,123	24,000	0.33	300	5.01%
Property Tax	2.255823	9.42%	564	0.63	45,116	56,000	0.78	700	11.69%
Reserve for Replacements		4.18%	250	0.28	20,000	20,000	0.28	250	4.18%
TDHCA Compliance Fees		0.67%	40	0.04	3,200	3,200	0.04	40	0.67%
Other:		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES		60.55%	\$3,624	\$4.02	\$289,959	\$302,797	\$4.20	\$3,785	63.23%
NET OPERATING INC		39.45%	\$2,362	\$2.62	\$188,951	\$176,111	\$2.44	\$2,201	36.77%

DEBT SERVICE		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
JP Morgan Chase Bank		29.15%	\$1,745	\$1.94	\$139,614	\$140,900	\$1.96	\$1,761	29.42%
City of Orange HOME Loan		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW		10.30%	\$617	\$0.68	\$49,336	\$35,211	\$0.49	\$440	7.35%
AGGREGATE DEBT COVERAGE RATIO					1.35	1.25			
RECOMMENDED DEBT COVERAGE RATIO					1.16				

CONSTRUCTION COST		% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.00%	\$5,000	\$5.55	\$400,000	\$400,000	\$5.55	\$5,000	4.96%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.95%	8,950	9.94	716,000	716,000	9.94	8,950	8.87%
Direct Construction		48.47%	48,449	53.80	3,875,914	3,841,000	53.32	48,013	47.60%
Contingency	4.10%	2.36%	2,355	2.62	188,392	188,392	2.62	2,355	2.33%
Contractor's Fees	14.00%	8.04%	8,036	8.92	642,868	650,400	9.03	8,130	8.06%
Indirect Construction		5.45%	5,444	6.05	435,500	435,500	6.05	5,444	5.40%
Ineligible Costs		4.77%	4,766	5.29	381,264	381,264	5.29	4,766	4.72%
Developer's Fees	15.00%	11.46%	11,453	12.72	916,261	932,100	12.94	11,651	11.55%
Interim Financing		3.12%	3,122	3.47	249,736	249,736	3.47	3,122	3.09%
Reserves		2.39%	2,390	2.65	191,214	275,000	3.82	3,438	3.41%
TOTAL COST		100.00%	\$99,964	\$111.01	\$7,997,149	\$8,069,392	\$112.01	\$100,867	100.00%
Construction Cost Recap		67.81%	\$67,790	\$75.28	\$5,423,174	\$5,395,792	\$74.90	\$67,447	66.87%

SOURCES OF FUNDS		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	Notes
JP Morgan Chase Bank		20.31%	\$20,300	\$22.54	\$1,624,000	\$1,624,000	\$1,624,000	Developer Fee Available
City of Orange HOME Loan		5.05%	\$5,050	\$5.61	404,000	404,000	404,000	\$910,291
HTC Syndication Proceeds		75.54%	\$75,513	\$83.86	6,041,008	6,041,008	6,041,008	% of Dev. Fee Deferred
Deferred Developer Fees		0.00%	\$5	\$0.01	384	384	384	0.04%
Additional (Excess) Funds Req'd		-0.90%	(\$903)	(\$1.00)	(72,243)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$7,997,149	\$8,069,392	\$8,069,392	\$671,254

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Oakleaf Estates, Silsbee, 9% HTC #08174

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.23	\$3,978,713
Adjustments				
Exterior Wall Finish	2.40%		\$1.33	\$95,489
Elderly			0.00	0
9-Ft. Ceilings	3.30%		1.82	131,298
Roofing			0.00	0
Subfloor			(2.47)	(177,939)
Floor Cover			2.43	175,057
Breezeways/Balconies	\$21.66	9,426	2.83	204,120
Plumbing Fixtures	\$805	168	1.88	135,240
Rough-ins	\$400	160	0.89	64,000
Built-In Appliances	\$1,850	80	2.05	148,000
Exterior Stairs	\$2,100	10	0.29	21,000
Covered Corridors	\$21.66	6,000	1.80	129,930
Heating/Cooling			1.90	136,876
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$75.32	2,381	2.49	179,337
Other: fire sprinkler	\$1.95	72,040	1.95	140,478
SUBTOTAL			74.43	5,361,599
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(8.19)	(589,776)
TOTAL DIRECT CONSTRUCTION COSTS			\$66.24	\$4,771,823
Plans, specs, survy, bld prm	3.90%		(\$2.58)	(\$186,101)
Interim Construction Interes	3.38%		(2.24)	(161,049)
Contractor's OH & Profit	11.50%		(7.62)	(548,760)
NET DIRECT CONSTRUCTION COSTS			\$53.80	\$3,875,914

PAYMENT COMPUTATION

Primary	\$1,624,000	Amort	360
Int Rate	7.75%	DCR	1.35

Secondary	\$404,000	Amort	
Int Rate	0.00%	Subtotal DCR	1.35

Additional		Amort	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$139,614
Secondary Debt Service	23,679
Additional Debt Service	0
NET CASH FLOW	\$25,657

Primary	\$1,624,000	Amort	360
Int Rate	7.75%	DCR	1.35

Secondary	\$404,000	Amort	360
Int Rate	4.19%	Subtotal DCR	1.16

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

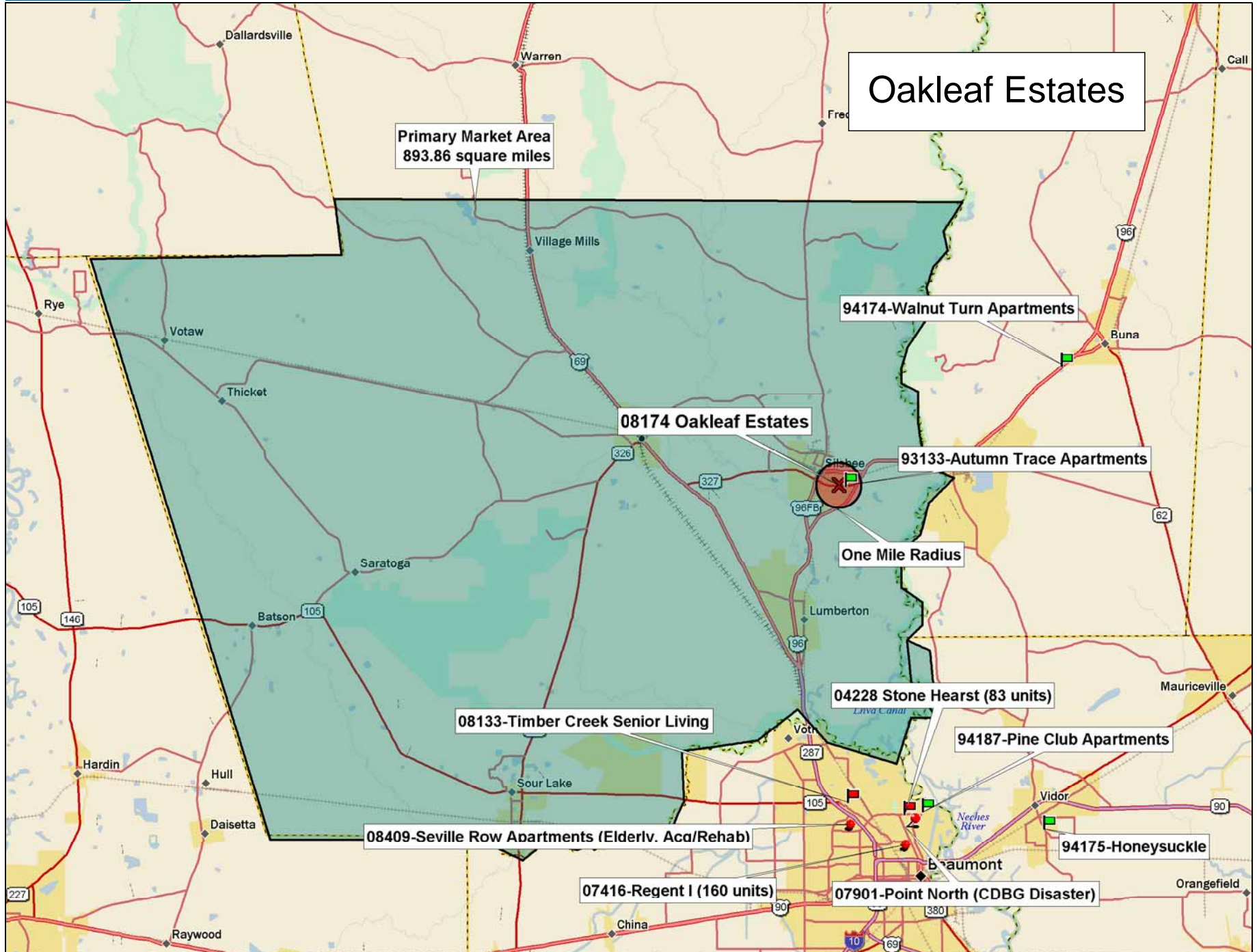
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$504,300	\$519,429	\$535,012	\$551,062	\$567,594	\$657,997	\$762,799	\$884,293	\$1,188,416
Secondary Income	13,440	13,843	14,258	14,686	15,127	17,536	20,329	23,567	31,672
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	517,740	533,272	549,270	565,748	582,721	675,533	783,128	907,860	1,220,088
Vacancy & Collection Loss	(38,831)	(39,995)	(41,195)	(42,431)	(43,704)	(50,665)	(58,735)	(68,090)	(91,507)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$478,910	\$493,277	\$508,075	\$523,317	\$539,017	\$624,868	\$724,394	\$839,771	\$1,128,582
EXPENSES at 4.00%									
General & Administrative	\$25,421	\$26,437	\$27,495	\$28,595	\$29,739	\$36,181	\$44,020	\$53,557	\$79,278
Management	23,945	24,664	25,404	26,166	26,951	31,243	36,220	41,989	56,429
Payroll & Payroll Tax	73,902	76,858	79,932	83,129	86,454	105,185	127,974	155,700	230,473
Repairs & Maintenance	31,967	33,246	34,575	35,959	37,397	45,499	55,356	67,350	99,694
Utilities	18,950	19,708	20,497	21,317	22,169	26,972	32,816	39,926	59,100
Water, Sewer & Trash	25,335	26,348	27,402	28,498	29,638	36,059	43,872	53,376	79,010
Insurance	22,123	23,007	23,928	24,885	25,880	31,487	38,309	46,609	68,992
Property Tax	45,116	46,921	48,798	50,750	52,780	64,215	78,127	95,054	140,703
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	3,200	3,328	3,461	3,600	3,744	4,555	5,541	6,742	9,980
TOTAL EXPENSES	\$289,959	\$301,318	\$313,124	\$325,395	\$338,149	\$409,863	\$496,869	\$602,438	\$886,032
NET OPERATING INCOME	\$188,951	\$191,959	\$194,951	\$197,923	\$200,868	\$215,005	\$227,525	\$237,332	\$242,550
DEBT SERVICE									
First Lien Financing	\$139,614	\$139,614	\$139,614	\$139,614	\$139,614	\$139,614	\$139,614	\$139,614	\$139,614
Second Lien	23,679	23,679	23,679	23,679	23,679	23,679	23,679	23,679	23,679
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$25,657	\$28,665	\$31,658	\$34,629	\$37,574	\$51,711	\$64,231	\$74,039	\$79,256
DEBT COVERAGE RATIO	1.16	1.18	1.19	1.21	1.23	1.32	1.39	1.45	1.49

HTC ALLOCATION ANALYSIS -Oakleaf Estates, Silsbee, 9% HTC #08174

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$400,000	\$400,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$716,000	\$716,000	\$716,000	\$716,000
Construction Hard Costs	\$3,841,000	\$3,875,914	\$3,841,000	\$3,875,914
Contractor Fees	\$650,400	\$642,868	\$637,980	\$642,868
Contingencies	\$188,392	\$188,392	\$188,392	\$188,392
Eligible Indirect Fees	\$435,500	\$435,500	\$435,500	\$435,500
Eligible Financing Fees	\$249,736	\$249,736	\$249,736	\$249,736
All Ineligible Costs	\$381,264	\$381,264		
Developer Fees			\$910,291	
Developer Fees	\$932,100	\$916,261		\$916,261
Development Reserves	\$275,000	\$191,214		
TOTAL DEVELOPMENT COSTS	\$8,069,392	\$7,997,149	\$6,978,899	\$7,024,671

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$6,978,899	\$7,024,671
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$9,072,569	\$9,132,072
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$9,072,569	\$9,132,072
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$754,838	\$759,788

Syndication Proceeds	0.8199	\$6,189,050	\$6,229,642
Total Tax Credits (Eligible Basis Method)		\$754,838	\$759,788
Syndication Proceeds		\$6,189,050	\$6,229,642
Requested Tax Credits		\$736,782	
Syndication Proceeds		\$6,041,008	
Gap of Syndication Proceeds Needed		\$6,041,392	
Total Tax Credits (Gap Method)		\$736,829	



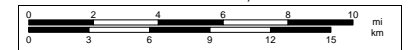
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Scale 1 : 375,000



1" = 5.92 mi

Data Zoom 9-1

Applicant Evaluation

Project ID **08174**

Name **Oakleaf Estates**

City: **Silsbee**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored:	6	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		Projects grouped by score	
Total # of MF awards not yet monitored or pending review:	5			0-9:	6
SF Contract Experience <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				10-19:	0
Total # of SF Contracts:	0	Total # of MF Projects in Material Noncompliance:	0	20-29:	0
				Total monitored with a score 0-29:	6

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 6/2/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen

Date: 6/2/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Maeghan Pointe, TDHCA Number 08176

BASIC DEVELOPMENT INFORMATION

Site Address: SR 107 & Mile 6 Rd. Development #: 08176
 City: Elsa Region: 11 Population Served: General
 County: Hidalgo Zip Code: 78543 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Maeghan Pointe, LTD.
 Owner Contact and Phone: Donald Pace, (321) 453-3127
 Developer: CDHM Group, LLC
 Housing General Contractor: Charter Contractors, LP
 Architect: LK Travis & Associates, Inc.
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: Pinnacle Property Management
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	5 0 28 47	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 0 5 37 38 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$11,727,272
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	80
<input type="checkbox"/> Triplex	<input checked="" type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,083,920	\$1,083,920			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Maeghan Pointe, TDHCA Number 08176

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Lucio, District 27, S

Points: 14 US Representative: Hinojosa, District 15, NC

TX Representative: Otto, District 18, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Senovio Castillo, Mayor

Resolution of Support from Local Government

S, Aaron Pena, Jr., State Representative

Individuals and Businesses In Support: 5 In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Edcouch-Elsa Rotary Club

S or O: S

Super Bee Club of Elsa

S or O: S

Bee/Daco Club of Elsa

S or O: S

VFW of Elsa

S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations. One person spoke in support of the development at the public hearing.

One person spoke in oppsition at the public hearing stating that her house would be adjacent to the proposed development and thus be depreciated drastically.

CONDITIONS OF COMMITMENT

1. Receipt, review and acceptance of a commitment for interim construction financing in the amount of \$234,545 from the New Life Housing Foundation or an acceptable alternative source before commencement of construction.
2. Receipt, review and acceptance, by carryover, of a revised commitment for title insurance reflecting the correct acreage to be developed for the subject development.
3. Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old .
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
5. Receipt of a commitment of funding from the New Life Housing Foundation in the amount of \$234,546, or a commitment from a qualifying substitute source(s) in an amount not less than \$234,546 as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Maeghan Pointe, TDHCA Number 08176

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$1,083,920

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/23/08

PROGRAM: HTC 9%

FILE NUMBER: 08176

DEVELOPMENT

Maeghan Pointe

Location: SR107 & Mile 6 Road

Region: 11

City: Elsa

County: Hidalgo

Zip: 78543

 QCT

 DDA

Key Attributes: Single Family, Rural, New Construction, Family

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,083,920			\$1,083,920		

CONDITIONS

- 1 Receipt, review and acceptance of a commitment for interim construction financing in the amount of \$234,545 from the New Life Housing Foundation or an acceptable alternative source before commencement of construction.
- 2 Receipt, review and acceptance of a revised commitment for title insurance reflecting the correct acreage to be developed for the subject development.
- 3 Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old .
- 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	47

PROS

- This single family design will allow residents to live in a single family neighborhood environment.

CONS

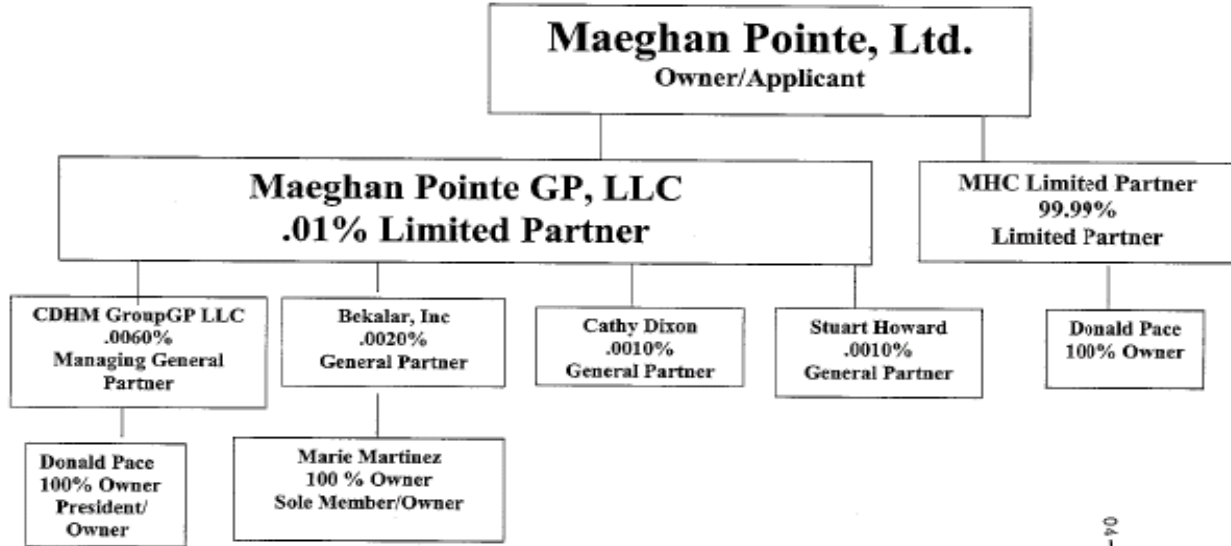
- Market Analyst's demand by unit type suggest capture rates well over 100% for the two and three bedroom units at the 60% AMI level, which suggests low demand for these units.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



04-02

CONTACT

Contact: Donald Pace Phone: 321-453-3127 Fax: 321-453-3801
 Email: dpace@earthlink.net

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Maeghan Pointe, Ltd.	To Be Formed	0
Maeghan Pointe, GP, LLC	To Be Formed	0
Donald Pace	N/A	9
Cathy Dixon	N/A	1
Stuart Howard	N/A	1

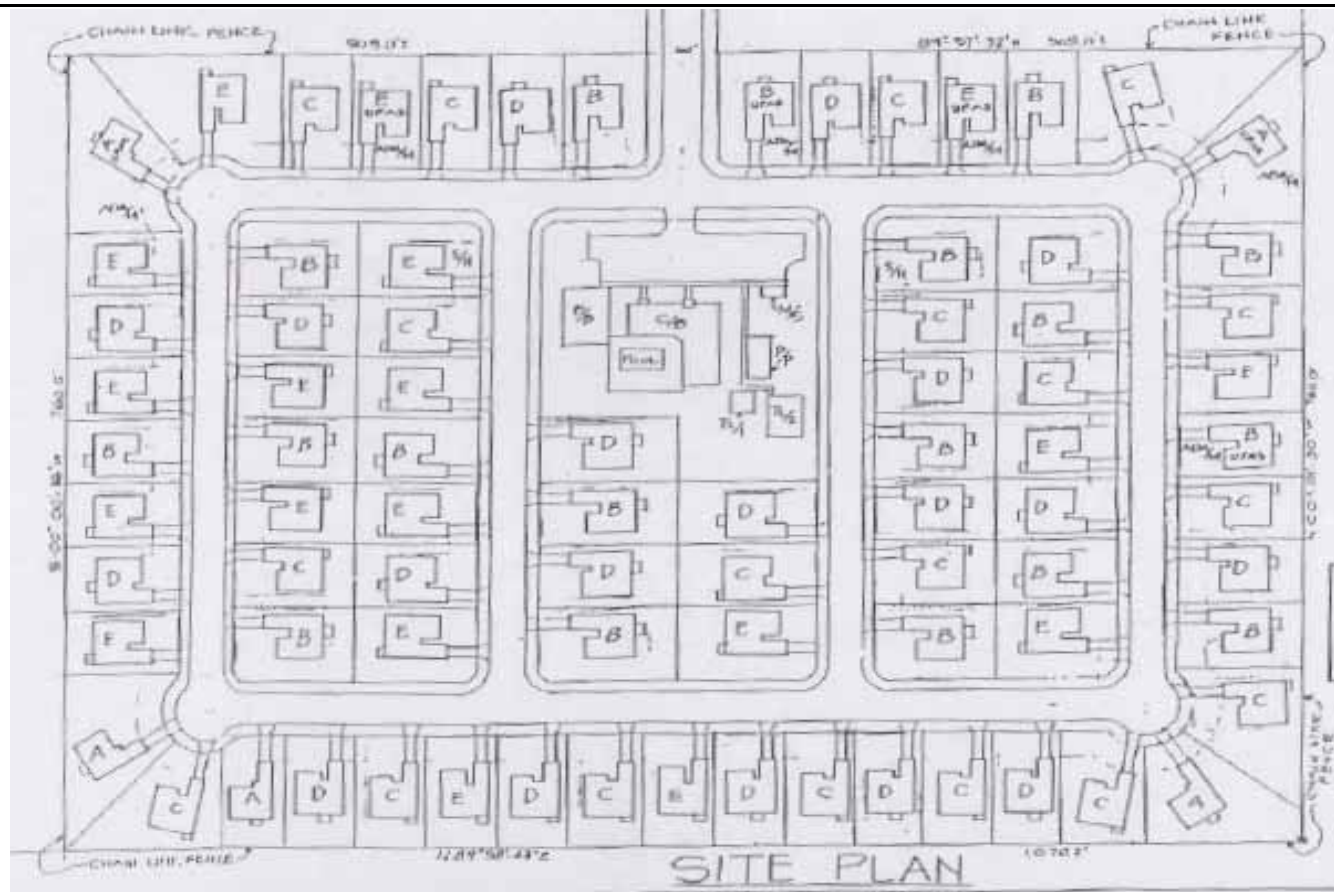
IDENTITIES of INTEREST

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

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E										Total Buildings
Floors/Stories	1	1	1	1	1										
Number	5	18	19	19	19										80

BR/BA	SF	Units										Total Units	Total SF
2/2	1,100	1										5	5,500
3/2	1,320		1									18	23,760
3/2	1,320			1								19	25,080
4/2	1,440				1							19	27,360
4/2	1,440					1						19	27,360
Units per Building		1	1	1	1	1						80	109,060

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SITE ISSUES

Total Size: 19.08 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: None Needs to be re-zoned? Yes No N/A

Comments:

The interim City Manager for the City of Elsa provided a letter which states that the subject development meets the requirements of zoning because there is no zoning ordinance in the City of Elsa. He further stated that "The City of Elsa does not have a Consolidated Plan that addresses the no zoning ordinance. The City of Elsa needs this affordable housing development and the development is allowed and permitted to be constructed on this site."

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/22/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Undeveloped land East: Mixed use, shops, stores, etc.
 South: Mixed use, shops, stores, residential West: Mixed use, shops, stores, etc.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Maxrix Environmental Sciences, Inc. Date: 2/22/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

"At the time of the Phase I Environmental Site Assessment and based on current and historical information reviewed no recognized environmental conditions were revealed in connection with the subject property" (p. 3)

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/31/2008

Contact: Darrell Jack Phone: 210-530-0040 Fax: 210-340-5830

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 289.03 square miles (9.64 mile radius)

The Primary Market Area (PMA) encompasses approximately 289.03 square miles with boundaries that approximately follow:

North: Willacy County Line / FM 490 East: Hidalgo County Line
 South: Owassa Road / Roosevelt Rd / Mile 12 N West: US Highway 281

The population of the PMA was estimated to be 98,998 in 2007 by the Market Analyst.

Secondary Market Area (SMA):

The Market Analyst did not provide a Secondary Market Area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Casa Edcouch	060117	76	76	N/A			

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INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2 BR/30% Rent Limit	27	1	0	28	1	3	14.3%
2 BR/50% Rent Limit	53	2	0	55	2	0	3.6%
2 BR/60% Rent Limit	27	2	0	29	2	32	117.2%
3 BR/30% Rent Limit	54	3	0	57	2	3	8.8%
3 BR/50% Rent Limit	39	3	0	42	13	0	31.0%
3 BR/60% Rent Limit	39	4	0	43	25	22	109.3%
4 BR/30% Rent Limit	54	3	0	57	2	0	3.5%
4 BR/50% Rent Limit	77	8	0	85	13	0	15.3%
4 BR/60% Rent Limit	75	8	0	83	23	0	27.7%

OVERALL DEMAND												
			Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER												
Market Analyst	p.	57	100%	25,582	82%	20,936	10%	2,064	100%	2,064	46%	950
Underwriter			100%	26,288	82%	21,514	39%	8,425	27%	2,266	46%	1,042
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	57							57	100%		57
Underwriter					82%	652	39%	209	27%	56	100%	56

INCLUSIVE CAPTURE RATE								
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate		
Market Analyst	p.	58	80	76	0	156	1,007	15.50%
Underwriter			80	76	0	156	1,099	14.20%

Comment:

The Market Analysts inclusive capture rate and the Underwriter's rate using the traditional method are below the Department's guidelines. The traditional method uses averages of renters and incomes to estimate the income eligible renter population. The Underwriter also completed a demand and inclusive capture rate calculation based upon the HISTA demographics which resulted in a higher inclusive capture rate of 37%. While the HISTA data is believed to be more reliable because it more accurately considers actual eligible renters by income level, the Department's rules do not currently require the exclusive use of HISTA data for the inclusive capture rate calculation.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 94.3% as a result of stable demand." (p. 107)

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" (p. 105). At this rate, the development should realize stabilized occupancy within 18 months.

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
2 BR 1,100 SF 30%	\$221	\$225	\$675	\$225	\$450	
2 BR 1,100 SF 50%	\$415	\$420	\$675	\$420	\$255	
2 BR 1,100 SF 60%	\$512	\$518	\$675	\$518	\$157	
3 BR 1,320 SF 30%	\$250	\$254	\$775	\$250	\$525	
3 BR 1,320 SF 50%	\$474	\$480	\$775	\$474	\$301	
3 BR 1,320 SF 60%	\$586	\$592	\$775	\$586	\$189	
4 BR 1,440 SF 30%	\$264	\$269	\$850	\$264	\$586	
4 BR 1,440 SF 50%	\$514	\$521	\$850	\$514	\$336	
4 BR 1,440 SF 60%	\$639	\$648	\$850	\$639	\$211	

Market Impact:

Based on the demand in the market area, the market impact for the subject units should be minimal.

Comment:

The Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 3.3 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 8.3 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting the applicable utility allowances maintained by the Elsa Housing Authority from the 2007 program rent limits. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Tenants will be required to pay all electric utilities, plus water and sewer costs. The Underwriter's projected rents collected per unit is slightly higher than the Applicant's because the Underwriter used 2008 program rent limits.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$3,735 per unit is within 5% of the Underwriter's estimate of \$3,703 derived from the TDHCA database and third party data sources. However, several of the Applicant's estimates differ significantly from the Underwriter's, specifically, repairs and maintenance (\$8K lower), water, sewer & trash (\$7K higher), property insurance (\$11K higher) and property taxes (\$18K lower). Additionally, the Applicant slightly overstated compliance fees by \$5 per unit.

Conclusion:

The Applicant's estimate of effective gross income, total expense and net operating income are all within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proposed permanent financing structure results in an initial year's debt coverage ratio of 1.25.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate is at 60.35%, while the Underwriter's estimate is 59.04% both of which are only slightly below the 65% Department guideline. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, both are below the Department's 65% maximum and therefore no other mitigation is required.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. The Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	26.3 acres	\$210,880	Tax Year:	2007
One Acre:		\$8,000	Valuation by:	Hidalgo CAD
Prorata:	19.08 acres	\$152,640	Tax Rate:	2.1284

EVIDENCE of PROPERTY CONTROL

Type:	Commercial Contract - Unimproved Property		Acreage:	19.08
Contract Expiration:	10/15/2008	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Acquisition Cost:	\$1,200,000	Other:		
Seller:	JPO Enterprises	Related to Development Team?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

TITLE

Comments:

The commitment for title insurance provided in the Application reflects a total of 26.38 acres. However, the Applicant is proposing to develop only 19.08 acres which appears to be a subset of this larger tract of land, though it is not clear that it is the same tract. Therefore, this report is conditioned upon receipt, review and acceptance of a revised commitment for title insurance reflecting the correct acreage of land to be used for the subject development.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$62,893 per acre or \$15,000 per unit is extraordinarily high for a typical tax credit development but reasonable for a single family lot which has been improved with infrastructure. The subject has not been improved with such infrastructure and therefore the acquisition cost appears to be excessive. However, the Seller is said to be an unrelated party to the applicant and development team and therefore the acquisition price is assumed to be reasonable since the acquisition is an arm's length transaction.

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Sitework Cost:

The Applicant's claimed sitework costs of \$9,000 per unit are within the Department's guidelines, and therefore, no third party substantiation is required. However it is not clear if the infrastructure on the site will be turned over to the City or County for ownership and maintenance once completed and if so some of these sitework costs may be ineligible. The cost of sitework for these single family lots is particularly of concern given the high cost of the acquisition per unit.

Direct Construction Cost:

The Applicant's direct construction cost is \$475K or 7% lower than the Underwriter's Marshall and Swift Residential Cost Handbook-derived estimate.

Conclusion:

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 \$10,268,281 supports annual tax credits of \$1,110,617. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/14/2008

Source: Raymond James Finance, LLC Type: Interim to Permanent Financing

Interim:	<u>\$2,801,897</u>	Interest Rate:	<u>7.50%</u>	<input type="checkbox"/>	Fixed	Term:	<u>24</u>	months
Permanent:	<u>\$1,826,467</u>	Interest Rate:	<u>7.75%</u>	<input type="checkbox"/>	Fixed	Term:	<u>360</u>	months

Source: City of Elsa Type: Interim Financing

Principal:	<u>\$586,363</u>	Interest Rate:	<u>AFR</u>	<input checked="" type="checkbox"/>	Fixed	Amort:	<u>12</u>	months
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Source: New Life Housing Foundation Type: Interim Financing

Principal:	<u>\$234,545</u>	Interest Rate:	<u>AFR</u>	<input checked="" type="checkbox"/>	Fixed	Amort:	<u> </u>	months
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Comments:

To date, the Applicant has not received a commitment from the New Life Housing Foundation for this interim financing; therefore, it is a condition of this report that a commitment for interim financing be received from the New Life Housing Foundation or an acceptable alternative source before commencement of construction.

Source: Raymond James Tax Credit Funds, Inc. Type: Syndication

Proceeds:	<u>\$9,754,304</u>	Syndication Rate:	<u>90%</u>	Anticipated HTC:	<u>\$ 1,083,920</u>
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Amount:	<u>\$230,058</u>	Type:	<u>Deferred Developer Fees</u>
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Comments:

The committed credit price is higher than recent trends in pricing would suggest. However, the Underwriter has performed a sensitivity test and determined that the credit price would have to decline to below \$0.83 for the financial viability of the transaction to be jeopardized. Alternatively, should the final credit price increase to more than \$0.915, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

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Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,826,467 indicates the need for \$9,900,805 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,100,200 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,083,920), the gap-driven amount (\$1,100,200), and eligible basis-derived estimate (\$1,110,617), the Applicant's request of \$1,083,920 is recommended resulting in proceeds of \$9,754,304 based on a syndication rate of 90%.

The Underwriter's recommended financing structure indicates the need for \$146,501 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 4 years of stabilized operation.

Underwriter:	_____	Date:	_____
	<i>D. Burrell</i>		June 23, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		June 23, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Maeghan Pointe, Elsa, HTC 9% #08176

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC30	1	2	2	1,100	\$295	\$225	\$225	\$0.20	\$70.00	\$6.00
TC50	2	2	2	1,100	\$490	\$420	\$840	\$0.38	\$70.00	\$6.00
TC60	2	2	2	1,100	\$588	\$518	\$1,036	\$0.47	\$70.00	\$6.00
TC30	2	3	2	1,320	\$340	\$254	\$508	\$0.19	\$86.00	\$6.00
TC50	13	3	2	1,320	\$566	\$480	\$6,240	\$0.36	\$86.00	\$6.00
TC60	22	3	2	1,320	\$680	\$594	\$13,068	\$0.45	\$86.00	\$6.00
TC30	2	4	2	1,440	\$380	\$269	\$538	\$0.19	\$111.00	\$6.00
TC50	13	4	2	1,440	\$632	\$521	\$6,773	\$0.36	\$111.00	\$6.00
TC60	23	4	2	1,440	\$759	\$648	\$14,904	\$0.45	\$111.00	\$6.00
TOTAL:	80		AVERAGE:	1,363		\$552	\$44,132	\$0.40	\$96.88	\$6.00

INCOME				Total Net Rentable Sq Ft:	109,060	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$529,584	\$522,432	Hidalgo		11
Secondary Income		Per Unit Per Month:	\$13.34			12,804	12,804	\$13.34	Per Unit Per Month	
Other Support Income:						0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$542,388	\$535,236			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(40,679)	(40,140)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$501,709	\$495,096			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.22%	\$390	0.29		\$31,225	\$31,500	\$0.29	\$394	6.36%
Management		5.00%	314	0.23		25,085	24,755	0.23	309	5.00%
Payroll & Payroll Tax		13.95%	875	0.64		70,000	73,660	0.68	921	14.88%
Repairs & Maintenance		6.74%	423	0.31		33,836	25,200	0.23	315	5.09%
Utilities		0.74%	47	0.03		3,729	6,400	0.06	80	1.29%
Water, Sewer, & Trash		1.33%	84	0.06		6,681	13,600	0.12	170	2.75%
Property Insurance		5.74%	360	0.26		28,780	40,000	0.37	500	8.08%
Property Tax	2.13	11.48%	720	0.53		57,583	40,000	0.37	500	8.08%
Reserve for Replacements		3.99%	250	0.18		20,000	24,000	0.22	300	4.85%
TDHCA Compliance Fees		0.64%	40	0.03		3,200	3,600	0.03	45	0.73%
Other:		3.21%	201	0.15		16,100	16,100	0.15	201	3.25%
TOTAL EXPENSES		59.04%	\$3,703	\$2.72		\$296,218	\$298,815	\$2.74	\$3,735	60.35%
NET OPERATING INC		40.96%	\$2,569	\$1.88		\$205,491	\$196,281	\$1.80	\$2,454	39.65%
DEBT SERVICE										
Raymond James Tax Credit Funds	31.30%	\$1,963	\$1.44			\$157,020	\$157,020	\$1.44	\$1,963	31.72%
Additional Financing	0.00%	\$0	\$0.00			0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00			0		\$0.00	\$0	0.00%
NET CASH FLOW		9.66%	\$606	\$0.44		\$48,471	\$39,261	\$0.36	\$491	7.93%
AGGREGATE DEBT COVERAGE RATIO						1.31	1.25			
RECOMMENDED DEBT COVERAGE RATIO							1.25			

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT						
Acquisition Cost (site or bldg)		9.87%	\$15,000	\$11.00		\$1,200,000	\$1,200,000	\$11.00	\$15,000	10.23%
Off-Sites		0.00%	0	0.00		0		0.00	0	0.00%
Sitework		5.92%	9,000	6.60		720,000	720,000	6.60	9,000	6.14%
Direct Construction		52.67%	80,015	58.69		6,401,182	5,976,000	54.80	74,700	50.96%
Contingency	4.70%	2.75%	4,185	3.07		334,800	334,800	3.07	4,185	2.85%
Contractor's Fees	13.16%	7.71%	11,717	8.59		937,320	937,320	8.59	11,717	7.99%
Indirect Construction		4.05%	6,156	4.52		492,500	492,500	4.52	6,156	4.20%
Ineligible Costs		1.34%	2,037	1.49		162,991	162,991	1.49	2,037	1.39%
Developer's Fees	14.32%	11.02%	16,742	12.28		1,339,341	1,339,341	12.28	16,742	11.42%
Interim Financing		3.85%	5,854	4.29		468,320	468,320	4.29	5,854	3.99%
Reserves		0.79%	1,200	0.88		96,000	96,000	0.88	1,200	0.82%
TOTAL COST		100.00%	\$151,906	\$111.43		\$12,152,454	\$11,727,272	\$107.53	\$146,591	100.00%
Construction Cost Recap		69.07%	\$104,916	\$76.96		\$8,393,302	\$7,968,120	\$73.06	\$99,602	67.95%

SOURCES OF FUNDS						RECOMMENDED		
Raymond James Tax Credit Funds	15.03%	\$22,831	\$16.75		\$1,826,467	\$1,826,467	\$1,826,467	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00		0		0	\$1,339,341
HTC Syndication Proceeds	80.27%	\$121,929	\$89.44		9,754,304	9,754,304	9,754,304	% of Dev. Fee Deferred
Deferred Developer Fees	1.21%	\$1,831	\$1.34		146,501	146,501	146,501	11%
Additional (Excess) Funds Req'd	3.50%	\$5,315	\$3.90		425,182	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$12,152,454	\$11,727,272	\$11,727,272	\$889,462

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Maeghan Pointe, Elsa, HTC 9% #08176

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Single Family Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$83.40	\$9,095,223
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Subdivision Discount	-10.00%		(8.34)	(909,522)
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.51)	(273,741)
Floor Cover			3.20	348,992
Covered Entries	\$23.07	2,663	0.56	61,432
Plumbing Fixtures	\$1,110		0.00	0
Rough-ins	\$450		0.00	0
Built-In Appliances	\$2,575	80	1.89	206,000
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$73.48		0.00	0
Heating/Cooling			1.90	207,214
Garages/Carports	\$27.95	26,000	6.66	726,798
Comm &/or Aux Bldgs	\$72.63	3,300	2.20	239,679
Other: Patio	\$5.69	4,800	0.25	27,312
SUBTOTAL			89.21	9,729,386
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.81		(16.95)	(1,848,583)
TOTAL DIRECT CONSTRUCTION COSTS			\$72.26	\$7,880,803
Plans, specs, survy, bld prm	3.90%		(\$2.82)	(\$307,351)
Interim Construction Interes	3.38%		(2.44)	(265,977)
Contractor's OH & Profit	11.50%		(8.31)	(906,292)
NET DIRECT CONSTRUCTION COSTS			\$58.69	\$6,401,182

PAYMENT COMPUTATION

Primary	\$1,826,467	Amort	360
Int Rate	7.75%	DCR	1.31

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.31

Additional	\$9,754,304	Amort	
Int Rate		Aggregate DCR	1.31

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$157,020
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$39,261

Primary	\$1,826,467	Amort	360
Int Rate	7.75%	DCR	1.25

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.25

Additional	\$9,754,304	Amort	0
Int Rate	0.00%	Aggregate DCR	1.25

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	\$522,432	\$538,105	\$554,248	\$570,876	\$588,002	\$681,655	\$790,225	\$916,088	\$1,231,145
Secondary Income	12,804	13,188	13,584	13,991	14,411	16,706	19,367	22,452	30,173
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	535,236	551,293	567,832	584,867	602,413	698,362	809,592	938,540	1,261,319
Vacancy & Collection Loss	(40,140)	(41,347)	(42,587)	(43,865)	(45,181)	(52,377)	(60,719)	(70,390)	(94,599)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$495,096	\$509,946	\$525,244	\$541,002	\$557,232	\$645,984	\$748,873	\$868,149	\$1,166,720
EXPENSES at 4.00%									
General & Administrative	\$31,500	\$32,760	\$34,070	\$35,433	\$36,851	\$44,834	\$54,548	\$66,366	\$98,238
Management	24,755	25,498	26,262	27,050	27,862	32,299	37,444	43,408	58,336
Payroll & Payroll Tax	73,660	76,606	79,671	82,857	86,172	104,841	127,555	155,191	229,720
Repairs & Maintenance	25,200	26,208	27,256	28,347	29,480	35,867	43,638	53,093	78,590
Utilities	6,400	6,656	6,922	7,199	7,487	9,109	11,083	13,484	19,959
Water, Sewer & Trash	13,600	14,144	14,710	15,298	15,910	19,357	23,551	28,653	42,414
Insurance	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Property Tax	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Reserve for Replacements	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other	19,700	20,488	21,308	22,160	23,046	28,039	34,114	41,505	61,437
TOTAL EXPENSES	\$298,815	\$310,520	\$322,686	\$335,331	\$348,473	\$422,372	\$512,027	\$620,811	\$913,034
NET OPERATING INCOME	\$196,281	\$199,426	\$202,559	\$205,671	\$208,759	\$223,612	\$236,846	\$247,338	\$253,686
DEBT SERVICE									
First Lien Financing	\$157,020	\$157,020	\$157,020	\$157,020	\$157,020	\$157,020	\$157,020	\$157,020	\$157,020
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$39,261	\$42,406	\$45,538	\$48,651	\$51,738	\$66,592	\$79,825	\$90,318	\$96,665
DEBT COVERAGE RATIO	1.25	1.27	1.29	1.31	1.33	1.42	1.51	1.58	1.62

HTC ALLOCATION ANALYSIS -Maeghan Pointe, Elsa, HTC 9% #08176

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,200,000	\$1,200,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$720,000	\$720,000	\$720,000	\$720,000
Construction Hard Costs	\$5,976,000	\$6,401,182	\$5,976,000	\$6,401,182
Contractor Fees	\$937,320	\$937,320	\$937,320	\$937,320
Contingencies	\$334,800	\$334,800	\$334,800	\$334,800
Eligible Indirect Fees	\$492,500	\$492,500	\$492,500	\$492,500
Eligible Financing Fees	\$468,320	\$468,320	\$468,320	\$468,320
All Ineligible Costs	\$162,991	\$162,991		
Developer Fees				
Developer Fees	\$1,339,341	\$1,339,341	\$1,339,341	\$1,339,341
Development Reserves	\$96,000	\$96,000		
TOTAL DEVELOPMENT COSTS	\$11,727,272	\$12,152,454	\$10,268,281	\$10,693,463

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$10,268,281	\$10,693,463
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$13,348,765	\$13,901,502
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$13,348,765	\$13,901,502
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,110,617	\$1,156,605

Syndication Proceeds	0.8999	\$9,994,555	\$10,408,403
Total Tax Credits (Eligible Basis Method)		\$1,110,617	\$1,156,605
Syndication Proceeds		\$9,994,555	\$10,408,403
Requested Tax Credits		\$1,083,920	
Syndication Proceeds		\$9,754,304	
Gap of Syndication Proceeds Needed		\$9,900,805	
Total Tax Credits (Gap Method)		\$1,100,200	

Maeghan Pointe

Primary Market Area
289.03 square miles

Linn

Red Gate

186

Edinburg Rio Grande Valley Reg Freight Terminal

Lasara

Hargill

Delta Lake

07206 Villa Estella Trevino

08176 Maeghan Pointe

HIDALGO COUNTY

07045 Providence at Edinburg

060084 El Paraiso Apts.

Edinburg

La Blanca

El...ch
Els...a Villa

One Mile Radius

Santa Rosa

060177 Casa Edcouch

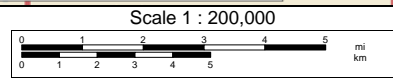
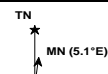
05108 Kingwood Village

05069 Santa Rosa Village

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1" = 3.16 mi

Data Zoom 9-0

Applicant Evaluation

Project ID **08176**

Name **Maeghan Pointe**

City: **Elsa**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 6

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 5

Total # of MF awards not yet monitored or pending review: 3

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 6

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/29/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/2/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/7/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Homes at Cypress Ridge, TDHCA Number 08179

BASIC DEVELOPMENT INFORMATION

Site Address: 100 SE. Stallings Dr. Development #: 08179
 City: Nacogdoches Region: 5 Population Served: General
 County: Nacogdoches Zip Code: 75964 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Homes at Cypress Ridge, Ltd.
 Owner Contact and Phone: Anita M. Kegley, (210) 857-4994
 Developer: Dame Development
 Housing General Contractor: Kegley, Inc.
 Architect: LK Travis & Associates, Inc.
 Market Analyst: Ipser & Associates, Inc.
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	54
	3 0 32 19	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 0 3 28 23 0	Total Development Units:	54
Type of Building:		Total Development Cost*:	\$6,775,558
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	54
<input type="checkbox"/> Triplex	<input checked="" type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$670,732	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Homes at Cypress Ridge, TDHCA Number 08179

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, S

Points: 14 US Representative: Gohmert, District 1, NC

TX Representative: Christian, District 9, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s).

CONDITIONS OF COMMITMENT

1. A housing tax credit allocation not to exceed \$670,625 annually for ten years.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Homes at Cypress Ridge, TDHCA Number 08179

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **151** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: The Underwriter's expense to income ratio exceeds the Department's maximum of 65%.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/03/08

PROGRAM: 9% HTC

FILE NUMBER: 08179

DEVELOPMENT

Homes at Cypress Ridge

Location: 100 SE Stallings Region: 5
 City: Nacogdoches County: Nacogdoches Zip: 75964 OCT DDA
 Key Attributes: Single-Family, New Construction, Rural

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$670,625			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:

The Underwriter's expense to income ratio exceeds the Department's maximum of 65% (and the Applicant's ratio is only marginally below the maximum) per 10TAC§1.32(i)(5).

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A housing tax credit allocation not to exceed \$670,625 annually for ten years.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	32
60% of AMI	60% of AMI	19

PROS

- The development is made up of all single family buildings which will allow tenants to have more privacy than the typical rental development.

CONS

- The Applicant's and Underwriter's high expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.

This section intentionally left blank.

- The anticipated syndication proceeds as a percentage of total cost (89%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the 130% development area boost to eligible basis.
- The proposed number of four-bedroom units targeting 50% and 60% family households may be more than the demand for such units given the Market Analyst's capture rates for this unit type is over 100% of projected demand.
- The Underwriter's HISTA derived demand suggests an overall inclusive capture rate that exceeds the Department's 25% limit, however the Underwriter's traditional calculation comes within the limit.

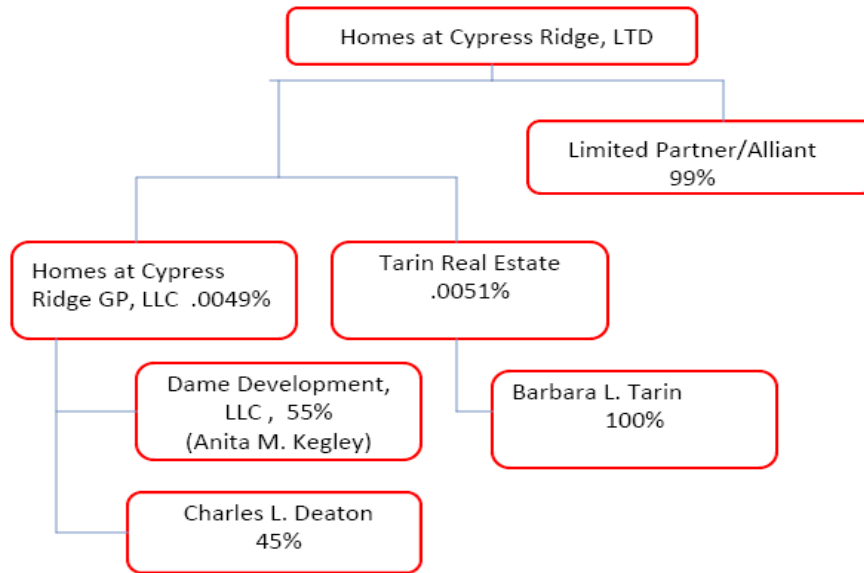
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

Applicant and Developer Ownership Chart
Homes at Cypress Ridge, LTD #08179



CONTACT

Contact: Anita M. Kegley Phone: (210) 857-4994 Fax: (210) 349-4993
 Email: damedevelopment@earthlink.net

KEY PARTICIPANTS

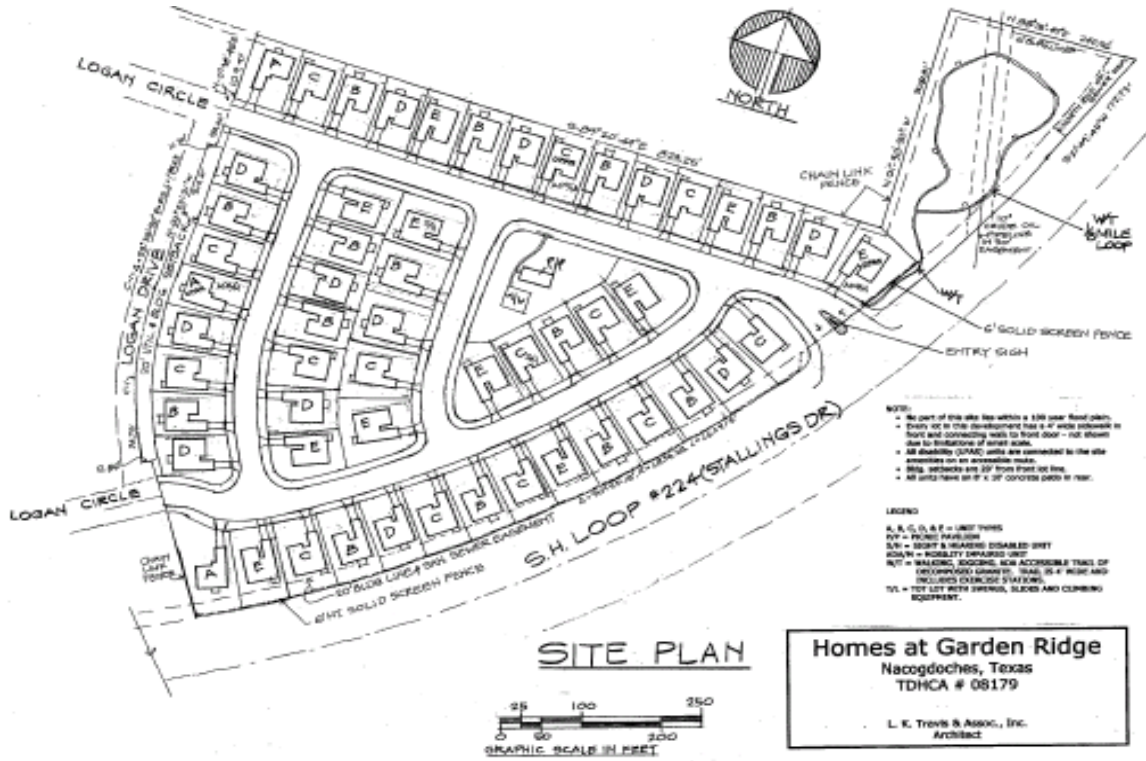
Name	Financial Notes	# Completed Developments
Tarin Real Estate/Barbara Tarin	N/A	--
Anita M. Kegley	N/A	4
Charles L. Deaton	N/A	--

IDENTITIES OF INTEREST

- The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The seller is related to the Owners of the GP and the transfer of the property is therefore regarded as an identity of interest sale.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

House Size	1020	1260	1400																		
Floors/Stories	1	1	1																		Total Houses
Number	3	28	23																		54

BR/BA	SF	Units																		Total Houses	Total SF	
2/2	1,020	3																			3	3,060
3/2	1,260		28																		28	35,280
4/2	1,400			23																	23	32,200
Total		3	28	23																	54	70,540

SITE ISSUES

Total Size:	<u>11.789</u> acres	Scattered site?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	
Zoning:	<u>R-4</u>	Needs to be re-zoned?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/25/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Retail Store East: City Pump House
 South: Wooded property West: Cypress Ridge Residential Subdivision

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: James F. Ward & Associates Date: 3/10/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc. Date: 3/3/2008

Contact: Edward A. Ipser, Sr. Phone: (817) 927-2838 Fax: (817) 927-0032

Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA) 980.41 square miles (17.7 mile radius)

The subject's primary market is defined as all of Nacogdoches County.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS

PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS

Nacogdoches

% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,600	\$10,950	\$12,350	\$13,700	\$14,800	\$15,900
50	\$15,950	\$18,250	\$20,500	\$22,800	\$24,600	\$26,450
60	\$19,140	\$21,900	\$24,600	\$27,360	\$29,520	\$31,740

MARKET ANALYST'S PMA DEMAND by UNIT TYPE

Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2BR/30% Rent Limit	155	2	0	157	1	0	0.6%
2BR/50% Rent Limit	209	2	0	211	2	0	0.9%
3BR/30% Rent Limit	134	0	0	134	1	0	0.7%
3BR/50% Rent Limit	56	0	0	56	19	0	33.9%
3BR/60% Rent Limit	67	0	0	67	8	0	11.9%
4BR/30% Rent Limit	20	0	0	20	1	0	5.0%
4BR/50% Rent Limit	7	0	0	7	11	0	157.1%
4BR/60% Rent Limit	10	0	0	10	11	0	110.0%

Comment:

The four-bedroom units are already over 100% capture, which suggests there may be limited demand for additional units at this unit size and income level.

OVERALL DEMAND												
		Target Households		Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER												
Market Analyst	p.	N-1	100%	23,258	100%	23,258	30%	6,977	38%	2,672	52%	1,400
Underwriter			100%	23,432	100%	23,432	32%	7,604	38%	2,912	52%	1,526
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	N-1			100%	174	30%	52	38%	20	100%	20
Underwriter					100%	174	32%	57	38%	22	100%	22

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. N-1	54	0	0	54	1,420	3.80%
Underwriter		54	0	0	54	1,548	3.49%
HISTA-Based Data Alternate		54	0	0	54	207	26.1%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rate using the traditional method to be acceptable, but the revised capture rate using the HISTA-based data alternative exceeds the Department's guideline of 25% for family targeted developments. However, the traditional method is acceptable and, therefore, this development can be considered feasible based upon this method of calculating demand.

Primary Market Occupancy Rates:

"Park Estates is a 36-home, Housing Tax Credit (HTC) project, while Lincoln Heights/ Cordorva is a 9-home HTC development, Piney Woods Home Team has 20 homes in the Housing Trust Fund (HTF) and HOME program (10 in Nacogdoches and 10 in Lufkin), and the Nacogdoches PHA has 36 single family units. Physical occupancy in these 91 single family homes was 98.9% and the combined waiting lists had at least 32 names (plus an undetermined number for the public housing units). Excluding the 36 PHA units, the 55 single family units are 100% occupied with 32 on waiting lists. Five single family homes managed by a local Realtor are all occupied with turnover in two of the five in the past year." (p. 2-14)

Absorption Projections:

"Average absorption for the subject is estimated at 10 to 12 units per month. It is expected that a 4 to 5 month lease-up period will be required to achieve 92.5% occupancy of the 54 units." (p 2-20)

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)				Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
2 BR	1,020 SF	30%		\$121	\$122	\$657	\$122	\$535
2 BR	1,020 SF	50%		\$325	\$326	\$657	\$326	\$331
3 BR	1,260 SF	30%		\$137	\$139	\$784	\$139	\$645
3 BR	1,260 SF	50%		\$373	\$375	\$784	\$375	\$409
3 BR	1,260 SF	60%		\$491	\$494	\$784	\$494	\$290
4 BR	1,400 SF	30%		\$149	\$151	\$1,075	\$151	\$924
4 BR	1,400 SF	50%		\$413	\$415	\$1,075	\$415	\$660
4 BR	1,400 SF	60%		\$545	\$547	\$1,075	\$547	\$528

Market Impact:

"The relatively quick absorption of Park Estates, plus the very high occupancy of the other HTC location in Nacogdoches are indications of the need for affordable housing in Nacogdoches. Park Estates, the HTC single family location in Nacogdoches has a waiting list of 12 names. The subject would provide additional affordable units for families in a high occupancy market." (p. 3-6)

Comments:

The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 22 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 3.7 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/20/2008

The Applicant's projected rents collected per unit appear to be based on the 2008 HTC rent limits, and are slightly understated when compared to the Underwriter's estimate calculated by subtracting tenant-paid utility allowances as of 10/4/2007, maintained by the City of Nacogdoches Housing Authority, from the 2008 program gross rents. Tenants will be required to pay all the utility costs including the water, sewer, and trash. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and, despite the minor differences in rent, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 7/2/2008

The Applicant's total annual operating expense projection at \$3,017 per unit is not within 5% of the Underwriter's estimate of \$3,222, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: general & administrative (\$11K lower) payroll & payroll tax (\$5K lower) water, sewer, & trash (\$3 higher), and reserves for replacement (\$3 higher).

It should be noted that the Applicant originally submitted an operating proforma (which was also used by the lender) that included an expense to income ratio that was clearly greater than the Department's maximum of 65%. After being told of this by staff the Applicant supplied a revised proforma which comes in at 64.91% or marginally below the limit. It should also be recognized that the Applicant's anticipated property tax infers a very low \$14K assessed value per single family home. The Underwriter's estimate is only slightly higher but is based upon the capitalization value required to be used by tax assessors according to state law. The Applicant's higher revised NOI should result in a higher assessed value and thus higher property tax expense estimate.

Conclusion:

The Applicant's revised operating expenses and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.56, which is outside of the Department's DCR guidelines of 1.15 to 1.35 and suggests additional debt can be safely serviced possibly reducing the need for tax credits or other non-conventional funding.

The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow.

However, the Underwriter's proforma results in an expense to income ratio of 68.17%, which is above the Department's 65% maximum. The Applicant's revised proforma results in a ratio of 64.91% which is only slightly below the maximum. Pursuant to §1.32(i)(5) of the 2008 Real Estate Analysis Rules and Guidelines, a development cannot be recommended for funding if the Year One proforma results in an expense to income ratio above 65%. In this case, the Underwriter's Year One proforma would be used to determine the financial feasibility of the development. Therefore, the subject application is not financially feasible and cannot be recommended for an allocation of 9% Housing Tax Credits.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 19.7 acres	<u>\$142,520</u>	Tax Year:	<u>2007</u>
Prorated 1 acre:	<u>\$7,200</u>	Valuation by:	<u>Nacogdoches CAD</u>
Total Prorated 11.79 acres:	<u>\$84,888</u>	Tax Rate:	<u>2.3543</u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract-Unimproved Property Acreage: 11.789

Contract Expiration: 10/31/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$300,000 Other: _____

Seller: Cypress Ridge, Ltd. Related to Development Team? Yes No

Comments:

The Applicant originally purchased a total of 28 acres in December 1999 for a total acquisition price of \$730,500. An application for a portion of this site (16.19 acres for Cypress Creek Townhomes, #00078) was submitted during the 2000 9% HTC cycle and received an award of tax credits. The final cost certification for Cypress Creek Townhomes claimed a total acquisition cost of \$415,403 for the 16.19 acre development. This leaves \$315,097 in acquisition cost for the remaining portion of the land acquired that the Applicant is able to claim. The current application for the Homes at Cypress Ridge is claiming a total acquisition cost of \$300,000 for the remaining 11.789 acres, which is acceptable.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/25/2008

Acquisition Value:

As discussed previously, the seller of the property (Cypress Ridge, Ltd.) originally purchased a 28-acre tract of land for a total of \$730,500 or \$26,089 per acre. The site acquisition cost of \$25,447 per acre as reflected in the current application for the remaining 11.789 acres is below the prorata amount from the original acquisition and is therefore acceptable.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,145 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$78.5K or 2% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guideline.

Conclusion:

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 \$6,200,302 supports annual tax credits of \$670,625. 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

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Greystone Servicing Corp., Inc. Type: Interim Financing

Principal: \$3,792,717 Interest Rate: 6.5% Fixed Term: 24 months

Comments:

Rate will be set by the Wall Street Journal Prime Rate plus .50%

Source: Greystone Servicing Corp., Inc. Type: Permanent Financing

Principal: \$607,373 Interest Rate: 7.75% Fixed Amort: 360 months

Comments:

The note rate will be determined at rate lock

Source: Alliant Capital, Ltd. Type: Syndication

Proceeds: \$6,035,984 Syndication Rate: 90% Anticipated HTC: \$670,732

Comments:

The committed credit price appears to be on the high end of current trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.85. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the \$0.905, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$133,163 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

As discussed previously the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$700,383 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$700,383 indicates the need for \$6,075,175 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$675,087 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$670,625), the gap-driven amount (\$675,087), and eligible basis-derived estimate (\$670,625), the Applicant's request of \$670,625 would be recommended resulting in proceeds of \$6,035,021 based on a syndication rate of 90%.

However, the Underwriter's expense to income ratio exceeds the Department's guideline of 65%. Therefore, pursuant to §1.32(i)(5) of the 2008 Real Estate Analysis Rules, this development is considered to be financially infeasible and cannot be recommended for funding.

Should the Board approve this application and waive §1.32(i)(5) of the 2008 Real Estate Analysis Rules, the Underwriter recommends an annual tax credit allocation not to exceed \$670,625, subject to conditions identified in this report.

The Underwriter's recommended financing structure indicates the need for \$40,154 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three years of stabilized operation.

Underwriter:	<i>Carl Hoover</i>	Date:	July 3, 2008
Reviewing Underwriter:	<i>Raquel Morales</i>	Date:	July 3, 2008
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 3, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Homes at Cypress Ridge, Nacogdoches, 9% HTC #08179

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	2	2	1,020	\$308	\$122	\$122	\$0.12	\$186.00	\$0.00
TC 50%	2	2	2	1,020	\$512	\$326	\$652	\$0.32	\$186.00	\$0.00
TC 30%	1	3	2	1,260	\$356	\$139	\$139	\$0.11	\$217.00	\$0.00
TC 50%	19	3	2	1,260	\$592	\$375	\$7,125	\$0.30	\$217.00	\$0.00
TC 60%	8	3	2	1,260	\$711	\$494	\$3,952	\$0.39	\$217.00	\$0.00
TC 30%	1	4	2	1,400	\$397	\$151	\$151	\$0.11	\$246.00	\$0.00
TC 50%	11	4	2	1,400	\$661	\$415	\$4,565	\$0.30	\$246.00	\$0.00
TC 60%	11	4	2	1,400	\$793	\$547	\$6,017	\$0.39	\$246.00	\$0.00
TOTAL:	54		AVERAGE:	1,306		\$421	\$22,723	\$0.32	\$227.63	\$0.00

INCOME		Total Net Rentable Sq Ft:	70,540	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$272,676	\$271,320	Nacogdoches		5
Secondary Income		Per Unit Per Month:	\$5.00	3,240	0	\$0.00	Per Unit Per Month	
Other Support Income:				0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$275,916	\$271,320			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(20,694)	(20,352)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				\$255,222	\$250,968			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	8.24%	\$390	0.30	\$21,042	\$9,750	\$0.14	\$181	3.88%	
Management	5.00%	236	0.18	12,761	13,292	0.19	246	5.30%	
Payroll & Payroll Tax	17.79%	841	0.64	45,404	39,908	0.57	739	15.90%	
Repairs & Maintenance	13.46%	636	0.49	34,344	34,132	0.48	632	13.60%	
Utilities	1.71%	81	0.06	4,365	4,680	0.07	87	1.86%	
Water, Sewer, & Trash	1.18%	56	0.04	3,010	5,580	0.08	103	2.22%	
Property Insurance	7.18%	339	0.26	18,316	21,600	0.31	400	8.61%	
Property Tax	2.3543	7.47%	353	0.27	19,070	17,754	0.25	329	7.07%
Reserve for Replacements	5.29%	250	0.19	13,500	16,200	0.23	300	6.46%	
TDHCA Compliance Fees	0.85%	40	0.03	2,160	0	0.00	0	0.00%	
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%	
TOTAL EXPENSES	68.17%	\$3,222	\$2.47	\$173,973	\$162,896	\$2.31	\$3,017	64.91%	
NET OPERATING INC	31.83%	\$1,505	\$1.15	\$81,249	\$88,072	\$1.25	\$1,631	35.09%	

DEBT SERVICE				TDHCA	APPLICANT			
Greystone Servicing Corp	20.46%	\$967	\$0.74	\$52,216	\$52,644	\$0.75	\$975	20.98%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	11.38%	\$538	\$0.41	\$29,034	\$35,428	\$0.50	\$656	14.12%
AGGREGATE DEBT COVERAGE RATIO				1.56	1.67			
RECOMMENDED DEBT COVERAGE RATIO				1.35				

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)		4.38%	\$5,556	\$4.25	\$300,000	\$300,000	\$4.25	\$5,556	4.43%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.63%	7,145	5.47	385,830	385,830	5.47	7,145	5.69%
Direct Construction		54.15%	68,730	52.61	3,711,395	3,632,899	51.50	67,276	53.62%
Contingency	4.51%	2.69%	3,420	2.62	184,680	184,680	2.62	3,420	2.73%
Contractor's Fees	12.67%	7.57%	9,613	7.36	519,084	519,084	7.36	9,613	7.66%
Indirect Construction		5.11%	6,485	4.96	350,200	350,200	4.96	6,485	5.17%
Ineligible Costs		2.61%	3,312	2.54	178,856	178,856	2.54	3,312	2.64%
Developer's Fees	14.18%	11.38%	14,444	11.06	780,000	780,000	11.06	14,444	11.51%
Interim Financing		5.07%	6,437	4.93	347,609	347,609	4.93	6,437	5.13%
Reserves		1.41%	1,785	1.37	96,400	96,400	1.37	1,785	1.42%
TOTAL COST		100.00%	\$126,927	\$97.17	\$6,854,054	\$6,775,558	\$96.05	\$125,473	100.00%
Construction Cost Recap		70.05%	\$88,907	\$68.06	\$4,800,989	\$4,722,493	\$66.95	\$87,454	69.70%

SOURCES OF FUNDS									
					TDHCA	APPLICANT	RECOMMENDED		
Greystone Servicing Corp	8.86%	\$11,248	\$8.61		\$607,373	\$607,373	\$700,383	Developer Fee Available	
Additional Financing	0.00%	\$0	\$0.00		0		0	\$780,000	
HTC Syndication Proceeds	88.05%	\$111,760	\$85.55		6,035,022	6,035,022	6,035,021	% of Dev. Fee Deferred	
Deferred Developer Fees	1.94%	\$2,466	\$1.89		133,163	133,163	40,154	5%	
Additional (Excess) Funds Req'd	1.15%	\$1,454	\$1.11		78,496	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$6,854,054	\$6,775,558	\$6,775,558	\$375,105	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Homes at Cypress Ridge, Nacogdoches, 9% HTC #08179

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$71.48	\$5,042,480
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Subdivision Discount	-10%		(7.15)	(504,248)
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.51)	(177,055)
Floor Cover			3.20	225,728
Covered Porch	\$19.81	2,336	0.66	46,276
Plumbing Fixtures	\$1,110		0.00	0
Rough-ins	\$450		0.00	0
Built-In Appliances	\$2,575	54	1.97	139,050
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$61.56		0.00	0
Heating/Cooling			1.90	134,026
Garages/Carports	\$24.11	16,875	5.77	406,856
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			75.32	5,313,113
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.86		(10.54)	(743,836)
TOTAL DIRECT CONSTRUCTION COSTS			\$64.78	\$4,569,277
Plans, specs, survy, bld prr	3.90%		(\$2.53)	(\$178,202)
Interim Construction Interes	3.38%		(2.19)	(154,213)
Contractor's OH & Profit	11.50%		(7.45)	(525,467)
NET DIRECT CONSTRUCTION COSTS			\$52.61	\$3,711,395

PAYMENT COMPUTATION

Primary	\$607,373	Amort	360
Int Rate	7.75%	DCR	1.56

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.56

Additional	\$6,035,022	Amort	
Int Rate		Aggregate DCR	1.56

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$60,212
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$21,038

Primary	\$700,383	Amort	360
Int Rate	7.75%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$6,035,022	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$272,676	\$280,856	\$289,282	\$297,960	\$306,899	\$355,780	\$412,447	\$478,139	\$642,579
Secondary Income	3,240	3,337	3,437	3,540	3,647	4,227	4,901	5,681	7,635
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	275,916	284,193	292,719	301,501	310,546	360,008	417,348	483,820	650,214
Vacancy & Collection Loss	(20,694)	(21,315)	(21,954)	(22,613)	(23,291)	(27,001)	(31,301)	(36,287)	(48,766)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$255,222	\$262,879	\$270,765	\$278,888	\$287,255	\$333,007	\$386,047	\$447,534	\$601,448
EXPENSES at 4.00%									
General & Administrative	\$21,042	\$21,884	\$22,760	\$23,670	\$24,617	\$29,950	\$36,439	\$44,333	\$65,624
Management	12,761	13,144	13,538	13,944	14,363	16,650	19,302	22,377	30,072
Payroll & Payroll Tax	45,404	47,221	49,109	51,074	53,117	64,625	78,626	95,660	141,601
Repairs & Maintenance	34,344	35,718	37,146	38,632	40,177	48,882	59,472	72,357	107,106
Utilities	4,365	4,540	4,721	4,910	5,106	6,213	7,559	9,196	13,613
Water, Sewer & Trash	3,010	3,131	3,256	3,386	3,522	4,284	5,213	6,342	9,388
Insurance	18,316	19,049	19,811	20,603	21,427	26,070	31,718	38,590	57,122
Property Tax	19,070	19,833	20,626	21,451	22,309	27,142	33,023	40,177	59,472
Reserve for Replacements	13,500	14,040	14,602	15,186	15,793	19,215	23,378	28,442	42,102
Other	2,160	2,246	2,336	2,430	2,527	3,074	3,740	4,551	6,736
TOTAL EXPENSES	\$173,973	\$180,804	\$187,905	\$195,286	\$202,958	\$246,105	\$298,469	\$362,026	\$532,836
NET OPERATING INCOME	\$81,249	\$82,075	\$82,860	\$83,602	\$84,297	\$86,902	\$87,577	\$85,508	\$68,612
DEBT SERVICE									
First Lien Financing	\$60,212	\$60,212	\$60,212	\$60,212	\$60,212	\$60,212	\$60,212	\$60,212	\$60,212
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$21,038	\$21,863	\$22,649	\$23,391	\$24,085	\$26,690	\$27,366	\$25,296	\$8,400
DEBT COVERAGE RATIO	1.35	1.36	1.38	1.39	1.40	1.44	1.45	1.42	1.14

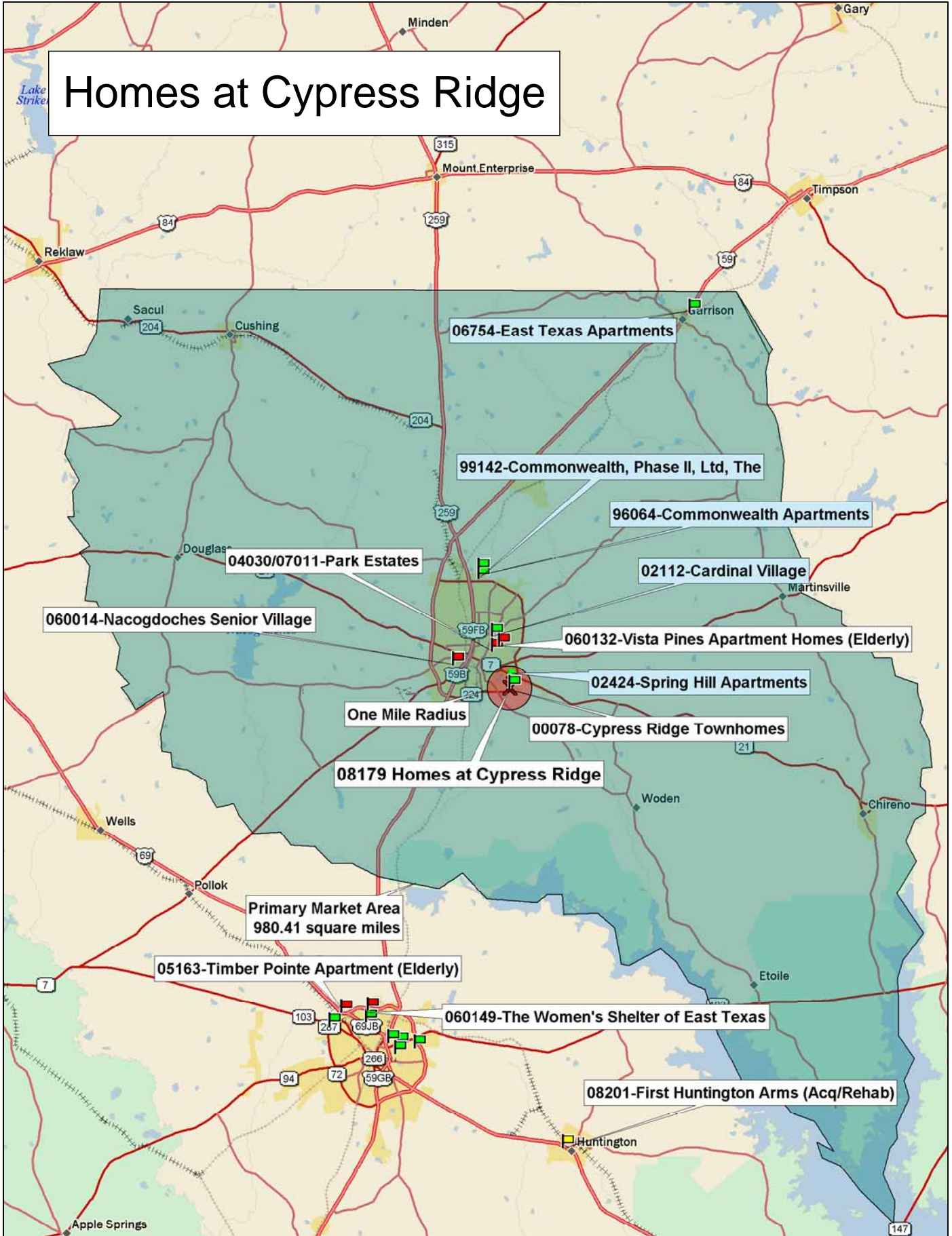
HTC ALLOCATION ANALYSIS -Homes at Cypress Ridge, Nacogdoches, 9% HTC #08179

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$300,000	\$300,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$385,830	\$385,830	\$385,830	\$385,830
Construction Hard Costs	\$3,632,899	\$3,711,395	\$3,632,899	\$3,711,395
Contractor Fees	\$519,084	\$519,084	\$519,084	\$519,084
Contingencies	\$184,680	\$184,680	\$184,680	\$184,680
Eligible Indirect Fees	\$350,200	\$350,200	\$350,200	\$350,200
Eligible Financing Fees	\$347,609	\$347,609	\$347,609	\$347,609
All Ineligible Costs	\$178,856	\$178,856		
Developer Fees				
Developer Fees	\$780,000	\$780,000	\$780,000	\$780,000
Development Reserves	\$96,400	\$96,400		
TOTAL DEVELOPMENT COSTS	\$6,775,558	\$6,854,054	\$6,200,302	\$6,278,798

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$6,200,302	\$6,278,798
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$8,060,393	\$8,162,438
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$8,060,393	\$8,162,438
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$670,625	\$679,115

Syndication Proceeds	0.8999	\$6,035,018	\$6,111,422
Total Tax Credits (Eligible Basis Method)		\$670,625	\$679,115
Syndication Proceeds		\$6,035,018	\$6,111,422
Requested Tax Credits		\$670,625	
Syndication Proceeds		\$6,035,021	
Gap of Syndication Proceeds Needed		\$6,075,175	
Total Tax Credits (Gap Method)		\$675,087	

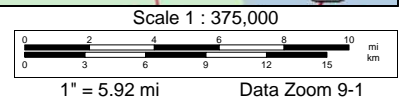
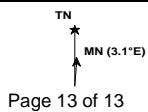
Homes at Cypress Ridge



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Applicant Evaluation

Project ID **08179**

Name **Homes at Cypress Ridge**

City: **Nacogdoches**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 3

Total # of MF awards not yet monitored or pending review: 1

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 4

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 6/16/2008

Date: 6/17/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 6/17/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/17/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 6/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Park Ridge Apartments, TDHCA Number 08181

BASIC DEVELOPMENT INFORMATION

Site Address: SE. Corner of Legend Hills Blvd. & RM 152 Development #: 08181
 City: Llano Region: 7 Population Served: General
 County: Llano Zip Code: 78643 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Park Ridge, Ltd.
 Owner Contact and Phone: Mark Mayfield, (830) 693-4521
 Developer: ILG Development, Inc.
 Housing General Contractor: Nash Builders
 Architect: Cameron Ahead, Architects, Inc.
 Market Analyst: Novogradac & Company, LLP
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	62
	4 0 23 35	Market Rate Units:	2
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 28 24 0 0	Total Development Units:	64
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	16
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	5
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	3
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$585,392	\$0			
HOME Activity Fund Amount:	\$350,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Park Ridge Apartments, TDHCA Number 08181

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S

Points: 14 US Representative: Conaway, District 11, NC

TX Representative: Hilderbran, District 53, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Hill Country Community Action Association

S or O: S

Hill Country Children's Advocacy Center

S or O: S

First Assembly of God Church

S or O: S

CASA for the Highland Lakes Area

S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Park Ridge Apartments, TDHCA Number 08181

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **191** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Suncrest Apartments, TDHCA Number 08182

BASIC DEVELOPMENT INFORMATION

Site Address: 611 Rubin Dr. Development #: 08182
 City: El Paso Region: 13 Population Served: General
 County: El Paso Zip Code: 79912 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Sound Preservation 105 LP
 Owner Contact and Phone: Kevin Ruf, (206) 628-8026
 Developer: Sound Preservation Development, LLC
 Housing General Contractor: R.L. Fauss Construction
 Architect: Bill Zorn
 Market Analyst: Prior and Associates
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	100
	5 0 36 59	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 32 36 16 0	Total Development Units:	100
Type of Building:		Total Development Cost*:	\$7,037,995
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	11
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$392,669	\$359,146			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Suncrest Apartments, TDHCA Number 08182

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapleigh, District 29, NC Points: 0 US Representative: Reyes, District 16, NC
TX Representative: Moreno, District 77, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Although it did not qualify for Quantifiable Community Participation, the Mesa Hills Neighborhood Association submitted a letter stating that the organization supports the proposed development because the project will contribute to the betterment and improvement of a run down apartment complex and improve entire neighborhood.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to replacement of the transformer in front of building C, and a survey for asbestos containing materials and lead based paint prior to conducting any renovation, repair, demolition, etc of the existing structures.
2. Receipt, review, and acceptance of HUD approval by cost certification of new HAP and Section 236 contract rents as proposed.
3. Receipt, review and acceptance of a statement from the General Contractor indicating a willingness to defer any portion of the contractor fee necessary to fund the gap in permanent financing.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.
6. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$350,000, or a commitment from a qualifying substitute source in an amount not less than \$348,467, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Suncrest Apartments, TDHCA Number 08182

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **173** Meeting a Required Set-Aside Credit Amount*: \$359,146

Recommendation: Competitive in At-Risk Set-Aside

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/23/08 PROGRAM: 9% HTC FILE NUMBER: 08182

DEVELOPMENT

Suncrest Apartments

Location: 611 Rubin Drive Region: 13
 City: EL Paso County: El Paso Zip: 79912 OCT DDA
 Key Attributes: Family, Acquisition/Rehabilitation, Urban/Exurban, At-Risk/Preservation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$392,669			\$359,146		

CONDITIONS

- 1 Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to replacement of the transformer in front of building C, and a survey for asbestos containing materials and lead based paint prior to conducting any renovation, repair, demolition, etc of the existing structures.
- 2 Receipt, review, and acceptance of HUD approval by cost certification of new HAP and Section 236 contract rents as proposed.
- 3 Receipt, review and acceptance of a statement from the General Contractor indicating a willingness to defer any portion of the contractor fee necessary to fund the gap in permanent financing.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
50% of AMI	50% of AMI	36
60% of AMI	60% of AMI	59

This section intentionally left blank.

PROS

- The requested funding will support the rehabilitation of a 34 year old Section 8 affordable housing development.

CONS

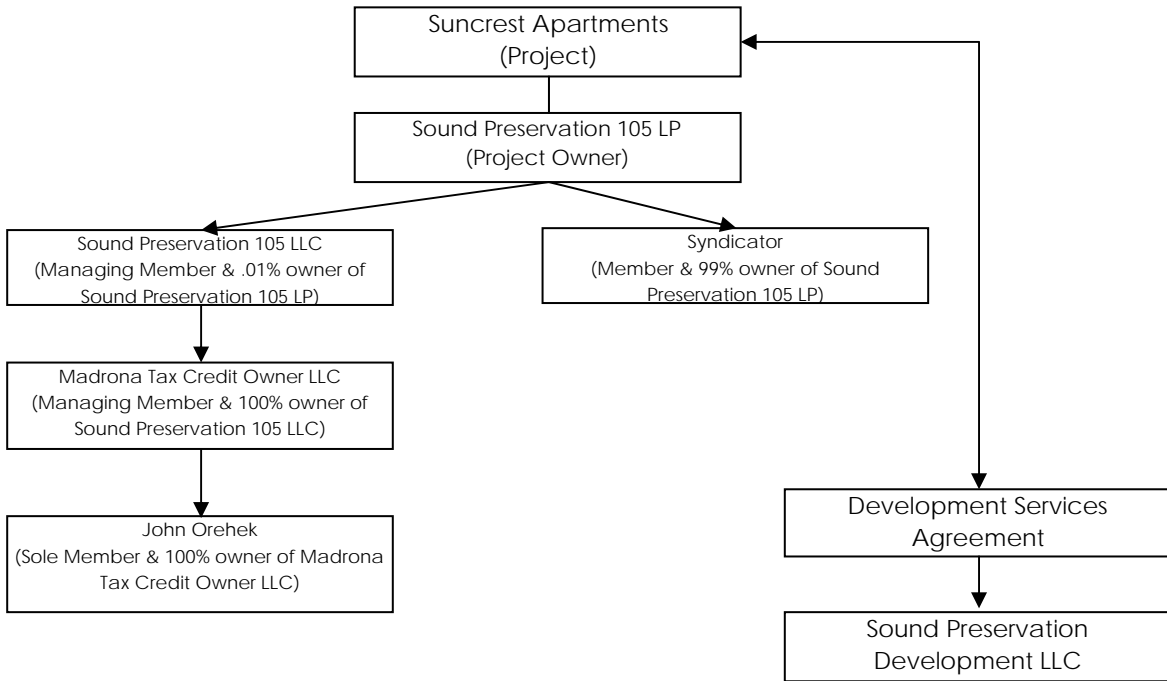
- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio marginally below 65%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.
- Multiple Recognized Environmental Concerns were identified in the submitted Environmental Site Assessment.
- The recommended financing structure indicates that 99% of the developer fee may be deferred to satisfy the gap in financing.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Keven Ruf Phone: (206) 628-8026 Fax: (206) 628-8031
 Email: kevenr@secprop.com

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KEY PARTICIPANTS

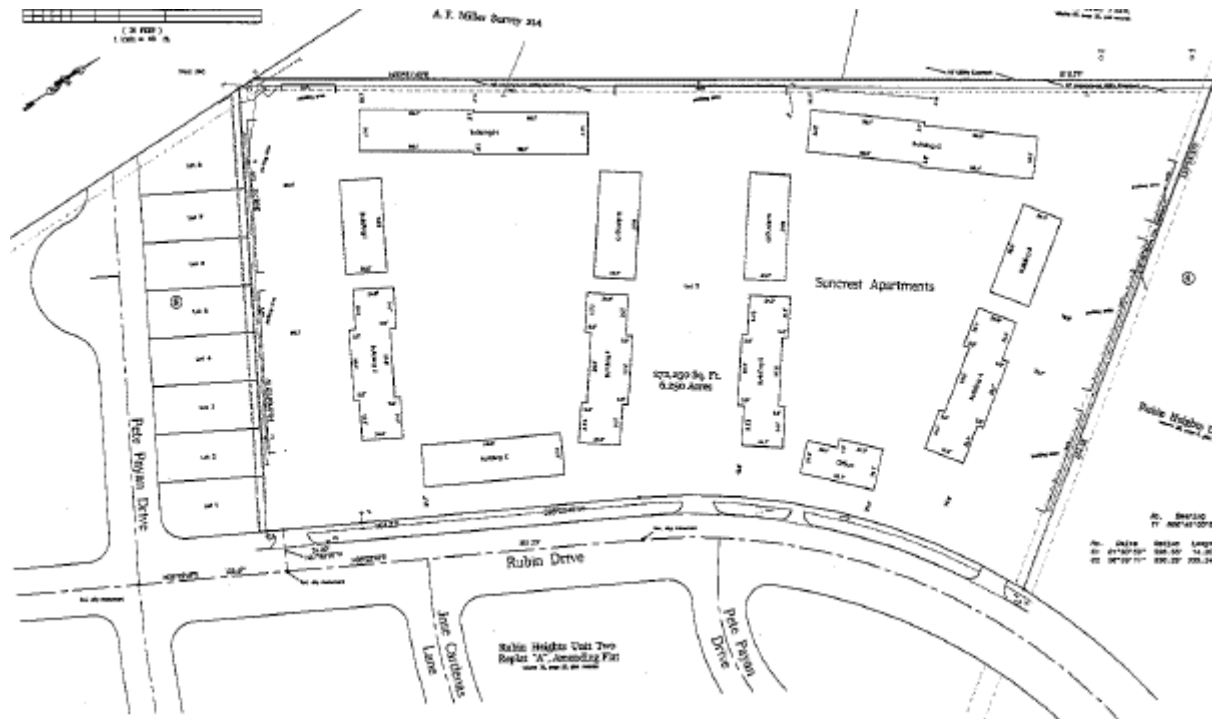
Name	Financial Notes	# Completed Developments
Sound Preservation 105 LP	N/A	N/A
John Orehek	N/A	0

IDENTITIES of INTEREST

- The Applicant and Developer are related entities. This is a common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	K							Total Buildings
Floors/Stories	2	2	2	2	2							
Number	4	2	2	2	1							11

BR/BA	SF	Units										Total Units	Total SF
1/1	644		8									16	10,304
2/1	800			16								32	25,600
3/2	978	4			6	8						36	35,208
4/2	1,100	4										16	17,600
Units per Building		8	8	16	6	8						100	88,712

This section intentionally left blank.

Rehabilitation summary:

The plan calls for converting/upgrading five units for ADA compliance; the replacement/refurbishment of roofs, windows, doors, exterior siding, stairs, interior flooring, cabinets, faucets, tub/showers, appliances, landscaping, drives and parking, fencing, and interior and exterior painting. The Applicant provided a Capital Needs Assessment (CNA) as an acceptable substitute for the required Property Condition Assessment (PCA) and the CNA confirms these improvements.

SITE ISSUES

Total Size: 6.25 acres Scattered site? [] Yes [x] No
Flood Zone: C Within 100-yr floodplain? [] Yes [x] No
Zoning: A-2 Apts/Med Res Dist Needs to be re-zoned? [] Yes [x] No [] N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/18/2008
Overall Assessment: [] Excellent [x] Acceptable [] Questionable [] Poor [] Unacceptable
Surrounding Uses:
North: Wallenberg Dr, residential, retail and commercial uses.
South: Pete Payan, residential and commercial uses.
East: Rubin Drive and Interstate Highway I-10.
West: Residential and commercial uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: TRC Environmental Corporation Date: 2/15/2008
Recognized Environmental Concerns (RECs) and Other Concerns:
- "Pursuant to local, state and federal laws, should any construction activities, i.e., renovation, repair, demolition, etc. that will disturb suspect ACMs take place at the Property, an asbestos survey would be required prior to conducting any renovation, repair, demolition, etc. activities at the Property." (p.18)
- "The site reconnaissance revealed the transformer in front of Building A exhibited signs of leaking on the pad and up the sides. (This transformer is post 1980). An original (1974) transformer situated in front of Building C exhibited signs of corrosion although no leaks were observed." (p. 22)
Comments:
Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to replacement of the transformers in front of buildings A and C, and a survey for asbestos containing materials and lead based paint prior to conducting any renovation, repair, demolition, etc of the existing structures is a condition of this report.

MARKET HIGHLIGHTS

Provider: Prior and Associates Date: 3/6/2008
Contact: Thad Rahn Phone: (303) 861-2728 Fax: (303) 861-2755
Number of Revisions: None Date of Last Applicant Revision: N/A
Primary Market Area (PMA): 14.24 square feet (2.13 miles radius)
"...the subject's primary market area (PMA) is the northwest portion of El Paso. The PMA has 54,911 inhabitants and the following approximate boundaries: North: El Paso City Limits; South: Interstate 10; East: Franklin Mountains; and West: Interstate 10."(p.21)

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
El Paso						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	104	2		106	2	2	2%
1 BR/50% Rent Limit	232	5		237	6	6	3%
1 BR/60% Rent Limit	267	6		273	8	8	3%
2 BR/30% Rent Limit	68	1		69	2	2	3%
2 BR/50% Rent Limit	115	3		118	11	11	9%
2 BR/60% Rent Limit	115	3		118	19	19	16%
3 BR/30% Rent Limit	82	2		84	1	1	1%
3 BR/50% Rent Limit	116	3		119	19	19	16%
3 BR/60% Rent Limit	135	3		138	16	16	12%
4 BR/60% Rent Limit	63	1		64	16	16	25%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 52	21,444	99%	21,251	38%	8,012	47%	3,781	51%	1,950
Underwriter	100% 21,204	99%	21,013	32%	6,643	47%	3,137	51%	1,603
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 52			243	38%	92	47%	43	100%	43
Underwriter		99%	231	32%	72	47%	34	100%	34

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 53	100	0	0	100	1,993	5.02%
Underwriter	100	0	0	100	1,637	6.11%
HISTA Data Alternate	100	0	0	100	625	16.01%

This section intentionally left blank.

Primary Market Occupancy Rates:

"The PMA is projected to gain 115 renter households by the time the subject completes rehabilitation in August 2008. Generally, a balanced rental market is considered to have approximate 5% vacancy. The overall surveyed vacancy rate in February 2008 was 3.2%, while excluding units in lease-up, and 4.9% while including these dwellings. Considering the higher vacancy rate, the PMA, which has 10,125 renter households, could add 101 new apartments and remain balanced at 95% occupancy." (p.36)

Absorption Projections:

"We expect the subject to absorb all of its LIHTC units throughout the course of its proposed 11-month construction and lease-up period." (p.54)

RENT ANALYSIS (Section 236 Rents)									
Unit Type (% AMI)				Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Savings Over Market	
1	BR	644	SF	60%	\$383	\$404	\$560	\$404	\$156
2	BR	800	SF	60%	\$451	\$485	\$650	\$485	\$165
2	BR	800	SF	60%	\$451	\$558	\$650	\$485	\$165
3	BR	978	SF	30%	\$288	\$289	\$775	\$693	\$82
3	BR	978	SF	50%	\$514	\$515	\$775	\$693	\$82
3	BR	978	SF	60%	\$628	\$629	\$775	\$693	\$82
3	BR	978	SF	60%	\$511	\$560	\$775	\$560	\$215

RENT ANALYSIS (Section 8 Rents)									
Unit Type (% AMI)				Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract	
1	BR	644	SF	30%	466	485	\$560	\$485	\$19
1	BR	644	SF	50%	466	485	\$560	\$485	\$19
2	BR	800	SF	30%	492	591	\$650	\$591	\$99
2	BR	800	SF	50%	492	591	\$650	\$591	\$99
2	BR	800	SF	60%	492	591	\$650	\$591	\$99
3	BR	978	SF	30%	691	693	\$775	\$693	\$2
3	BR	978	SF	50%	584	693	\$775	\$693	\$109
3	BR	978	SF	60%	584	693	\$775	\$693	\$109
4	BR	1,100	SF	60%	758	816	\$825	\$816	\$58

Market Impact:

"Other than the subject's planned renovation, there are no apartment projects planned, proposed or under construction in the PMA. The PMA's projected addition of 115 renter households and its pent up demand for 101 new units is sufficient to fill the Class A units in lease-up, and support the subject's rehabilitation, without adversely impacting the rental occupancy rates of existing apartments." (p.36)

Comments:

The Underwriter found the Market Study provided sufficient market information on which to base a funding recommendation. However, the subject development is currently 100% occupied with a rental subsidy, and it is likely the existing tenants 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.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract and Primary Market Area concentration of 673 units per square mile which is less than the 1,432 units per square mile census tract limit and 1,000 unit per square mile PMA limit. Therefore, the proposed development is/is not in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 5/5/2008

The Development is currently under a Rental Assistance agreement with the US Department of Housing and Urban Development. The terms of the agreement state that 83 units are covered under the Section 8 HAP contract. The remaining 17 units are identified as Section 236 units that also have set rents. The Applicant's projected rents collected per unit are not based on the current HAP rents, but rather, calculated by subtracting tenant-paid utility allowances as of July 1, 2007, maintained by the Housing Authority of the City of El Paso, from the 2008 program gross rent limits. Tenants will be responsible for electric utility costs only. Furthermore, the Applicant plans to ask for a budget based increase in the HAP rental rates and has included an estimated \$117K in Section 8 subsidy income to account for this increase.

The current Section 8 HAP contract rents are \$466 for the one-bedroom units, \$492 for the two-bedroom units, \$584 and \$691 for the three-bedroom units and \$758 for the four-bedroom units. The non-Section 8 HAP units have rents of \$383, \$451 and \$511 for the one, two and three-bedroom units, respectively. It is highly unusual for HUD to allow split rents for the same unit types particularly when they are paying the higher rent.

The Underwriter discussed the estimated subsidy amount and asked the Applicant to provide a breakdown of the increased rents for each unit type. In response the Applicant provided a rent breakdown identifying the following proposed increased HAP rents: \$485, \$591, \$693 and \$816 for the one, two, three and four-bedroom units respectively. The non-Section 8 HAP rents are proposed to increase to \$404, \$485 and \$560 for the one, two and three-bedroom units, respectively.

On average, the proposed rents are 11% higher than the development's current Section 236 and Section 8 HAP contract rents. The proposed Section 8 rents will be greater than the current tax credit rents, while the proposed Section 236 units remain below both the proposed Section 8 and max tax credit rents. Typically, a split rent structure such as this would require HUD approval in order to have non-Section 8 unit rents that are lower than the Section 8 unit rents; however, HUD has already approved the subject's current structure which operates with split rents so proof of HUD's acceptance of this unusual split already exists.

The underwriting analysis assumes the development will be restricted to the proposed HAP contract rents, and recommendations of this report are conditioned upon documentation of HUD's approval of the proposed increase.

The Applicant's secondary income is in line with current TDHCA underwriting guidelines; however, the Applicant uses a slightly lower vacancy and collection loss assumption of 5%. The development's actual operating history appears to support this lower figure; therefore the Underwriter has utilized the lower vacancy loss figure of 5%. However, due to the differences in income and the Applicant not claiming \$71K in interest rate reduction payments as a source of income, effective gross income is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/4/2008

The Applicant's total annual operating expense projection at \$4,769 per unit is not within 5% of the Underwriter's estimate of \$4,395, derived from actual operating history of the development, the TDHCA database and other sources. The Underwriter considered historical operating expenses for the development from the fiscal year ending December 31, 2007. The Applicant's budget shows General & Administrative to be \$9K higher and Property Tax to be \$22K higher when compared to the year end 2007 actual.

Conclusion:

The Applicant's income, operating expenses, and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.27, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The Applicant's expense to income ratio is very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate of 64.74% is marginally below the 65% Department guideline. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, it is below the Department's 65% maximum and therefore no other mitigation is required.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Gill Group, Inc. Date: 10/22/2007
 Number of Revisions: none Date of Last Applicant Revision: N/A
 Land Only: 7.4 acres \$528,000 As of: 10/9/2007
 Existing Buildings: (as-is) \$2,241,000 As of: 10/9/2007
 Total Development: (as-is) \$2,769,000 As of: 10/9/2007

ASSESSED VALUE

Land Only: 7.4 acres \$531,867 Tax Year: 2008
 Existing Buildings: \$1,879,516 Valuation by: El Paso CAD
 Total Assessed Value: \$2,411,383 Tax Rate: 2.52

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement Acreage: 7.4
 Contract Expiration: _____ Valid Through Board Date? Yes No
 Acquisition Cost: \$2,769,000 Other: _____
 Seller: El Coronado, Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/6/2008

Acquisition Value:

The Applicant has claimed a total site acquisition cost of \$2,782,845 which consists of \$2,769,000 for land and buildings and an additional \$13,845 in other costs (legal, audit, escrow, etc.). The amount for land and buildings is \$9K higher than what is reflected in the sales contract, therefore, the Underwriter will adjust the total acquisition cost for this difference and reflect the amount as in the Purchase and Sale Agreement. The site cost of \$374,189 per acre or \$27,690 per unit is otherwise assumed to be reasonable since the acquisition is an arm's-length transaction.

The Applicant has estimated eligible building basis of \$2,252,205 or 80.93% of the total acquisition price. The 2008 Real Estate Analysis Rules state: "In the case where the land value indicated by either the appraisal or tax assessment is greater than the prorata land value attributed to the sales price ... the greater of the land value in the appraisal or tax assessment is deducted from the sales price to determine the acquisition basis (of the buildings)". Therefore, the Underwriter deducted the assessed value of \$531,867 from the acquisition value to arrive at an eligible building acquisition basis of \$2,250,978.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$5,129 per unit, which is \$53K less than the estimate in the proposed work write-up/Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$53K or 4% higher than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Contingency & Fees:

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

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,796,807 supports annual tax credits of \$359,146. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/26/2008

Source: South East Texas HFC Type: Interim Financing

Principal: \$350,000 Interest Rate: 4.2% Fixed Term: 24 months

Comments:

The Applicant has indicated that the South East HFC is to provide a loan of \$350K during the interim construction phase; however, to date we have not received a commitment for such. Therefore, receipt, review and acceptance of a firm commitment from the South East HFC or another acceptable source for the \$350K loan before commencement of construction is a condition of this report.

Source: PNC Multifamily Capital Type: Interim to Permanent Financing

Interim: \$2,649,600 Interest Rate: 6.00% Fixed Amort: 24 months

Permanent: \$2,649,600 Interest Rate: 7.00% Fixed Amort: 360 months

Comments:

Interim Rate Index: Prime floating

Source: PNC Multifamily Capital Type: IRP Loan

Principal: \$415,000 Interest Rate: 7.00% Fixed Amort: 80 months

Comments:

The Applicant will retain an Interest Rate Reduction Payment subsidy for the duration of the term (6.5 years). It should be noted that at the June 26, 2008 TDHCA Board meeting the Applicant appealed the Department's determination of eligibility for scoring under Section 50.9(i)(27) of the 2008 QAP. Specifically, the points requested were for Leveraging of Private State and Federal Resources. Specifically, applications qualify for one point if evidence is submitted in the application that the proposed development has received or will receive loan(s), grant(s) or in-kind contributions from private, state or federal resources that is equal to or greater than 2% of the total development costs reflected in the application. Further, the funding must be in addition to the primary funding (construction and permanent loans) that is proposed to be utilized and cannot be issued from the same primary funding source or an affiliated source.

The Applicant's sources and uses of funds summary and financing narrative reflect a HUD 236 Interest Reduction Payment fund as part of the conventional first mortgage loan from PNC Multifamily Capital, the primary funding source. For this reason, the Department denied the Applicant's one point under this scoring item. After extensive discussion at this meeting, the TDHCA Board approved a motion to grant the Applicant the one point for Leveraging of Private, State and Federal Resources with the condition that the eligible basis would be reduced by the same amount of the subsidy.

Therefore, based on the Board's direction at the June 26, 2008 meeting, the Underwriter has reduced the eligible basis by \$415,000.

Source: Cash Equity-funds from operations

Proceeds: \$287,000

Comments:

The Applicant has included income from operations as a source of income for the development. However, due to the uncertainty of this income the Underwriter has not included this as a separate source of funds, but has included it in the deferred developer fee.

Source: PNC Multifamily Capital Type: Syndication

Proceeds: \$3,219,564 Syndication Rate: 82% Anticipated HTC: \$ 392,669

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate may increase the amount of deferred developer fee such that 100% of the fee would be utilized, and the need to defer contractor fee may be warranted. Additionally, a decrease below \$0.80 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$1.01, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$398,170 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$2,649,600 and \$415K IRP loan indicates the need for \$3,973,395 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$484,609 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$392,669), the gap-driven amount (\$484,609), and eligible basis-derived estimate (\$359,146), the eligible basis derived estimate of \$359,146 is recommended resulting in proceeds of \$2,944,705 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$1,028,690 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation. Therefore, this report is conditioned upon receipt, review and acceptance of a statement from the General Contractor indicating the willingness to defer a portion of the contractor fee required in order to fund any remaining gap in permanent funds.

Underwriter:	_____	Date:	July 23, 2008
	<i>Diamond Unique Thompson</i>		
Reviewing Underwriter:	_____	Date:	July 23, 2008
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	July 23, 2008
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Suncrest Apartments, EL Paso, 9% HTC #08182

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	Sec 8	2	1	1	644	\$245	\$485	\$970	\$0.75	\$29.00	\$34.00
TC 50%	Sec 8	6	1	1	644	\$408	\$485	\$2,910	\$0.75	\$29.00	\$34.00
TC 60%		2	1	1	644	\$490	\$404	\$808	\$0.63	\$29.00	\$34.00
TC 60%		6	1	1	644	\$490	\$404	\$2,424	\$0.63	\$29.00	\$34.00
TC 30%	Sec 8	2	2	1	800	\$295	\$591	\$1,182	\$0.74	\$30.00	\$34.00
TC 50%	Sec 8	11	2	1	800	\$490	\$591	\$6,501	\$0.74	\$30.00	\$34.00
TC 60%	Sec 8	14	2	1	800	\$588	\$591	\$8,274	\$0.74	\$30.00	\$34.00
TC 60%		5	2	1	800	\$588	\$485	\$2,425	\$0.61	\$30.00	\$34.00
TC 30%	Sec 8	1	3	2	978	\$340	\$693	\$693	\$0.71	\$51.00	\$36.00
TC 50%	Sec 8	19	3	2	978	\$566	\$693	\$13,167	\$0.71	\$51.00	\$36.00
TC 60%	Sec 8	12	3	2	978	\$680	\$693	\$8,316	\$0.71	\$51.00	\$36.00
TC 60%		4	3	2	978	\$680	\$560	\$2,240	\$0.57	\$51.00	\$36.00
TC 60%	Sec 8	16	4	2	1,100	\$759	\$816	\$13,056	\$0.74	\$51.00	\$40.00
TOTAL:		100		AVERAGE:	887		\$630	\$62,966	\$0.71	\$40.76	\$35.68

INCOME

	Total Net Rentable Sq Ft:	88,712		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT	83			\$755,592	\$646,824	El Paso	El Paso	13
Secondary Income		Per Unit Per Month:	\$9.17	11,004	11,004	\$9.17	Per Unit Per Month	
Other Support Income: Sec 8 subsidy					117,528	\$97.94	Per Unit Per Month	
Other Support Income: IRP Payment				71,002				
POTENTIAL GROSS INCOME				\$837,598	\$775,356			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.00%	(38,330)	(38,772)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				\$799,268	\$736,584			

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	2.60%	\$207	0.23	\$20,747	\$29,366	\$0.33	\$294	3.99%	
Management	5.00%	400	0.45	39,963	40,512	0.46	405	5.50%	
Payroll & Payroll Tax	16.80%	1,343	1.51	134,252	139,302	1.57	1,393	18.91%	
Repairs & Maintenance	5.54%	443	0.50	44,308	43,609	0.49	436	5.92%	
Utilities	5.11%	409	0.46	40,851	44,278	0.50	443	6.01%	
Water, Sewer, & Trash	5.03%	402	0.45	40,222	41,063	0.46	411	5.57%	
Property Insurance	3.66%	292	0.33	29,243	26,819	0.30	268	3.64%	
Property Tax	2.519	6.99%	559	0.63	55,870	77,948	0.88	779	10.58%
Reserve for Replacements		3.75%	300	0.34	30,000	30,000	0.34	300	4.07%
TDHCA Compliance Fees	0.50%	40	0.05	4,000	4,000	0.05	40	0.54%	
Other:	0.00%	0	0.00	0		0.00	0	0.00%	
TOTAL EXPENSES	54.98%	\$4,395	\$4.95	\$439,456	\$476,897	\$5.38	\$4,769	64.74%	
NET OPERATING INC	45.02%	\$3,598	\$4.06	\$359,812	\$259,687	\$2.93	\$2,597	35.26%	

DEBT SERVICE

				TDHCA	APPLICANT			
PNC Multifamily Capital	26.47%	\$2,115	\$2.38	\$211,534	\$211,535	\$2.38	\$2,115	28.72%
PNC Multifamily Capital	8.88%	\$710	\$0.80	71,002		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	9.67%	\$773	\$0.87	\$77,276	\$48,152	\$0.54	\$482	6.54%
AGGREGATE DEBT COVERAGE RATIO				1.27	1.23			
RECOMMENDED DEBT COVERAGE RATIO				1.27				

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)		39.54%	\$27,828	\$31.37	\$2,782,845	\$2,782,845	\$31.37	\$27,828	40.01%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.04%	5,658	6.38	565,763	512,874	5.78	5,129	7.37%
Direct Construction		20.05%	14,109	15.90	1,410,937	1,463,826	16.50	14,638	21.05%
Contingency	5.00%	1.40%	988	1.11	98,835	98,835	1.11	988	1.42%
Contractor's Fees	14.00%	3.93%	2,767	3.12	276,738	276,738	3.12	2,767	3.98%
Indirect Construction		7.77%	5,466	6.16	546,554	546,554	6.16	5,466	7.86%
Ineligible Costs		2.65%	1,863	2.10	186,316	186,316	2.10	1,863	2.68%
Developer's Fees	14.69%	11.31%	7,958	8.97	795,791	795,791	8.97	7,958	11.44%
Interim Financing		3.78%	2,662	3.00	266,211	266,211	3.00	2,662	3.83%
Reserves		1.53%	1,080	1.22	108,005	25,500	0.29	255	0.37%
TOTAL COST		100.00%	\$70,380	\$79.34	\$7,037,995	\$6,955,490	\$78.41	\$69,555	100.00%
Construction Cost Recap		33.42%	\$23,523	\$26.52	\$2,352,273	\$2,352,273	\$26.52	\$23,523	33.82%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
PNC Multifamily Capital	37.65%	\$26,496	\$29.87	\$2,649,600	\$2,649,600	\$2,649,600	Developer & Contractor Fee Availab
PNC Multifamily Capital (IRP Loan)	5.90%	\$4,150	\$4.68	415,000	415,000	415,000	\$1,072,529
Cash Equity-funds from operations	4.08%	\$2,870	\$3.24	287,000	287,000		% of Dev. Fee Deferred
PNC Multifamily Capital	45.75%	\$32,196	\$36.29	3,219,564	3,219,565	2,944,705	
Deferred Developer Fees	5.66%	\$3,982	\$4.49	398,170	398,170	1,028,690	96%
Additional (Excess) Funds Req'd	0.98%	\$687	\$0.77	68,661	(13,845)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,037,995	\$6,955,490	\$7,037,995	\$1,624,307

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Suncrest Apartments, EL Paso, 9% HTC #08182

PAYMENT COMPUTATION

Primary	\$2,649,600	Amort	360
Int Rate	7.00%	DCR	1.70

Secondary	\$415,000	Amort	80
Int Rate	7.00%	Subtotal DCR	1.27

Additional	\$287,000	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$211,534	\$78,079
Secondary Debt Service	71,002	4%
Additional Debt Service	0	
NET CASH FLOW	\$77,276	

Primary	\$2,649,600	Amort	360
Int Rate	7.00%	DCR	1.70

Secondary	\$415,000	Amort	80
Int Rate	7.00%	Subtotal DCR	1.27

Additional	\$287,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

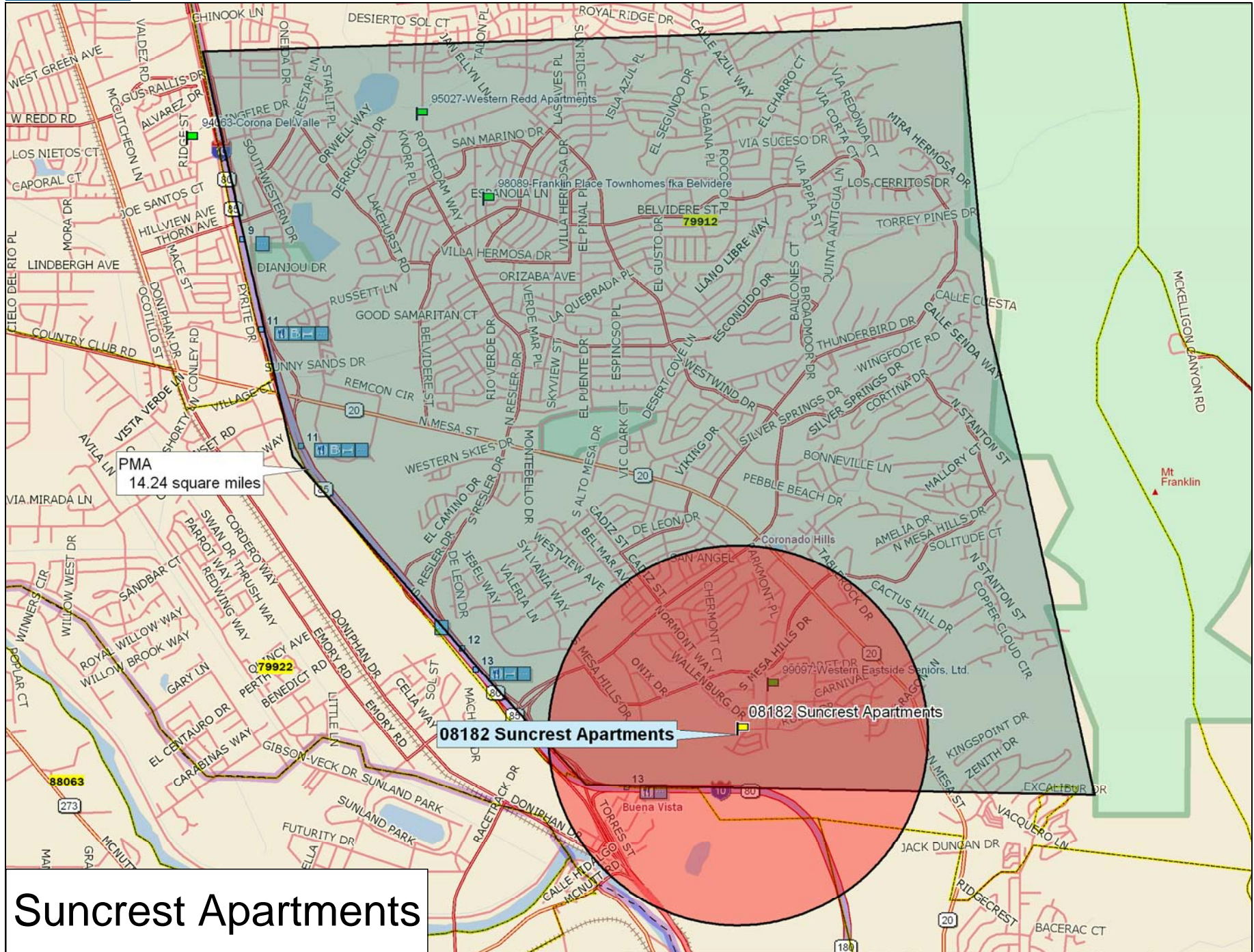
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30	
POTENTIAL GROSS RENT	\$755,592	\$778,260	\$801,608	\$825,656	\$850,425	\$985,876	\$1,142,901	\$1,324,935	\$1,780,602	
Secondary Income	11,004	11,334	11,674	12,024	12,385	14,358	16,645	19,296	25,932	
Other Support Income: IRP Payment	71,002	70,586	70,141	69,663	69,150		0	0	0	
POTENTIAL GROSS INCOME	837,598	860,180	883,422	907,343	931,961	1,000,234	1,159,545	1,344,231	1,806,534	
Vacancy & Collection Loss	(38,330)	(43,009)	(44,171)	(45,367)	(46,598)	(50,012)	(57,977)	(67,212)	(90,327)	
Employee or Other Non-Rental Units or Concess	0	0	0	0	0	0	0	0	0	
EFFECTIVE GROSS INCOME	\$799,268	\$817,171	\$839,251	\$861,976	\$885,363	\$950,222	\$1,101,568	\$1,277,019	\$1,716,207	
EXPENSES at 4.00%										
General & Administrative	\$20,747	\$21,577	\$22,440	\$23,338	\$24,271	\$29,529	\$35,927	\$43,711	\$64,703	
Management	39,963	40,859	41,963	43,099	44,268	47,511	55,078	63,851	85,810	
Payroll & Payroll Tax	134,252	139,622	145,207	151,015	157,056	191,082	232,481	282,849	418,685	
Repairs & Maintenance	44,308	46,080	47,924	49,840	51,834	63,064	76,727	93,350	138,181	
Utilities	40,851	42,485	44,184	45,952	47,790	58,144	70,741	86,067	127,400	
Water, Sewer & Trash	40,222	41,831	43,504	45,244	47,054	57,248	69,651	84,742	125,438	
Insurance	29,243	30,413	31,629	32,894	34,210	41,622	50,639	61,611	91,199	
Property Tax	55,870	58,105	60,429	62,846	65,360	79,520	96,749	117,710	174,239	
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560	
Other	4,000	4,160	4,326	4,499	4,679	5,693	6,927	8,427	12,475	
TOTAL EXPENSES	\$439,456	\$456,331	\$474,054	\$492,474	\$511,618	\$616,114	\$746,871	\$905,522	\$1,331,690	
NET OPERATING INCOME	\$359,812	\$360,840	\$365,197	\$369,501	\$373,744	\$334,108	\$354,697	\$371,497	\$384,517	
DEBT SERVICE										
First Lien Financing	\$211,534	\$211,534	\$211,534	\$211,534	\$211,534	\$211,534	\$211,534	\$211,534	\$211,534	
Second Lien	71,002	70,586	70,141	69,663	69,150					
Other Financing	0	0	0	0	0	0	0	0	0	
NET CASH FLOW	\$77,276	\$78,719	\$83,522	\$88,305	\$93,060	\$122,574	\$143,163	\$159,962	\$172,983	
DEBT COVERAGE RATIO	1.27	1.28	1.30	1.31	1.33	1.58	1.68	1.76	1.82	

HTC ALLOCATION ANALYSIS -Suncrest Apartments, EL Paso, 9% HTC #08182

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$530,640	\$531,867				
Purchase of buildings	\$2,252,205	\$2,250,978	\$2,252,205	\$2,250,978		
Off-Site Improvements						
Sitework	\$512,874	\$565,763			\$512,874	\$565,763
Construction Hard Costs	\$1,463,826	\$1,410,937			\$1,463,826	\$1,410,937
Contractor Fees	\$276,738	\$276,738			\$276,738	\$276,738
Contingencies	\$98,835	\$98,835			\$98,835	\$98,835
Eligible Indirect Fees	\$546,554	\$546,554			\$546,554	\$546,554
Eligible Financing Fees	\$266,211	\$266,211			\$266,211	\$266,211
All Ineligible Costs	\$186,316	\$186,316				
Developer Fees						
Developer Fees	\$795,791	\$795,791	\$330,848	\$330,743	\$464,943	\$465,048
Development Reserves	\$25,500	\$108,005				
TOTAL DEVELOPMENT COSTS	\$6,955,490	\$7,037,995	\$2,583,053	\$2,581,721	\$3,629,981	\$3,630,086

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis					\$415,000	\$415,000
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$2,583,053	\$2,581,721	\$3,214,981	\$3,215,086
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$2,583,053	\$2,581,721	\$3,214,981	\$3,215,086
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$2,583,053	\$2,581,721	\$3,214,981	\$3,215,086
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$91,698	\$91,651	\$267,486	\$267,495

Syndication Proceeds	0.8199	\$751,852	\$751,464	\$2,193,169	\$2,193,241
Total Tax Credits (Eligible Basis Method)				\$359,185	\$359,146
Syndication Proceeds				\$2,945,021	\$2,944,705
Requested Tax Credits				\$392,669	
Syndication Proceeds				\$3,219,564	
Gap of Syndication Proceeds Needed				\$3,890,890	\$3,973,395
Total Tax Credits (Gap Method)				\$474,546	\$484,609

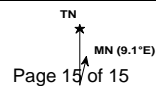


Suncrest Apartments

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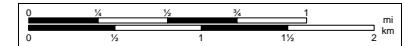
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Scale 1 : 43,750



1" = 3,645.8 ft

Data Zoom 12-2

Applicant Evaluation

Project ID # **08182**

Name: **Suncrest Apartments**

City: **El Paso**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/29/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 5/16/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/30/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Desert Villas, TDHCA Number 08183

BASIC DEVELOPMENT INFORMATION

Site Address: 0.5 Miles SW. of Intersection of Alameda Ave. & Coronado R Development #: 08183
 City: El Paso Region: 13 Population Served: General
 County: El Paso Zip Code: 79915 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Desert Villas, Ltd.
 Owner Contact and Phone: Ike J. Monty, (915) 599-1245
 Developer: Investment Builders, Inc.
 Housing General Contractor: Investment Builders, Inc.
 Architect: David J. Marquez, A & E Services
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: SunAmerica Affordable Housing Provider, Inc
 Supportive Services: Texas Rio Grande Legal Aide
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	94
	5 0 33 56	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 14 40 36 4 0	Total Development Units:	94
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$954,776	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Desert Villas, TDHCA Number 08183

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapleigh, District 29, S

Points: 14 US Representative: Reyes, District 16, NC

TX Representative: Chávez, District 76, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **2**

In Opposition **304**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4

TVP Non-Profit Corporation

S or O: S

Opportunity Center for the Homeless

S or O: S

General Summary of Comment:

Support received from elected official(s) and from civic organizations.

General opposition received from non-official(s). The El Paso Lower Valley Association submitted a letter of opposition along with a petition with 283 signatures. They are concerned that the development does not include a ponding area for run-off, no street drainage, and only has one entry/exit point, which would pose a hazard in the case of a fire. The Ysleta Independent School District submitted a letter of opposition citing an increase in children and traffic. Twenty one individuals spoke in opposition to the Development at the public hearing. The major concerns included congested/dangerous traffic/road conditions, a large number of existing apartments in the area, lack of adequate retail/grocery stores, overcrowded schools, and a need for single family housing to help bolster the tax base.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Desert Villas, TDHCA Number 08183

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **178** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Washington Hotel Lofts, TDHCA Number 08184

BASIC DEVELOPMENT INFORMATION

Site Address: 2612 Washington St. Development #: 08184
 City: Greenville Region: 3 Population Served: General
 County: Hunt Zip Code: 75401 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: ADR
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Washington Hotel Lofts, LLC
 Owner Contact and Phone: Bill Scantland, (336) 722-9871
 Developer: Archetypes, LLC
 Housing General Contractor: Rehab Builders, Inc
 Architect: Martin Riley Associates - Architects, P.C.
 Market Analyst: Novogradac & Company, LLP
 Syndicator: Regions Bank
 Supportive Services: TBD
 Consultant: Montgomery and Cohen, Inc

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	36	
	2	0	34	0	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	8	20	8	0	0	
Type of Building:						Total Development Units:	36
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building					Total Development Cost*:	\$6,066,159
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	1
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$423,489	\$390,225			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Washington Hotel Lofts, TDHCA Number 08184

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, S

Points: 14 US Representative: Hall, District 4, NC

TX Representative: Flynn, District 2, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Chris Bracken, Greenville City Council, Place 5

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Historic Greenville Neighborhood Association, Milton Babb

Letter Score: 24 S or O: S

The project is one which will help us achieve our mission of rebuilding North Greenville while also achieving the goal of providing affordable housing.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by commitment, of documentation from the Applicant acknowledging that all of the proposed units have income restrictions corresponding with the elected rent restrictions and that all income and rent restrictions are at or below 50% of AMI.
2. Receipt, review, and acceptance, at carryover, 10% test, and cost certification, of documentation from the State Historic Preservation Office and/or the National Parks Service regarding the application stage and/or approval for certifying the building as a historic site and for the historic credit request.
3. Receipt, review, and acceptance, by 10% test, of a Private Letter Ruling from the Internal Revenue Service regarding legitimacy of the proposed lease pass-through structure and potential effect of the historic tax credits on LIHTC eligible basis.
4. Receipt, review, and acceptance, by carryover, of a survey, title commitment, siteplan, and site control for at least 36 parking spaces to be restricted by the tax credit LURA with a provision to ensure the parking remains free for residents.
5. Receipt, review, and acceptance, by cost certification, of documentation that all Phase I ESA recommendations (regarding asbestos, mold, lead-based paint, lead in drinking water, noise, and potential effects of RECs from previous uses of the subject and surrounding property) and all subsequent environmental report recommendations has been carried out.
6. Receipt, review, and acceptance, by carryover, that the exception for Tax Suits as reflected in Schedule C of the title commitment has been cleared by the title company.
7. Receipt of a commitment of funding from the City of Greenville Board of Development for funds in the amount of \$325,000, or a commitment from a qualifying substitute source in an amount not less than \$303,529, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
8. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
9. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Washington Hotel Lofts, TDHCA Number 08184

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **207** Meeting a Required Set-Aside Credit Amount*: \$390,225

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/08 PROGRAM: 9% HTC FILE NUMBER: 08184

DEVELOPMENT

Washington Hotel Lofts

Location: 2612 Washington Street Region: 3

City: Greenville County: Hunt Zip: 75401 OCT DDA

Key Attributes: Multifamily, Family, Rural, Acquisition/Adaptive Reuse

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$390,225			\$390,225		

CONDITIONS

- 1 Receipt, review, and acceptance, by commitment, of documentation from the Applicant acknowledging that all of the proposed units have income restrictions corresponding with the elected rent restrictions and that all income and rent restrictions are at or below 50% of AMI.
- 2 Receipt, review, and acceptance, at carryover, 10% test, and cost certification, of documentation from the State Historic Preservation Office and/or the National Parks Service regarding the application stage and/or approval for certifying the building as a historic site and for the historic credit request.
- 3 Receipt, review, and acceptance, by 10% test, of a Private Letter Ruling from the Internal Revenue Service regarding legitimacy of the proposed lease pass-through structure and potential effect of the historic tax credits on LIHTC eligible basis.
- 4 Receipt, review, and acceptance, by carryover, of a survey, title commitment, siteplan, and site control for at least 36 parking spaces to be restricted by the tax credit LURA with a provision to ensure the parking remains free for residents.
- 5 Receipt, review, and acceptance, by cost certification, of documentation that all Phase I ESA recommendations (regarding asbestos, mold, lead-based paint, lead in drinking water, noise, and potential effects of RECs from previous uses of the subject and surrounding property) and all subsequent environmental report recommendations has been carried out.
- 6 Receipt, review, and acceptance, by carryover, that the exception for Tax Suits as reflected in Schedule C of the title commitment has been cleared by the title company.
- 7 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 8 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

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SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	13
50% of AMI*	50% of AMI*	21

* The original application reflected 15 60% of AMI units, but in order to meet Department rules, all units must be at or below 50% of AMI (rents and incomes).

PROS

- The Applicant proposes the revitalization of a six story historic hotel that was originally constructed in 1926 and providing 36 affordable units in downtown Greenville.
- The development team has extensive experience in other states with restoring historic structures and with the LIHTC program.

CONS

- If the historic credits must ultimately be removed from eligible basis, the transaction may not be financially viable due to the gap in financing.
- The building to be revitalized is in very poor condition with several potential environmental concerns and in need of extensive revitalization.
- The achievable rents for the market are below the 50% of AMI rent levels indicating little or no savings over existing units in the market.

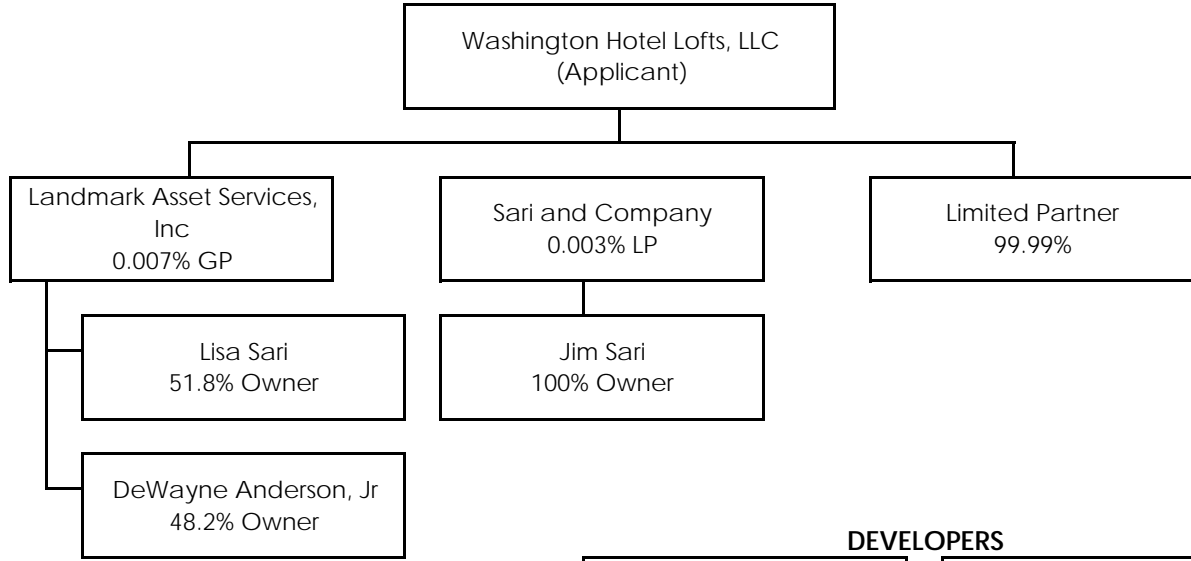
PREVIOUS UNDERWRITING REPORTS

The subject application was submitted during the 2007 competitive tax credit cycle. However, the application was not competitive in the subregion and therefore underwriting was not completed. The same development team has also been awarded tax credit allocations for three other similar transactions in Texas in previous cycles.

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DEVELOPMENT TEAM

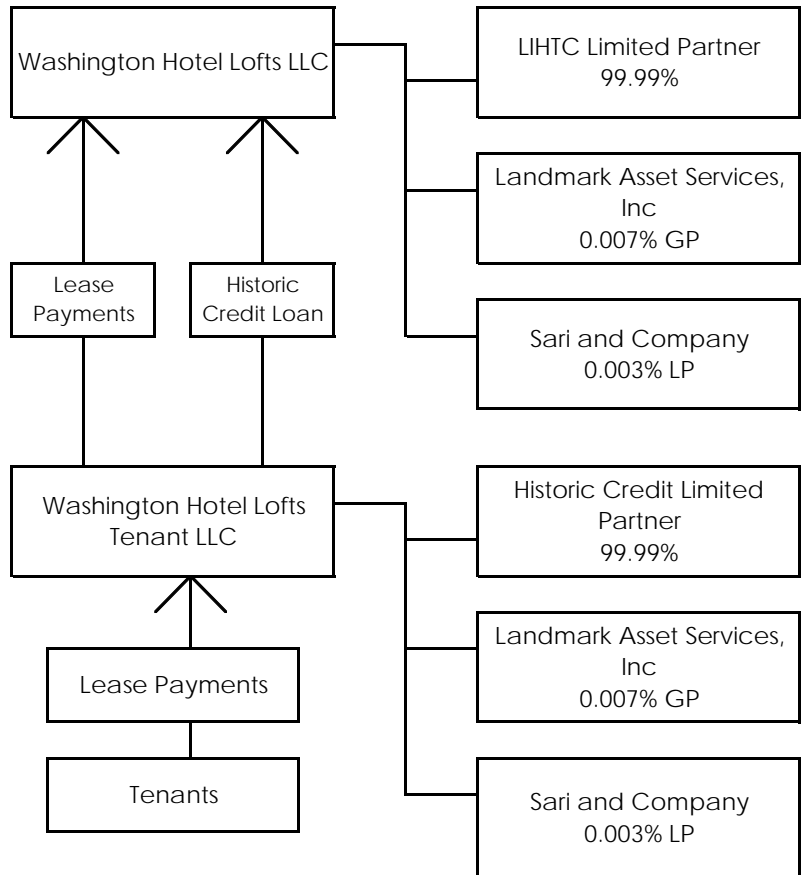
OWNERSHIP STRUCTURE (As submitted with the application)



DEVELOPERS



LEASE PASS-THROUGH STRUCTURE



CONTACT

Contact: Bill Scantland Phone: 336.722.9871 Fax: 336.722.3603
Email: bill@landmarkdevelopment.biz

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Landmark Asset Services	N/A	3 LIHTC Allocations
Sari and Company	N/A	3 LIHTC Allocations
Jim Sari	N/A	3 LIHTC Allocations
Lisa Sari	N/A	3 LIHTC Allocations
DeWayne H Anderson, Sr	N/A	3 LIHTC Allocations

Comments:

The Applicant has indicated that they anticipate receiving 20% federal historic tax credits in addition to the requested LIHTCs. The 20% historic tax credit is available to developments proposing the rehabilitation of historic structures that are listed in the National Register or located in a registered historic district. Currently, the subject building does not qualify for 20% historic credits as it does not meet this basic requirement. However, the Applicant has provided information regarding the necessary steps to meet the basic requirements and coordinate with the State Historic Preservation Office and National Parks Service in order to access the historic tax credits. Moreover, Regions Bank has provided a Letter of Intent for the purchase of the historic credits reflecting another level of confidence that the Applicant will be successful in receiving the credits.

However, receipt, review, and acceptance, at carryover, 10% test, and cost certification, of documentation from the State Historic Preservation Office and/or the National Parks Service regarding the application stage and/or approval for certifying the building as a historic site and for the historic credit request is a condition of this report.

It should be noted that the Applicant has indicated that of more than 250 historic properties rehabilitated, most were not previously in the National Register.

A more significant concern is regarding whether the historic credits attributed to the rehabilitation of the residential units should be removed from eligible basis as generally required by Treasury regulations in IRC Section 42. The Applicant has not removed the historic credits from basis and has provided a general legal memorandum from Powell Goldstein, LLP (dated May 3, 2005) opining that under a lease pass through structure the LIHTC eligible basis is not reduced provided that certain conditions with regard to the lease structure are met and "provided that the lessee and lessor have substantially different investors and the lease between the two entities has an economic effect."

In 2006 and 2007, the Department accepted such an opinion and tax credit awards were approved for three transactions from the same development team. However, staff has cost certified several developments that received historic credits and all removed the historic credits from eligible basis. Recent trainings, including a training with the National Development Council, suggest that historic credits must be removed from LIHTC eligible basis. Also, the legal memo provided is ambiguous and does not address the specific circumstances of the subject development.

More importantly, the Underwriter and Senior Director of Programs contacted the Internal Revenue Service to determine if this or a similar structure allowing historic credits to remain in LIHTC eligible basis had been vetted. While the pass through election for the historic credit can be allowable, IRS staff indicated concern regarding the belief that the LIHTC eligible basis is not affected and serious concern regarding whether a structure such as that proposed in fact has economic effect and substantially different investors.

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Based on the information and advice provided to staff and due to the forthcoming cost certifications of three transactions with similar circumstances, this report is conditioned upon receipt, review, and acceptance, by 10% test, of a Private Letter Ruling from the Internal Revenue Service regarding legitimacy of the proposed lease pass-through structure and potential effect of the historic tax credits on LIHTC eligible basis is a condition of this report.

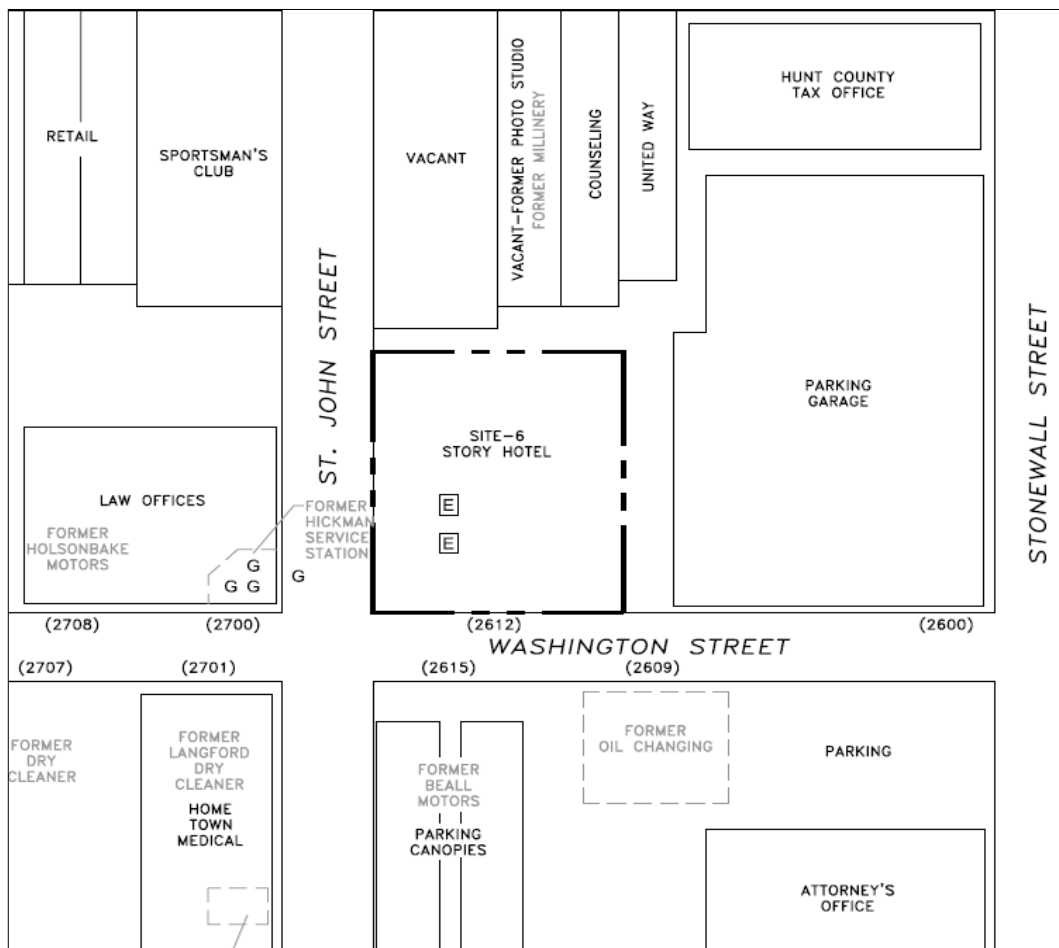
As reflected in the conclusions section of this report, if the historic tax credits must be removed from LIHTC eligible basis, the subject transaction would not meet the Department's rules and would be characterized as infeasible.

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN and ELEVATION



This section intentionally left blank.



BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	6										1
Number	1										

BR/BA	SF	Units									Total Units	Total SF
1/1	706	8									8	5,648
1/1	903	3									3	2,709
2/2	918	4									4	3,672
2/2	927	4									4	3,708
2/2	948	2									2	1,896
2/2	1,040	4									4	4,160
2/2	1,075	3									3	3,225
2/2	1,028	2									2	2,056
3/2	1,143	2									2	2,286
3/2	1,211	2									2	2,422
3/2	1,406	2									2	2,812
Units per Building		36									36	34,594

SITE ISSUES

Total Size: 0.202 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: CA Needs to be re-zoned? Yes No N/A

Comments:

The site is currently zoned CA (Central Area District) which allows for multifamily housing according to a letter from the City of Greenville Director of Planning and Zoning dated January 17, 2008.

TDHCA SITE INSPECTION

Inspector: ORCA staff

Date: 4/25/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant retail / counseling center / United Way building / County Tax Office

South: Washington St / parking lot / law office

East: parking garage (for County courthouse) / Stonewall Street / courthouse

West: St John Street / law offices

Comments:

The site inspector rated the site as "questionable" due to the current condition of the building. The inspector notes that the building has solid construction but that the interior needs complete restoration. The Applicant has proposed to revitalize and convert this vacant hotel for multifamily housing and the Architect for the Applicant provided a Property Condition Assessment reflecting a cost estimate consistent with a complete rehabilitation of the building and has included a schedule of the estimated future capital needs. The Underwriter has evaluated this information and based the level of funding on the Architect's cost estimate. Additionally, the Underwriter has evaluated the future capital needs to ensure that the Applicant has the capacity to meet the estimated future needs of the property.

The Applicant has indicated that the City will donate a 36 space parking lot located across Washington Street at approximately the 2600 block of Washington. A resolution from the City was provided that confirms the City's approval of the in-kind contribution. At the time of application the Applicant did not include additional information regarding this parking lot and has not included it in the site. Moreover, the Applicant has not yet secured a survey, title commitment, or other documentation that would have been required at application to include this parking lot as part of the site.

The Applicant also subsequently indicated that they anticipate an additional 20 space parking lot owned by the County will also be donated to the Applicant, although have not received official County approval of this contribution. As such, as the application now stands, there would be no parking on the LURA restricted site and no guarantee that the offsite parking secured would remain free for the use of residents over the compliance and extended use periods. It should be noted that a parking garage that is currently free is located adjacent to the site and there is currently free on-street parking downtown. However, there is no guarantee that this parking will remain free for the tenants of the subject development.

In conversation with the Underwriter, the Applicant indicated that it was their intent to maintain this parking for residents of the development and to charge no fees for resident use of the parking. Moreover, the Applicant indicated their willingness to restrict this parking in the tax credit LURA with a provision requiring the parking to remain free for residents. Therefore, receipt, review, and acceptance, by carryover, of a survey, title commitment, siteplan, and site control for at least 36 parking spaces to be restricted by the tax credit LURA with a provision to ensure the parking remains free for residents is a condition of this report.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon

Date: 2/13/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "2616 Washington Street - Yarbrough Millinery (hat maker) was located on-site at 2616 Washington Street from at least 1956 to 1959. Millinerie historically used mercury in the hat making process. Based on the absence of information regarding waste handling activities, the former on-site Yarbrough Millinery constitutes a REC in connection with the site" (p. 16).

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- "2701/2703 Washington Street – A dry cleaner/laundry facility was located to the adjacent southwest of the site at 2701/2703 Washington Street. Langford Laundry and Dry Cleaners/William's Laundry/ Wright's Cleaners were located adjacent to the site from 1922 to 1956. The former Langford Laundry facility was located topographically cross-gradient relative to the site. Based on a review of the Sanborn Maps (Section 3.4) a 'solvent tank' associated with the Langford Laundry was identified approximately 140 feet southwest of the site on the 1949 map. Based on its longevity (1922 to 1956), proximity to the site, and absence of information regarding former chemical/waste handling practices, the former Langford Dry Cleaners constitutes a REC in connection with the site" (p. 17).
- "2613 Lee Street - A millinery abutted the site to the north (1898), and was located topographically up-gradient relative to the site. Millinerics historically used mercury in the hat making process. Based on the absence of information regarding waste handling activities and its topographic up-gradient position, the former abutting millinery constitutes a REC in connection with the site" (p. 19).
- "2704 Washington Street – An auto repair garage (Holsonbake Motors) and associated gas tank were identified to the adjacent west of the site (1923) at 2704 Washington Street. The gas tank was located approximately 30 feet west of the site. A "filling station" (identified during the city directory review as Hickman Service Station) was located to the adjacent west of the site, in the southeastern corner of the garage. The gas tank located 30 feet from the site was not shown; however, three gas tanks were shown approximately 50 feet west of the site in 1949. The former Holsonbake Motors and Hickman Service Station facilities were located to the adjacent west and topographically cross- to up-gradient relative to the site. The facilities were not identified during the regulatory review. Based on their proximity to the site, up- to cross-gradient relative to the site, and absence of information regarding the removal/presence of the identified USTs, the former Holsonbake Motors and Hickman Service Station facilities constitute RECs in connection with the site" (p. 19).
- "Staining of the walls, ceilings, and floors indicative of water infiltration was noted throughout the areas of the building that were accessed. In addition, standing water was noted in the basement. Terracon recommends that a mold survey be conducted for the site. If mold is identified in the on-site building and prior to renovation or demolition of the building, the areas of visible mold and associated substrate supporting the mold growth should be remediate in accordance with the current Texas Mold Assessment and Remediation Rules (TMARR). If it is determined that the extent of the remediation will be greater than twenty-five (25) contiguous square feet, a Mold Remediation Protocol must be developed by a licensed Mold Consultant.

The Mold Remediation Protocol will define the work areas to be remediate, approximate quantities, removal methods, personal protective equipment to be used, containment and clearance protocols. The mold remediation must be performed by a licensed Mold Contractor, who has prepared a Mold Remediation Work Plan in response to the Mold Remediation Protocol. Prior to the performance of remediation, a five (5) working day notification must be submitted to the Texas Department of State Health Services. Following remediation of mold impacted building materials, we recommend that the HVAC system ductwork be evaluated and cleaned by a reputable contractor." (p. 30)

- "Terracon conducted an asbestos survey and limited lead based paint (LBP) sampling of the Cadillac (Washington) Hotel located at 2612 Washington Street in Greenville, Texas. ... All the ACM identified in the building was assessed to be in poor condition on the day of the survey. Due to the poor condition of the identified ACM, public access to the building should be restricted. If public access is not restricted, measures should be taken to clean-up all friable ACM in order to limit potential exposure for anyone entering the building. If any renovation, demolition, or clean-up activities impact the identified ACM, the abatement or clean-up of those materials must be performed by a State of Texas licensed asbestos contractor prior to disturbance.

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The abatement will be performed in accordance with a project design prepared by a State of Texas licensed asbestos consultant. In addition, third party air monitoring must be performed during the abatement. It is important to note that state and federal regulations require a ten working day notification prior to any renovation or demolition activities in a building that affords public access or occupancy, regardless of whether asbestos is present or not. These activities must be performed in accordance with the current TDSHS, EPA, and OSHA guidelines. Terracon has made a reasonable effort to survey accessible suspect materials, however; due to the current occupancy of the building and the non-destructive nature of the asbestos survey the potential exists for additional suspect asbestos containing materials to be present beneath carpet, behind wall paneling, above ceilings, in voids or in other concealed areas" (p. 31).

- "[Lead Based Paint] LBP, as previously defined (<1 mg/cm² of lead by area) was identified in four (4) of the forty (40) samples collected. The four (4) samples that tested positive for LBP levels above the specified limit include: dark blue/tan paint on the plaster column in the 1st floor lobby; tan paint on the wooden window casing in the southwest corner room on the 2nd floor; green/yellow paint on the wooden door frame in the room south of the stairs on the fourth floor; dark blue/light blue paint on the wooden window apron in the north central room on the 6th floor. The remaining thirty-six (36) samples were determined to contain <1 mg/cm² of lead by area. If any renovation/demolition activities impact the integrity of the LBP, (>1 mg/cm² or <1 mg/cm²) the contractor performing the removal of the LBP components must perform the renovation or demolition activities in compliance with the OSHA 29 CFR 1926.62 – Lead in Construction Standard.

As a condition of the OSHA regulation it is the responsibility of the site owner to notify the general contractor (GC) of the presence of the LBP identified at the building. In addition, there are federal and state regulations that require appropriate analysis and classification of the lead containing debris generated by renovation or demolition activity to determine the proper disposal procedures. In order to characterize the lead waste generated from the renovation or demolition process for disposal a Toxicity Characteristic Leaching Procedure (TCLP) test must be performed" (p. 31).

- "The Housing of Urban Development (HUD) requires noise attenuation measures be provided when proposed projects are to be located in high noise areas. According to HUD Noise Assessment Guidelines, potential noise sources are examined for projects located within 15 miles of a military or civilian airport, 1,000 feet from a road or 3,000 feet from a railroad. Based on Terracon's review, Washington Street abuts the site to the south, St. John Street abuts the site to the west, the Missouri-Kansas-Texas Railway is located approximately 1,400 feet west of the site, the Majors Fields Airport is located approximately 5 miles south of the site, the Caddo Mills Airport is located approximately 10 miles southwest of the site, and the Commerce Municipal Airport is located approximately 13.5 miles northeast of the site" (p. 32).
- "The on-site building was constructed between 1925 and 1932. Based on the age of the onsite structure, lead piping and/or lead solder may have been utilized on-site. However, Terracon understands that the building may undergo complete renovation in the future" (p. 32).

Comments:

Based on the findings reflected in detail above, Terracon makes the following 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 former on-site Yarbrough Millinery and the former adjacent Langford Cleaners and the former Holsonbake Motors/Hickman Service Station" (p. 5).

"Staining of the walls, ceilings, and floors indicative of water infiltration was noted throughout the areas of the building that were accessed. In addition, standing water was noted in the basement. Terracon recommends that a mold survey be conducted for the site" (p. 6).

This section intentionally left blank.

"An asbestos survey and a lead-based paint survey were previously conducted for the onsite building. Terracon recommends that the identified asbestos containing materials (ACM) and the identified lead-based paint 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 abated in accordance with applicable regulations" (p. 6).

"If any renovation, demolition, or clean-up activities impact the identified ACM, the abatement or clean-up of those materials must be performed by a State of Texas licensed asbestos contractor prior to disturbance. The abatement will be performed in accordance with a project design prepared by a State of Texas licensed asbestos consultant. In addition, third party air monitoring must be performed during the abatement" (p. 4).

"Based on the findings of this assessment, Terracon recommends further evaluation be conducted regarding lead in drinking water and a noise assessment study" (p. 6).

Receipt, review, and acceptance, by cost certification, of documentation that all Phase I ESA recommendations (regarding asbestos, mold, lead-based paint, lead in drinking water, noise, and potential effects of RECs from previous uses of the subject and surrounding property) and all subsequent environmental report recommendations has been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Novogradac & Company, LLP Date: 3/28/2008
 Contact: H Blair Kinser Phone: 512.340.0420 Fax: 512.340.0421
 Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 883 square miles (16.8 mile radius)

The Market Analyst has used defined the PMA as Hunt County. The Analyst notes, "The City of Greenville is located in northeast Texas in Hunt County approximately 48 miles northeast of Dallas, Texas. Greenville is located in the center of Hunt County and serves as the county seat" (p. 10). The estimated 2007 population for the PMA was 84,205.

Secondary Market Area (SMA):

"The secondary market area (SMA) is defined as both Hunt County and Hopkins County" (p. 12). The Market Analyst includes some demographic information regarding the SMA; however, the Analyst has not included demand from the SMA in the analysis provided.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Churchill at Commerce	04118	100	90	N/A			

Comments:

The Market Analyst indicated that Churchill at Commerce (04118), a 2004 9% transaction targeting families, is currently 95% occupied and therefore, is not included in the inclusive capture rate. However, the Underwriter contacted the on-site property manager and verified that the property reached 90% occupancy in November of 2007. As a result, this property does not meet the Department's definition of a stabilized property, which requires 12 consecutive months of occupancy equal to or exceeding 90%. The Underwriter has included all of the development's 90 units targeting households at 30%, 50%, and 60% in the inclusive capture rate. This yields a significant increase in the inclusive capture rate, but it remains below the Department's maximum threshold of 75% for rural transactions.

This section intentionally left blank.

INCOME LIMITS						
Hunt						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
50	\$23,300	\$26,600	\$29,950	\$33,250	\$35,900	\$38,550
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30% Rent Limit			192	192	2	0	1%
1 BR / 60% Rent Limit			391	391	6	0	2%
2 BR / 50% Rent Limit			231	231	13	0	6%
2 BR / 60% Rent Limit			507	507	7	0	1%
3 BR / 60% Rent Limit			345	345	8	0	2%

Comments:

The Market Analyst utilized the number of income qualified renter households as demand in order to determine the inclusive capture rates by unit type. This would generally be considered a penetration rate. In order to determine an inclusive capture rate per the Department's rules, a turnover rate must be applied to the number of eligible renter households. Additionally, the Analyst's calculation does not include household growth. Based on the Underwriter's analysis, if the Market Analyst had applied the turnover rate used in the overall demand calculations, the inclusive capture rate for each unit type would remain below the Department's threshold of 75%.

The Market Analyst has applied a turnover rate to the overall demand calculations and correctly calculated an inclusive capture rate as reflected below; although, the Market Analyst used an income band extending to 5 person households at 60% of AMI. The Underwriter has used an income band with a maximum for 5 person households at 50% of AMI in accordance with the recommendations of this report.

OVERALL DEMAND										
		Renter Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst	p. 61	100%	8,468	100%	8,468	20%	1,667		35%	583
Underwriter		100%	8,469	96%	8,130	20%	6,030		35%	390
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. 61	100%	96	100%	96	20%	19		100%	19
Underwriter		100%	92	96%	88	20%	63		100%	12

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 61	36	0	0	36	602	5.98%
Underwriter		36	90	0	126	402	31.34%

This section intentionally left blank.

Primary Market Occupancy Rates:

"One of the comparables properties was able to provide information on absorption. The manager for the Ranchview Townhomes, a LIHTC property that targets families, estimated that the property took 18 months to reach 95 percent stabilized occupancy. This pace equates to an approximate absorption rate of approximately 13 units per month. The manager noted that typical occupancy at the property has been at 93 percent in the past year and stated that the property would benefit from offering one-bedroom units and from offering a number of market rate units. Churchill at Commerce is a 100 unit LIHTC/market rate property located 14 miles northeast from the Subject in Commerce, Texas. The manager reported that the property opened in January of 2006 and reached a stabilized occupancy of 90 percent on February 1, 2007, which equates to an absorption rate of approximately 7 units per month" (p. 39).

Absorption Projections:

"We conservatively estimate the absorption period to be approximately 4 months to reach stabilization of 95 percent occupancy, with an absorption rate of approximately 9 units per month" (p. 39).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Achievable Market Rent	Underwriting Rent	Savings Over Market
1 BR	706 SF	30%	\$300	\$302	\$515	\$302	\$213
1 BR	706 SF	60%	\$515	\$552	\$515	\$515	\$0
2 BR	903 SF	50%	\$600	\$657	\$600	\$600	\$0
2 BR	918 SF	50%	\$600	\$657	\$600	\$600	\$0
2 BR	927 SF	50%	\$600	\$657	\$600	\$600	\$0
2 BR	948 SF	50%	\$600	\$657	\$600	\$600	\$0
2 BR	1,040 SF	50%*	\$640	\$657	\$640	\$640	\$0
2 BR	1,075 SF	50%*	\$640	\$657	\$640	\$640	\$0
3 BR	1,028 SF	50%*	\$700	\$753	\$700	\$700	\$0
3 BR	1,143 SF	50%*	\$700	\$753	\$700	\$700	\$0
3 BR	1,211 SF	50%*	\$700	\$753	\$700	\$700	\$0
3 BR	1,406 SF	50%*	\$700	\$753	\$700	\$700	\$0

* The Applicant elected to restrict these units at 60% rents and incomes at application. However, as discussed below, in order to meet the Department's rules the Applicant has indicated that they agree to restrict these units at 50% of AMI rents. It is unclear if the Applicant agrees to an equivalent 50% of AMI restriction on incomes but such a restriction is recommended by the Underwriter.

Market Impact:

"Demand for the Subject's vacant units is likely to originate from rent overburdened households at older market rate properties, Housing Choice Voucher holders and new household growth. Despite the competition in the PMA from Ranchview Townhomes, the potential impact on the existing affordable housing stock is anticipated to be minimal given the relatively small number of units the Subject will have and the broad unit mix. Finally, the demand analysis illustrates an overall capture rate of 8.1 percent, indicating substantial demand from income-qualified households in the PMA. Based on this information, the potential impact on the existing affordable housing stock is anticipated to be minimal" (p. 53-54).

Comments:

The Market Analyst and Underwriter determined inclusive capture rates well below the Department's maximum threshold. Moreover, the Analyst provided sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 40 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 4 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 6/19/2008

The Applicant's rents appear to be based on the lesser of the HTC program 60% rent limit less utility allowances or the achievable market rent as determined by the Market Analyst. The achievable market rents are less than the HTC 50% and 60% net rents on all but the two 30% one-bedroom units.

The 2008 Real Estate Analysis Rules [10 TAC Section 1.32(i)(4)] require units that have Achievable Market Rents below the 50% level to be LURA restricted at the 50% level or the development will be characterized as infeasible and would therefore not be recommended.

In correspondence with the Underwriter, the Applicant agreed to change the rent restrictions on the 21 units originally restricted at 60% of AMI to 50% of AMI rents. A revised rent schedule was submitted to confirm these restrictions, but the Applicant indicated that they would only agree to restrict rents at the 50% level for these units and that the income restrictions should remain at 60% of AMI.

It has been the Department's practice to ensure that rent restrictions have corresponding income restrictions [QAP Section 50.9(i)(3)]. This helps to keep a fair playing field for existing and future affordable housing developments so that they have a more limited income band in which to serve. In addition, the units are anticipated to be able to serve 50% households at this time and the State should lock in that level of affordability while the opportunity is available. Therefore, this report has been conditioned upon all of the proposed units having income restrictions corresponding with the elected rent restrictions; all income and rent restrictions are at or below 50% of AMI.

The Underwriter has used the achievable market rents as reflected in the market study provided, all of which are below the 50% of AMI net program rents. The Applicant's estimate of vacancy and collection loss is in line with the Department standard.

The Applicant included secondary income of \$21,600 from leasing the planned 3,000 square feet of retail space that will be located on the first floor of the building, which amounts to \$7.20 per square foot annually or \$0.60 per square foot monthly. The Applicant provided information regarding rents received for other Greenville retail and commercial properties that appears to confirm the Applicant's estimate; moreover, given the downtown location and the extensive rehabilitation planned the Applicant's estimate appears to be reasonable. Therefore, the Underwriter has used the Applicant's projected retail rental income.

The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/12/2008

The Applicant's total operating expense estimate of \$3,917 per unit is within 5% of the Underwriter's total operating expense estimate of \$4,080 derived from the TDHCA database, IREM data, and other sources. However, two of the Applicant's line items differ significantly from the Underwriter's estimates, including: general and administrative (\$3K lower); and payroll and payroll tax (\$7K lower).

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the parameters of the Department's current guideline.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Pacific Southwest Valuation Date: 2/12/2008
 Number of Revisions: None Date of Last Applicant Revision: N/A

Land Only: 0.20 acres	<u>\$60,000</u>	As of: <u>1/29/2008</u>
Existing Buildings: (as-is)	<u>\$540,000</u>	As of: <u>1/29/2008</u>
Total Development: (as-is)	<u>\$600,000</u>	As of: <u>1/29/2008</u>

ASSESSED VALUE

Land Only: N/A acres	<u>\$18,250</u>	Tax Year: <u>2007</u>
Existing Buildings:	<u>\$62,570</u>	Valuation by: <u>Hunt CAD</u>
Total Assessed Value:	<u>\$80,820</u>	Tax Rate: <u>2.72381</u>

EVIDENCE of PROPERTY CONTROL

Type: Contract for Sale and Purchase of Real Estate Acreage: N/A
 Contract Expiration: 10/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$500,000 Other: See Comments section below.
 Seller: Black Resources, Inc Related to Development Team? Yes No
 Comments:

The contract includes a provision that may ultimately result in an adjustment to the final purchase price. According to the contract, the Buyer will be wholly responsible for the construction related to remediation of asbestos, lead based paint, and removal of sludge from drains. However, if such cost exceeds \$210,000, the purchase price will be adjusted downward by the difference between the actual cost and the \$210,000 allowance. Additionally, if such cost is less than \$210,000, the purchase price will increase by the amount of the savings over the \$210,000 allowance. As discussed below, the Underwriter has made adjustments to account for the potential acquisition cost adjustments.

TITLE

Comments:
 Schedule C of the title commitment reflects an exception for Tax Suits, Cause Numbers 16833 and 17258, for unpaid property taxes. No additional information has been provided by the Applicant to confirm clearance of this exception. Therefore, receipt, review, and acceptance, by carryover, that the exception for Tax Suits as reflected in Schedule C of the title commitment has been cleared by the title company is a condition of this report.

This section intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/12/2008

Acquisition Value:

The Applicant has provided a contract reflecting a purchase price of \$500,000 or \$13,889 per unit. The acquisition of the subject appears to be an arms length transaction and is therefore assumed to be reasonable. As previously discussed, the contract indicates that the purchase price may ultimately be adjusted if the final cost for environmental remediation is higher or lower than \$210,000. If such cost exceeds \$210,000, the purchase price will be adjusted downward by the difference between the actual cost and the \$210,000 allowance. Additionally, if such cost is less than \$210,000, the purchase price will increase by the amount of the savings over the \$210,000 allowance.

Because the Applicant is responsible for the work associated with environmental remediation, this cost has been included in the development cost schedule as an eligible cost. The Applicant has estimated \$246,000 for abatement of asbestos and lead based paint. As a result, the final acquisition price would be reduced by \$36,000 from \$500,000 to \$464,000. This reduction is not reflected in the Applicant's cost schedule. The PCA provider has estimated remediation totaling \$202,000. Therefore, the Underwriter has reflected an increase in the purchase price of \$8,000 for a total price of \$508,000 to account for the savings that will accrue to the existing owner.

The Applicant has claimed eligible building basis of \$450,000 based on a land value of \$50,000. The Underwriter has used a land value of \$60,000 as reflected in the appraisal provided and a total adjusted purchase price of \$508,000 to determine eligible building basis of \$448,000.

As discussed previously, the City has agreed to donate parking to the development. However, the Applicant has been unable to provide detailed information about the parking that will be donated. The Applicant has not included the value of this parking in the acquisition cost or in the eligible acquisition basis and because the parking will be donated, no eligible costs will be incurred for the transfer.

Sitework Cost:

The Applicant's sitework estimate of \$2,033 per unit is well below the Department's standard threshold, which is typical of existing properties being rehabilitated. The revised Property Condition Assessment (PCA), prepared by the Architect for the transaction, reflects sitework costs of \$2,089 per unit. The Underwriter has used the PCA estimate.

Direct Construction Cost:

The Applicant's direct construction cost estimate is just 0.36% higher than the estimate reflected in the revised PCA. The PCA estimate of \$62,083 per unit is significantly more than would be expected for a typical rehabilitation transaction and rivals that of a new construction development. However, the existing structure is proposed to be completely reconfigured and revitalized with the entire interior reconstructed. The building was constructed in 1926 and has been abandoned for many years.

The Applicant has also included \$600,000 in construction cost for the commercial space as an ineligible cost. The development of the commercial space has not been included in the PCA estimate and it is unlikely that the actual cost will be unknown until it is clear what tenant may ultimately occupy this space.

Interim Interest Expense:

The Applicant's eligible interim interest expense exceeds the Department's maximum of one year of fully drawn interest on construction financing. The Underwriter has reduced the eligible portion to the Department's maximum and shifted the excess \$32,987 to ineligible expenses.

Contingency & Fees:

As a result of the overstatement of eligible interim interest expense, the Applicant's developer fee now exceeds the Department's maximum. The Underwriter has effectively shifted \$4,817 in developer fee exceeding the 20% maximum to ineligible costs.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,136,495 supports annual tax credits of \$401,713. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/12/2008

Source: Regions Bank Type: Interim to Permanent Financing

Interim: \$5,160,168 Interest Rate: 7.5% Fixed Term: 24 months
 Permanent: \$1,451,000 Interest Rate: 6.5% Fixed Amort: 420 months

Comments:

The lender's letter of intent indicates a minimum DCR of 1.15 and 95% occupancy will be required for 90 consecutive days in order to convert to permanent. The LOI indicates an interest rate on the construction loan equal to Prime plus 1% (estimated at 7.5% based on February's Prime rate).

Source: Greenville Board of Development Type: Permanent Financing

Principal: \$325,000 Interest Rate: 0.0% Fixed Amort: N/A months

Comments:

The Applicant has provided a confirmation from the Greenville Board of Development (GBD) that an application for this source of funds was received and is being processed. The Applicant anticipates the loan to be repayable from cashflow and carry an interest rate of 0.00%. The Applicant has indicated that the funds are not federally sourced but that the GBD loan will be funded from sales tax revenue. As such, it appears that the below AFR interest rate will not have an impact on the Applicant's eligibility for 9% HTCs. Moreover, the transaction would remain viable if this source of funds was ultimately not received.

Source: Regions Bank Type: LIHTC Syndication

Proceeds: \$3,235,628 Syndication Rate: 83% Anticipated HTC: N/A

Comments:

Should the final credit price decreases to less than \$0.72, all else equal, the gap in financing would increase and the resulting deferred developer fee would not be repayable within the required 15 years. Alternatively, the credit price can increase to \$0.85 before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount.

Source: Regions Bank Type: Historic Credit Equity

Proceeds: \$959,604 Syndication Rate: 90% Anticipated HTC: N/A

Comments:

The same letter of intent provided for the LIHTCs also indicates a purchase price of \$0.90 for the Historic Tax Credits. Historic Credits are calculated using a basis similar to eligible basis used for tax credit purposes but inclusive of costs associated with commercial space and excluding building acquisition costs. The Applicant has estimated historic credit basis of \$5,333,000 resulting in an estimated historic credit amount of approximately \$1,066,600. The Underwriter has calculated a slightly lower historic credit basis of \$5,206,295, if the Department's limitations on developer fees and interim interest were used. The Underwriter can however replicate the math used to reach the Applicant's assumption, and based on the information available has assumed that the projected historic credit equity is reasonable.

However, it should be noted that it is not entirely known how this equity will be received by the Owner since the equity actually goes to the Lessee under the lease pass-through structure proposed. The Underwriter requested information regarding this transfer of the proceeds on June 26, 2008 and again on July 2, 2008, but as of the date of this report, the Applicant has not provided such information. This report is conditioned upon a Private Letter Ruling from the IRS regarding this structure and the Underwriter will reevaluate the financing structure once this Private Letter Ruling is received.

Amount: \$99,344 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent first lien of \$1,451,000, GBD loan of \$325,000, and anticipated historic credit proceeds of \$959,604 indicates the need for \$3,330,555 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$401,312 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$390,225), the gap-driven amount (\$401,312), and eligible basis-derived estimate (\$401,713), the Applicant's request of \$390,225 is recommended resulting in proceeds of \$3,238,544 based on a syndication rate of 83%.

The Underwriter's recommended financing structure indicates the need for \$92,011 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within five years of stabilized operation.

However, if the historic credits are required to be removed from LIHTC eligible basis, the recommended credit amount would be reduced to a maximum of \$330,831 and the gap in financing would increase to \$584,928. Deferred developer fees in this amount do not appear to be repayable from development cashflow within 15 years of stabilized operation. Therefore, the development would be characterized as infeasible and could not be recommended for funding.

Underwriter:	<u>Cameron Dorsey</u>	Date:	<u>July 15, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 15, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 15, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Washington Hotel Lofts, Greenville, 9% HTC #08184

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	706	\$373	\$302	\$604	\$0.43	\$70.88	\$63.50
TC 50%	6	1	1	706	\$623	\$515	\$3,090	\$0.73	\$70.88	\$63.50
TC 50%	3	2	2	903	\$748	\$600	\$1,800	\$0.66	\$91.14	\$78.58
TC 50%	4	2	2	918	\$748	\$600	\$2,400	\$0.65	\$91.14	\$78.58
TC 50%	4	2	2	927	\$748	\$600	\$2,400	\$0.65	\$91.14	\$78.58
TC 50%	2	2	2	948	\$748	\$600	\$1,200	\$0.63	\$91.14	\$78.58
TC 50%	4	2	2	1,040	\$748	\$640	\$2,560	\$0.62	\$91.14	\$78.58
TC 50%	3	2	2	1,075	\$748	\$640	\$1,920	\$0.60	\$91.14	\$78.58
TC 50%	2	3	2	1,028	\$864	\$700	\$1,400	\$0.68	\$111.39	\$93.64
TC 50%	2	3	2	1,143	\$864	\$700	\$1,400	\$0.61	\$111.39	\$93.64
TC 50%	2	3	2	1,211	\$864	\$700	\$1,400	\$0.58	\$111.39	\$93.64
TC 50%	2	3	2	1,406	\$864	\$700	\$1,400	\$0.50	\$111.39	\$93.64
TOTAL:	36		AVERAGE:	961		\$599	\$21,574	\$0.62	\$91.14	\$78.58

INCOME

Total Net Rentable Sq Ft: **34,594**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$14.00

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	4.53%	\$333	0.35
Management	5.59%	412	0.43
Payroll & Payroll Tax	11.43%	841	0.88
Repairs & Maintenance	8.29%	610	0.64
Utilities	4.53%	334	0.35
Water, Sewer, & Trash	5.41%	399	0.41
Property Insurance	4.40%	324	0.34
Property Tax 2.72381	6.63%	488	0.51
Reserve for Replacements	4.07%	300	0.31
TDHCA Compliance Fees	0.54%	40	0.04
Other:	0.00%	0	0.00
TOTAL EXPENSES	55.42%	\$4,080	\$4.25

NET OPERATING INC

44.58% \$3,282 \$3.42

DEBT SERVICE

First Lien Mortgage	39.69%	\$2,922	\$3.04
Greenville Board of Development	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	4.89%	\$360	\$0.37

AGGREGATE DEBT COVERAGE RATIO

1.12 1.18

RECOMMENDED DEBT COVERAGE RATIO

1.18

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.37%	\$14,111	\$14.68
Off-Sites		0.00%	0	0.00
Sitework		1.24%	2,089	2.17
Direct Construction		36.84%	62,083	64.61
Contingency 4.76%		1.81%	3,056	3.18
Contractor's Fees 13.68%		5.21%	8,778	9.13
Indirect Construction		7.16%	12,061	12.55
Ineligible Costs		13.33%	22,463	23.38
Developer's Fees 20.00%		14.11%	23,780	24.75
Interim Financing		10.91%	18,389	19.14
Reserves		1.01%	1,694	1.76
TOTAL COST	100.00%	\$168,504	\$175.35	
Construction Cost Recap	45.11%	\$76,006	\$79.09	

	TDHCA	APPLICANT
	\$508,000	\$500,000
	0	0
	75,200	73,200
	2,235,000	2,243,000
	110,000	110,000
	316,000	316,000
	434,200	434,200
	808,663	808,663
	856,083	862,500
	662,013	662,013
	61,000	61,000
TOTAL COST	\$6,066,159	\$6,070,576
Construction Cost Recap	\$2,736,200	\$2,742,200

	PER SQ FT	PER UNIT	% of TOTAL
	\$14.45	\$13,889	8.24%
	0.00	0	0.00%
	2.12	2,033	1.21%
	64.84	62,306	36.95%
	3.18	3,056	1.81%
	9.13	8,778	5.21%
	12.55	12,061	7.15%
	23.38	22,463	13.32%
	24.93	23,958	14.21%
	19.14	18,389	10.91%
	1.76	1,694	1.00%
TOTAL COST	\$175.48	\$168,627	100.00%
Construction Cost Recap	\$79.27	\$76,172	45.17%

SOURCES OF FUNDS

First Lien Mortgage	23.92%	\$40,306	\$41.94
Greenville Board of Development	5.36%	\$9,028	\$9.39
Historic Credit Proceeds	15.82%	\$26,656	\$27.74
HTC Syndication Proceeds	53.34%	\$89,879	\$93.53
Deferred Developer Fees	1.64%	\$2,760	\$2.87
Additional (Excess) Funds Req'd	-0.07%	(\$123)	(\$0.13)
TOTAL SOURCES			

	TDHCA	APPLICANT
	\$1,451,000	\$1,451,000
	325,000	325,000
	959,604	959,604
	3,235,628	3,235,628
	99,344	99,344
	(4,417)	0
TOTAL SOURCES	\$6,066,159	\$6,070,576

	RECOMMENDED	
	\$1,451,000	
	325,000	Developer Fee Available
	959,604	\$857,683
	3,238,544	% of Dev. Fee Deferred
	92,011	11%
	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$6,066,159	\$535,568

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Washington Hotel Lofts, Greenville, 9% HTC #08184

PAYMENT COMPUTATION

Primary	\$1,451,000	Amort	420
Int Rate	6.50%	DCR	1.12

Secondary	\$325,000	Amort	
Int Rate	0.00%	Subtotal DCR	1.12

Additional	\$959,604	Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE APPLICAN

Primary Debt Service	\$105,195
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$18,776

Primary	\$1,451,000	Amort	420
Int Rate	6.50%	DCR	1.18

Secondary	\$325,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.18

Additional	\$959,604	Amort	
Int Rate		Aggregate DCR	1.18

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	\$258,840	\$266,605	\$274,603	\$282,841	\$291,327	\$337,727	\$391,519	\$453,878	\$609,973
Secondary Income	6,048	6,229	6,416	6,609	6,807	7,891	9,148	10,605	14,253
Other Support Income:	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
POTENTIAL GROSS INCOME	286,488	295,083	303,935	313,053	322,445	373,802	433,339	502,358	675,128
Vacancy & Collection Loss	(21,492)	(22,131)	(22,795)	(23,479)	(24,183)	(28,035)	(32,500)	(37,677)	(50,635)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$264,996	\$272,951	\$281,140	\$289,574	\$298,261	\$345,767	\$400,838	\$464,682	\$624,493
EXPENSES at 4.00%									
General & Administrative	\$8,950	\$9,308	\$9,680	\$10,068	\$10,470	\$12,739	\$15,499	\$18,856	\$27,912
Management	15,031	15,482	15,947	16,425	16,918	19,612	22,736	26,357	35,422
Payroll & Payroll Tax	22,880	23,795	24,747	25,737	26,766	32,565	39,621	48,205	71,355
Repairs & Maintenance	19,164	19,931	20,728	21,557	22,419	27,276	33,186	40,376	59,766
Utilities	12,960	13,478	14,018	14,578	15,161	18,446	22,443	27,305	40,418
Water, Sewer & Trash	18,600	19,344	20,118	20,922	21,759	26,474	32,209	39,187	58,007
Insurance	13,900	14,456	15,034	15,636	16,261	19,784	24,070	29,285	43,349
Property Tax	17,300	17,992	18,712	19,460	20,239	24,623	29,958	36,448	53,953
Reserve for Replacements	10,800	11,232	11,681	12,149	12,634	15,372	18,702	22,754	33,681
Other	1,440	1,498	1,558	1,620	1,685	2,050	2,494	3,034	4,491
TOTAL EXPENSES	\$141,025	\$146,516	\$152,222	\$158,151	\$164,313	\$198,941	\$240,917	\$291,808	\$428,354
NET OPERATING INCOME	\$123,971	\$126,435	\$128,918	\$131,423	\$133,948	\$146,826	\$159,921	\$172,874	\$196,140
DEBT SERVICE									
First Lien Financing	\$105,195	\$105,195	\$105,195	\$105,195	\$105,195	\$105,195	\$105,195	\$105,195	\$105,195
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$18,776	\$21,240	\$23,723	\$26,228	\$28,753	\$41,630	\$54,726	\$67,678	\$90,944
DEBT COVERAGE RATIO	1.18	1.20	1.23	1.25	1.27	1.40	1.52	1.64	1.86

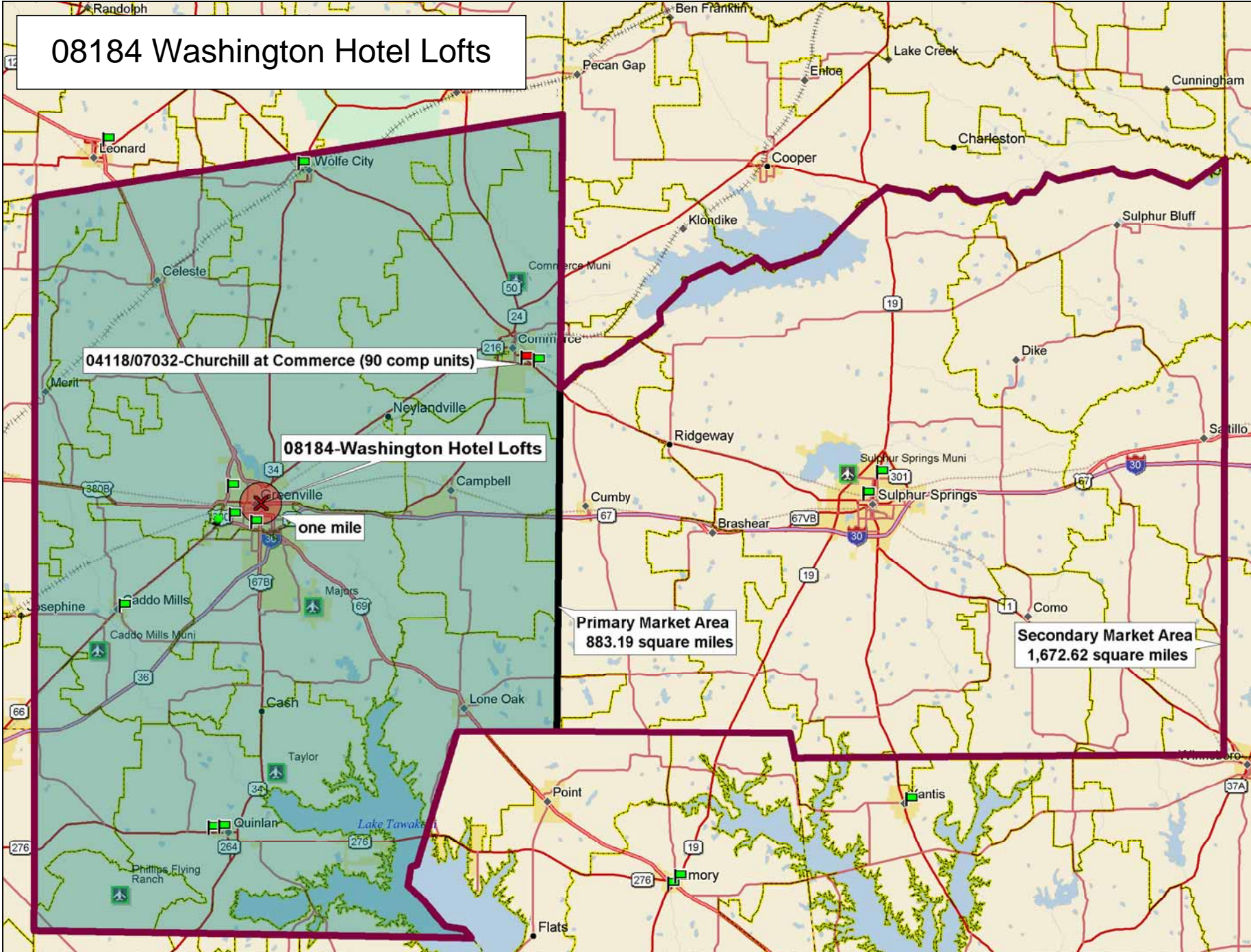
HTC ALLOCATION ANALYSIS -Washington Hotel Lofts, Greenville, 9% HTC #08184

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$50,000	\$60,000				
Purchase of buildings	\$450,000	\$448,000	\$450,000	\$448,000		
Off-Site Improvements						
Sitework	\$73,200	\$75,200			\$73,200	\$75,200
Construction Hard Costs	\$2,243,000	\$2,235,000			\$2,243,000	\$2,235,000
Contractor Fees	\$316,000	\$316,000			\$316,000	\$316,000
Contingencies	\$110,000	\$110,000			\$110,000	\$110,000
Eligible Indirect Fees	\$434,200	\$434,200			\$434,200	\$434,200
Eligible Financing Fees	\$662,013	\$662,013			\$662,013	\$662,013
All Ineligible Costs	\$808,663	\$808,663				
Developer Fees			\$90,000	\$89,600	\$767,683	\$766,483
Developer Fees	\$862,500	\$856,083				
Development Reserves						
Development Reserves	\$61,000	\$61,000				
TOTAL DEVELOPMENT COSTS	\$6,070,576	\$6,066,159	\$540,000	\$537,600	\$4,606,095	\$4,598,895

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$540,000	\$537,600	\$4,606,095	\$4,598,895
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$540,000	\$537,600	\$4,606,095	\$4,598,895
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$540,000	\$537,600	\$4,606,095	\$4,598,895
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$19,170	\$19,085	\$383,227	\$382,628

Syndication Proceeds	0.8299	\$159,095	\$158,388	\$3,180,467	\$3,175,495
Total Tax Credits (Eligible Basis Method)				\$402,397	\$401,713
Syndication Proceeds				\$3,339,562	\$3,333,883
Requested Tax Credits				\$390,225	
Syndication Proceeds				\$3,238,544	
Gap of Syndication Proceeds Needed				\$3,334,972	\$3,330,555
Total Tax Credits (Gap Method)				\$401,844	\$401,312

08184 Washington Hotel Lofts



Data use subject to license.

Applicant Evaluation

Project ID **08184**

Name **Washington Hotel Lofts**

City: **Greenville**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 3

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/20/2008

Date: 5/21/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/21/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5/21/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Historic Lofts of Palestine, TDHCA Number 08185

BASIC DEVELOPMENT INFORMATION

Site Address: 201 W. Oak St.; 314 S. Queen St.; 201 E. Oak St.; 119 E. Oa Development #: 08185
 City: Palestine Region: 4 Population Served: General
 County: Anderson Zip Code: 75801 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Historic Lofts of Palestine, LLC
 Owner Contact and Phone: Bill Scantland, (336) 722-9871
 Developer: Archetypes, LLC
 Housing General Contractor: Rehab Builders, Inc
 Architect: Martin Riley Associates - Architects, P.C.
 Market Analyst: Novogradac & Company, LLP
 Syndicator: Regions Bank
 Supportive Services: TBD
 Consultant: Montgomery and Cohen, Inc

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	65
	4 0 23 38	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 19 30 16 0 0	Total Development Units:	65
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$647,682	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Historic Lofts of Palestine, TDHCA Number 08185

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, S

Points: 14 US Representative: Hensarling, District 5, NC

TX Representative: Cook, District 8, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Carolyn Salter, Mayor of Palestine

Resolution of Support from Local Government

S, Todd Staples, Commissioner, Texas Department of Agriculture

Individuals and Businesses In Support: 3

In Opposition 26

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and from the Improving Palestine Downtown Historic Neighborhood Association, which stated that the project preserves the historic buildings and provides affordable housing for the community. Two people, including the Mayor of Palestine, spoke in support of the development at the public hearing.

Opposition received from twenty six people, stating that the proposed development will increase traffic, cause a decline in property values, and because the houses in the location of the proposed development are historic homes, the location is not appropriate for an apartment complex. They further claim that statements in the Application and Market Study are inaccurate and that city official(s) provided inaccurate or misleading information and have worked to prevent residents from registering significant opposition.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Historic Lofts of Palestine, TDHCA Number 08185

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **186** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Sutton Homes, TDHCA Number 08190

BASIC DEVELOPMENT INFORMATION

Site Address: 909 Runnels Development #: 08190
 City: San Antonio Region: 9 Population Served: General
 County: Bexar Zip Code: 78208 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: ARDC Sutton, Ltd.
 Owner Contact and Phone: Ryan Wilson, (210) 694-2223
 Developer: Franklin Development Properties
 Housing General Contractor: Franklin Construction, Ltd
 Architect: RPGA Design Group, Inc.
 Market Analyst: Land America Commercial Services
 Syndicator: Red Capital Group
 Supportive Services: United Apartment Group
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	186
	10 39 28 109	Market Rate Units:	8
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 55 91 44 4 0	Total Development Units:	194
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	8
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Sutton Homes, TDHCA Number 08190

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26, S Points: 14 US Representative: González, District 20, NC
TX Representative: Jones McClendon, District 120, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Sheila McNeil, Councilwoman, District 2

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s). Although it did not qualify for Quantifiable Community Participation, the Sutton Homes Resident Council submitted a letter stating that the organization supports the proposed development because the project will assist with the redevelopment of affordable housing and provide much needed services and amenities.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sutton Homes, TDHCA Number 08190

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sphinx at Fiji Senior, TDHCA Number 08193

BASIC DEVELOPMENT INFORMATION

Site Address: 201 Fran Way Development #: 08193
 City: Dallas Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75203 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: SDC FIJI Senior, LP
 Owner Contact and Phone: Joseph Agumadu, (214) 342-1400
 Developer: Sphinx Development Corporation
 Housing General Contractor: Alta Construction Service
 Architect: James, Harwick & Partners
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: PNC Multifamily Capital
 Supportive Services: Texas Interfaith Supportive Services, LLC
 Consultant: State Street Housing Advisers

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	130
	7 0 45 78	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 65 65 0 0 0	Total Development Units:	130
Type of Building:		Total Development Cost*:	\$14,963,823
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Sphinx at Fiji Senior, TDHCA Number 08193

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: West, District 23, S Points: 14 US Representative: Johnson, District 30, NC
TX Representative: Mallory Caraway, District 110, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Dwaine R. Caraway, Deputy Mayor Pro Tem, District 4 Resolution of Support from Local Government

Individuals and Businesses In Support: 6 In Opposition 0

Quantifiable Community Participation Input:

Ewing and Corinth Community Organization, Melba Williams Letter Score: 24 S or O: S

The same Developer built Ewing Villas and Reese Court Villas which have been very desirable in our community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and a qualified Neighborhood Organization. Six people spoke in support of the development at the public hearing.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by commitment, of approval of appropriate zoning for the site or a variance for the proposed development.
2. Receipt, review, and acceptance, by the July 31, 2008 TDHCA Board meeting, of an Engineer's signed and sealed sitework cost breakdown and a CPA letter reflecting an estimate of eligible sitework costs.
3. Receipt, review, and acceptance, by 10% test, that the any asbestos containing materials were removed by a licensed asbestos abatement contractor in accordance with the Phase I ESA.
4. Receipt, review, and acceptance of noise abatement recommendations from a qualified engineer by carryover and evidence, by cost certification, that the noise abatement recommendations were fully implemented.
5. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
6. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sphinx at Fiji Senior, TDHCA Number 08193

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/07/08 PROGRAM: 9% HTC FILE NUMBER: 08193

DEVELOPMENT

Sphinx at Fiji Seniors

Location: 201 Fran Way Region: 3
 City: Dallas County: Dallas Zip: 75203 OCT DDA
 Key Attributes: Multifamily, Elderly, Urban, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance, by commitment, of approval of appropriate zoning for the site or a variance for the proposed development.
- 2 Receipt, review, and acceptance, by the July 31, 2008 TDHCA Board meeting, of an Engineer's signed and sealed sitework cost breakdown and a CPA letter reflecting an estimate of eligible sitework costs.
- 3 Receipt, review, and acceptance, by 10% test, that the any asbestos containing materials were removed by a licensed asbestos abatement contractor in accordance with the Phase I ESA.
- 4 Receipt, review, and acceptance of noise abatement recommendations from a qualified engineer by carryover and evidence, by cost certification, that the noise abatement recommendations were fully implemented.
- 5 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 6 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	7
50% of AMI	50% of AMI	45
60% of AMI	60% of AMI	78

PROS

- The application has the support of the City of Dallas and will utilize funds from several public agencies.

CONS

- The Applicant's direct construction cost estimate is more than 5% higher than the Underwriter's estimate.

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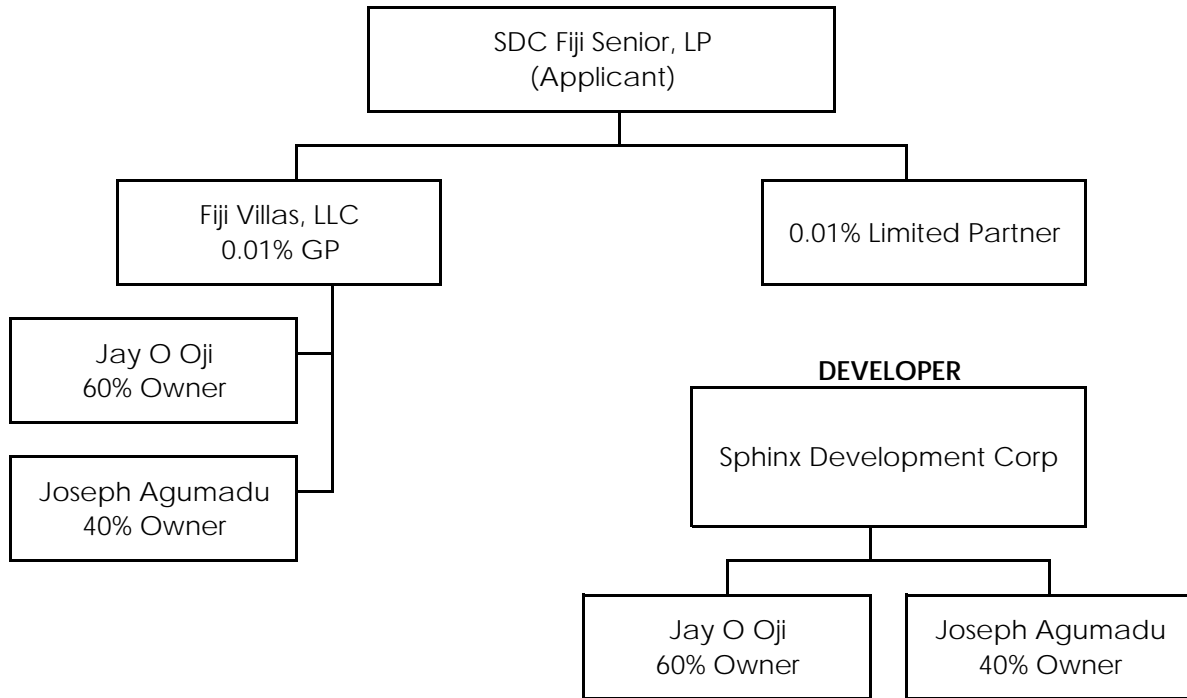
- The 78 proposed 60% units offer no savings over existing market rate properties in the market area, which could be indicative of an oversaturation of 60% units.
- The Underwriter's expense to income ratio (63.7%) is just slightly below the Department's 65% maximum.

PREVIOUS UNDERWRITING REPORTS

The subject development was submitted during the 2007 competitive housing tax credit cycle but was not competitive within the subregion. The transaction was therefore not underwritten.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Joseph Agumadu Phone: 214.342.1400 Fax: 214.342.1409
 Email: joseph@sdcus.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Sphinx Development Corp	n/a	--
Jay O Oji	n/a	7 LIHTC Allocations
Joseph Agumadu	n/a	6 LIHTC Allocations

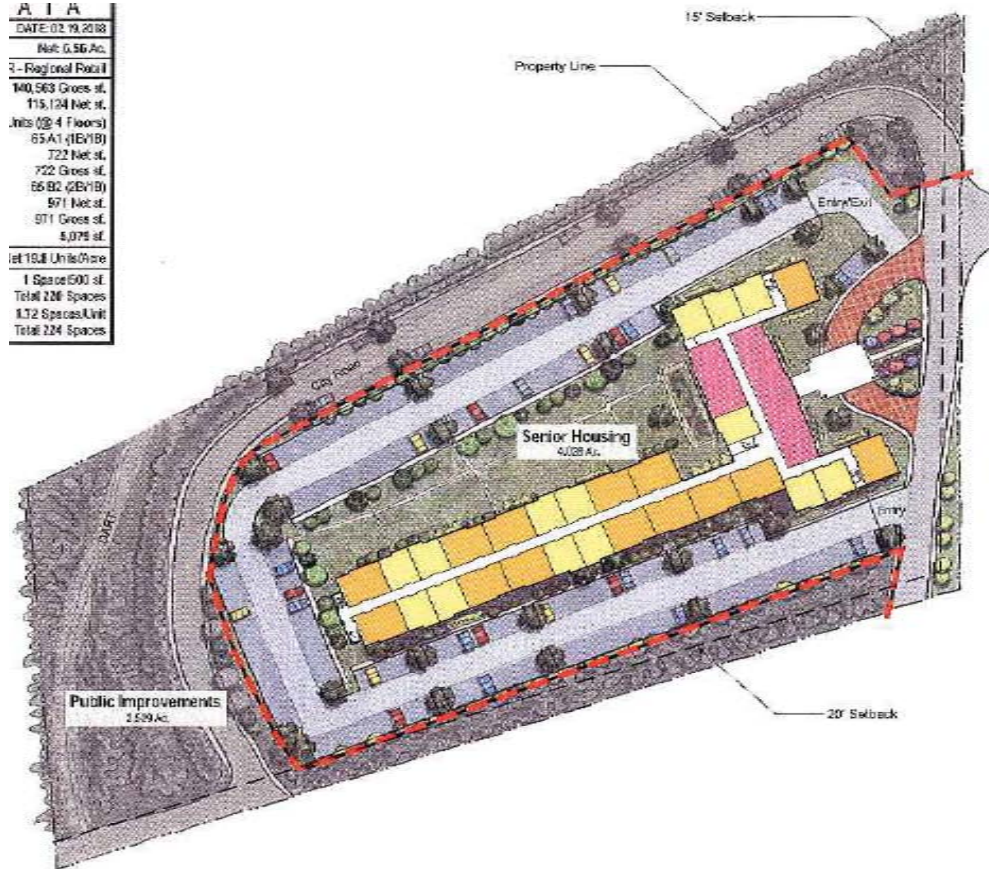
IDENTITIES of INTEREST

- The Applicant and Developer provider are related entities. These are common relationships for HTC-funded developments.

- o The Applicant provided a Warranty Deed indicating that the property was transferred in November of 2007. The City of Dallas has funded the acquisition of the property and the said funds will remain in place over the long term. Therefore, no transfer of the site is proposed in the application. This is discussed in detail in the acquisition cost section below.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A																			Total Buildings	
Floors/Stories	4																				
Number	1																				1

BR/BA	SF	Units										Total Units	Total SF		
1/1	722	65												65	46,930
2/1	971	65												65	63,115
Units per Building		130												130	110,045

Development Plan:

The subject application proposes the development of a 130 unit multifamily project targeting elderly households. The proposed site is a 5.99 acre tract that, until recently, was the site for several paper companies, most recently Rock-Tenn Specialty Products. The site was purchased by the Applicant in November 2007 after being under contract for two years, and the existing concrete and metal manufacturing and warehouse facility is currently being demolished.

The proposed development is Phase I of a more than 20 acre redevelopment plan located at the junction of two DART rail lines. The North Central Texas Council of Governments has committed \$2.8M in Sustainable Development Program funds for the redevelopment of this 20 acre area and the City of Dallas has committed an addition \$702K from the 2003 City bond program to fund infrastructure development which includes several dedicated roadways, a park area, and bike trail. Based on an engineer's breakdown and a letter from the City of Dallas, \$447,750 of these funds will fund a roadway that will provide access to the subject site.

In addition, the City of Dallas has approved \$1,200,000 in CDBG soft second lien funds for the acquisition and demolition of the subject 5.99 acre site. The Applicant has closed on this source of funds and has provided a Deed of Trust in the application. This is discussed in detail in the acquisition cost section of the report below.

SITE ISSUES

Total Size: 5.99 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: Light Industrial Needs to be re-zoned? Yes No N/A

Comments:

The site is currently zoned for Light Industrial use. However, the Applicant has submitted documentation that an application to rezone the site to MU (Mixed Use District) has been received by the City of Dallas. Receipt, review, and acceptance, by commitment, of approval of appropriate zoning for the site or a variance for the proposed development is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/9/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: railroad tracks, vacant land, older multifamily housing
 East: Corinth Street, older single family residential
 South: vacant land, single family residential
 West: railroad tracks, vacant land, single family residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Reed Engineering Group Date: 3/6/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- The report states, "The combined DNL for roadway, airport and railway noise sources is 68.9 dB, which falls within the range of Normally Unacceptable" (p. 25). A follow-up email from the ESA provider indicates, "We re-calculated the roadway noise level based on the proposed site plan that you provided and the noise level still falls within the "Normally Unacceptable" range. As far as providing recommendations for noise abatement solutions, Reed Engineering is only qualified to perform the HUD Noise Assessment as outlined in HUD Noise Assessment Guidelines. In order to obtain noise abatement recommendations, you should seek an engineer that specializes in noise abatement."

Therefore, receipt, review, and acceptance of noise abatement recommendations from a qualified engineer by carryover and evidence, by cost certification, that the noise abatement recommendations were fully implemented are conditions of this report.

- "Reed previously conducted an asbestos survey within the commercial buildings at the former Rock-Tenn facility (Reed Project No. 12804). No asbestos was detected in the modular office building. Asbestos was detected in wall texture, joint compound and flooring materials in the break room and restroom areas within the manufacturing building. Those materials will require removal by a licensed asbestos abatement contractor prior to demolition" (p. 26).

The Applicant has indicated that the demolition of the existing buildings is approximately 75% complete. The Applicant has not provided documentation that the asbestos was handled as prescribed in the ESA, but an executed contract for the demolition work was submitted. The contract indicates that Asbestos Abatement Contractors would be subcontracted to perform asbestos abatement according to environmental standards. However, receipt, review, and acceptance, by 10% test, that the any asbestos containing materials were removed by a licensed asbestos abatement contractor in accordance with the Phase I ESA is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 3/4/2008
 Contact: Darrell Jack Phone: 210.530.0040 Fax: 210.340.5830
 Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 59.57 square miles (4.36 mile radius)

"For this analysis, we utilized a "primary market area" encompassing 58.6 square miles. The boundaries of the Primary Market Area follow those of the census tracts listed in Section 2.1.3 of this report. These boundaries approximately follow as such:

North: West Davis Street (Highway 180), Jefferson Boulevard]
 East: Union Pacific RR Tracks, Trinity River
 South: Camp Wisdom Road, Wheatland Road, IH -20,
 West: Cockrell Hill Road, Loop 12" (p. 3).

The Market Analyst's estimated 2007 population for the PMA is 240,805 which is just slightly below the 250,000 limit for elderly transactions.

Secondary Market Area (SMA):

N/A

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Sphinx at Luxar	05082	100	0	N/A			
Reese Court Villas	05095	80	0				

INCOME LIMITS						
Dallas						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
50	\$23,300	\$26,600	\$29,950	\$33,250	\$35,900	\$38,550
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	134	13	0	147	3	0	2%
1 BR/50% Rent Limit	73	72	0	145	23	0	16%
1 BR/60% Rent Limit	116	20	0	136	39	0	29%
2 BR/30% Rent Limit	55	3	0	58	4	0	7%
2 BR/50% Rent Limit	19	23	0	42	22	0	52%
2 BR/60% Rent Limit	42	4	0	44	39	0	89%

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OVERALL DEMAND								
	Target Households	Household Size	Income Eligible	Tenure	Demand			
PMA DEMAND from TURNOVER								
Market Analyst p. 55	24,513	100% 24,513	22% 5,383	21% 1,130	25%	283		
Underwriter	34% 24,799	100% 24,799	21% 5,275	21% 1,108	25%	277		
PMA DEMAND from HOUSEHOLD GROWTH								
Market Analyst p. 58		100% 771	22% 169	21% 36	100%	36		
Underwriter		100% 624	21% 133	21% 28	100%	28		

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 59	130	0	0	130	318	40.8%
Underwriter	130	0	0	130	305	42.63%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 91.6% as a result of increasing demand and no recent new construction. Projects constructed since 2000 report 98.1% average occupancy, and projects built during the 1990's are 94.4% occupied. Affordable projects are 87.5% occupied and the three affordable senior projects average 94.2% occupied" (p. 12).

Reese Court Villas, a 2005 9% development targeting families, is currently in leaseup and as of January 2008 reported an occupancy of 34%. Sphinx at Luxar, another 2005 property targeting families, reported an occupancy of 76% as of December 2007.

Absorption Projections:

"Absorption from 1990 to 2000 for all rental unit types is estimated to be 221 units per year. Absorption over the previous eight years for all unit types has been 459 units per year. We expect this to continue as the number of new household continues to grow, and as additional rental units become available" (p. 12).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 722 SF 30%	\$251	\$275	\$610	\$275	\$335	
1 BR 722 SF 50%	\$485	\$525	\$610	\$525	\$85	
1 BR 722 SF 60%	\$601	\$650	\$610	\$610	\$0	
2 BR 971 SF 30%	\$296	\$325	\$730	\$325	\$405	
2 BR 971 SF 50%	\$576	\$625	\$730	\$625	\$105	
2 BR 971 SF 60%	\$716	\$775	\$730	\$730	\$0	

Market Impact:

"It is our opinion, given current occupancies and the forecasted household growth, that the subject's unit mix, for all intended purposes, will meet the needs of lower and median income senior families within the sub-market" (p. 15).

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Comments:

The market study was performed in accordance with the Department's guidelines and provides sufficient information on which to base a funding recommendation. The inclusive capture rates calculated by the Market Analyst and Underwriter are below Department's 75% threshold for elderly transactions. However, while occupancy rates for the other elderly properties within the PMA are above 90%, the average occupancy for all affordable properties within the PMA is 87.5% according to the Market Analyst.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 48 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 326 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2008

The Applicant has estimated net rents that are below the program maximums and below the market rents. The Underwriter has used the lesser of the 2008 gross tax credit rent limits less the applicable utility allowances for Dallas or the achievable market rents determined by the Market Analyst. The market rents for the 60% one-bedroom and 60% two bedroom units are \$40 and \$45 below the net 60% tax credit rent levels, which indicates that these units will offer no savings over existing market rate units in the market.

The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines and are also reflected by the Underwriter. The Applicant has also included \$10.2K in income from garage rentals. The Applicant provided no support for this source of income and it has therefore not been included by the Underwriter. The Applicant's effective gross income estimate is within 5% of the Underwriter's estimate. Tenants will be responsible for electric utility costs.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's expense estimate of \$4,101 per unit is not within 5% of the Underwriter's estimate of \$4,469 per unit derived from the TDHCA database, IREM data, and other sources. Additionally, two of the Applicant's estimates of specific line items differ significantly from the Underwriter's, including: general and administrative (\$21K lower); and utilities (\$11K lower).

Conclusion:

The Applicant's estimates of total operating expense and net operating income are each not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Year One proforma results in a DCR within the parameters defined by the Department's current guideline.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 5.99 acres	<u>\$183,320</u>	Tax Year:	<u>2007</u>
Existing Buildings:	<u>\$1,026,280</u>	Valuation by:	<u>Dallas CAD</u>
Total Assessed Value:	<u>\$1,209,600</u>	Tax Rate:	<u>2.514757</u>

EVIDENCE of PROPERTY CONTROL

Type: Warranty Deed Acreage: 5.99

Contract Expiration: N/A Valid Through Board Date? Yes No

Acquisition Cost: \$800,000 Other: _____

Seller: Rock-Tenn Converting Company Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/6/2008

Acquisition Value:

The Applicant provided a Warranty Deed to document ownership of the site. The site was purchased by the Applicant in November 2007 after being held under contract for approximately two years. The contract price was \$800,000 as is reflected in the deed provided. However, the Applicant also provided a settlement statement reflecting closing costs of \$32,150 and extension fees not applied to the purchase price of \$125,400 that accrued over the long contract period. The Applicant appears to have included \$25,000 in extension fees that apply to the purchase price in the acquisition cost reflected in the development cost schedule. Therefore, the Underwriter has adjusted the acquisition cost by \$25K and has made a comparable adjustment to the recommended sources and uses of funds for the Applicant's estimate.

The Applicant has indicated that the purchase of the property was financed with CDBG funds from the City of Dallas in the form of a soft second lien loan as discussed in the financing section below. The Deed of Trust reflects \$1,200,000 in CDBG funds for the acquisition and demolition of the site. Based on the settlement statement provided, it appears that \$830,400 of the \$1,200,000 was applied to the acquisition; it is likely that the remaining portion of the extension fees and closing costs were not eligible costs for CDBG purposes. As such, the remaining \$369,600 would appear to be for the demolition of the existing structures on site. The Applicant has provided a contract for the demolition reflecting a net cost of \$214K (net of the sale of recovered steel). Additionally, a letter addressed to the City from the Applicant budgets another \$50K for indirect costs, a 6% contingency, and a 15% construction management fee for the Developer.

However, the Applicant provided documentation from the City indicating: "On November 15, 2007, SDC Fiji Senior L.P. (SDC) executed a Loan Agreement with the City of Dallas accepting a loan for \$1,200,000 for acquisition and related cost (\$832,150), and demolition (\$367,850) for the property at 201 Fran Way, for the future construction of a 130-unit multifamily development for seniors. On November 28, 2007, the sales closing to SDC occurred. On March 20, 2008, the City issued an Order to Proceed for SDC to start the demolition work at the site." It is unclear that this is fully accounted for in the development cost schedule provided. After the \$830,400 for acquisition (from the settlement statement) and total \$322,182 budgeted for demolition (from the cost schedule), \$47,418 of the \$1,200,000 CDBG loan remains unaccounted for in the development cost schedule. This remaining balance appears to have been fully accounted for by the City, however, and split between the acquisition and demolition.

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The Applicant was unable to provide sufficient documentation to indicate that the full \$1.2M is accounted for in the cost schedule. In the financing section below, the Underwriter has performed a sensitivity test to ensure that the \$47,418 in unaccounted cost will not have a material impact on the viability of the transaction or the HTC recommendation and this test should be repeated at cost certification.

Off-Site Cost:

The Applicant has claimed \$447,750 in offsite costs for the development of a roadway that will circle the boundary of the site and provide access to the proposed development. A signed and sealed engineer's estimate was provided to support this cost. The City of Dallas has committed funding for the completion of this infrastructure. A letter from the City of Dallas also supports the estimated off-site cost of \$447,750. A source of funds offsetting the development of this roadway is reflected in the Applicant's sources and uses of funds. This will be discussed further below.

Sitework Cost:

The Applicant's revised their sitework estimate during the underwriting process by increasing it to \$11,473 per unit, including \$322K ineligible demolition cost. This well above below the Department's threshold; therefore, support from a third-party engineer and a letter CPA estimating the eligible portion of the sitework costs is required. The Applicant was unable to secure these letters prior to finalization of this report. Therefore, receipt, review, and acceptance, by the July 31, 2008 TDHCA Board meeting, of an Engineer's signed and sealed sitework cost breakdown and a CPA letter reflecting an estimate of eligible sitework costs is a condition of this report.

Direct Construction Cost:

The Applicant's direct construction cost estimate of \$50,447 per unit is 8% higher than the Underwriter's estimate of \$46,775 per unit. This difference is a concern of the Underwriter. Of note, the Applicant excluded the cost associated with development of the planned garages/carports onsite.

Conclusion:

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 \$12,295,547 supports annual tax credits of \$1,329,886. 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

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 4/25/2008

Source: City of Dallas Type: Existing Financing

Principal: \$1,200,000 Interest Rate: 1.0% Fixed Term: 360 months

Comments:

As indicated previously, the City of Dallas has contributed CDBG funds for the acquisition and demolition of the 5.99 acre site and eligible soft costs. The Applicant has provided a Loan Agreement and a Deed of Trust to document this source of funds. The funds are structured with a 1.0% interest rate and a 30 year term. Interest will accrue and principal and accrued interest will be repaid at the end of the term. This source of funds will take a second lien position to the PNC mortgage reflected below. CDBG funds are generally not considered a Below Market Federal subsidy for the purposes of determining eligibility for 9% HTCs and the Applicant has accordingly not excluded this source of funds from eligible basis.

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As indicated in the acquisition cost section, \$47,418 of these funds are unaccounted for in the development cost schedule. It is unclear if this amount is attributed to soft costs reflected in the cost schedule or if these costs have been excluded from the cost schedule. However, based on the Underwriter's evaluation, it appears that if either is the case, the ultimate conclusion will not be materially affected. There is sufficient additional developer fee available to defer if \$47K in costs have been excluded from the cost schedule.

Source: PNC MultiFamily Capital Type: Permanent Financing

Principal: \$3,376,000 Interest Rate: 7.0% Fixed Amort: 360 months

Comments:

The Applicant has provided a commitment from PNC reflecting a minimum acceptable DCR of 1.20.

Source: City of Dallas / North Central Texas COG Type: Grant

Principal: \$447,750 Conditions: _____

Comments:

The City of Dallas and North Central Texas COG have committed a combined \$3.5M for the development of infrastructure for the redevelopment area. The City of Dallas has provided a letter indicating that \$447,750 of these funds will be attributed to a roadway that will provide access to the site. An engineer's letter supports this estimate. A comparable use of funds has been reflected in the development cost schedule as an off-site cost.

Source: PNC MultiFamily Capital Type: Syndication

Proceeds: \$ 9,839,016 Syndication Rate: 82% Anticipated HTC: \$ 1,200,000

Comments:

Should the final credit price decrease less than \$0.72, all else equal, the gap in financing would increase and the resulting deferred developer fee would not be repayable within the required 15 years. Alternatively, the credit price can increase to \$0.828 before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount.

Amount: \$127,057 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

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CONCLUSIONS

Recommended Financing Structure:

The Applicant's adjusted total development cost estimate less the permanent loan of \$3,376,000, \$1,200,000 in City of Dallas CDBG funds, and \$447,750 City of Dallas grant for off-site costs indicates the need for \$9,940,073 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,212,325 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,212,325), and eligible basis-derived estimate (\$1,329,886), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$9,839,016 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$101,057 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

Underwriter:

Cameron Dorsey

Date: July 7, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 7, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Sphinx at Fiji Seniors, Dallas, 9% HTC #08193

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	722	\$373	\$275	\$825	\$0.38	\$98.00	\$46.00
TC 50%	23	1	1	722	\$623	\$525	\$12,075	\$0.73	\$98.00	\$46.00
TC 60%	39	1	1	722	\$748	\$610	\$23,790	\$0.84	\$98.00	\$46.00
TC 30%	4	2	1	971	\$448	\$325	\$1,300	\$0.33	\$123.00	\$54.00
TC 50%	22	2	1	971	\$748	\$625	\$13,750	\$0.64	\$123.00	\$54.00
TC 60%	39	2	1	971	\$898	\$730	\$28,470	\$0.75	\$123.00	\$54.00
TOTAL:	130		AVERAGE:	847		\$617	\$80,210	\$0.73	\$110.50	\$50.00

INCOME				Total Net Rentable Sq Ft:	110,045	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION			
POTENTIAL GROSS RENT						\$962,520	\$925,524	Dallas	Dallas	3			
Secondary Income		Per Unit Per Month:	\$15.00			23,400	21,000	\$13.46	Per Unit Per Month				
Other Support Income: garage/carport rental						0	10,200	\$6.54	Per Unit Per Month				
POTENTIAL GROSS INCOME						\$985,920	\$956,724						
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(73,944)	(71,754)	-7.50%	of Potential Gross Income				
Employee or Other Non-Rental Units or Concessions						0	0						
EFFECTIVE GROSS INCOME						\$911,976	\$884,970						
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI			
General & Administrative		5.74%	\$402	0.48		\$52,306	\$30,820	\$0.28	\$237	3.48%			
Management		5.00%	351	0.41		45,599	44,248	0.40	340	5.00%			
Payroll & Payroll Tax		14.57%	1,022	1.21		132,864	120,125	1.09	924	13.57%			
Repairs & Maintenance		5.89%	413	0.49		53,713	54,240	0.49	417	6.13%			
Utilities		3.74%	262	0.31		34,117	22,750	0.21	175	2.57%			
Water, Sewer, & Trash		5.48%	384	0.45		49,945	43,450	0.39	334	4.91%			
Property Insurance		3.52%	247	0.29		32,061	32,500	0.30	250	3.67%			
Property Tax	2.514757	12.55%	880	1.04		114,421	117,000	1.06	900	13.22%			
Reserve for Replacements		3.56%	250	0.30		32,500	32,500	0.30	250	3.67%			
TDHCA Compliance Fees		0.57%	40	0.05		5,200	7,200	0.07	55	0.81%			
Other: SuppServices/Security		3.10%	217	0.26		28,240	28,240	0.26	217	3.19%			
TOTAL EXPENSES						63.70%	\$4,469	\$5.28	\$580,966	\$533,073	\$4.84	\$4,101	60.24%
NET OPERATING INC						36.30%	\$2,546	\$3.01	\$331,010	\$351,897	\$3.20	\$2,707	39.76%
DEBT SERVICE													
PNC MultiFamily First Lien		29.55%	\$2,073	\$2.45		\$269,527	\$269,527	\$2.45	\$2,073	30.46%			
City of Dallas (CDBG)		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%			
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%			
NET CASH FLOW						6.74%	\$473	\$0.56	\$61,483	\$82,370	\$0.75	\$634	9.31%
AGGREGATE DEBT COVERAGE RATIO						1.23	1.31						
RECOMMENDED DEBT COVERAGE RATIO						1.23							

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)		6.69%	\$7,366	\$8.70	\$957,550	\$982,550	\$8.93	\$7,558	6.56%				
Off-Sites		3.13%	3,444	4.07	447,750	447,750	4.07	3,444	2.99%				
Sitework		8.17%	8,995	10.63	1,169,350	1,169,350	10.63	8,995	7.80%				
Direct Construction		42.50%	46,775	55.26	6,080,800	6,558,174	59.60	50,447	43.75%				
Contingency	5.00%	2.53%	2,789	3.29	362,507	390,626	3.55	3,005	2.61%				
Contractor's Fees	14.00%	7.09%	7,808	9.22	1,015,021	1,081,854	9.83	8,322	7.22%				
Indirect Construction		6.87%	7,557	8.93	982,350	982,350	8.93	7,557	6.55%				
Ineligible Costs		6.87%	7,562	8.93	983,075	983,075	8.93	7,562	6.56%				
Developer's Fees	15.00%	10.61%	11,683	13.80	1,518,766	1,602,365	14.56	12,326	10.69%				
Interim Financing		3.60%	3,962	4.68	515,080	515,080	4.68	3,962	3.44%				
Reserves		1.93%	2,120	2.50	275,650	275,650	2.50	2,120	1.84%				
TOTAL COST						100.00%	\$110,061	\$130.02	\$14,307,899	\$14,988,823	\$136.21	\$115,299	100.00%
Construction Cost Recap						60.30%	\$66,367	\$78.40	\$8,627,678	\$9,200,003	\$83.60	\$70,769	61.38%

SOURCES OF FUNDS									
					TDHCA	APPLICANT	RECOMMENDED		
PNC MultiFamily First Lien		23.60%	\$25,969	\$30.68	\$3,376,000	\$3,376,000	\$3,376,000	Developer Fee Available	
City of Dallas (CDBG)		8.39%	\$9,231	\$10.90	1,200,000	1,200,000	1,200,000	\$1,602,365	
City of Dallas/NC Tx COG		3.13%	\$3,444	\$4.07	447,750	447,750	447,750		
PNC HTC Equity		68.76%	\$75,677	\$89.40	9,838,016	9,838,016	9,839,016	% of Dev. Fee Deferred	
Deferred Developer Fees		0.89%	\$977	\$1.15	127,057	127,057	101,057	6%	
Additional (Excess) Funds Req'd		-4.76%	(\$5,238)	(\$6.19)	(680,923)	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES						\$14,307,899	\$14,988,823	\$14,963,823	\$1,329,745

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Sphinx at Fiji Seniors, Dallas, 9% HTC #08193

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$51.66	\$5,684,374
Adjustments				
Exterior Wall Finish	2.40%		\$1.24	\$136,425
Elderly	3.00%		1.55	170,531
9-Ft. Ceilings	3.30%		1.70	187,584
Elevators	\$45,100	3	1.23	135,300
Subfloor			(0.62)	(67,953)
Floor Cover			2.43	267,409
Breezeways/Balconies	\$21.65	0	0.00	0
Plumbing Fixtures	\$805	0	0.00	0
Rough-ins	\$400	260	0.95	104,000
Built-In Appliances	\$1,850	130	2.19	240,500
Exterior Stairs	\$1,800	9	0.15	16,200
Enclosed Corridors	\$47.08	14760	6.31	694,827
Heating/Cooling			1.90	209,086
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$51.66	5,532	2.60	285,743
Other: fire sprinkler	\$1.95	130,337	2.31	254,157
SUBTOTAL			75.59	8,318,183
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(7.56)	(831,818)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.03	\$7,486,365
Plans, specs, survy, bld prm	3.90%		(\$2.65)	(\$291,968)
Interim Construction Interes	3.38%		(2.30)	(252,665)
Contractor's OH & Profit	11.50%		(7.82)	(860,932)
NET DIRECT CONSTRUCTION COSTS			\$55.26	\$6,080,800

PAYMENT COMPUTATION

Primary	\$3,376,000	Amort	360
Int Rate	7.00%	DCR	1.23

Secondary	\$1,200,000	Amort	
Int Rate		Subtotal DCR	1.23

Additional	\$9,838,016	Amort	
Int Rate		Aggregate DCR	1.23

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$269,527
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$61,483

Primary	\$3,376,000	Amort	360
Int Rate	7.00%	DCR	1.23

Secondary	\$1,200,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.23

Additional	\$9,838,016	Amort	0
Int Rate	0.00%	Aggregate DCR	1.23

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

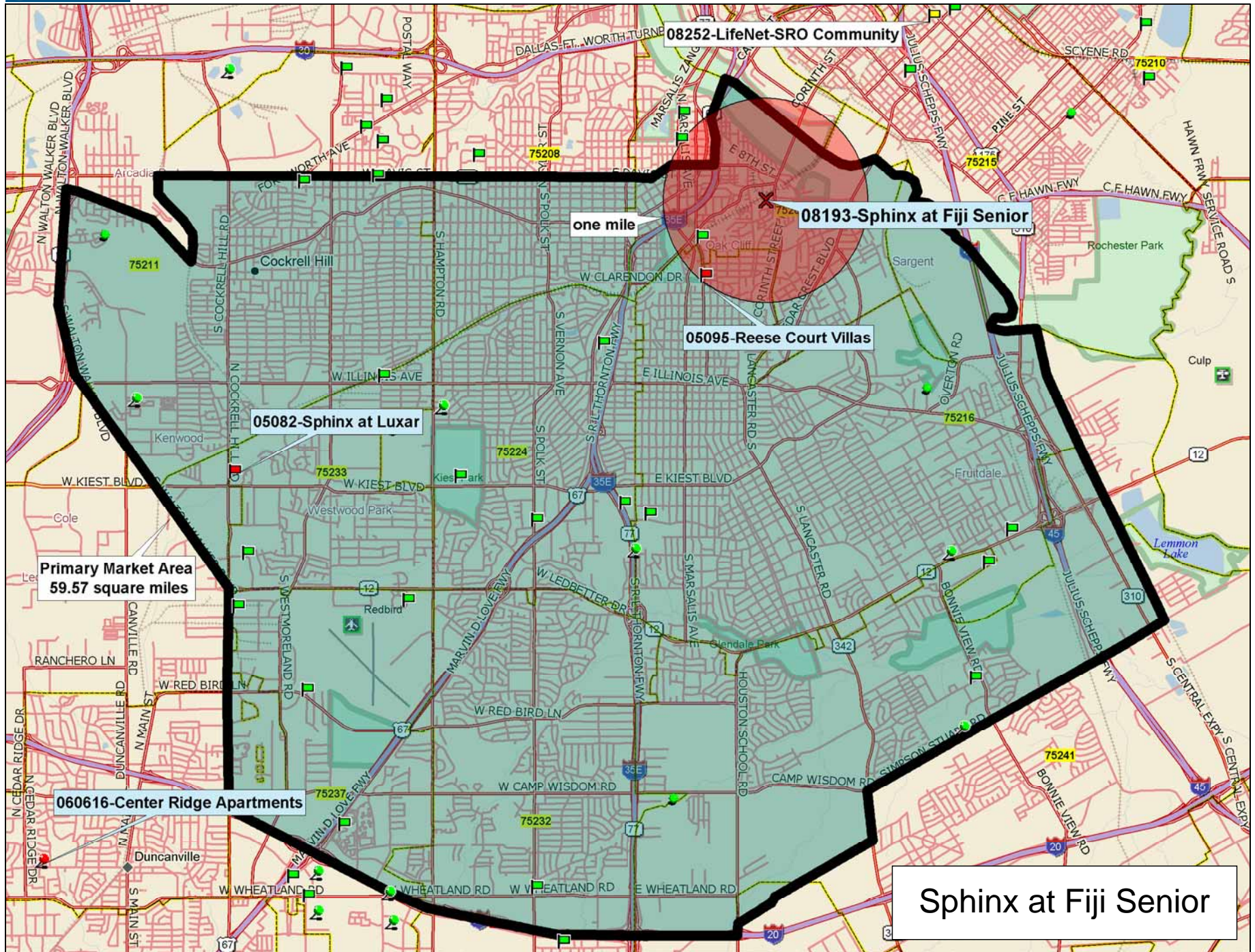
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$962,520	\$991,396	\$1,021,137	\$1,051,772	\$1,083,325	\$1,255,870	\$1,455,898	\$1,687,785	\$2,268,241
Secondary Income	23,400	24,102	24,825	25,570	26,337	30,532	35,395	41,032	55,144
Other Support Income: garage	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	985,920	1,015,498	1,045,963	1,077,341	1,109,662	1,286,402	1,491,292	1,728,817	2,323,385
Vacancy & Collection Loss	(73,944)	(76,162)	(78,447)	(80,801)	(83,225)	(96,480)	(111,847)	(129,661)	(174,254)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$911,976	\$939,335	\$967,515	\$996,541	\$1,026,437	\$1,189,922	\$1,379,446	\$1,599,155	\$2,149,131
EXPENSES at 4.00%									
General & Administrative	\$52,306	\$54,398	\$56,574	\$58,837	\$61,191	\$74,448	\$90,577	\$110,201	\$163,124
Management	45,599	46,967	48,376	49,827	51,322	59,496	68,972	79,958	107,457
Payroll & Payroll Tax	132,864	138,178	143,706	149,454	155,432	189,107	230,077	279,924	414,356
Repairs & Maintenance	53,713	55,861	58,096	60,419	62,836	76,450	93,013	113,164	167,511
Utilities	34,117	35,482	36,901	38,377	39,912	48,559	59,080	71,880	106,400
Water, Sewer & Trash	49,945	51,943	54,021	56,182	58,429	71,088	86,489	105,227	155,762
Insurance	32,061	33,343	34,677	36,064	37,506	45,632	55,519	67,547	99,986
Property Tax	114,421	118,998	123,758	128,709	133,857	162,857	198,141	241,069	356,841
Reserve for Replacements	32,500	33,800	35,152	36,558	38,020	46,258	56,279	68,473	101,356
Other	33,440	34,778	36,169	37,615	39,120	47,596	57,907	70,453	104,288
TOTAL EXPENSES	\$580,966	\$603,749	\$627,429	\$652,042	\$677,626	\$821,490	\$996,055	\$1,207,895	\$1,777,080
NET OPERATING INCOME	\$331,010	\$335,587	\$340,087	\$344,499	\$348,811	\$368,431	\$383,391	\$391,260	\$372,051
DEBT SERVICE									
First Lien Financing	\$269,527	\$269,527	\$269,527	\$269,527	\$269,527	\$269,527	\$269,527	\$269,527	\$269,527
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$61,483	\$66,059	\$70,559	\$74,971	\$79,284	\$98,904	\$113,863	\$121,733	\$102,524
DEBT COVERAGE RATIO	1.23	1.25	1.26	1.28	1.29	1.37	1.42	1.45	1.38

HTC ALLOCATION ANALYSIS -Sphinx at Fiji Seniors, Dallas, 9% HTC #08193

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$982,550	\$957,550		
Purchase of buildings				
Off-Site Improvements	\$447,750	\$447,750		
Sitework	\$1,169,350	\$1,169,350	\$1,169,350	\$1,169,350
Construction Hard Costs	\$6,558,174	\$6,080,800	\$6,558,174	\$6,080,800
Contractor Fees	\$1,081,854	\$1,015,021	\$1,081,853	\$1,015,021
Contingencies	\$390,626	\$362,507	\$386,376	\$362,507
Eligible Indirect Fees	\$982,350	\$982,350	\$982,350	\$982,350
Eligible Financing Fees	\$515,080	\$515,080	\$515,080	\$515,080
All Ineligible Costs	\$983,075	\$983,075		
Developer Fees				
Developer Fees	\$1,602,365	\$1,518,766	\$1,602,365	\$1,518,766
Development Reserves	\$275,650	\$275,650		
TOTAL DEVELOPMENT COSTS	\$14,988,823	\$14,307,899	\$12,295,547	\$11,643,874

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,295,547	\$11,643,874
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$15,984,212	\$15,137,036
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$15,984,212	\$15,137,036
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,329,886	\$1,259,401

Syndication Proceeds	0.8199	\$10,903,978	\$10,326,059
Total Tax Credits (Eligible Basis Method)		\$1,329,886	\$1,259,401
Syndication Proceeds		\$10,903,978	\$10,326,059
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$9,839,016	
Gap of Syndication Proceeds Needed		\$9,940,073	
Total Tax Credits (Gap Method)		\$1,212,325	



Sphinx at Fiji Senior

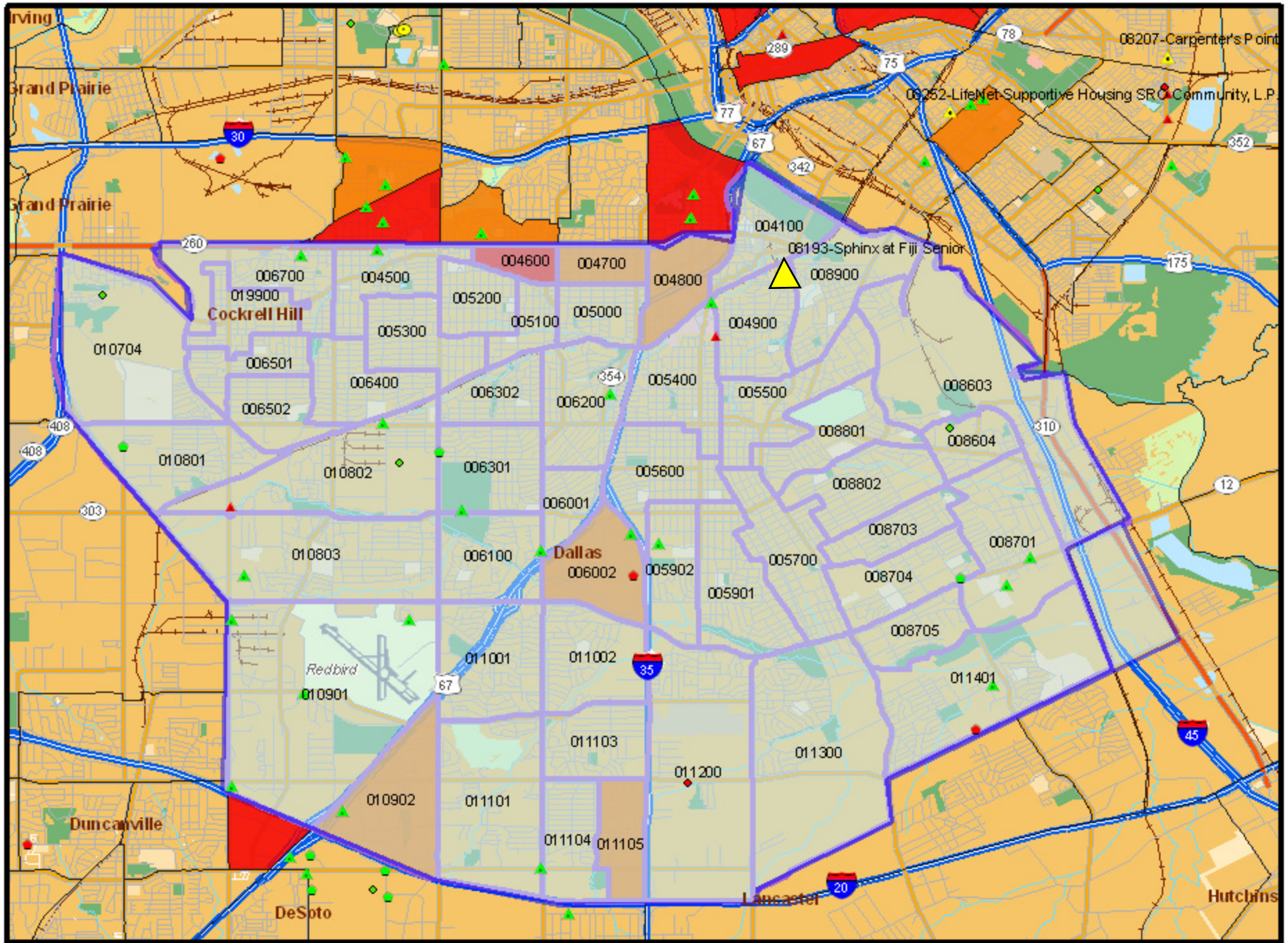
Data use subject to license.

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TN
 MN (4.4°E)
 Page 15 of 16

Scale 1 : 81,250
 0 1 2 mi
 0 1 2 3 km
 1" = 1.28 mi Data Zoom 11-3



08193 - Sphinx at Fiji

0 0.3 0.6 1.2 Miles
 Concentration Key
■ Red Tracts: > 1432 units/sq.mi.
■ Orange Tracts: 1000 to 1432 units/sq.mi.

Applicant Evaluation

Project ID # **08193**

Name: **Sphinx at Fiji Senior**

City: **Dallas**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 9

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 8

Total # of MF awards not yet monitored or pending review: 1

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 9

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/29/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/30/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/30/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

D.N Leathers Townhomes, TDHCA Number 08194

BASIC DEVELOPMENT INFORMATION

Site Address: 1001 Coke St. Development #: 08194
 City: Corpus Christi Region: 10 Population Served: General
 County: Nueces Zip Code: 78401 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: D.N. Leathers Townhomes, LP
 Owner Contact and Phone: Richard Franco, (361) 889-3349
 Developer: Bluebonnet Gardens
 Housing General Contractor: Bluebonnet Gardens
 Architect: AG Associates Architects
 Market Analyst: Novogradac & Company, LLP
 Syndicator: TBD
 Supportive Services: TBD
 Consultant: TBD

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	130
	7 0 46 77	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 28 56 46 0 0	Total Development Units:	130
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	13
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input checked="" type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

D.N Leathers Townhomes, TDHCA Number 08194

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, NC Points: 0 US Representative: Ortiz, District 27, NC
TX Representative: Herrero, District 34, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Henry Garrett, Mayor Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Leopard Street Corridor Association, Jimmy Rodriguez Letter Score: 24 S or O: S

Our organization has a mission statement to revitalize our area. By bringing in more families to our area, we can help accomplish our goals.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
Nueces County Community Action Agency S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and a civic organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

D.N Leathers Townhomes, TDHCA Number 08194

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chateau Village Apartments, TDHCA Number 08195

BASIC DEVELOPMENT INFORMATION

Site Address: 3815 Fuqua St. W. Development #: 08195
 City: Houston Region: 6 Population Served: General
 County: Harris Zip Code: 77045 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Houston Leased Housing Associates I, LP
 Owner Contact and Phone: Mark S. Moorhouse, (763) 354-5613
 Developer: Houston Leased Housing Development I, LLC
 Housing General Contractor: Benson-Orth Associates, Inc.
 Architect: BKV Group
 Market Analyst: Integra Realty Resources
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: Housing Services Incorporated
 Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	150	
	8	0	53	89	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	48	82	16	4	0	
Type of Building:						Total Development Units:	150
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building					Total Development Cost*:	\$15,111,031
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	12
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,174,583	\$1,093,892			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chateau Village Apartments, TDHCA Number 08195

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, NC

Points: 0

US Representative: Green, District 9, NC

TX Representative: Allen, District 131, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition: 0

Quantifiable Community Participation Input:

South Houston Concerned Citizens Coalition, Vivian Harris

Letter Score: 24 S or O: S

The development will correct current conditions at the property that need improvement.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from an elected official and from a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed OCAF rent increase.
2. Receipt, review, and acceptance, by cost certification, of documentation that the development has received a 50% property tax exemption from the Harris County Central Appraisal District.
3. Receipt, review, and acceptance, by cost certification, of a detailed attorney or CPA analysis and opinion clearly establishing that both the proposed second lien to HUD and the proposed HOME loan from Houston are valid debt and reasonably expected to be repaid in full.
4. Receipt, review, and acceptance, by cost certification, of a CPA opinion, including IRS references, as to the amount and eligibility of the imputed expenses claimed.
5. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
6. Should the second lien note from HUD be transferred or forgiven at any time during the initial affordability period a recapture of the credit is likely to be required.
7. Receipt of a commitment of funding from the City of Houston for funds in the amount of \$780,000, or a commitment from a qualifying substitute source in an amount not less than \$764,403, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
8. Receipt of a commitment of funding from the City of Houston in the amount of \$320,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$305,762 as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
9. Should the terms, amount or rates of the proposed financing change, the transaction should be reevaluated, and an adjustment to any allocation may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chateau Village Apartments, TDHCA Number 08195

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$1,093,892

Recommendation: Competitive in At-Risk Set-Aside

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/14/08 PROGRAM: 9% HTC FILE NUMBER: 08195

DEVELOPMENT

Chateau Village

Location: 3815 West Fuqua Region: 6
 City: Houston County: Harris Zip: 77047 OCT DDA
 Key Attributes: Multifamily, Urban, Family, Rehabilitation, Non-Profit

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,174,583			\$1,093,892		

CONDITIONS

- 1 Receipt, review, and acceptance, by cost certification, of HUD approval of the proposed OCAF rent increase.
- 2 Receipt, review, and acceptance, by cost certification, of documentation that the development has received a 50% property tax exemption from the Harris County Central Appraisal District.
- 3 Receipt, review, and acceptance, by cost certification, of a detailed attorney or CPA analysis and opinion clearly establishing that both the proposed second lien to HUD and the proposed HOME loan from Houston are valid debt and reasonably expected to be repaid in full.
- 4 Receipt, review, and acceptance, by cost certification, of a CPA opinion, including IRS references, as to the amount and eligibility of the imputed expenses claimed.
- 5 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 6 Should the second lien note from HUD be transferred or forgiven at any time during the initial affordability period a recapture of the credit is likely to be required.
- 7 If the terms and rates of the proposed financing change, the transaction should be reevaluated, and an adjustment to any allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	53
60% of AMI	60% of AMI	89

This section intentionally left blank.

PROS

- The application proposes the rehabilitation of a 27 year old HUD property and renewal of the existing HAP contract for 100% of the units.
- The property is currently operating at stabilized occupancy of 97% and most of the tenants will likely remain at the property due to the project-based Section 8 assistance.

CONS

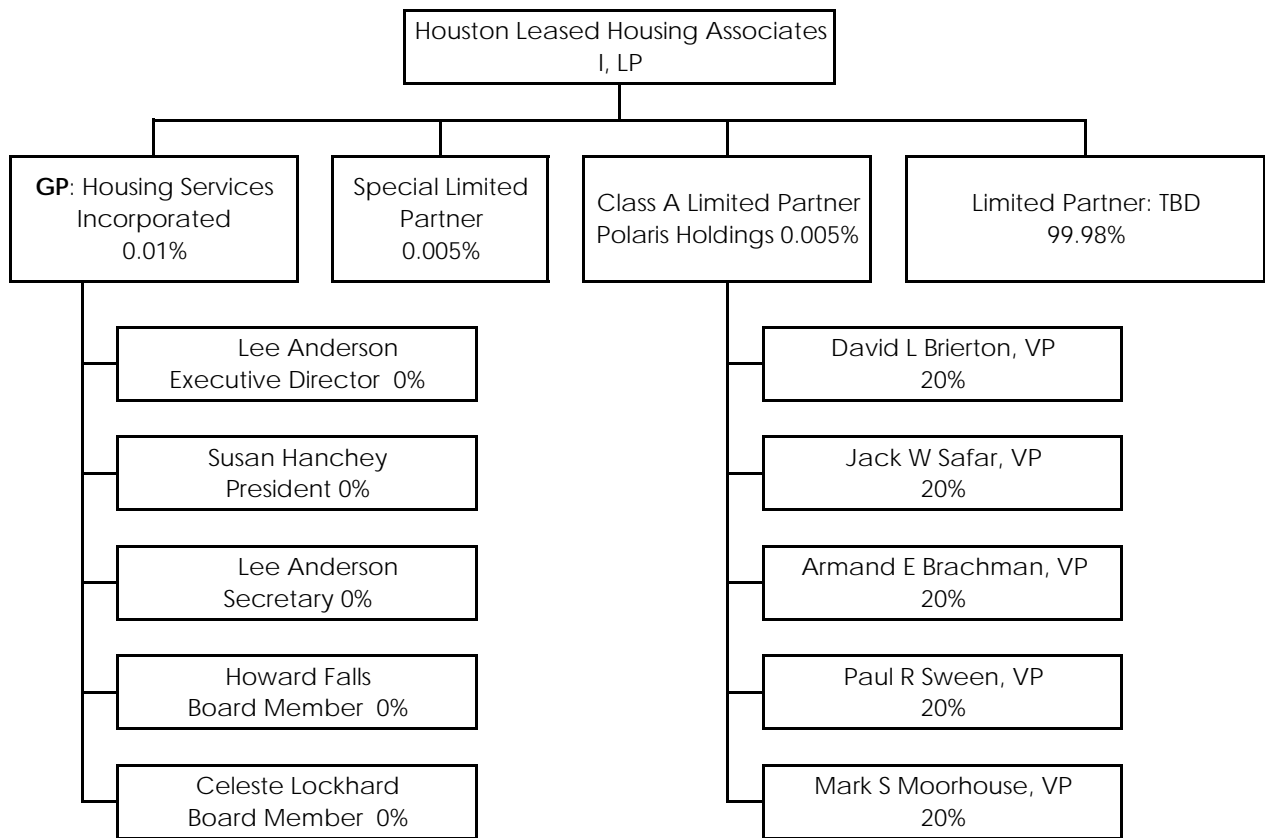
- The development has insufficient cash flow to repay (on a normal amortizing basis) the multiple obligations committed to available cash flow by the Applicant.
- The Applicant's and Underwriter's expense to income ratios are quite high at above 70%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.
- If either the proposed deferred HUD loan or HOME loan are determined to not be repayable, it may disqualify the development from the 30% boost to eligible basis and undermine the financial feasibility of the development.

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Moorhouse Phone: (763) 354-5613 Fax: (763) 354-5633
 Email: mmoorhouse@dominiuminc.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Houston Leased Housing Associates II, LP	No material assets	Not Yet Formed
David L Brierton	N/A	None
Jack W Safar	N/A	
Armand E Brachman	N/A	
Paul R Sween	N/A	
Mark S Moorhouse	N/A	

Comments:

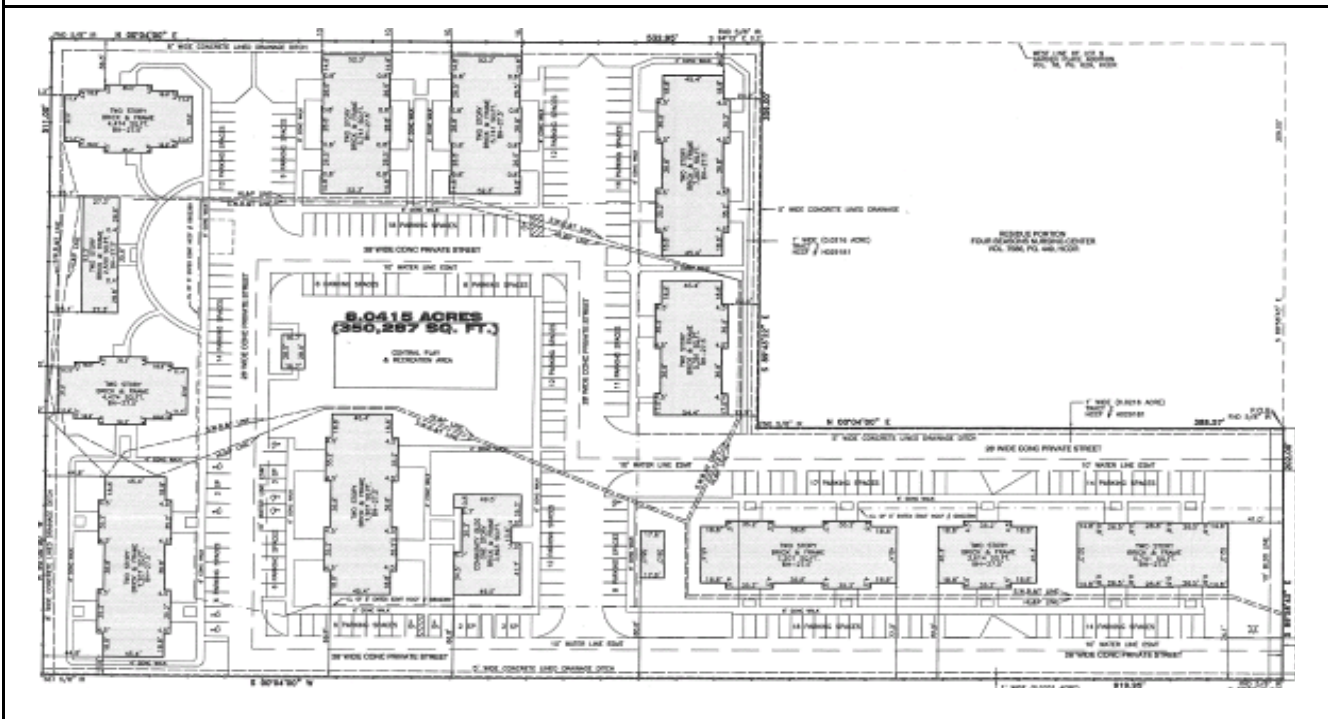
While the development team participants have no experience with the LIHTC program in Texas, the participants appear to have significant experience with the acquisition and rehabilitation of properties in several other states.

IDENTITIES of INTEREST

- The Applicant, Developer, Property Manager, and Supportive Services Provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



This section intentionally left blank.

BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F					Total Buildings
Floors/Stories	2	2	2	2	2	2					
Number	3	4	1	1	2	1					12

BR/BA	SF	Units								Total Units	Total SF
1 / 1	674	16								48	32,352
2 / 1	830		16	8	10					82	68,060
3 / 1.5	1,028					8				16	16,448
4 / 2	1,178						4			4	4,712
Units per Building		16	16	8	10	8	4			150	121,572

SITE ISSUES

Total Size: 8.0415 acres Scattered site? Yes No
 Flood Zone: X, AE Within 100-yr floodplain? Yes No
 Zoning: N / A Needs to be re-zoned? Yes No N/A

Comments:

The addendum letter to the Phase I ESA indicates that the site and surrounding areas are mapped by FEMA as either Zone X or Zone AE (AE being a 100-year floodplain). On closer inspection by the Underwriter, it appears that the building closest to W. Fuqua Street lies partially within Zone AE. The 2008 QAP states that "No buildings or roads that are part of a Development proposing Rehabilitation or Adaptive Reuse, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction." As the subject property will continue to be funded by HUD, it comes under the exception to the floodplain restriction.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/7/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Houston Public Project East: Residential
 South: Residential West: Apartments

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Peer Engineering Date: 8/8/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

An addendum letter to the Phase I ESA dated September 25, 2007, states:

- Limited sampling and analysis of suspect asbestos-containing materials (ACM) was conducted ... laboratory analysis of the collected samples did not identify any ACM. Therefore, no further investigation regarding this issue appears to be warranted at this time.
- Based on the date of construction (1981-82), it is unlikely that painted and coated surfaces are covered with lead-based paint. Therefore, no further investigation regarding this issue appears to be warranted at this time.
- Drinking water sampling for lead (was completed) at the subject property ... All six 1st draw sample concentrations were below the EPA Action Level ... Based on the available information and on the laboratory analytical results, no further investigation regarding this issue appears to be warranted.

This section intentionally left blank.

Comments:

This assessment has revealed no recognized environmental conditions in connection with the subject property.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources DFW Date: 10/19/2007
 Contact: Mark Lamb Phone: (972) 960-1222 Fax: (972) 960-2922
 Number of Revisions: none Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 39 sq. miles 4 mile radius

"We consider the market area for the subject to consist of the following ZIP codes located within the City of Houston: 77045, 77051, 77053, and 77054." (p. 20) The estimated 2007 population of the PMA is 91,102, with 31,924 households.

The market study was originally prepared in accordance with the 2007 Real Estate Analysis Rules; the 2008 Rules include a new requirement that the market study identify all census tracts contained in whole or in part by the PMA. The Market Analyst provided an addendum letter dated February 20, 2008, with a list of twenty census tract numbers (one repeated). This list appears to be inaccurate and incomplete based on comparison to the PMA as defined by the four ZIP Codes listed above; the list does not even include the census tract containing the subject property. Since the demographic data used in the market study is based on the ZIP Codes, that is presumed to be the correct PMA. The Underwriter has identified the following twenty-four census tracts as being contained in whole or in part by the PMA:

48157670100	48201313900	48201330100	48201330600	48201331200
48157670200	48201314000	48201330200	48201330700	48201331300
48157670300	48201314100	48201330300	48201330900	48201331400
48157670700	48201314200	48201330400	48201331000	48201420200
48201313800	48201314300	48201330500	48201331100	

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units				
Cypress Creek at Reed Road	07291	132	126				
Reed Road Seniors	60217	180	N / A				

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 60% AMI	1,116	24		1,140			not calculated
2 BR / 60% AMI	690	15		705			
3 BR / 60% AMI	2,494	54		2,548			
4 BR / 60% AMI	2,185	47		2,232			

UNDERWRITER'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30% AMI	1,099	31		1,130	8	6	1%
1 BR / 50% AMI	502	17		520	34	0	7%
1 BR / 60% AMI	188	2		190	6	26	17%
2 BR / 50% AMI	96	-2		94	19	0	20%
2 BR / 60% AMI	276	-5		270	63	53	43%
3 BR / 60% AMI	366	-9		358	16	29	13%
4 BR / 60% AMI	456	-15		442	4	4	2%

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst p.		31,924							6,485	
Underwriter	100%	31,929	96%	30,581	56%	17,247	48%	8,196	55%	4,508
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p.									140	
Underwriter			96%	417	56%	225	48%	107	100%	107

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)		Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p.		0	126		126	6,625	2%
Underwriter		150	126		276	4,615	6%

Demand Analysis:

The Market Analyst calculated demand for each bedroom configuration, but only at the 60% of AMI restriction. The Market Analyst did not address the 30% and 50% one and two-bedroom units; nor did the Market Analyst determine capture rates for any specific unit types. Furthermore, in concluding total demand, the Market analyst simply added the demand identified for each unit, thereby double counting four and five-person households (which were included in demand for both the three and four-bedroom units). Cypress Creek on Reed Road, a 2007 9% HTC project with 126 approved restricted units, was identified as the only unstabilized comparable supply within the PMA. The Market Analyst concluded an inclusive capture rate of 2%. The Market Analyst did not include the subject units in the supply because the subject is 97% occupied; however, including the subject units is generally the purpose of a capture rate calculation.

The underwriting analysis identified total demand in the PMA for 4,615 units, and in addition to the 126 units at Cypress Creek, included the 150 subject units in the supply despite its stabilized occupancy. This results in a worst-case inclusive capture rate of 6%, well under the maximum 25% limit.

Primary Market Occupancy Rates:

The Applicant submitted a rent roll indicating 4 vacant units, or 97.3% occupancy. The market study indicates that the average occupancy level for all multifamily properties within the PMA is 94%, and the average for LIHTC properties within the PMA is 96%.

Absorption Projections:

The Market Analyst indicates that an absorption analysis was not warranted due to the stabilized occupancy of the subject property.

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract	
1 BR 674 SF 30%	390	402	\$600	\$402	\$12	
1 BR 674 SF 50%	390	402	\$600	\$402	\$12	
1 BR 674 SF 60%	390	402	\$600	\$402	\$12	
2 BR 830 SF 50%	455	469	\$725	\$469	\$14	
2 BR 830 SF 60%	455	469	\$725	\$469	\$14	
3 BR 1,028 SF 60%	645	664	\$880	\$664	\$19	
4 BR 1,178 SF 60%	705	726	\$1,000	\$726	\$21	

Market Impact:

The Applicant expects to maintain minimum vacancy by renovating only eight to sixteen units at a time, and relocating tenants within the property, either temporarily, or permanently into completed units. There is not expected to be any significant impact on the market.

Comments:

The property has a current occupancy of 97% according to a rent roll provided at application and is proposing a temporary relocation of tenants. The presence of an existing tenant base mitigates potential concerns about the market. The market study provided sufficient information on which to base a funding recommendation; however, the Market Analyst should be counseled on the requirements of a market study for the Department.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 94 units per square mile, which is less than the 1,432 units per square mile limit; and a Primary Market Area concentration of 207 units per square mile, which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/27/2008

All units are subject to a Section 8 Housing Assistance Payment (HAP) contract. The current HAP contracts for the units are \$531, \$640, \$801 and \$859 for the one, two, three and four-bedroom units, respectively. The property is currently undergoing the HUD Mark-to-Market program, under which the market rents were determined to be \$390, \$455, \$645 and \$705 for the one, two, three and four-bedroom units, respectively. A letter from HUD (9/17/2007) indicated that these market rents have been approved, however, a revised Section 8 HAP contract with the M2M rents has not yet been implemented as evidenced by a current rent roll (as of February 2008). The Applicant has indicated that the reduced market rents will be implemented upon acquisition.

Due to the time lag from the approval of the reduced rents, the Applicant's operating income is based on a projected 3% Operating Cost Adjustment (OCAF) increase to the determined market rents. This increase would be implemented by the place-in-service date. The underwriting analysis has utilized the Applicant's proposed rents; however, receipt, review, and acceptance, by cost certification, of HUD approval of the OCAF increase to the Mark-to-Market rents, will be a condition of this report. The Applicant included non-rental income of just under \$5 per unit per month; and the Applicant allowed for losses due to vacancy and collection equal to 5% of potential income. The underwriting analysis applied the standard minimum secondary income of \$5 per unit.

The underwriting guidelines generally apply vacancy and collection losses of 7.5%; however, the guidelines allow for a lower loss rate if supported by the market study, and for elderly or 100% project-based rental subsidy developments. The market study and the appraisal (both provided by the same firm) used 5.0% when estimating the development's NOI; and the development has a 100% rental assistance contract with HUD; therefore, the underwriting analysis has allowed 5.0% for losses due to vacancy and collection.

Expense: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant has projected annual operating expenses equal to \$4,307 per unit. This is 8% greater than the Underwriter's estimate of \$3,973 per unit, based primarily on the documented historical expenses of the property, as well as the TDHCA database, IREM data, and other sources. The most significant variations among specific line items include repairs and maintenance (the Applicant's projection is \$9K higher), utilities (the Applicant's projection is \$19K higher), water, sewer, and trash (the Applicant's projection is \$9K higher), and property tax.

The Applicant's projected property tax expense is 5% less than the tax actually paid in 2006, and 20% less than the tax actually paid in 2007. The underwriting analysis is based on the 2008 assessed value (which is a 5% increase over 2007); however, the Underwriter has also assumed the Applicant will qualify for a 50% property tax exemption based on the non-profit status of the General Partner. Since this assumption has a significant impact on the proforma cash flow of the property, a condition of any recommended allocation will be receipt, review, and acceptance, by cost certification, that the Applicant has received a 50% non-profit property tax exemption.

Conclusion:

Both the Applicant's and Underwriter's expense to income ratios (79% and 73%, respectively) are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. Additionally, §1.32(i)(5) requires a development be characterized as infeasible if the Year 1 expense to income ratio exceeds the Department's 65% maximum. However, §1.32(i)(7)(B)(i) provides an exception to this limit for properties with ongoing operating subsidy. In this case, the Housing Assistance Payment contract with HUD provides such an ongoing subsidy. Therefore, the development remains feasible under this exception.

While the Applicant's projected income is within 5% of the underwriting estimate, the Applicant's annual expenses and net operating income (NOI) are not within 5%; as a result, the Underwriter's projections will be used to determine debt capacity and financial feasibility. The Underwriter's projected NOI of \$225,149 and the first lien financing debt service of \$106,858 indicate first year cash flow of \$118,291 and a debt coverage ratio of 2.11, well above the maximum limit of 1.35. This typically indicates that the development has the capacity to service additional debt. In this case, however, the subject property has significantly more debt than is represented by the proposed debt service. The Applicant's proposed financing structure includes a combined \$3.18 million in debt payable from available cash flow, and a proposed \$620K in deferred developer fee, placing an additional claim on available cash flow.

Feasibility:

The Underwriter's estimates are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. While the proposed HOME loan is expected to be payable from cash flow, the Underwriter has included debt service on this loan, at AFR for 30 years, in the proforma analysis. This analysis indicates continued positive cash flow and a DCR that remains above the minimum 1.15 through year 15. Furthermore, cash flow remains positive through year 30, at which time the primary mortgage would be extinguished. If all cash flow goes to the deferred developer fee, it can be paid by Year 6; if all subsequent cash flow goes toward the HOME loan, the remaining balance in Year 30 will be \$1.4 million; assuming the second lien to HUD has accrued interest at 1%, it would carry a balance of \$2.8 million. If at that time the property appraises for at least the current \$4.9 million value, it would appear that there would be marginally sufficient value to support the remaining debt.

Based on this, the Underwriter can conclude that the project is marginally feasible. Any recommendation will be conditioned on receipt, review, and acceptance, by cost certification, of a detailed attorney or CPA analysis and opinion clearly establishing that both the proposed second lien to HUD and the proposed HOME loan from Houston are valid debt reasonably expected to be repaid in full.

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ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources Date: 2/19/2008
 Number of Revisions: none Date of Last Applicant Revision: N / A
 Land Only: 7.98 acres \$610,000 As of: 2/19/2008
 Existing Buildings: (as-is) \$4,320,000 As of: 2/19/2008
 Total Development: (as-is) \$4,930,000 As of: 2/19/2008

ASSESSED VALUE

Land Only: 7.98 acres \$869,490 Tax Year: 2008
 Existing Buildings: \$3,316,006 Valuation by: Harris County CAD
 Total Assessed Value: \$4,185,496 Tax Rate: 2.52871

Comments:

The assessed value of the land for tax year 2007 was \$1.25 per sq.ft. The current assessment, for tax year 2008, has increased to \$2.50 per sq. ft.

EVIDENCE of PROPERTY CONTROL

Type: Purchase Agreement as Amended Acreage: 8.0415
 Contract Expiration: 10/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$5,400,000 Other: _____
 Seller: Chateau Village Apartments, Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N / A

Acquisition Value:

The Applicant has claimed total acquisition costs of \$5,436,651, consisting of \$610,000 in land value, \$4.79 million in building value, and \$36K in closing costs. The total acquisition cost of \$672K per acre is presumed to be reasonable as the purchase is an arm's length transaction.

The Applicant has determined a building acquisition basis of \$4,790,000, based on the contract price less \$610,000 for the basis in land. The Applicant's claimed land value of \$610,000 is comparable to the appraised value, but is significantly less than the assessed value of \$869,490. §1.32(e)(1)(C) of the 2008 Real Estate Analysis Rules states that "In the case where the land value indicated by either the appraisal or tax assessment is greater than the prorata land value attributed to the sales price ... the greater of the land value in the appraisal or tax assessment is deducted from the sales price to determine the acquisition basis." The Underwriter has determined an acquisition basis of \$4,530,510 by deducting the tax assessed value of the land from the total sales price.

Sitework Cost:

As the application is for the rehabilitation of an existing development, sitework costs are relatively low, and require no additional substantiation. There is, however, a significant difference between the sitework identified by the Applicant (\$348K) and that identified in the Property Condition Assessment (\$207K). The underwriting analysis will reflect the PCA value.

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Direct Construction Cost:

The Applicant has claimed direct construction costs of \$5.4 million, in addition to the \$348K in sitework, for a total of \$5.78 million. The total cost identified in the PCA is \$5.73 million. The Applicant stated that the difference between the two figures is "\$50K in furnishings for the new constructed community building and miscellaneous things around the site." These costs should have been given to the PCA provider for consideration and inclusion as required under 1.36(a)(4)(B)

Interim Interest Expense:

The Applicant's cost schedule reflects a total of \$451,646 under the Indirect Construction cost line item attributed to imputed interest expense on the Limited Partner's equity contributions and some operating expenses incurred during the construction period that are considered to be eligible costs to the development. The Underwriter requested a breakdown of these costs, which identified that \$13K of this total is attributed to soft cost contingency. As a result, the Underwriter re-allocated this amount to the contingency line item.

The balance of the total \$423,646 has been treated by the Underwriter as interim interest expense. The Department limit is one year of fully drawn interest or in this case \$232,100. The difference of \$191,546 was added by the Underwriter to ineligible costs. While the Applicant confirmed that these costs will not result in any real cash changing hands they have indicated that the entire amount is eligible under section 263(a) and they have included an offsetting source of funds discussed below. The use of this cost is not entirely clear to the Underwriter and clarification of same is a condition that must be resolved prior to cost certification.

Contingency & Fees:

The Applicant incorrectly allocated the developer fee between acquisition cost and rehabilitation cost; the underwriting analysis distributes the developer fee proportionately between acquisition and rehabilitation. As a result of this and other adjustments to eligible costs discussed above, the Applicant's projected developer fee exceeds the eligible limit by \$23K; the underwriting analysis has excluded this amount from basis.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. The PCA was well documented and appeared to cover the scope of work provided by the Applicant. Thus, the Underwriter's development cost schedule, as derived from the PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis. The rehabilitation cost basis of \$8,399,416 is increased by 30% as a result of Harris County's status as a Difficult Development Area; the adjusted basis of \$10,919,241 supports an annual allocation of \$908,481 in 9% credits. The acquisition basis of \$5,222,837 supports an annual allocation of \$185,411 in 4% credits. 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 any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 6/17/2008

Source: Dougherty Mortgage, LLC Type: Permanent Financing

Principal: \$1,380,000 Interest Rate: 6.25% Fixed Term: 360 months

Comments:
First mortgage loan insured by HUD, for 30 years at 6.25%.

This section intentionally left blank.

Source: HUD Type: Permanent Financing

Principal: \$2,080,869 Interest Rate: 1.0% Fixed Amort: _____ months

Comments:

The subject property is undergoing the HUD Mark-to-Market (M2M) program. There is an existing mortgage in the approximate amount of \$3.46 million payable to GMAC. Under the M2M program, HUD will pay down the GMAC loan to approximately \$1.38 million, and issue a second mortgage note to the current owner, payable to HUD from available cash flow, accruing interest at 1% over a 30 year term. The original intent was to apply for HUD to assign the second note to the Applicant as a Qualified Non-Profit. However, staff informed the Applicant that in such a case the value of the second note would be considered a grant and excluded from acquisition basis, so the Applicant has indicated that the non-Profit will not take possession of this note. Should the note be transferred or forgiven at any time during the initial affordability period a recapture of the credit is likely to be required.

It has also been determined that the Applicant will allow the M2M process to be completed under the current ownership of the property, after which the Applicant will acquire the property. The Applicant has provided a commitment for a first lien mortgage in the amount of \$1.38 million, and the Applicant will assume the obligation of the second note to HUD. Under this structure, assumption of a pre-existing below-market federal loan does not impact eligibility for 9% credits. However, if the loan were ultimately forgiven by HUD, or if the loan were determined to not be repayable, it would constitute a federal grant and would reduce basis. This is further reason for the condition of an attorney or CPA opinion clearly establishing that the loan is a valid debt and reasonably expected to be paid in full.

Source: City of Houston Type: Permanent Financing

Principal: \$1,100,000 Interest Rate: AFR Fixed Amort: _____ months

Comments:

The Applicant has applied to the City of Houston for \$1.1 million in HOME funds. The letter from the City of Houston acknowledging the application states that "The loan, if awarded, will be for a minimum term of 15 years, at an interest rate at or below AFR". The Applicant has stated that "the HOME loan will be at or above AFR, eliminating any need of subtracting it from eligible basis or disqualifying the development from the 30% basis boost." The Applicant has also stated that the loan will be paid back out of available cash flow of the property and will not be "hard debt". Any recommendation of this report will be conditioned on receipt, review, and acceptance, by cost certification, of a detailed attorney or CPA analysis and opinion clearly establishing that both the proposed second lien to HUD and the proposed HOME loan from Houston are valid debt and reasonably expected to be repaid in full.

Source: Houston Leased Housing Associates I, LP Type: Imputed Expenses

Principal: \$423,646 Conditions: _____

Comments:

The Applicant has included imputed interest and capitalized expenses incurred during rehabilitation in the development costs as an eligible substitute for eligible interest expense. The Applicant has also included \$423,646 in imputed expenses as a corresponding source of funds, as this is the only way to offset this unique accounting treatment of phantom eligible cost. A condition of this report will be receipt, review, and acceptance, by cost certification, of a CPA opinion as to the amount and eligibility of this item, including IRS references.

Source: Alliant Type: Syndication

Proceeds: \$9,622,720 Syndication Rate: 86% Anticipated HTC: \$ 1,119,144

Comments:

The committed credit price appears to be on the high end of current trends in pricing. However, the financial viability of the transaction may be jeopardized should the final price be any less than the current price. Alternatively, should the final credit price increase to more than \$0.96, the equity proceeds would exceed the gap in financing and an adjustment to the credit allocation may be warranted.

Amount: \$620,821

Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis, including debt service on the proposed HOME loan, results in a debt coverage ratio within the Department's guideline range of 1.15 to 1.35.

The Underwriter's total development cost estimate less the permanent first lien of \$1,380,000, as well as the two cash flow loans of \$2,080,869 and \$1,100,000 indicates the need for \$10,550,162 in gap funds. Based on the submitted syndication terms, a total tax credit allocation of \$1,227,008 annually would be required to fill this gap in financing. The three possible tax credit allocations are:

Allocation determined by eligible basis:	\$1,093,892
Allocation requested by Applicant:	\$1,174,583
Allocation determined by gap in financing:	\$1,227,008

The amount determined by eligible basis is recommended. An annual allocation of \$1,093,892 results in total equity proceeds of \$9,405,592 at a syndication rate of \$0.86 per tax credit dollar.

The Underwriter's recommended financing structure indicates the need for \$720,923 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 14, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 14, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 14, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Chateau Village, Houston, 9% HTC #08195

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	8	1	1	674	\$344	\$402	\$3,216	\$0.60	\$96	\$51
TC 50%	32	1	1	674	\$573	\$402	\$12,864	\$0.60	\$96	\$51
TC 50%/LH	2	1	1	674	\$573	\$402	\$804	\$0.60	\$96	\$51
TC 60%/HH	6	1	1	674	\$687	\$402	\$2,412	\$0.60	\$96	\$51
TC 50%	19	2	1	830	\$687	\$469	\$8,911	\$0.57	\$123	\$62
TC 60%	63	2	1	830	\$825	\$469	\$29,547	\$0.57	\$123	\$62
TC 60%	16	3	1.5	1,028	\$953	\$664	\$10,624	\$0.65	\$147	\$72
TC 60%	4	4	2	1,178	\$1,063	\$726	\$2,904	\$0.62	\$190	\$82
TOTAL:	150		AVERAGE:	810		\$475	\$71,282	\$0.59	\$118.71	\$60.08

INCOME

Total Net Rentable Sq Ft: **121,572**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.45%	\$243	0.30	\$36,508	\$31,500	\$0.26	\$210	3.84%
Management	5.00%	274	0.34	41,058	41,053	0.34	274	5.00%
Payroll & Payroll Tax	17.58%	963	1.19	144,376	140,250	1.15	935	17.08%
Repairs & Maintenance	7.15%	392	0.48	58,743	67,500	0.56	450	8.22%
Utilities	6.73%	368	0.45	55,273	74,250	0.61	495	9.04%
Water, Sewer, & Trash	10.01%	548	0.68	82,177	90,750	0.75	605	11.05%
Property Insurance	5.99%	328	0.40	49,210	45,000	0.37	300	5.48%
Property Tax 2.53	6.44%	353	0.44	52,920	80,000	0.66	533	9.74%
Reserve for Replacements	5.48%	300	0.37	45,000	45,000	0.37	300	5.48%
TDHCA Compliance Fees	0.73%	40	0.05	6,000	6,000	0.05	40	0.73%
Security	3.01%	165	0.20	24,750	24,750	0.20	165	3.01%
TOTAL EXPENSES	72.58%	\$3,973	\$4.90	\$596,015	\$646,053	\$5.31	\$4,307	78.67%
NET OPERATING INC	27.42%	\$1,501	\$1.85	\$225,149	\$175,143	\$1.44	\$1,168	21.33%

DEBT SERVICE

First Lien Mortgage	12.42%	\$680	\$0.84	\$101,963	\$101,963	\$0.84	\$680	12.42%
M2M 2nd Mortgage CF	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	15.00%	\$821	\$1.01	\$123,187	\$73,180	\$0.60	\$488	8.91%

AGGREGATE DEBT COVERAGE RATIO

2.21 1.72

RECOMMENDED DEBT COVERAGE RATIO

1.33

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)		35.98%	\$36,244	\$44.72	\$5,436,651	\$5,436,651	\$44.72	\$36,244	35.70%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.37%	1,380	1.70	207,000	348,148	2.86	2,321	2.29%
Direct Construction		36.55%	36,820	45.43	5,523,000	5,431,851	44.68	36,212	35.67%
Contingency 5.27%		2.00%	2,013	2.48	302,000	302,000	2.48	2,013	1.98%
Contractor's Fees 14.00%		5.31%	5,348	6.60	802,200	809,200	6.66	5,395	5.31%
Indirect Construction		1.70%	1,710	2.11	256,500	256,500	2.11	1,710	1.68%
Ineligible Costs		3.20%	3,226	3.98	483,863	483,863	3.98	3,226	3.18%
Developer's Fees 15.00%		11.76%	11,847	14.62	1,777,065	1,848,952	15.21	12,326	12.14%
Interim Financing		1.49%	1,506	1.86	225,890	225,890	1.86	1,506	1.48%
Reserves		0.64%	646	0.80	96,862	85,000	0.70	567	0.56%
TOTAL COST		100.00%	\$100,740	\$124.30	\$15,111,031	\$15,228,055	\$125.26	\$101,520	100.00%
Construction Cost Recap		45.23%	\$45,561	\$56.22	\$6,834,200	\$6,891,199	\$56.68	\$45,941	45.25%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	9.13%	\$9,200	\$11.35	\$1,380,000	\$1,380,000	\$1,380,000	Developer Fee Available
M2M 2nd Mortgage CF	13.77%	\$13,872	\$17.12	2,080,869	2,080,869	2,080,869	\$1,824,538
Houston HOME CF				1,100,000	1,100,000	1,100,000	
263A Interest / Imputed Expenses					423,646	423,646	
HTC Syndication Proceeds	63.68%	\$64,151	\$79.15	9,622,720	9,622,720	9,405,592	% of Dev. Fee Deferred
Deferred Developer Fees	4.11%	\$4,139	\$5.11	620,821	620,821	720,923	40%
Additional (Excess) Funds Req'd	2.03%	\$2,044	\$2.52	306,621	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$15,111,031	\$15,228,055	\$15,111,031	\$861,360

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Chateau Village, Houston, 9% HTC #08195

PAYMENT COMPUTATION

Primary	\$1,380,000	Amort	360
Int Rate	6.25%	DCR	2.21

Secondary	\$2,080,869	Amort	
Int Rate	1.00%	Subtotal DCR	2.21

Additional	\$1,100,000	Amort	
Int Rate		Aggregate DCR	2.21

RECOMMENDED FINANCING STRUCTURE

Primary Debt Service	\$101,963
Secondary Debt Service	0
Additional Debt Service	66,961
NET CASH FLOW	\$56,226

Primary	\$1,380,000	Amort	360
Int Rate	6.25%	DCR	2.21

Secondary	\$2,080,869	Amort	
Int Rate	1.00%	Subtotal DCR	2.21

Additional	\$1,100,000	Amort	360
Int Rate	4.51%	Aggregate DCR	1.33

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	\$855,384	\$881,046	\$907,477	\$934,701	\$962,742	\$1,116,082	\$1,293,845	\$1,499,921	\$2,015,768
Secondary Income	9,000	9,270	9,548	9,835	10,130	11,743	13,613	15,782	21,209
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	864,384	890,316	917,025	944,536	972,872	1,127,825	1,307,458	1,515,703	2,036,978
Vacancy & Collection Loss	(43,219)	(44,516)	(45,851)	(47,227)	(48,644)	(56,391)	(65,373)	(75,785)	(101,849)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$821,165	\$845,800	\$871,174	\$897,309	\$924,228	\$1,071,434	\$1,242,085	\$1,439,917	\$1,935,129
EXPENSES at 4.00%									
General & Administrative	\$36,508	\$37,968	\$39,487	\$41,067	\$42,709	\$51,962	\$63,220	\$76,917	\$113,856
Management	41,058	42,290	43,559	44,865	46,211	53,572	62,104	71,996	96,756
Payroll & Payroll Tax	144,376	150,151	156,157	162,404	168,900	205,493	250,013	304,179	450,259
Repairs & Maintenance	58,743	61,093	63,537	66,078	68,721	83,610	101,724	123,763	183,200
Utilities	55,273	57,484	59,783	62,174	64,661	78,670	95,714	116,451	172,376
Water, Sewer & Trash	82,177	85,464	88,883	92,438	96,135	116,963	142,304	173,135	256,281
Insurance	49,210	51,179	53,226	55,355	57,569	70,042	85,216	103,679	153,470
Property Tax	52,920	55,036	57,238	59,527	61,908	75,321	91,640	111,493	165,038
Reserve for Replacements	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Other	30,750	31,980	33,259	34,590	35,973	43,767	53,249	64,786	95,899
TOTAL EXPENSES	\$596,015	\$619,445	\$643,800	\$669,117	\$695,433	\$843,449	\$1,023,111	\$1,241,207	\$1,827,474
NET OPERATING INCOME	\$225,149	\$226,354	\$227,373	\$228,192	\$228,795	\$227,985	\$218,975	\$198,710	\$107,654
DEBT SERVICE									
First Lien Financing	\$101,963	\$101,963	\$101,963	\$101,963	\$101,963	\$101,963	\$101,963	\$101,963	\$101,963
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	66,961	66,961	66,961	66,961	66,961	66,961	66,961	66,961	66,961
NET CASH FLOW	\$56,226	\$57,431	\$58,450	\$59,268	\$59,872	\$59,061	\$50,051	\$29,787	(\$61,270)
DEBT COVERAGE RATIO	1.33	1.34	1.35	1.35	1.35	1.35	1.30	1.18	0.64

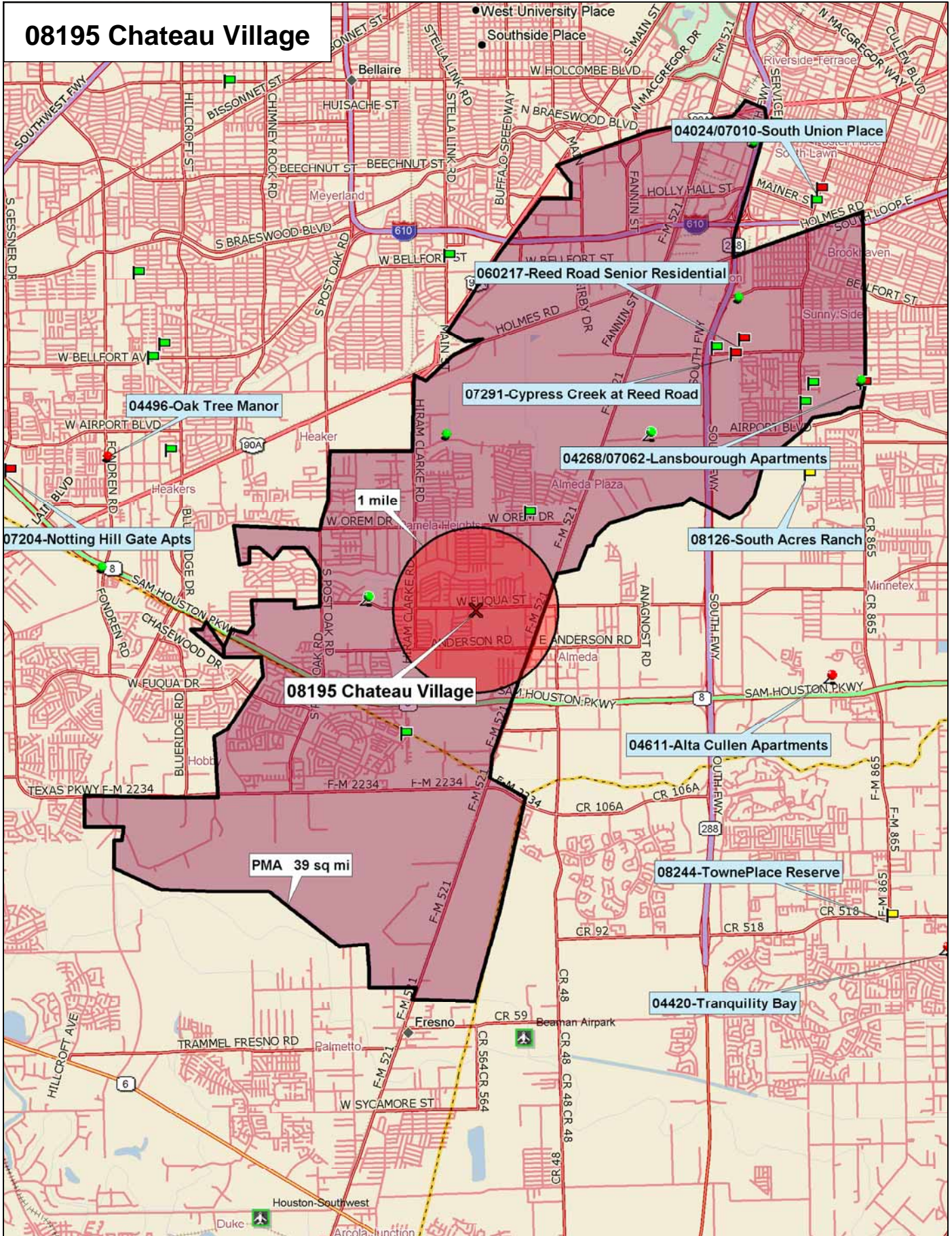
HTC ALLOCATION ANALYSIS -Chateau Village, Houston, 9% HTC #08195

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$646,651	\$906,141				
Purchase of buildings	\$4,790,000	\$4,530,510	\$4,790,000	\$4,530,510		
Off-Site Improvements						
Sitework	\$348,148	\$207,000			\$348,148	\$207,000
Construction Hard Costs	\$5,431,851	\$5,523,000			\$5,431,851	\$5,523,000
Contractor Fees	\$809,200	\$802,200			\$809,200	\$802,200
Contingencies	\$302,000	\$302,000			\$302,000	\$302,000
Eligible Indirect Fees	\$256,500	\$256,500	\$12,750	\$12,750	\$243,750	\$243,750
Eligible Financing Fees	\$225,890	\$225,890			\$225,890	\$225,890
All Ineligible Costs	\$483,863	\$483,863				
Developer Fees			\$720,413	\$679,577	\$1,104,126	\$1,095,576
Developer Fees	\$1,848,952	\$1,777,065				
Development Reserves	\$85,000	\$96,862				
TOTAL DEVELOPMENT COSTS	\$15,228,055	\$15,111,031	\$5,523,163	\$5,222,837	\$8,464,965	\$8,399,416

Deduct from Basis:					
All grant proceeds used to finance costs in eligible basis					
B.M.R. loans used to finance cost in eligible basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units [42(d)(3)]					
Historic Credits (on residential portion only)					
TOTAL ELIGIBLE BASIS			\$5,523,163	\$5,222,837	\$8,464,965
High Cost Area Adjustment					130%
TOTAL ADJUSTED BASIS			\$5,523,163	\$5,222,837	\$11,004,454
Applicable Fraction			100%	100%	100%
TOTAL QUALIFIED BASIS			\$5,523,163	\$5,222,837	\$11,004,454
Applicable Percentage			3.55%	3.55%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$196,072	\$185,411	\$915,571

Syndication Proceeds	0.8598	\$1,685,885	\$1,594,214	\$7,872,338	\$7,811,378
Total Tax Credits (Eligible Basis Method)				\$1,111,643	\$1,093,892
Syndication Proceeds				\$9,558,223	\$9,405,592
Requested Tax Credits				\$1,174,583	
Syndication Proceeds				\$10,099,400	
Gap of Syndication Proceeds Needed					\$10,550,162
Total Tax Credits (Gap Method)					\$1,227,008

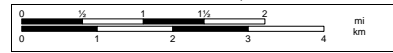
08195 Chateau Village



PMA 39 sq mi

1 mile

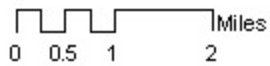
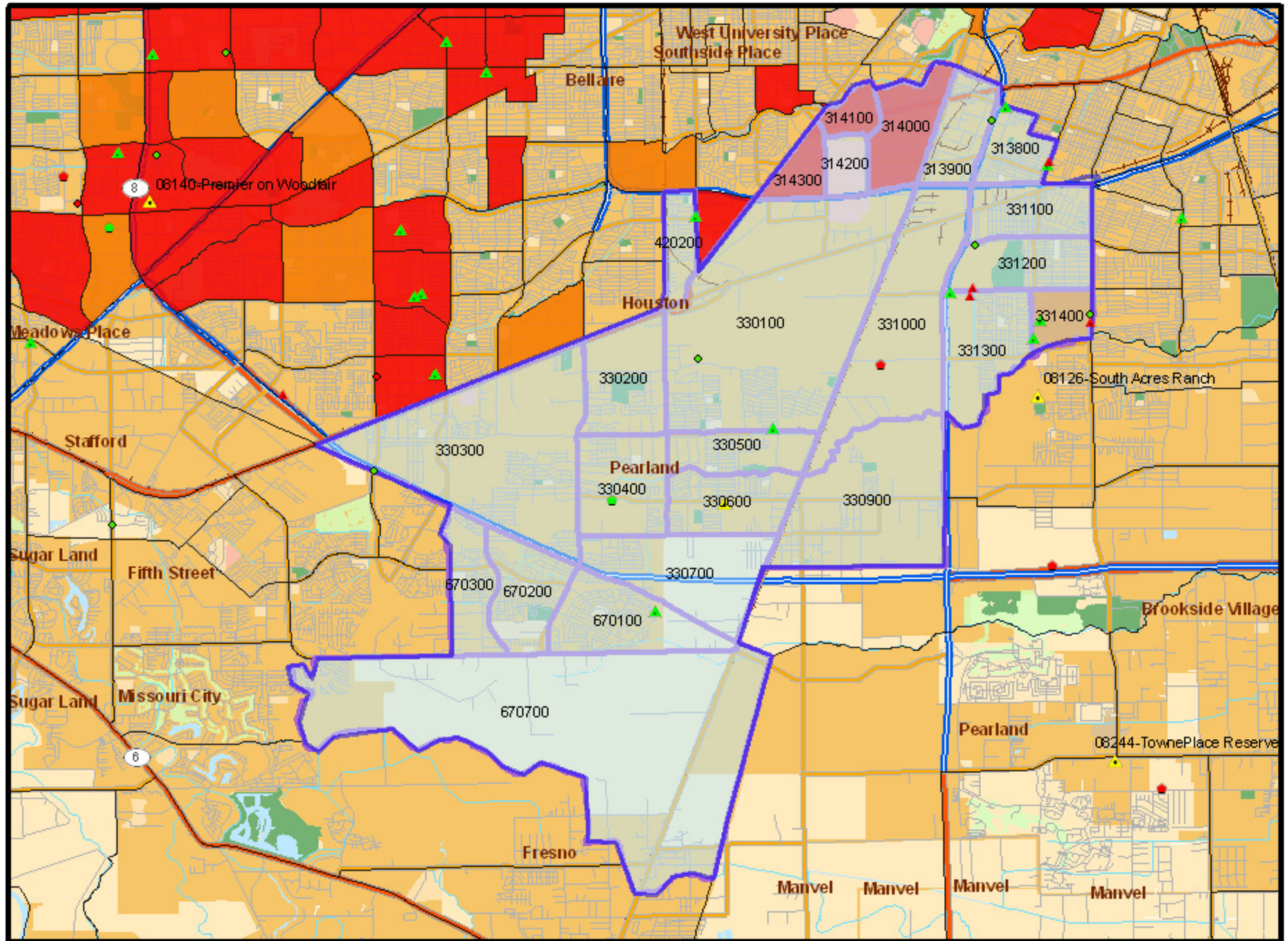
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- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
 - Orange Tracts: 1000 to 1432 units/sq.mi.

08195 - Chateau Village Apartments

Applicant Evaluation

Project ID **08195**

Name **Chateau Village Apartments**

City: **Houston**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 12

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 0

Projects grouped by score	0-9:	<u>5</u>
	10-19:	<u>4</u>
	20-29:	<u>3</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 12

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 6/2/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/2/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Highland Manor, TDHCA Number 08198

BASIC DEVELOPMENT INFORMATION

Site Address: 300 Blk Newman Rd. Development #: 08198
 City: La Marque Region: 6 Population Served: Elderly
 County: Galveston Zip Code: 77568 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Highland La Marque, LP
 Owner Contact and Phone: David Koogler, (713) 906-4460
 Developer: Mark-Dana Corporation
 Housing General Contractor: Koogler Construction of Texas
 Architect: Mucasey & Associates Architects
 Market Analyst: O'Connor and Associates
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: S2A Development Consulting LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	134
	7 0 49 78	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	1
	0 87 54 0 0 0	Total Development Units:	141
Type of Building:		Total Development Cost*:	\$13,673,997
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	8
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Highland Manor, TDHCA Number 08198

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11, NC

Points: 0

US Representative: Lampson, District 22, NC

TX Representative: Taylor, District 24, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Mayor Larry Crow, S

Resolution of Support from Local Government

Mayor Pro-Tem Bill Charbonneau, S

Individuals and Businesses In Support: 4

In Opposition 13

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0

The Gulf Coast Center

S or O: S

LaMarque Kiwanis Club

S or O: S

Texas City - LaMarque Chamber of Commerce

S or O: S

General Summary of Comment:

Support received from an elected official and from civic organizations. Though it did not qualify for Quantifiable Community Participation, the Texas Avenue Home Owners Association submitted a letter stating that the organization supports the proposed development because it will improve the quality of life within the community.

Opposition received from ten people, stating that the proposed development site is in a residential area that has no sidewalks and existing traffic issues. Three individuals spoke in opposition at the public hearing citing the following concerns: the site is currently zoned for single family, the development will pose a risk to the privacy of the existing residents and bring down property values, the current infrastructure is inadequate for a large development, traffic is already heavy, and crime will increase.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.
4. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$700,000, or a commitment from a qualifying substitute source in an amount not less than \$683,700, as required by 50.9(i)(5) of the 2008 QAP.
5. Receipt of a commitment of funding from the iCap Realty Advisors of Texas in the amount of \$285,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$273,480 as required by 50.9(i)(27) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Highland Manor, TDHCA Number 08198

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/16/08 PROGRAM: 9% HTC FILE NUMBER: 08198

DEVELOPMENT

Highland Manor

Location: 300 Block of Newman Road Region: 6
 City: La Marque County: Galveston Zip: 77568 OCT DDA
 Key Attributes: Urban/Exurban, Elderly, Multifamily

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	7
50% of AMI	50% of AMI	49
60% of AMI	60% of AMI	78

PROS

CONS

- The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.
- The proposed number of one-bedroom units targeting 60% households may be more than the demand for such units given the Market Analyst's high capture rate for this unit type.

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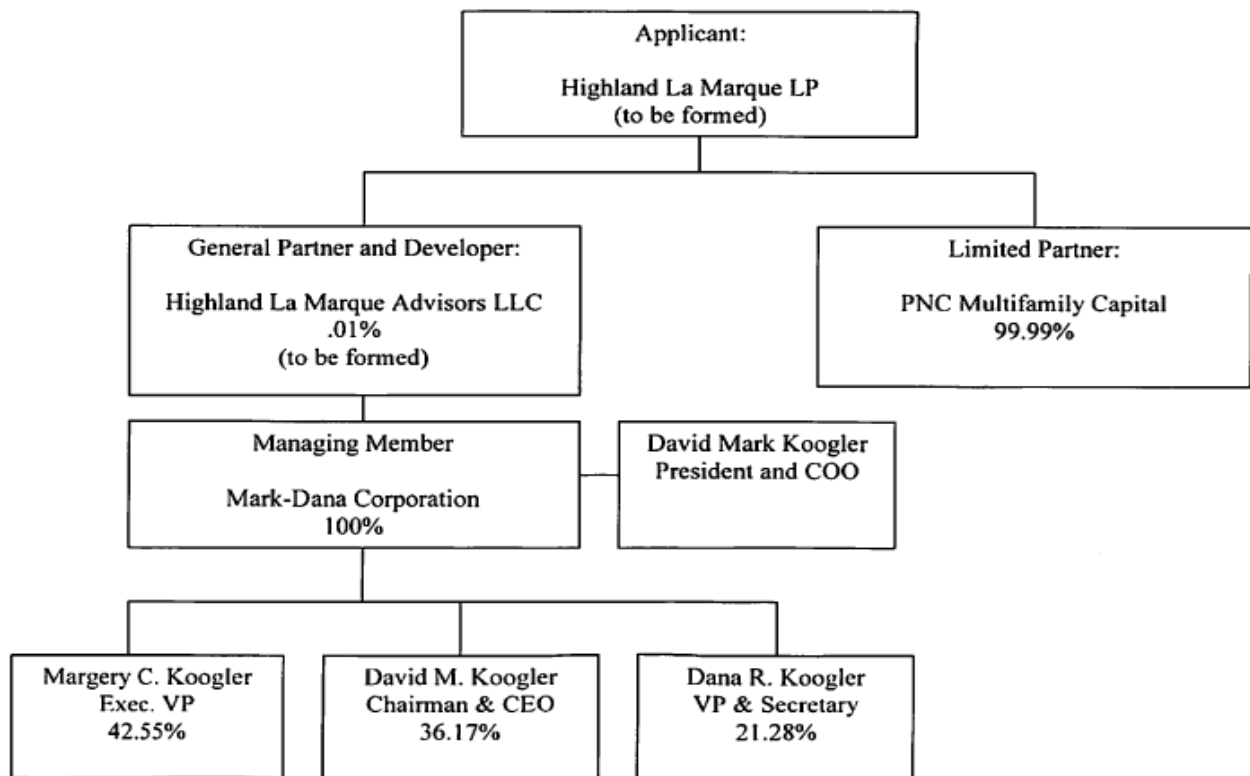
- Both the Market Analyst's and Underwriter's capture rates are over 50% suggesting the overall demand for affordable senior housing may be limited.
- Five new tax credit developments targeting seniors totaling 424 comparable units (not including the subject) have recently been approved in this market and have or will be coming on line in the next 12 to 24 months.
- The Applicant has indicated no previous experience with tax credit developments in Texas

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: David Koogler Phone: 713-906-4460 Fax: 281-419-1991
 Email: dkoogler@comcast.net

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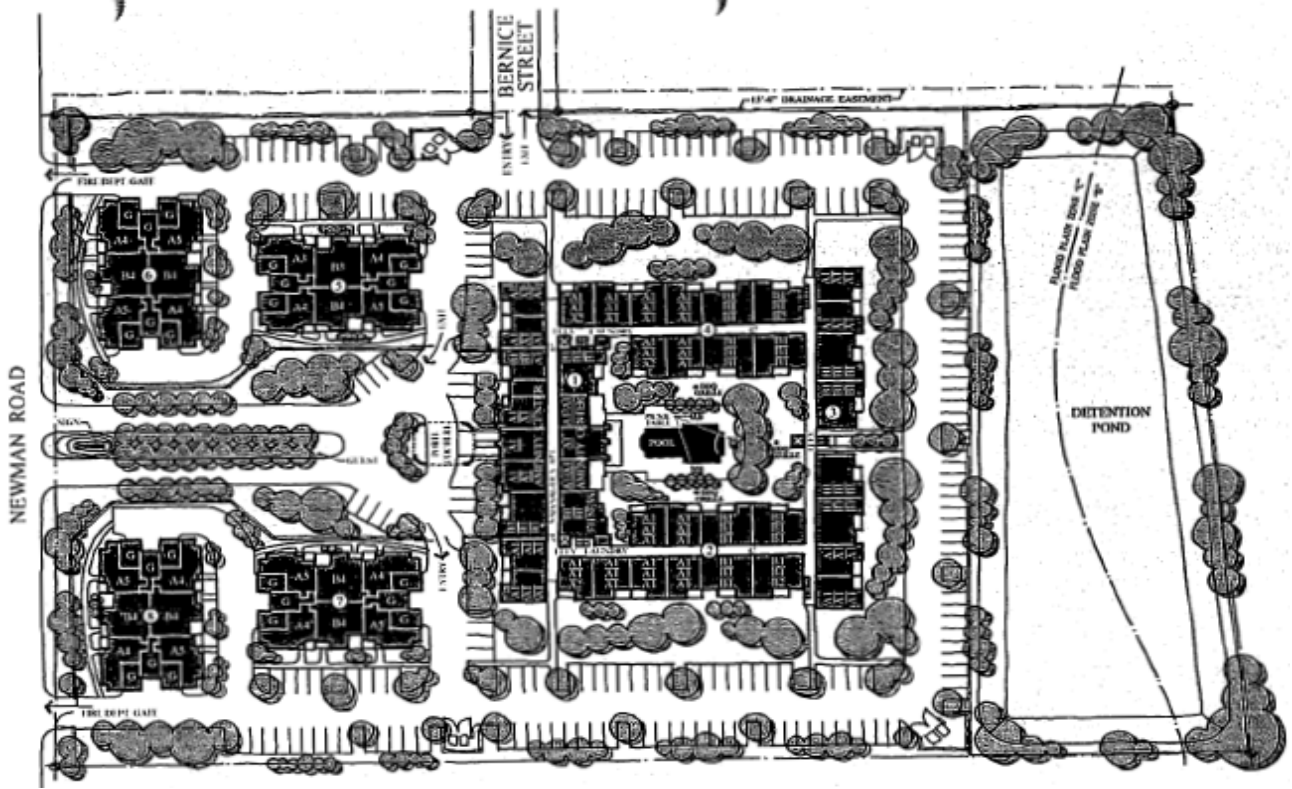
KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Highland La Marque LP	N/A	NONE
Highland La Marque Advisors LLC	N/A	
Mark-Dana Corporation	N/A	
David M. Koogler	N/A	
Margery C. Koogler	N/A	
Dana R. Koogler	N/A	
David Mark Koogler	N/A	

IDENTITIES of INTEREST

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

PROPOSED SITE



BUILDING CONFIGURATION

Building Type	1	3	2,4	5	6,7,8						Total Buildings
Floors/Stories	3	3	3	1	1						
Number	1	1	2	1	3						8

BR/BA	SF	Units									Total Units	Total SF
1/1	729	11	12	24							71	51,759
1/1	805				1						1	805
1/1	791				3	4					15	11,865
2/2	990	10	24	6							46	45,540
2/2	1,075				2	2					8	8,600
Units per Building		21	36	30	6	6					141	118,569

SITE ISSUES

Total Size: 9.2924 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: R-1 Needs to be re-zoned? Yes No N/A

Comments:

Eastern edge of the property is in Zone X500. Site plan shows a retention pond will be constructed in this area to mitigate/eliminate the problem.

TDHCA SITE INSPECTION

Inspector: Diane Ledet - TDHCA Staff Date: 4/4/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Homes, FM 1765 East: Canal, Businesses
 South: School, I-45 S West: Homes, Homes

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/4/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- The report states: "This assessment has revealed no evidence of recognized environmental concerns (RECs) in connection with the property." (p.2)
- "A noise study was completed for the subject property. Based on the noise study, the subject property lies within an area of acceptable noise tolerance. The site met the following three objectives: The roadway noise is less than 59 decibels. No major civil or military airports are located within 15 miles of the subject property. No railroads are located within 3,000 feet of the subject property." (p. 22)
- "The area of the subject property along the east adjacent drainage ditch lies within the 500-year floodplain." (p. 20)

Comments:

As discussed above, the site plan shows a retention pond will be constructed along the eastern end of the property to mitigate/eliminate the floodplain issue.

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 12/7/2007

Contact: Robert O. Coe, II Phone: 713-686-9955 Fax: 713-686-8336

Number of Revisions: none Date of Last Applicant Revision: n/a

Primary Market Area (PMA): 512 square miles (12.8 miles radius)

The subject property PMA is defined as an area within the following geographic boundaries: Clear Creek and FM 1266 to the north; The Galveston/Brazoria County line, Dickinson Bayou, Cedar Creek, and Algoa Friendsworth Road to the west; Galveston Bay to the east, and the Gulf of Mexico to the south. It is within Zip Codes 77510, 77517, 77518, 77539, 77550, 77551, 77554, 77563, 77568, 77573, 77590 and 77591. The estimated 2007 population of the PMA is 248,939. This appears to be the same market area described in a market study by the same firm for a bond/tax credit development targeting seniors and recently underwritten known as Mansions at Moses Lake 08402.

The Mansions development had a much narrower income band as it focused solely on the 60% of AMI households. The Mansions Market study concluded an inclusive capture rate of 67% while the underwriting report for that development reflected a 74% capture rate and neither report accounted for the subject development. It is likely therefore that any additional units at the 60% level approved for this development will have the effect of jeopardizing the potential success of the already approved Mansions at Moses Lake development.

It should also be noted that essentially the same market area was provided by the same market analyst for yet another development. Southern Terrace, a 9% application for a 36-unit senior development, had a lower priority than the subject and has subsequently been withdrawn. The Southern Terrace application has not been underwritten. The Southern Terrace market study considered the units at the subject of this report, and somehow concluded a lower capture rate with additional units introduced to the same market area.

Secondary Market Area (SMA):

The Market Analyst has not designated a secondary market as described in 10 TAC §1.33 (d)(7) but makes the following statement after concluding the capture rate based solely on the PMA. "The capture rate above is overstated. We have not included demand from outside the PMA, or from homeowners transitioning to renters. From surveys of existing seniors HTC projects, a significant portion of the tenant base comes from outside the PMA, or from prior home owners. Because the capture rates were within TDHCA's guidelines without the inclusion of these demand sources, that demand was not quantified in this report." The Market Analyst did not provide any additional support for this claim.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Oak Tree Village	07103	36	34	N/A			
Morningstar Villas	07293	36	35				
Mansions @ Moses Lake	08402	240	240				
Maplewood Crossing	04160	100	80				
Cedar Drive	060034	36	35				

INCOME LIMITS						
Galveston						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
40	\$17,120	\$19,560	\$22,000	\$24,440	\$26,400	\$28,360
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30% Rent Limit	75	127		202	7	16	11%
1 BR / 50% Rent Limit	94	134		228	29	33	27%
1 BR / 60% Rent Limit	90	103		193	51	223	142%
2 BR / 50% Rent Limit	89	87		176	20	11	18%
2 BR / 60% Rent Limit	96	94		190	27	141	88%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 74	29%	27,811	100%	27,811	7%	1,905		45%	857	
Underwriter	22%	27,820	100%	27,820	23%	6,317	27%	1,704	45%	767
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 74			100%	832	7%	57		100%	57	
Underwriter			100%	410	23%	93	27%	25	100%	25

DEMAND from OTHER SOURCES					
Market Analyst p.	74				67
Underwriter					79

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p.	133	427		560	981	57.07%
Underwriter	134	424	0	558	871	64.08%

Comments:

The Market Analyst's turnover rate is extremely aggressive at 45%. That means that of all income eligible renter senior households, 45% will move in the next 12 months. The department collects data on turnover and has found that households in non age restricted apartments will turnover at a rate that may be as high as 45% but older households that are in age restricted developments turnover at a much slower rate closer to 20% per year. The Market Analyst has said that using a higher rate is appropriate because senior households in non senior developments are more likely to move if there were a senior only development to move into. The Market Analyst also indicates that the concluded capture rate is higher than it should be because there is no way currently to measure and include the number of senior households that move from out of town or from their owned home. Some market study estimates put these two contributing factors as high as 50% but there is little data publicly available to support this contention.

The Market Analyst's inclusive capture rate and the Underwriter's rate using the traditional method are below the Department's guidelines. The Underwriter also completed a demand and inclusive capture rate calculation based upon the HISTA demographics which also resulted in an acceptable inclusive capture rate. Again it should be noted that the inclusion of units targeting 30% and 50% households provides the subject with a wider income band and therefore more potential households from which to draw potential tenants. The recently approved Mansions at Moses Lake will not have the same income band and therefore the shallow demand for households earning up to the 60% AMI will be exacerbated by the addition of the subject to the market.

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 89% to 100%, with a median occupancy of 96.60%. The average occupancy for apartments in the subject's primary market area was reported at 92.49% in the most recent OConnorData.com survey (December 2008). According to the survey, occupancy in the primary market area in February 2008 has decreased slightly from the prior quarter. Average occupancy in the primary market area had declined since September 1999 due to new construction, but appears to have re-stabilized. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 41)

"As previously indicated, there are nine existing HTC projects within the subject's primary market area. However, only three, (Wood Hollow, Mainland Crossing and Enchanted Oak) are located within a two-mile radius of the subject. The high occupancy level of the affordable housing project in the area indicates a potential pent-up demand for newly-constructed affordable housing units in the primary market area. Typically, HTC projects in the Greater Houston area have achieved stabilized occupancy at a rapid pace, most likely due to the projects being new and superior compared to older multifamily projects. The subject should be able to reach a stabilized occupancy level within a very short time following completion due to the current waitlist at the Villages @ Morningstar. Pre leasing should begin prior to completion of the construction." (p. 41)

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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 15-25 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within ten to seventeen months following completion." (p. 90) The underwriter believes this absorption period will be extended further given the 424 additional (three times as many as the subject) competing comparable units that will be coming on the market at the same time.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	729 SF	30%	\$214	\$214	\$780	\$214	\$566
1 BR	729 SF	50%	\$443	\$443	\$780	\$443	\$337
1 BR	729 SF	60%	\$557	\$557	\$780	\$557	\$223
1 BR	791 SF	60%	\$557	\$557	\$850	\$557	\$293
1 BR	791 SF	60%	\$557	\$557	\$850	\$557	\$293
1 BR	805 SF	60%	\$557	\$557	\$855	\$557	\$298
2 BR	990 SF	50%	\$521	\$521	\$940	\$521	\$419
2 BR	990 SF	60%	\$659	\$659	\$940	\$659	\$281
2 BR	1,075 SF	60%	\$659	\$659	\$1,020	\$659	\$361
2 BR	990 SF	EO	\$0	\$0	\$0	\$0	\$0
2 BR	1,075 SF	MR	\$826	\$0	\$1,020	\$826	\$194

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have a minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 90)

Comments:

The market study was performed in accordance with the Department's guidelines and provides sufficient information on which to base a funding recommendation. The inclusive capture rates calculated by the Market Analyst and Underwriter by the traditional method exceed 50% suggesting that half of all prospective tenants (primarily moving from existing units) will need to end up in the subject or one of the unstabilized comparables. While these are high capture rates, they are below the Department's 75% threshold for elderly and rural transactions and in that regard considered acceptable.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 91 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 48 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/1/2008

The Applicant's projected rents are equal to the program rent limits less current utility allowances approved by the Housing Authority of the City of La Marque. These rent levels are achievable according to the Market Analyst's market rent determination. The Applicant has estimated secondary income of \$7.94 per unit per month and vacancy and collection loss of 7.50%, which are in line with Department standards. The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

It should be noted that maximum HTC rents for Galveston County are substantially lower than those for nearby Harris County; this places additional pressure on the development's long term feasibility in a rising expense environment.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 7/14/2008

The Applicant's annual expense estimate of \$3,900 per unit is within 5% of the Underwriter's estimate of \$3,990 per unit derived from the TDHCA database, IREM data and third party data sources. However, several of the Applicant's specific line items vary significantly from the Underwriter's estimate including utilities (\$11K lower) and water, sewer and trash (\$7K lower). It should also be noted that the Applicant included a lower compliance fee expense of \$30 per unit whereas the current requirement is \$40 though this will only be due on 134 of the 141 units.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR that is within the Department's current guideline of 1.15 to 1.35.

Both the Applicant's and Underwriter's expense to income ratios (64.31% and 65.79% respectively) are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. The Underwriter's ratio of 65.79% which exceeds the current Department guidelines of 65% further emphasizes this increased potential risk. If the Applicant's estimates of effective gross income, total operating expense, and net operating income were not within 5% of the Underwriter's estimates, the development would have been considered infeasible. It should be further noted that the Applicant's original net operating income was not within the 5% tolerance but after several rounds of clarifications the Applicant provided sufficient adjustments and justifications for expenses to be within this tolerance guideline.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	9.29 acres	<u> \$69,270 </u>	Tax Year:	<u> 2007 </u>
Existing Buildings:		<u> </u>	Valuation by:	<u> Galveston County A. D. </u>
Total Assessed Value:		<u> \$69,270 </u>	Tax Rate:	<u> \$2.62 </u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 9.2924
 Contract Expiration: 9/30/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$145,000 Other: _____
 Seller: Unity National Bank Related to Development Team? Yes No

TITLE

Comments:
 Stewart Title Guaranty Company effective February 07, 2008 (Issued December 31, 2007)

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/5/2008

Acquisition Value:

The site cost of \$15,604 per acre or \$1,028 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,993 per unit is within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$265K or 3.7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost 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 \$12,627,213 supports annual tax credits of \$1,290,838. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/11/2008

Source: iCap Realty Advisors of Texas Type: Interim Financing

Principal: \$285,000 Interest Rate: 6.5% Fixed Term: 24 months

Comments:

Proceeds for interim financing including land purchase. Rate of LIBOR + (to be negotiated)

Source: Southeast Texas Housing Finance Corp Type: Interim Financing

Principal: \$985,000 Interest Rate: 7.0% Fixed Amort: 12 months

Comments:

Proceeds for development costs - Rate of Prime + 1% at closing, (Two loans - 700K & 285K)

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Source: PNC Bank, NA Type: Interim to Permanent Financing
 Interim \$3,338,362 Interest Rate: 7.00% Floating Amort: 24 months
 Permanent \$3,338,362 Interest Rate: 7.00% Fixed Amort: 360 months
 Comments:

Interim loan to float at prime + (TBD), Permanent loan term will be 15 yrs with a 30 yr amortization

Source: PNC Type: Syndication
 Proceeds: \$9,839,016 Syndication Rate: 82% Anticipated HTC: \$ 1,200,000
 Comments:

Due to the recent volatility in credit pricing, it should be noted, the syndication price appears to be consistent with current market prices and any decrease in rate could increase the amount of deferred developer fee. Additionally, any decrease in credit syndication price below to \$0.78 would make the development financial infeasibility. Alternatively, should the final credit price increase to more than \$0.86, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: \$531,868 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate indicates the need for \$10,335,635 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,260,569 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,260,635), and eligible basis-derived estimate (\$1,290,838), the Applicant's request of \$1,200,000 is recommended as both the eligible basis derived estimate and gap-driven estimate exceed the \$1.2M allocation cap per development. The \$1.2M in annual tax credits results in proceeds of \$9,839,016 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$496,619 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation.

Underwriter:	<u>Thomas Kincaid</u>	Date:	<u>July 16, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 16, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 16, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Highland Manor, La Marque, 9% HTC #08198

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	7	1	1	729	\$344	\$214	\$1,498	\$0.29	\$130.00	\$65.00
TC 50%	29	1	1	729	\$573	\$443	\$12,847	\$0.61	\$130.00	\$65.00
TC 60%	35	1	1	729	\$687	\$557	\$19,495	\$0.76	\$130.00	\$65.00
TC 60%	8	1	1	791	\$687	\$557	\$4,456	\$0.70	\$130.00	\$65.00
TC 60%	7	1	1	791	\$687	\$557	\$3,899	\$0.70	\$130.00	\$65.00
TC 60%	1	1	1	805	\$687	\$557	\$557	\$0.69	\$130.00	\$65.00
TC 50%	20	2	2	990	\$687	\$521	\$10,420	\$0.53	\$166.00	\$75.00
TC 60%	25	2	2	990	\$825	\$659	\$16,475	\$0.67	\$166.00	\$75.00
EO	1	2	2	990		\$0	\$0	\$0.00	\$166.00	\$75.00
TC 60%	2	2	2	1,075	\$825	\$659	\$1,318	\$0.61	\$166.00	\$75.00
MR	6	2	2	1,075		\$826	\$4,956	\$0.77	\$166.00	\$75.00
TOTAL:	141			AVERAGE: 841		\$538	\$75,921	\$0.64	\$143.79	\$68.83

INCOME		Total Net Rentable Sq Ft:	118,569	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$911,052	\$911,040	Galveston	Houston	6
Secondary Income	Per Unit Per Month:	\$7.94		13,440	13,440	\$7.94	Per Unit Per Month	
Other Support Income:				0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$924,492	\$924,480			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(69,337)	(69,336)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				\$855,155	\$855,144			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.53%	\$335	0.40	\$47,252	\$45,402	\$0.38	\$322	5.31%
Management	5.00%	303	0.36	42,758	43,500	0.37	309	5.09%
Payroll & Payroll Tax	14.10%	855	1.02	120,594	123,920	1.05	879	14.49%
Repairs & Maintenance	6.58%	399	0.47	56,251	58,285	0.49	413	6.82%
Utilities	4.76%	289	0.34	40,695	30,033	0.25	213	3.51%
Water, Sewer, & Trash	5.73%	348	0.41	49,024	42,154	0.36	299	4.93%
Property Insurance	8.24%	500	0.59	70,500	70,500	0.59	500	8.24%
Property Tax	9.93%	602	0.72	84,937	86,640	0.73	614	10.13%
Reserve for Replacements	4.12%	250	0.30	35,250	35,250	0.30	250	4.12%
TDHCA Compliance Fees	0.63%	38	0.05	5,360	4,230	0.04	30	0.49%
Other:	1.17%	71	0.08	10,000	10,000	0.08	71	1.17%
TOTAL EXPENSES	65.79%	\$3,990	\$4.75	\$562,620	\$549,914	\$4.64	\$3,900	64.31%
NET OPERATING INC	34.21%	\$2,075	\$2.47	\$292,535	\$305,230	\$2.57	\$2,165	35.69%

DEBT SERVICE				TDHCA	APPLICANT			
PNC Multifamily Cptial	31.17%	\$1,890	\$2.25	\$266,522	\$266,523	\$2.25	\$1,890	31.17%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	3.04%	\$184	\$0.22	\$26,013	\$38,707	\$0.33	\$275	4.53%
AGGREGATE DEBT COVERAGE RATIO				1.10	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.15			

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)		1.17%	\$1,080	\$1.28	\$152,250	\$152,250	\$1.28	\$1,080	1.11%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.65%	7,993	9.51	1,127,000	1,127,000	9.51	7,993	8.24%
Direct Construction		54.99%	50,795	60.40	7,162,098	7,426,700	62.64	52,672	54.31%
Contingency	4.48%	2.85%	2,634	3.13	371,335	371,335	3.13	2,634	2.72%
Contractor's Fees	14.00%	8.91%	8,230	9.79	1,160,474	1,190,000	10.04	8,440	8.70%
Indirect Construction		4.20%	3,884	4.62	547,598	547,598	4.62	3,884	4.00%
Ineligible Costs		1.54%	1,421	1.69	200,416	200,416	1.69	1,421	1.47%
Developer's Fees	15.00%	12.32%	11,381	13.53	1,604,713	1,635,000	13.79	11,596	11.96%
Interim Financing		2.53%	2,337	2.78	329,580	329,580	2.78	2,337	2.41%
Reserves		2.82%	2,609	3.10	367,887	694,118	5.85	4,923	5.08%
TOTAL COST		100.00%	\$92,364	\$109.84	\$13,023,351	\$13,673,997	\$115.33	\$96,979	100.00%
Construction Cost Recap		75.41%	\$69,652	\$82.83	\$9,820,907	\$10,115,035	\$85.31	\$71,738	73.97%

SOURCES OF FUNDS									
					RECOMMENDED				
PNC Multifamily Cptial	25.63%	\$23,676	\$28.16	\$3,338,362	\$3,338,362	\$3,338,362			Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0		0			\$1,635,000
HTC Syndication Proceeds	75.55%	\$69,780	\$82.98	9,839,016	9,839,016	9,839,016			% of Dev. Fee Deferred
Deferred Developer Fees	4.08%	\$3,772	\$4.49	531,868	531,868	496,619			30%
Additional (Excess) Funds Req'd	-5.27%	(\$4,865)	(\$5.78)	(685,895)	(35,249)	0			15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$13,023,351	\$13,673,997	\$13,673,997			\$939,068

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Highland Manor, La Marque, 9% HTC #08198

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.59	\$6,591,251
Adjustments				
Exterior Wall Finish	2.40%		\$1.33	\$158,190
Elderly	3.00%		1.67	197,738
9-Ft. Ceilings	3.30%		1.83	217,511
Single Story Patios	\$19.81	1,588	0.27	31,464
Subfloor			(1.00)	(119,051)
Floor Cover			2.43	288,123
Breezeways	\$22.27	27,787	5.22	618,811
Plumbing Fixtures	\$805	178	1.21	143,290
Rough-ins	\$400	282	0.95	112,800
Built-In Appliances	\$1,850	141	2.20	260,850
Exterior Stairs	\$1,800	10	0.15	18,000
Elevators	\$53,600	3	1.36	160,800
Heating/Cooling			1.90	225,281
Garages/Carports	\$22.58	7,640	1.45	172,511
Comm &/or Aux Bldgs	\$59.59	7,018	3.53	418,203
Other: fire sprinkler	\$1.95	138,208	2.27	269,506
Other: A/C interior corrido	\$45.67	702	0.27	32,060
SUBTOTAL			82.63	9,797,337
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(8.26)	(979,734)
TOTAL DIRECT CONSTRUCTION COSTS			\$74.37	\$8,817,603
Plans, specs, survy, bld prm	3.90%		(\$2.90)	(\$343,887)
Interim Construction Interest	3.38%		(2.51)	(297,594)
Contractor's OH & Profit	11.50%		(8.55)	(1,014,024)
NET DIRECT CONSTRUCTION COSTS			\$60.40	\$7,162,098

PAYMENT COMPUTATION

Primary	\$3,338,362	Amort	360
Int Rate	7.00%	DCR	1.10

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.10

Additional		Amort	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$266,522
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$38,708

Primary	\$3,338,362	Amort	360
Int Rate	7.00%	DCR	1.15

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

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

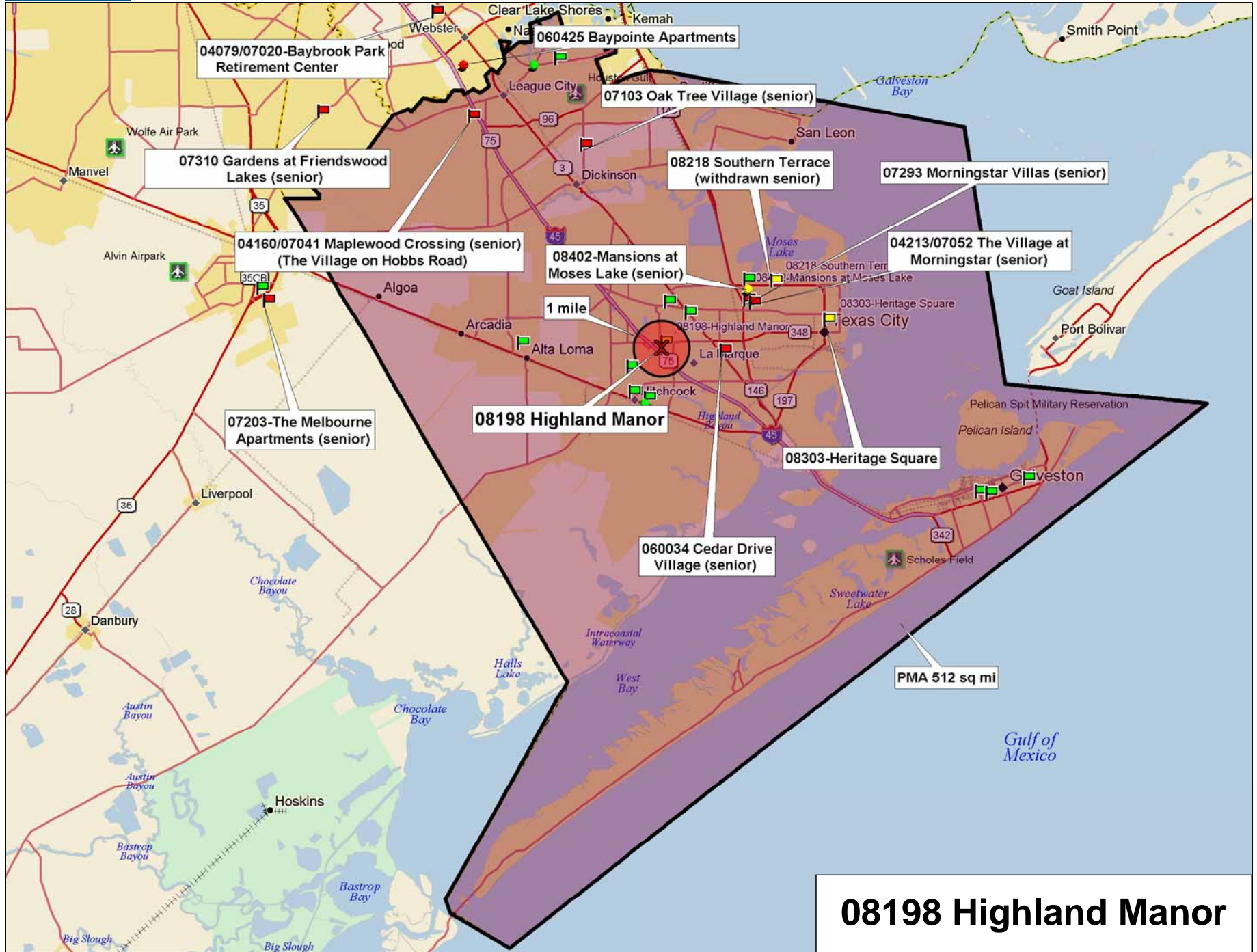
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$911,040	\$938,371	\$966,522	\$995,518	\$1,025,384	\$1,188,701	\$1,378,030	\$1,597,514	\$2,146,925
Secondary Income	13,440	13,843	14,258	14,686	15,127	17,536	20,329	23,567	31,672
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	924,480	952,214	980,781	1,010,204	1,040,510	1,206,237	1,398,359	1,621,081	2,178,598
Vacancy & Collection Loss	(69,336)	(71,416)	(73,559)	(75,765)	(78,038)	(90,468)	(104,877)	(121,581)	(163,395)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$855,144	\$880,798	\$907,222	\$934,439	\$962,472	\$1,115,769	\$1,293,482	\$1,499,500	\$2,015,203
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$45,402	\$47,218	\$49,107	\$51,071	\$53,114	\$64,621	\$78,622	\$95,655	\$141,593
Management	43,500	44,805	46,149	47,534	48,960	56,758	65,798	76,278	102,511
Payroll & Payroll Tax	123,920	128,877	134,032	139,393	144,969	176,377	214,589	261,081	386,463
Repairs & Maintenance	58,285	60,616	63,041	65,563	68,185	82,958	100,931	122,798	181,771
Utilities	30,033	31,234	32,484	33,783	35,134	42,746	52,007	63,275	93,662
Water, Sewer & Trash	42,154	43,840	45,594	47,418	49,314	59,998	72,997	88,812	131,464
Insurance	70,500	73,320	76,253	79,303	82,475	100,343	122,083	148,533	219,865
Property Tax	86,640	90,106	93,710	97,458	101,357	123,316	150,032	182,537	270,200
Reserve for Replacements	35,250	36,660	38,126	39,651	41,238	50,172	61,042	74,266	109,932
Other	14,230	14,799	15,391	16,007	16,647	20,254	24,642	29,980	44,378
TOTAL EXPENSES	\$549,914	\$571,476	\$593,887	\$617,181	\$641,392	\$777,543	\$942,743	\$1,143,215	\$1,681,839
NET OPERATING INCOME	\$305,230	\$309,323	\$313,336	\$317,258	\$321,080	\$338,226	\$350,739	\$356,285	\$333,363
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$266,522	\$266,522	\$266,522	\$266,522	\$266,522	\$266,522	\$266,522	\$266,522	\$266,522
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$38,708	\$42,800	\$46,813	\$50,736	\$54,557	\$71,704	\$84,217	\$89,762	\$66,841
DEBT COVERAGE RATIO	1.15	1.16	1.18	1.19	1.20	1.27	1.32	1.34	1.25

HTC ALLOCATION ANALYSIS -Highland Manor, La Marque, 9% HTC #08198

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$152,250	\$152,250		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,127,000	\$1,127,000	\$1,127,000	\$1,127,000
Construction Hard Costs	\$7,426,700	\$7,162,098	\$7,426,700	\$7,162,098
Contractor Fees	\$1,190,000	\$1,160,474	\$1,190,000	\$1,160,474
Contingencies	\$371,335	\$371,335	\$371,335	\$371,335
Eligible Indirect Fees	\$547,598	\$547,598	\$547,598	\$547,598
Eligible Financing Fees	\$329,580	\$329,580	\$329,580	\$329,580
All Ineligible Costs	\$200,416	\$200,416		
Developer Fees				
Developer Fees	\$1,635,000	\$1,604,713	\$1,635,000	\$1,604,713
Development Reserves	\$694,118	\$367,887		
TOTAL DEVELOPMENT COSTS	\$13,673,997	\$13,023,351	\$12,627,213	\$12,302,798

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,627,213	\$12,302,798
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$16,415,377	\$15,993,637
Applicable Fraction		94.51%	94.51%
TOTAL QUALIFIED BASIS		\$15,514,883	\$15,116,278
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,290,838	\$1,257,674

Syndication Proceeds	0.8199	\$10,583,815	\$10,311,898
Total Tax Credits (Eligible Basis Method)		\$1,290,838	\$1,257,674
Syndication Proceeds		\$10,583,815	\$10,311,898
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$9,839,016	
Gap of Syndication Proceeds Needed		\$10,335,635	
Total Tax Credits (Gap Method)		\$1,260,569	



08198 Highland Manor

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MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ingram Square Apartments, TDHCA Number 08200

BASIC DEVELOPMENT INFORMATION

Site Address: 5901 Flynn Dr. Development #: 08200
 City: San Antonio Region: 9 Population Served: General
 County: Bexar Zip Code: 78228 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: AIMCO Equity Services, Inc.
 Owner Contact and Phone: Paul Patierno, (310) 258-5122
 Developer: Aimco Equity Services, Inc.
 Housing General Contractor: Penco Central, Inc.
 Architect: The Hill Firm Architects
 Market Analyst: Novogradac & Company, LLP
 Syndicator: Aimco Capital Tax Credit Fund X
 Supportive Services: Texas Interfaith Housing
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	120
	8 0 41 71	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 44 52 24 0 0	Total Development Units:	120
Type of Building:		Total Development Cost*:	\$10,834,036
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	20
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$752,115	\$752,115			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ingram Square Apartments, TDHCA Number 08200

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26, S

Points: 14 US Representative: González, District 20, NC

TX Representative: Castro, District 125, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Justin Rodriguez, City Councilman, District 7

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Ingram Hills Neighborhood Association, Joan Price

Letter Score: 24 S or O: S

IHNA applauds AIMCO for extending affordability another 40 years while dramatically rehabilitating Ingram Square Apartments.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review and acceptance, by cost certification, that all recommendations of the ESA report have been implemented.
2. Receipt, review and acceptance, by carryover, of a revised as-built survey of the subject development.
3. Receipt, review and acceptance, by commitment notice, of a firm commitment from the City of San Antonio to provide a \$550,000 cash flow loan to the Applicant as proposed.
4. Receipt, review and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
6. Receipt of a commitment of funding from the City of San Antonio Neighborhood Action Department for funds in the amount of \$550,000, or a commitment from a qualifying substitute source in an amount not less than \$541,595, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ingram Square Apartments, TDHCA Number 08200

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **213** Meeting a Required Set-Aside Credit Amount*: \$752,115

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/24/08

PROGRAM: HTC 9%

FILE NUMBER: 08200

DEVELOPMENT

Ingram Square Apartments

Location: 5901 Flynn Drive Region: 9
 City: San Antonio County: Bexar Zip: 78228 QCT DDA
 Key Attributes: Multifamily, Acquisition, Rehabilitation, Family

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$752,115			\$752,115		

CONDITIONS

- 1 Receipt, review and acceptance, by cost certification, that all recommendations of the ESA report have been implemented.
- 2 Receipt, review and acceptance, by carryover, of a revised as-built survey of the subject development.
- 3 Receipt, review and acceptance, by commitment notice, of a firm commitment from the City of San Antonio to provide a \$550,000 cash flow loan to the Applicant as proposed.
- 4 Receipt, review and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	41
60% of AMI	60% of AMI	71

PROS

- The proposed transaction will maintain and rehabilitate an existing 27 year old affordable housing development.

CONS

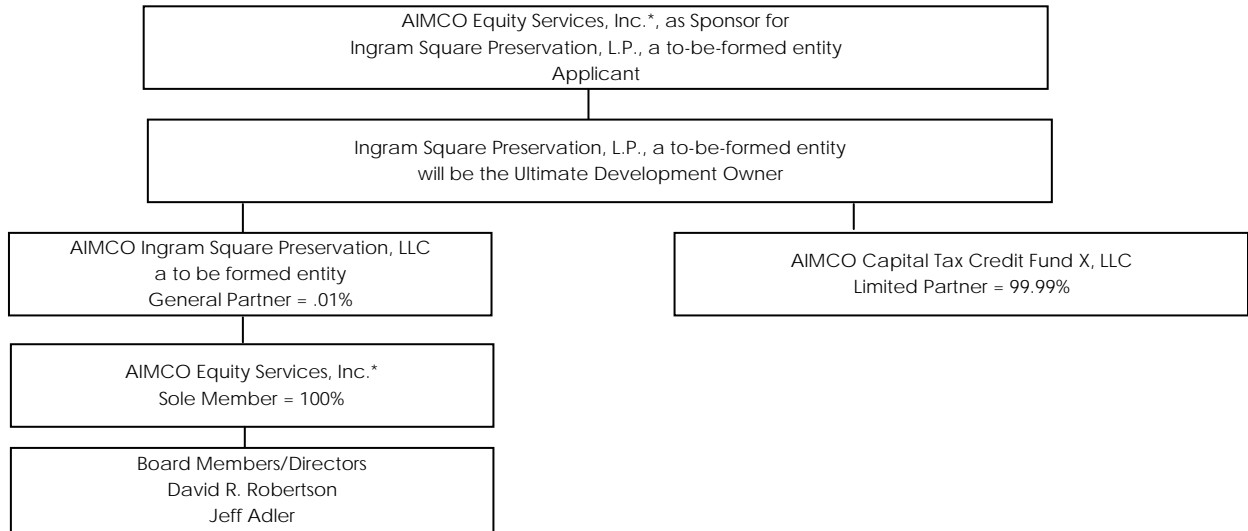
- The Applicant's estimated and historical expense to income ratio exceeds the Department's guideline of 65%. However, the development will receive project-based Section 8 Rental Assistance which mitigates this feasibility issue.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Paul Patierno Phone: (310) 258-5122 Fax: (310) 258-5177
 Email: paul.patierno@aimco.com

KEY PARTICIPANTS

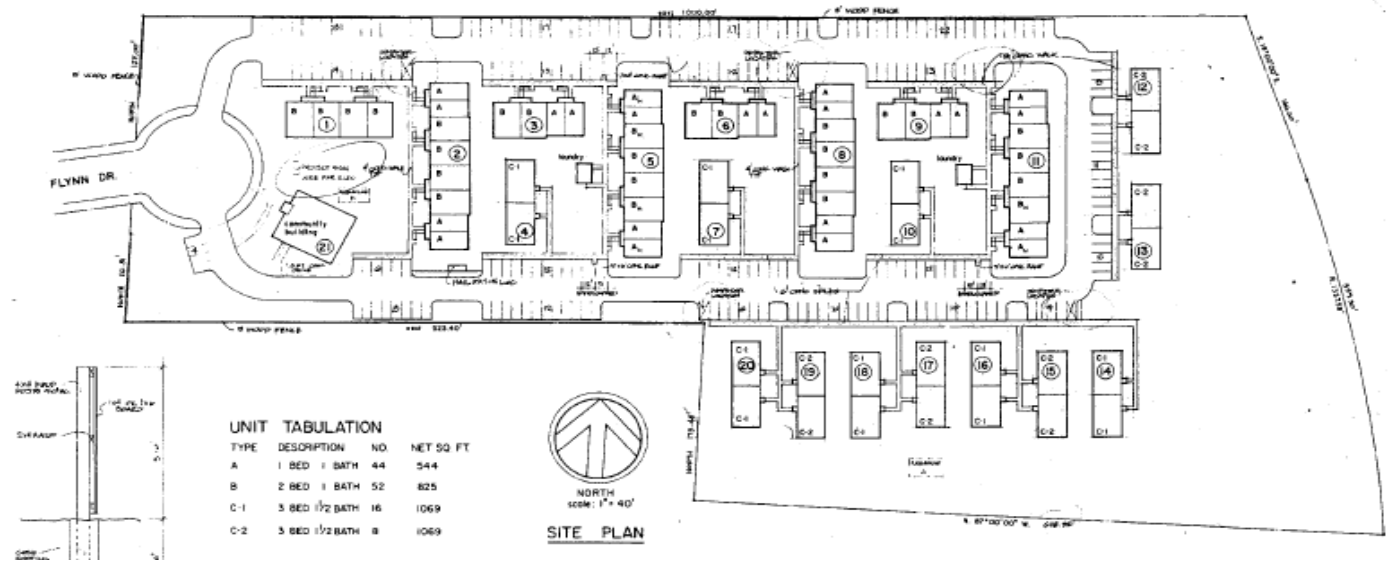
Name	Financial Notes	# Completed Developments
AIMCO Equity Services, Inc.	N/A	5+
Paul Patierno	N/A	5+
David Robertson	N/A	5+
Jeff Adler	N/A	5+

IDENTITIES of INTEREST

- The Applicant, Developer, and Syndicator are related entities. These are common relationships for HTC-funded developments.
- The Seller is a related party to the Applicant and this will be addressed further in the acquisition section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	2	2	2	2							
Number	4	3	1	12							20

BR/BA	SF	Units									Total Units	Total SF
1/1	544	8									32	17,408
2/1	825	8									32	26,400
1/1	544		4								12	6,528
2/1	825		4								12	9,900
2/1	825			8							8	6,600
3/1.5	1,069				2						24	25,656
Units per Building		16	8	8	2						120	92,492

Rehabilitation Summary

The proposed renovations are to include exterior and interior work, including grading the exterior to assist with drainage, addition of perimeter fencing and gates, repair of masonry on retaining walls, landscaping, installation of an irrigation system, a new playground and picnic area, repair dumpster enclosures, install new exterior lighting, foundation repair, installation of attic draft stop walls, repair of exterior stairs, balconies, and masonry, installation of new gutters and Hardi Plank siding, painting the exterior of the property, installation of GWB soffits, new exterior doors, new window frames and screens, new exterior light fixtures at unit entrances, new carpet and vinyl tile in units, interior painting, GFCI outlets in all kitchens and baths, new light fixtures in kitchens, installation of ceiling fans in living rooms and bedrooms.

Additionally, renovations will include installation of new range/stoves, garbage disposals, refrigerators and dishwashers, installation of microwaves, new cabinets and countertops in both the kitchens and the baths, blinds, baseboards, installation of smoke detectors, drywall repair, replace interior doors, installation of exhaust fans and medicine cabinets in baths, new tub fixtures and surrounds, replacement of toilets, replacement of condensers, gas-fueled hot water heaters and gas-fired forced air units, repair/replacement of ductwork, plumbing and electrical wiring. A security alarm system will also be installed in the common area's building. The original application inadvertently included a check box for the inclusion of 243 garage spaces but these were not reflected in the site plan and when questioned the Applicant confirmed that the wrong box was marked and no garages are planned.

Relocation Plan

The Applicant plans to renovate the property in phases whereby specific buildings and units will be targeted, tenants will be moved out of those units, renovations will be completed and then tenants will be relocated to the completed units. There will be no off-site relocations, and all costs associated with the Relocation Plan will be incurred by the Applicant. The Applicant has included \$360K in the development cost schedule for relocation expenses.

SITE ISSUES

Total Size: 9.742 acres Scattered site? [] Yes [X] No
Flood Zone: X Within 100-yr floodplain? [] Yes [X] No
Zoning: MF-33 Needs to be re-zoned? [] Yes [X] No [] N/A

Comments:

"The eastern most portion of the subject property (closest to Zarzamora Creek) is located in Zone X, described as areas of the 500-year flood; areas of the 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from the 100-year flood. Stormwater at the subject property is directed to subsurface drainage inlets situated within the landscape and paved surfaces that drain to the municipal system and/or drainage pathways toward the Zarzamora Creek." (p. 10)

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/16/2008

Overall Assessment:

[] Excellent [X] Acceptable [] Questionable [] Poor [] Unacceptable

Surrounding Uses:

North: Mobile Home Park and undeveloped beyond,
East: Creek, park and single family beyond,
South: Apartments, church, and single family beyond,
West: Business and apartments beyond.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: TRC Date: 11/29/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The ESA report did not identify any evidence of recognized environmental concerns in connection with the subject development. However, the following items were identified in the report:

- "TRC noted non-friable asbestos in the gray floor tile mastic and blue floor tile mastic. The identified asbestos-containing materials were found to be in good condition at the time of the inspection and should be included in an Operations and Maintenance (O&M) plan to ensure they remain in good condition...Pursuant to local, state and federal laws, should any construction activities, i.e., renovation, repair, demolition, etc. that will disturb suspect ACMs take place at the Property, an asbestos survey would be required prior to conducting any renovation, repair, demolition, etc. activities at the Property."

Comments:

Based on the conclusions noted above this report is conditioned upon receipt, review and acceptance of documentation by cost certification that all recommendations of the ESA report have been implemented.

MARKET HIGHLIGHTS

Provider: Novogradac & Company Date: 2/1/2008

Contact: John Cole Phone: (512) 340-0420 Fax: (512) 340-0421

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 14.30 square miles (2.14 mile radius)

"The Subject's Primary Market Area (PMA) is comprised by the following census tracts: 1705, 1706, 1713, 1801, 1802.02, 1803, 1804, 1805.01, 1805.03, 1805.04, 1806.0, 1806.02, 1816.01, 1816.02." (p. 12) The Market Analyst estimates the 2008 population for the PMA to be 75,038.

Secondary Market Area (SMA):

"The secondary market area (SMA) is defined as a portion of northwestern San Antonio, which is bound by IH-10 to the north and east, IH-410 to the north and west, and US Highway 90 to the south" (p. 13) The Analyst did not use any demand from the secondary market indicating that "the percentage of income-qualified demand from the secondary market area due to "leakage" is considered to be zero." (p.53)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Sagewood Apartments	04436	336	0	Not Applicable			

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,500	\$13,100	\$14,750	\$16,400	\$17,700	\$19,000
50	\$19,150	\$21,900	\$24,600	\$27,350	\$29,550	\$31,750
60	\$22,980	\$26,280	\$29,520	\$32,820	\$35,460	\$38,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	341	0	0	341	3	0	0.88%
1BR/ 50% Rent Limit	533	0	0	533	15	0	2.81%
1 BR/ 60% Rent Limit	602	0	0	602	26	0	4.32%
2 BR/ 30% Rent Limit	453	0	0	453	3	0	0.66%
2 BR/ 50% Rent Limit	720	0	0	720	18	0	2.50%
2 BR/ 60% Rent Limit	836	0	0	836	31	0	3.71%
3 BR/ 30% Rent Limit	280	0	0	280	2	0	0.71%
3 BR/ 50% Rent Limit	463	0	0	463	8	0	1.73%
3 BR/ 60% Rent Limit	533	0	0	533	14	0	2.63%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 60	10,101	100%	10,101	56%	5,636	35%	1,973	100%	1,973
Underwriter	50,802	100%	50,802	68%	34,732	22%	7,467	30%	2,240
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 60							62	100%	62
Underwriter		100%	192	68%	132	22%	28	100%	28

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 60	120	0	0	120	2,035	5.90%
Underwriter	120	0	0	120	2,269	5.29%

Comments:

While the calculated capture rate falls within the Department's guidelines the property has a current occupancy of 100% according to a rent roll (January 2008) provided at application. Additionally, the Applicant is proposing a temporary relocation but ultimate return of existing tenants. As a result, the presence of an existing tenant base mitigates any potential concerns about demand in the market.

Primary Market Occupancy Rates:

"Vacancy rates reported at comparable properties ranged from .07 to 31.2 percent, with a weighted average occupancy rate of 11.2 percent." (p. 42) This average weighted vacancy rate translates into an 88.8 percent occupancy rate in the PMA.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	544 SF	30%	\$485	\$257	\$550	\$485	\$0
1 BR	544 SF	50%	\$485	\$463	\$550	485	\$0
1 BR	544 SF	60%	\$485	\$485	\$550	485	\$0
2 BR	825 SF	30%	\$655	\$310	\$695	655	\$0
2 BR	825 SF	50%	\$655	\$556	\$695	655	\$0
2 BR	825 SF	60%	\$655	\$655	\$695	655	\$0
3 BR	1,069 SF	30%	\$784	\$359	\$860	784	\$0
3 BR	1,069 SF	50%	\$784	\$644	\$860	784	\$0
3 BR	1,069 SF	60%	\$784	\$784	\$860	784	\$0

Market Impact:

"Since there are no new LIHTC properties in the area, and the current properties are operating at a stabilized occupancy, and the Subject is fully occupied, the potential impact on the existing affordable housing stock is anticipated to be minimal." (p. 50)

Comments:

The Market Analyst has provided a market study that meets the Department's guidelines and results in an inclusive capture rate below the 25% maximum for family transactions. Moreover, the property is currently 100% occupied and proposes temporary relocation of tenants. The presence of an existing tenant base mitigates potential concerns about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 639 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 402 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utilities from the 2008 program rent limits for the 30% and 50% units. The Applicant's rents for the 60% units are slightly below the maximum rent limits. The Underwriter's analysis utilized the current Section 8 Housing Assistance Payment (HAP) contract rents as reflected in the HAP contract provided in the Application. Accordingly, the Underwriter's potential gross income is \$70K (8%) higher than the Applicant's. The current Section 8 rental assistance contract expires in June 2021.

Estimates of secondary income are in line with TDHCA underwriting guidelines, however, the Applicant utilized a 5% vacancy and collection loss estimate and since the development is 100% occupied with a HAP contract covering all units the Underwriter used 5% as well. Overall the Applicant's effective gross income is over 5% lower than the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$4,480 per unit is 1% higher than the Underwriter's estimate of \$4,449 per unit derived from actual operating statements for the development, the TDHCA database and other third party data sources. However, the Applicant has three line items that differ significantly from the Underwriter's, specifically, general and administrative (\$9K lower), repairs and maintenance (\$16K lower) and property taxes (\$25K higher).

Conclusion:

The Applicant's estimate of effective gross income and net operating income estimates are not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's Year One DCR falls within the Department's guidelines however the Underwriter's estimate is somewhat higher than the 1.35 maximum DCR allowed by the Department. Therefore a minimum amount of deferred developer fee or additional debt of \$323,434 will be evaluated as part of the gap filled before tax credit proceeds are considered.

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate is at 68.04%, while the Underwriter's estimate is 62.35% both of which are only slightly below the 65% Department guideline. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, the application and underwriting is based on receipt of Project Based Section 8 Vouchers for 100% of the units. The Department's rules allow for an exception to the 65% expense to income ratio for transactions receiving long-term project based rental assistance.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the first 15 years.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Novogradac & Company</u>	Date:	<u>2/1/2008</u>
Number of Revisions:	<u>none</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	10.078 acres	<u>\$800,000</u>	As of: <u>2/1/2008</u>
Existing Buildings: (as-is, as-restricted)		<u>\$3,400,000</u>	As of: <u>2/1/2008</u>
Total Development: (as-is)		<u>\$4,200,000</u>	As of: <u>2/1/2008</u>
Comments:			

ASSESSED VALUE

Land Only:	10.078 acres	<u>\$329,250</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>\$2,670,750</u>	Valuation by:	<u>Bexar CAD</u>
Total Assessed Value:		<u>\$3,000,000</u>	Tax Rate:	<u>2.549575</u>

Comments:

It should be noted that the as-built survey and purchase contract provided in the application reflect total site acreage of 9.742 acres. However, the tax statement and third party reports that accompanied the application reflect site acreage of 10.078. The Applicant has recognized this discrepancy in the application and has indicated that a revised survey would be conducted after an award of HTC. Therefore, it is a condition of this report that a revised survey reflecting the correct acreage be provided to the Department by Carryover.

EVIDENCE of PROPERTY CONTROL

Type: Agreement of Sale and Purchase Acreage: 9.742

Contract Expiration: 12/22/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$4,200,000 Other: _____

Seller: Ingram Square Apts. Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

According to the Applicant the seller is a partnership comprised of various partners that include the affiliates of the Applicant and its Principals. As a result, the acquisition is considered a related party transaction based upon the common ownership interest of AIMCO Equity Services, Inc. in the buyer and seller. Pursuant to the 2008 REA Rules, applications involving identity of interest transactions are required to submit the original acquisition cost listed in the settlement statement or the original asset value listed in the most current audited financial statements for the current owner. The Applicant provided 2006 audited financial statements for Ingram Square Apts. Ltd., reflecting an asset value of \$5,055,542 for the land and buildings combined. Therefore, the acquisition cost of \$4.2M has been documented and supported.

The Applicant has estimated eligible building basis of \$3,400,000 or 81% of the total acquisition price. The Underwriter has used the same eligible building basis which is supported by the prorata allocation of value to land and buildings as reflected in the appraisal submitted by the Applicant.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$2,706 per unit, which is \$38K more than the costs identified in the Property Condition Assessment of \$2,388 per unit. The underwriting analysis will reflect the values reflected in the PCA.

Direct Construction Cost:

The Applicant's direct construction cost estimate of \$3,025,497 is within 1% of the costs identified in the PCA of \$3,065,832. The underwriting analysis will reflect the value in the PCA.

Fees:

The Applicant's deferred developer fees for the rehabilitation are within the Department's limits. The application and underwriting analysis do not include developer fees on the acquisition since this is a related party transaction.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting limits in the Department's guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis.

An eligible basis of \$3,400,000 is used for the acquisition and \$5,909,311 is used for rehabilitation which supports total annual tax credits of \$759,851. This figure will be compared to the Applicant's request and the tax credits calculated based on gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: Washington Mutual Bank Type: Interim to Permanent Financing

Interim: \$4,223,893 Interest Rate: 6.5% Fixed Term: 12 months

Permanent: \$2,825,000 Interest Rate: 6.5% Fixed Term: 360 months

Comments:

The permanent loan will have a 30 year amortization with a 15 year repayment term.

Source: City of San Antonio Neighborhood Action Type: Interim to Permanent Financing

Interim: \$550,000 Interest Rate: AFR Fixed Amort: 180 months

Permanent: \$550,000 Interest Rate: AFR Fixed Amort: 180 months

Comments:

The Applicant intends to apply to the City of San Antonio Neighborhood Action Department for a HOME/CDBG loan in the amount of \$550,000 to fund redevelopment expenditures during the rehabilitation of the proposed development. The Applicant expects the loan to bear annual interest at a rate equal to the long-term Applicable Federal Rate (AFR) for a term and amortization period of 15 years, and payable only from available cash flow after service of the first mortgage loan and development fee.

Due to the uncertainty as to the exact federal source of these funds, it is a condition of this report that the Applicant provide documentation from the City of San Antonio confirming that the funds are HOME funds and that these funds will be loaned to the Applicant at the terms reflected in the HTC application. Should the terms and rates of this proposed source change, this transaction should be re-evaluated and an adjustment to the allocation may be warranted.

Source: Ingram Square, Ltd. Type: Interim to Permanent Financing

Interim: \$118,609 Interest Rate: N/A Fixed Amort: N/A months

Permanent: \$118,609 Interest Rate: N/A Fixed Amort: N/A months

Comments:

The Applicant has reflected revenue from operations (taxes and interest during rehabilitation) as a source of funds. The Underwriter's analysis has combined this source with deferred developer fee.

Source: AIMCO Capital Tax Credit Fund X Type: Syndication

Proceeds: \$6,655,552 Syndication Rate: 88.5% Anticipated HTC: \$ 752,115

Amount: \$682,725 Type: Deferred Developer Fees

Comments:

The committed credit price appears to be high based on recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that should the credit price decline to \$0.72, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.925, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$2,825,000, the City of San Antonio HOME/CDBG funds of \$550,000 and the Underwriter's additional debt of \$323,434 indicates the need for \$6,976,837 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$788,422 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$752,115), the gap-driven amount (\$788,422), and eligible basis-derived estimate (\$759,619), the Applicant's requested amount of \$752,115 is recommended resulting in proceeds of \$6,655,552 based on a syndication rate of 89%.

The above financing structure indicate an additional total funding need of \$803,484. The Underwriter's recommended financing structure indicates the capacity for \$323,434 in additional debt and the need for an additional \$480,050 in permanent funds. This amounts to over 100% of the developer fees available so it is likely that additional debt will need to be obtained. The remaining deferred developer fee appear to be repayable from development cashflow within six years of stabilized operation.

Underwriter:	_____	Date:	_____
	<i>D. Burrell</i>		June 24, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		June 24, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 24, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Ingram Square Apartments, San Antonio, HTC 9% #08200

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	544	\$307	\$485	\$1,455	\$0.89	\$48.00	\$35.82
TC 50%	15	1	1	544	\$513	485	7,275	0.89	48.00	35.82
TC 60%	26	1	1	544	\$615	485	12,610	0.89	48.00	35.82
TC 30%	3	2	1	825	\$369	655	1,965	0.79	68.00	42.62
TC 50%	18	2	1	825	\$615	655	11,790	0.79	68.00	42.62
TC 60%	31	2	1	825	\$738	655	20,305	0.79	68.00	42.62
TC 30%	2	3	1.5	1,069	\$426	784	1,568	0.73	98.00	54.11
TC 50%	8	3	1.5	1,069	\$711	784	6,272	0.73	98.00	54.11
TC 60%	14	3	1.5	1,069	\$853	784	10,976	0.73	98.00	54.11
TOTAL:	120		AVERAGE:	771		\$618	\$74,216	\$0.80	\$66.67	\$42.42

INCOME

Total Net Rentable Sq Ft: **92,492**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$7.50

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.89%	\$349	0.45	\$41,909	\$33,000	\$0.36	\$275	4.18%
Management	5.00%	357	0.46	42,816	42,663	0.46	356	5.40%
Payroll & Payroll Tax	16.04%	1,145	1.49	137,355	135,000	1.46	1,125	17.08%
Repairs & Maintenance	6.60%	471	0.61	56,508	41,000	0.44	342	5.19%
Utilities	3.33%	238	0.31	28,535	31,000	0.34	258	3.92%
Water, Sewer, & Trash	6.40%	456	0.59	54,770	57,000	0.62	475	7.21%
Property Insurance	4.86%	347	0.45	41,614	43,000	0.46	358	5.44%
Property Tax 2.5496	9.65%	688	0.89	82,606	107,187	1.16	893	13.56%
Reserve for Replacements	4.20%	300	0.39	36,000	36,000	0.39	300	4.56%
TDHCA Compliance Fees	0.56%	40	0.05	4,800	4,800	0.05	40	0.61%
Other: Security	0.82%	58	0.08	7,000	7,000	0.08	58	0.89%
TOTAL EXPENSES	62.35%	\$4,449	\$5.77	\$533,913	\$537,650	\$5.81	\$4,480	68.04%
NET OPERATING INC	37.65%	\$2,687	\$3.49	\$322,409	\$252,538	\$2.73	\$2,104	31.96%

DEBT SERVICE

Washington Mutual	25.02%	\$1,786	\$2.32	\$214,271	\$214,271	\$2.32	\$1,786	27.12%
City of San Antonio HOME/CDBG Loa	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	12.63%	\$901	\$1.17	\$108,138	\$38,267	\$0.41	\$319	4.84%

AGGREGATE DEBT COVERAGE RATIO

1.50 1.18

RECOMMENDED DEBT COVERAGE RATIO

1.35

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)		38.77%	\$35,000	\$45.41	\$4,200,000	\$4,200,000	\$45.41	\$35,000	38.77%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		2.64%	2,388	3.10	286,519	324,704	3.51	2,706	3.00%
Direct Construction		28.30%	25,549	33.15	3,065,832	3,025,497	32.71	25,212	27.93%
Contingency 4.98%		1.54%	1,392	1.81	167,000	167,000	1.81	1,392	1.54%
Contractor's Fees 13.99%		4.33%	3,909	5.07	469,028	469,028	5.07	3,909	4.33%
Indirect Construction		9.06%	8,182	10.62	981,870	981,870	10.62	8,182	9.06%
Ineligible Costs		5.53%	4,995	6.48	599,405	599,405	6.48	4,995	5.53%
Developer's Fees 9.02%		7.11%	6,421	8.33	770,499	770,499	8.33	6,421	7.11%
Interim Financing		1.56%	1,405	1.82	168,563	168,563	1.82	1,405	1.56%
Reserves		1.16%	1,044	1.35	125,320	125,320	1.35	1,044	1.16%
TOTAL COST		100.00%	\$90,284	\$117.13	\$10,834,036	\$10,831,886	\$117.11	\$90,266	100.00%
Construction Cost Recap		36.81%	\$33,236	\$43.12	\$3,988,379	\$3,986,229	\$43.10	\$33,219	36.80%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Washington Mutual	26.08%	\$23,542	\$30.54	\$2,825,000	\$2,825,000	\$2,825,000	Developer Fee Available
City of San Antonio HOME/CDBG Loa	5.08%	\$4,583	\$5.95	550,000	550,000	550,000	\$770,499
Revenue from Operations/ Additional Financing		\$0	\$0.00		118,609	323,434	
HTC Syndication Proceeds	61.43%	\$55,463	\$71.96	6,655,552	6,655,552	6,655,552	% of Dev. Fee Deferred
Deferred Developer Fees	6.30%	\$5,689	\$7.38	682,725	682,725	480,050	62%
Additional (Excess) Funds Req'd	1.11%	\$1,006	\$1.31	120,759	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$10,834,036	\$10,831,886	\$10,834,036	\$1,692,253

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Ingram Square Apartments, San Antonio, HTC 9% #08200

PAYMENT COMPUTATION

Primary	\$2,825,000	Amort	360
Int Rate	6.50%	DCR	1.50

Secondary	\$550,000	Amort	0
Int Rate	5.00%	Subtotal DCR	1.50

Additional	\$0	Amort	0
Int Rate		Aggregate DCR	1.50

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$214,271
Secondary Debt Service	0
Additional Debt Service	24,532
NET CASH FLOW	\$83,606

Primary	\$2,825,000	Amort	360
Int Rate	6.50%	DCR	1.50

Secondary	\$550,000	Amort	0
Int Rate	5.00%	Subtotal DCR	1.50

Additional	\$323,434	Amort	360
Int Rate	6.50%	Aggregate DCR	1.35

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	\$890,592	\$917,310	\$944,829	\$973,174	\$1,002,369	\$1,162,021	\$1,347,100	\$1,561,658	\$2,098,738
Secondary Income	10,800	11,124	11,458	11,801	12,155	14,092	16,336	18,938	25,451
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	901,392	928,434	956,287	984,975	1,014,525	1,176,112	1,363,436	1,580,596	2,124,189
Vacancy & Collection Loss	(45,070)	(46,422)	(47,814)	(49,249)	(50,726)	(58,806)	(68,172)	(79,030)	(106,209)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$856,322	\$882,012	\$908,472	\$935,727	\$963,798	\$1,117,307	\$1,295,264	\$1,501,567	\$2,017,980
EXPENSES at 4.00%									
General & Administrative	\$41,909	\$43,585	\$45,329	\$47,142	\$49,028	\$59,650	\$72,573	\$88,296	\$130,700
Management	42,816	44,101	45,424	46,786	48,190	55,865	64,763	75,078	100,899
Payroll & Payroll Tax	137,355	142,849	148,563	154,506	160,686	195,499	237,854	289,386	428,362
Repairs & Maintenance	56,508	58,768	61,119	63,564	66,106	80,428	97,853	119,053	176,228
Utilities	28,535	29,676	30,863	32,098	33,382	40,614	49,413	60,119	88,991
Water, Sewer & Trash	54,770	56,961	59,239	61,609	64,073	77,955	94,844	115,392	170,809
Insurance	41,614	43,279	45,010	46,810	48,682	59,230	72,062	87,674	129,780
Property Tax	82,606	85,910	89,347	92,921	96,638	117,574	143,047	174,039	257,620
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	11,800	12,272	12,763	13,273	13,804	16,795	20,434	24,861	36,800
TOTAL EXPENSES	\$533,913	\$554,841	\$576,594	\$599,204	\$622,704	\$754,849	\$915,184	\$1,109,746	\$1,632,459
NET OPERATING INCOME	\$322,409	\$327,171	\$331,878	\$336,523	\$341,094	\$362,457	\$380,080	\$391,821	\$385,520
DEBT SERVICE									
First Lien Financing	\$214,271	\$214,271	\$214,271	\$214,271	\$214,271	\$214,271	\$214,271	\$214,271	\$214,271
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	24,532	24,532	24,532	24,532	24,532	24,532	24,532	24,532	24,532
NET CASH FLOW	\$83,606	\$88,368	\$93,075	\$97,720	\$102,291	\$123,654	\$141,277	\$153,018	\$146,718
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.43	1.52	1.59	1.64	1.61

HTC ALLOCATION ANALYSIS -Ingram Square Apartments, San Antonio, HTC 9% #08200

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$800,000	\$800,000				
Purchase of buildings	\$3,400,000	\$3,400,000	\$3,400,000	\$3,400,000		
Off-Site Improvements						
Sitework	\$324,704	\$286,519			\$324,704	\$286,519
Construction Hard Costs	\$3,025,497	\$3,065,832			\$3,025,497	\$3,065,832
Contractor Fees	\$469,028	\$469,028			\$469,028	\$469,028
Contingencies	\$167,000	\$167,000			\$167,000	\$167,000
Eligible Indirect Fees	\$981,870	\$981,870			\$981,870	\$981,870
Eligible Financing Fees	\$168,563	\$168,563			\$168,563	\$168,563
All Ineligible Costs	\$599,405	\$599,405				
Developer Fees						
Developer Fees	\$770,499	\$770,499			\$770,499	\$770,499
Development Reserves	\$125,320	\$125,320				
TOTAL DEVELOPMENT COSTS	\$10,831,886	\$10,834,036	\$3,400,000	\$3,400,000	\$5,907,161	\$5,909,311

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$3,400,000	\$3,400,000	\$5,907,161	\$5,909,311
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$3,400,000	\$3,400,000	\$7,679,309	\$7,682,104
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$3,400,000	\$3,400,000	\$7,679,309	\$7,682,104
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$120,700	\$120,700	\$638,919	\$639,151

Syndication Proceeds	0.8849	\$1,068,088	\$1,068,088	\$5,653,863	\$5,655,921
Total Tax Credits (Eligible Basis Method)				\$759,619	\$759,851
Syndication Proceeds				\$6,721,952	\$6,724,009
Requested Tax Credits				\$752,115	
Syndication Proceeds				\$6,655,552	
Gap of Syndication Proceeds Needed				\$6,976,837	\$6,978,987
Total Tax Credits (Gap Method)				\$788,422	\$788,665

Ingram Square Apts.

08200 Ingram Square Apts.

**Primary Market Area
14.30 square miles**

98049 Nueces Bend

One Mile Radius

04436 Sagewood Apartments

01063 Science Park Seniors

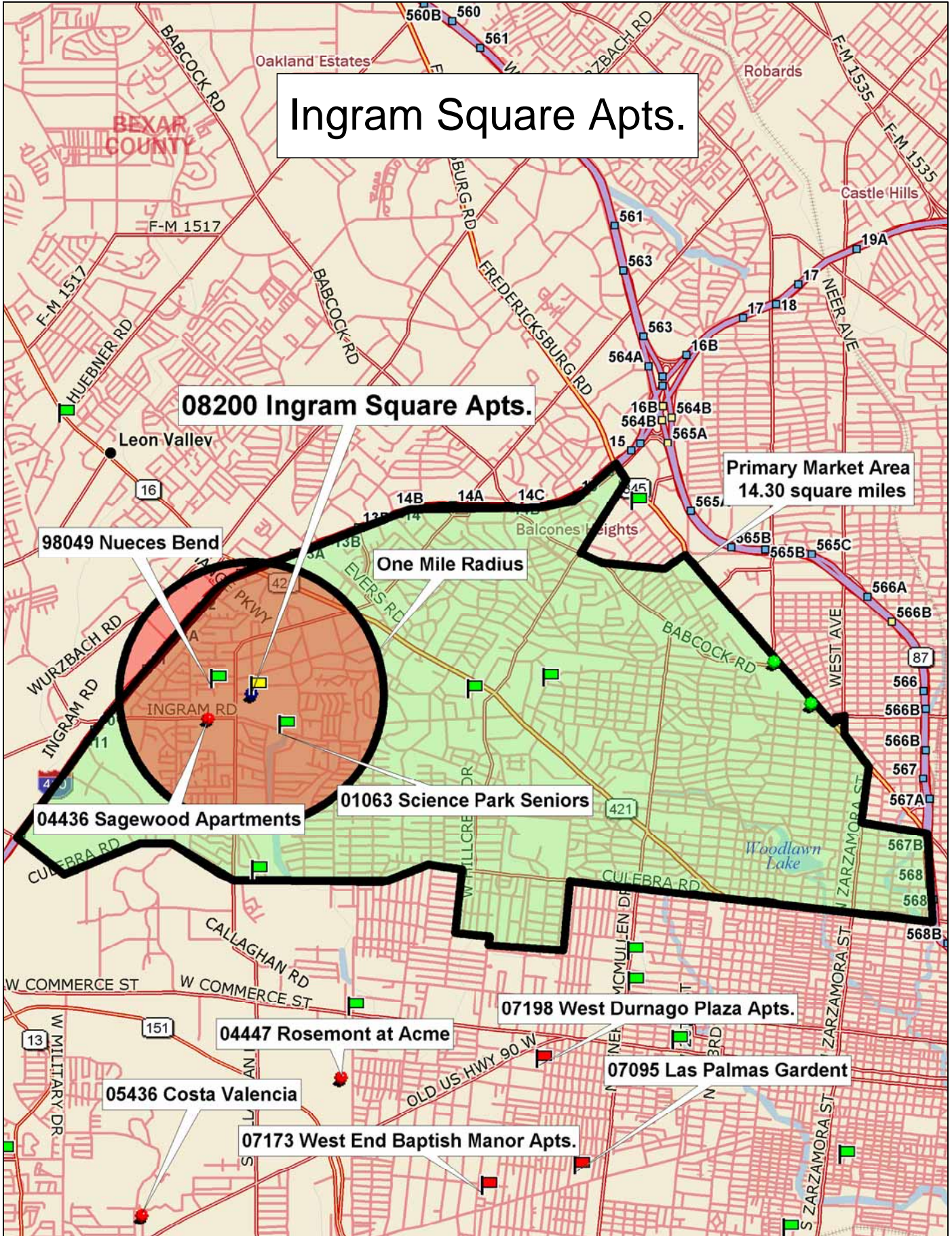
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04447 Rosemont at Acme

07095 Las Palmas Gardent

05436 Costa Valencia

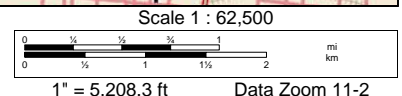
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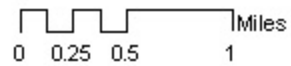
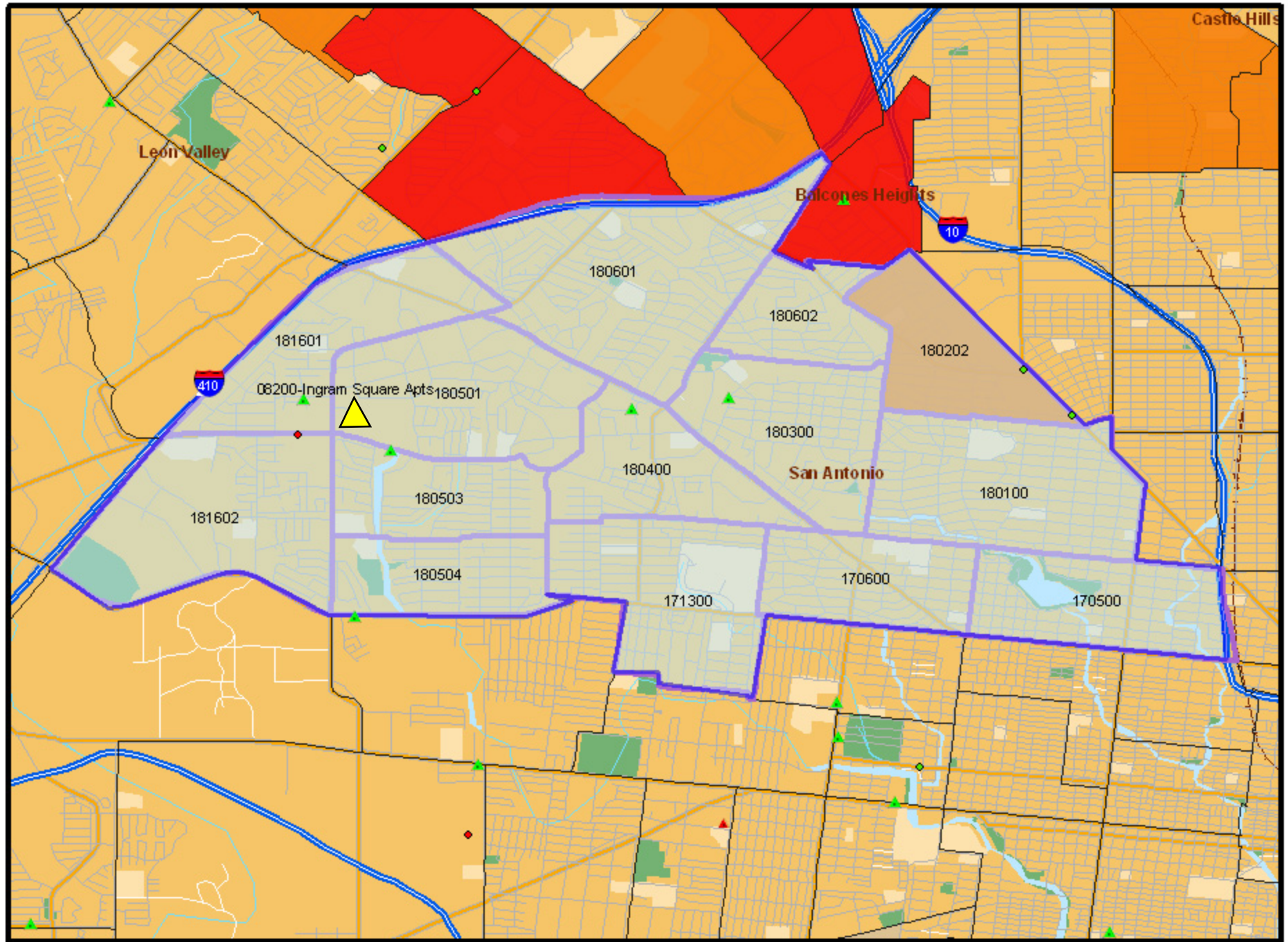


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- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
 - Orange Tracts: 1000 to 1432 units/sq.mi.

08200 - Ingram Square Apts.

Applicant Evaluation

Project ID # **08200**

Name: **Ingram Square Apartments**

City: **San Antonio**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Projects in Material Noncompliance

Yes No

Projects grouped by score

0-9:	2
10-19:	1
20-29:	1

Total # of MF awards not yet monitored or pending review: 1

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 4

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/29/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/30/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/30/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

First Huntington Arms, TDHCA Number 08201

BASIC DEVELOPMENT INFORMATION

Site Address: 415 N. Hwy 69 Development #: 08201
 City: Huntington Region: 5 Population Served: General
 County: Angelina Zip Code: 75949 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Huntington-Charger Properties, LP
 Owner Contact and Phone: Louis Williams, (936) 560-5702
 Developer: Louis Williams & Associates
 Housing General Contractor: Louis Williams & Associates
 Architect: Delbert Richardson
 Market Analyst: O'Connor & Associates
 Syndicator: Michael Associates Ltd
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	40
	2 0 18 20	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 8 32 0 0 0	Total Development Units:	40
Type of Building:		Total Development Cost*:	\$4,005,373
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	6
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	2
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$370,112	\$367,559			
HOME Activity Fund Amount:	\$555,212	\$555,212	30	30	0.20%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

First Huntington Arms, TDHCA Number 08201

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nichols, District 3, S

Points: 14 US Representative: Gohmert, District 1, NC

TX Representative: McReynolds, District 12, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Herman Woolbright, Mayor

Resolution of Support from Local Government

Individuals and Businesses In Support: 3

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Lufkin/Angelina County Chamber of Commerce

S or O: S

Emmanuel Assembly of God

S or O: S

Second Blessings

S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
2. Receipt, review and acceptance, by cost certification, of USDA-RD approval of the proposed increased basic rents.
3. Receipt, review and acceptance, by cost certification, of documentation from the ESA provider that all recommendations made in the environmental report with respect to sampling of lead based paint and asbestos prior to renovation have been followed and implemented.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit and or allocation amount may be warranted.
6. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$490,519, or a commitment from a qualifying substitute source in an amount not less than \$201,356, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

First Huntington Arms, TDHCA Number 08201

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **201** Meeting a Required Set-Aside Credit Amount*: \$367,559

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$555,212

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/01/08 PROGRAM: HOME / 9% HTC FILE NUMBER: 08201

DEVELOPMENT

First Huntington Arms

Location: 415 N. Highway 69 Region: 5
 City: Huntington County: Angelina Zip: 75949 QCT DDA
 Key Attributes: Family, Acquisition/Rehab, USDA, Rural, At-Risk, and Multifamily

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$555,212	2.15%	40/40	\$555,212	2.15%	30/30
Housing Tax Credit (Annual)	\$370,112			\$367,559		

CONDITIONS

- 1 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 2 Receipt, review and acceptance, by cost certification, of USDA-RD approval of the proposed increased basic rents.
- 3 Receipt, review and acceptance, by cost certification, of documentation from the ESA provider that all recommendations made in the environmental report with respect to sampling of lead based paint and asbestos prior to renovation have been followed and implemented.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI/Low HOME	2
50% of AMI	50% of AMI/High HOME	6
50% of AMI	50% of AMI	12
60% of AMI	60% of AMI	20

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
Low HOME	30% of AMI	2
Low HOME	50% of AMI	0
High HOME	65% of AMI	6

PROS

- The application proposes the rehabilitation of an existing 40 unit USDA-RD property constructed in 1980.

CONS

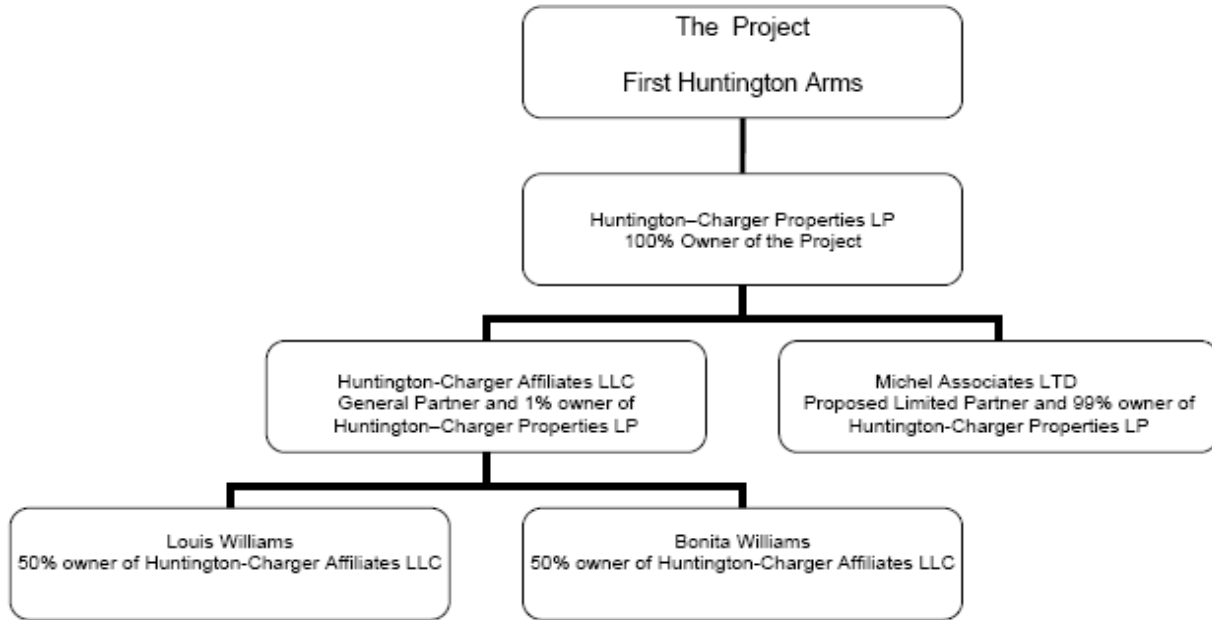
- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.
- If the HOME award is ultimately not received, the transaction may not be as financially viable.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Louis Williams Phone: (936) 560-5702 Fax: (936) 560-2636
 Email: louisw@suddenlink.net

KEY PARTICIPANTS

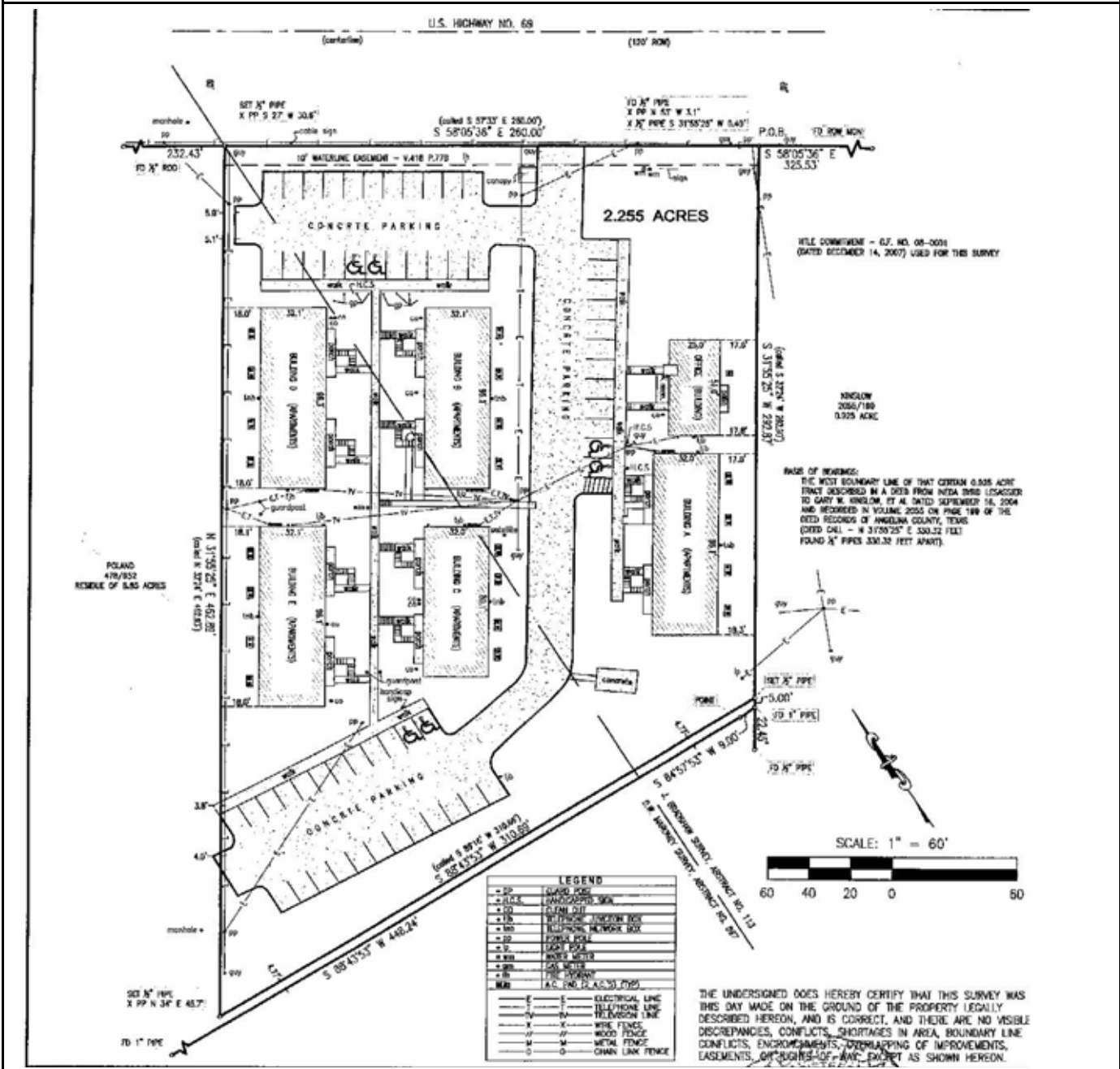
Name	Financial Notes	# Completed Developments
Huntington-Charger Properties, LP	N/A	0
Huntington-Charger Affiliates, LLC	N/A	0
Louis Williams & Associates, Inc.	N/A	Certificate of Experience
Louis and Bonita Williams	N/A	5

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E						Total Buildings
Floors/Stories	2	2	2	2	2						
Number	1	1	1	1	1						5

BR/BA	SF	Units								Total Units	Total SF
1/1	650			7						7	4,550
1/1	810			1						1	810
2/1	772	8	8		8	7				31	23,932
2/1	932					1				1	932
Units per Building		8	8	8	8	8				40	30,224

Development Plan:

The Applicant provided a Capital Needs Assessment reflecting the following scope of work:
 Repair damaged sidewalks and parking; install new fencing; replace common area flooring; new landscaping and install a sprinkler system; all buildings need to be stabilized; replacement of balconies and handrails; replace roofs on all of the buildings; replace all kitchen and bathroom cabinets and countertops; repair/replace stairways; replace all appliances, tubs, sinks, hot water heaters, and plumbing fixtures; replace all exterior doors and windows. The Application also reflects that 40 carports will be provided and the cost for constructing these carports has been included in the PCA report.

Relocation Plan:

The Applicant plans no permanent displacement or permanent relocation of existing residents by reason of the rehabilitation of the property. There may be temporary relocation of some residents off-site, at the expense of the complex, for a period of up to two weeks.

SITE ISSUES

Total Size: 2.26 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: N/A Needs to be re-zoned? Yes No N/A
 Comments:
 No zoning in the City of Huntington.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/22/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Highway 69 East: Commercial Business
 South: Vacant Land West: Commercial Business

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/27/2008
 Recognized Environmental Concerns (RECs) and Other Concerns:
 The assessment has revealed no evidence of recognized environmental conditions in connection with the property other than those detailed below:
 1. A noise study was completed for the subject property on 2/27/2008 and based on the study the subject property lies within an area of acceptable noise tolerance.
 2. A visual lead based paint inspection was conducted as part of this assessment. No paint chips were noted on the ground during the site inspection. In the event of renovation and or demolition, further sampling may be required prior to these activities to satisfy the EPA. (p. 21)
 3. A visual asbestos inspection was conducted at the subject site. No potential suspect damaged friable ACBMs were observed at the subject site. In the event or renovation and or demolition, sampling may be required of suspect asbestos contain materials prior to these activities to satisfy the EPA. (p. 21)
 Comments:
 It should be noted that Capital Needs Assessment reflects costs associated with asbestos abatement for only two of the five residential buildings and the community building. It is unclear whether sampling of asbestos containing materials has already been performed on any of the buildings and only found to be an issue with the buildings identified in the CNA. Therefore, this report is conditioned upon receipt, review and acceptance, by cost certification, of documentation from the ESA provider that all recommendations in the report with respect to sampling of lead based paint and asbestos prior to renovation have been followed and implemented.

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 2/21/2008
 Contact: Kenneth Araiza Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 826.39 square miles (16.2 miles radius)

The subject's primary market area is generally defined as that area contained within the census tracts 48005000100, 200, 300, 400,500,600,700,800,900, 1000, 1100, 1200, 1300 (Angelina County). This area includes all or a portion of the following zip codes 75901, 75949, 75969, 75904, 75941, and 75980. The PMA is irregular in shape and generally follows natural land features such as watercourses, in addition to Interstate Highways and roads.

Secondary Market Area (SMA):

A secondary market was not identified in the Market Study.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None	N/A	0	0	N/A			

INCOME LIMITS						
Angelina						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,350	\$11,850	\$13,300	\$14,800	\$16,000	\$17,150
50	\$17,250	\$19,700	\$22,200	\$24,650	\$26,600	\$28,600
60	\$20,700	\$23,640	\$26,640	\$29,580	\$31,920	\$34,320

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	125	1	0	126	2	0	1.6%
1BR/50% Rent Limit	212	3	0	215	2	0	0.9%
1BR/60% Rent Limit	180	2	0	182	4	0	2.2%
2BR/60% Rent Limit	163	4	0	167	16	0	9.6%
2BR/60% Rent Limit	177	2	0	179	16	0	8.9%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 65	100%	29,823	73%	21,845	included in Tenure %	7%	1,429	60%	857	
Underwriter		29,824	73%	21,846	22%	4,824	28%	1,333	60%	800
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 65			73%	186	included in Tenure %	7%	12	100%	12	
Underwriter			73%	154	22%	25	28%	7	100%	7
DEMAND from OTHER SOURCES										
Market Analyst p. 64									0	
Underwriter									0	

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 66	40	0	0	40	869	4.60%
Underwriter	40	0	0	40	807	4.96%

Primary Market Occupancy Rates:

"With the strong occupancies reported at nearby apartments, and that the subject will offer competitive rents at a newly renovated property, a stabilized occupancy rate of 92.5% is reasonable and achievable for the subject property." (p. 74)

Absorption Projections:

"Since the subject proposed renovations will be a "rolling renovation" and the subject will not be retenanted, the subject is anticipated to be at stabilized occupancy within 6 months." (p. 75)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract		
1 BR 650 SF 30%/HH	398	401	\$540	\$401	\$3		
1 BR 650 SF 50%	398	401	\$540	\$401	\$3		
1 BR 650 SF 60%	398	401	\$540	\$401	\$3		
1 BR 810 SF 60%	398	401	\$645	\$401	\$3		
2 BR 772 SF 50%	432	485	\$610	\$485	\$53		
2 BR 772 SF 50%/HH	432	485	\$610	\$485	\$53		
2 BR 772 SF 60%	432	485	\$610	\$485	\$53		
2 BR 932 SF 60%	432	485	\$660	\$485	\$53		

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 75)

Comments:

The Market Analyst has provided a market study that meets the Department's guidelines and results in an inclusive capture rate below the 25% maximum for family transactions. Moreover, the property is currently 75% occupied according to the rent roll as of January 2008 provided in the application and proposes temporary relocation of tenants. The presence of an existing tenant base mitigates potential concerns about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of .3 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 5/23/2008

The Applicant's rent schedule reflects proposed basic rents of \$401 and \$485 for one and two-bedroom units, respectively. The proposed rents have not been approved by USDA-RD and are 1% and 12% higher than the current basic rents of \$398 and \$432 for the one and two-bedroom units, respectively. The property currently has 28 units with rental assistance which will allow the 30% units to receive the full basic rent in the form of rental subsidy as the tenants, themselves, may not pay more than the 30% maximum rent. The Underwriter has used the Applicant's proposed basic rents, but receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved the proposed rents is a condition of this report.

The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total expense estimate of \$4,036/unit is within 5% of the Underwriter's initial estimate of \$3,954/unit derived from actual 2007 operating statements for the property, the TDHCA database, IREM data, and other sources. The Underwriter's estimate includes an increased reserve for replacement expense from the standard \$300/unit/year to \$463/unit/year in order to account for the anticipated repairs and maintenance required over the next 15 years as reflected in the Capital Needs Assessment provided. The Applicant's estimates of several line items differ significantly from the Underwriter's, including: payroll and payroll tax (\$4K higher), property tax (\$3K lower); and reserves (\$3K lower).

Conclusion:

The Applicant's income and operating expense are within 5% of the Underwriter's estimate; however, the Applicant's Net Operating Income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt service capacity and debt coverage ratio (DCR). The Underwriter's proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure for the requested TDHCA HOME funds will be adjusted in order to bring the DCR to an acceptable level.

The Applicant's and Underwriter's expense to income ratios (75% and 73%, respectively) are significantly above the TDHCA guideline of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing" [§1.32(7)(B)(ii)]. The subject's proposed rents are managed by USDA. As such the subject development meets this feasibility exception.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primarily vested in the additional HOME funding. In fact, the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the Department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance of documentation that USDA-RD has approved the increase as proposed by cost certification along with the approval of the transfer and parity of the additional HOME debt by carryover are conditions of this report.

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Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above a 1.15 through Year 20, but falls below a 1.00 by Year 30. However, the subject development meets one of the REA exceptions for the minimum DCR and maximum expense to income ratio guidelines. Additionally, rent increases are subject to budget review and approval by USDA-RD, and therefore, future expense increases can be offset by increases in USDA-RD rents. As a result the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Sherrill & Associates, Inc. Date: 2/4/2008
Number of Revisions: none Date of Last Applicant Revision: N/A
Land Only: 2.26 acres \$47,500 As of: 2/4/2008
Existing Buildings: (as-is) \$1,072,500 As of: 2/4/2008
Total Development: (as-is) \$1,120,000 As of: 2/4/2008

Comments:

The Appraiser has provided an "as is market value" reflected above and a "prospective value as restricted" of \$419,000 rather than providing an "as is restricted value". Moreover that the record suggests a prospective value, after rehabilitation and a rent increase, that is significantly less than the current value is troubling. The Appraiser provides a value associated with the below market USDA and proposed HOME financing (\$144,000 and \$142,000 respectively) that might mitigate this concern but for the Appraiser's presentation that suggests that these values are within the as is prospective value rather than in addition to it (though the latter was likely intended).

ASSESSED VALUE

Land Only: 2.26 acres \$22,600 Tax Year: 2008
Existing Buildings: \$343,075 Valuation by: Angelina CAD
Total Assessed Value: \$365,675 Tax Rate: 2.4645

EVIDENCE of PROPERTY CONTROL

Type: Option to Purchase Real Property Acreage: 2.26
Contract Expiration: 11/1/2008 Valid Through Board Date? [x] Yes [] No
Acquisition Cost: \$579,971 Other:
Seller: First Huntington Arms Related to Development Team? [] Yes [x] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 3/28/2008

Acquisition Value:

The Applicant has provided a contract for the purchase of the subject property for \$579,971 or \$14.5K per unit. The Seller is not related to the buyer; however, the transfer must be approved by USDA-RD. History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. The outstanding balance on the USDA loan is approximately \$362,971 and the original equity was \$37,750. The Applicant did not provide documentation of the estimated exit taxes. However, the purchase price appears to be reasonable should USDA apply this standard.

The Applicant has estimated eligible building basis of \$529,971 or 91% of the total acquisition price. The Underwriter has used the same eligible building basis, which is more conservative than the prorata allocation of value to land and buildings as reflected in the appraisal submitted by the Applicant.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$5,300 per unit, which is slightly less than the estimate in the Capital Needs Assessment provided. The underwriting analysis will reflect the value in the CNA.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$2.5K higher than the estimate provided in the Capital Needs Assessment (CNA). The underwriting analysis will reflect the CNA value. Its worth noting that the differences in site work and direct construction costs offset each other.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$2,859 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.

Contingency & Fees:

The Applicant's contractor's fees are all within the maximums allowed by TDHCA guidelines. However the Applicant's developer fee exceeds 20% of the Applicant's adjusted eligible basis by \$572 and, therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Underwriter's cost schedule was derived from the CNA and information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and calculate eligible basis. An eligible basis of \$3,845,689 supports annual tax credits of \$369,486. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/28/2008

Source: Nacogdoches Housing Development Corp. Type: Interim Financing

Principal: \$90,000 Interest Rate: 8.5% Fixed Term: 6 months

Comments:

The loan has a balloon payment of principle and accrued interest at the end of the six month loan term.

Source: USDA-RD Section 515 Type: Existing Financing to Transfer

Principal: \$362,971 Interest Rate: 1.0% Fixed Amort: 600 months

Comments:

The Applicant is proposing a same rates and terms transfer of the existing USDA Section 515 mortgage. This type of transfer is generally intended to preserve the below market loan.

The Applicant provided a promissory note, dated December 7, 1979, reflecting an original balance of \$713,250 and a 50 year term. Section 515 loans generally provide a subsidy of the market interest rate down to an effective rate of approximately 1%. The remaining term is approximately 22 years with a current balance of \$362,971, as reflected above. The estimated balance is reflected as a source of funds in the recommended financing structure.

This section intentionally left blank.

Source: Michel Associates, LTD

Type: Syndication

Proceeds: \$3,173,630

Syndication Rate: 84%

Anticipated HTC: \$ 377,813

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.78. At this point the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase by a fraction of a cent all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. As a result, the Underwriter has adjusted the terms of the TDHCA HOME loan to bring the DCR down to an acceptable 1.35. The recommended financing structure assumes an interest rate on the HOME loan of 2.15% as requested by the Applicant but a reduction in the amortization and the term to 30 years. This adjustment results in a projected DCR of 1.30 based on the Underwriter's proforma. Alternatively the term could be reduced to be the same as the remainder of the USDA loan and the interest rate on the HOME loan would need to be reduced to 1% to remain viable with a 1.2 DCR.

The Underwriter's total development cost estimate less the remaining USDA assumption loan balance of \$362,971, requested HOME loan of \$555,212, indicates the need for \$3,087,190 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$367,559 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$370,112), the gap-driven amount (\$367,559), and eligible basis-derived estimate (\$369,486), the gap-driven estimate of \$367,559 is recommended resulting in proceeds of \$3,087,190 based on a syndication rate of 84%.

If the HOME award is ultimately not awarded, the gap in financing would increase to an equal amount of developer fee to be deferred and the transaction would be marginally financially viable unless another source of funds was received.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

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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.

Underwriter:

Carl Hoover

Date:

July 1, 2008

Reviewing Underwriter:

Raquel Morales

Date:

July 1, 2008

Director of Real Estate Analysis:

Tom Gouris

Date:

July 1, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

First Huntington Arms, Huntington, HOME / 9% HTC #08201

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% (LH)	2	1	1	650	\$277	\$401	\$802	\$0.62	\$107.00	\$21.55
TC 50% (HH)	2	1	1	650	\$461	\$401	\$802	\$0.62	\$107.00	\$21.55
TC 60%	3	1	1	650	\$554	\$401	\$1,203	\$0.62	\$107.00	\$21.55
TC 60%	1	1	1	810	\$554	\$401	\$401	\$0.50	\$107.00	\$21.55
TC 50%	12	2	1	772	\$555	\$485	\$5,820	\$0.63	\$136.00	\$21.55
TC 50% (HH)	4	2	1	772	\$555	\$485	\$1,940	\$0.63	\$136.00	\$21.55
TC 60%	15	2	1	772	\$666	\$485	\$7,275	\$0.63	\$136.00	\$21.55
TC 60%	1	2	1	932	\$666	\$485	\$485	\$0.52	\$136.00	\$21.55
TOTAL:	40		AVERAGE:	756		\$468	\$18,728	\$0.62	\$130.20	\$21.55

INCOME

Total Net Rentable Sq Ft: **30,224**

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.45%	\$292	0.39	\$11,683	\$10,000	\$0.33	\$250	4.66%
Management	7.11%	382	0.50	15,262	16,872	0.56	422	7.86%
Payroll & Payroll Tax	11.70%	628	0.83	25,101	29,500	0.98	738	13.75%
Repairs & Maintenance	11.11%	596	0.79	23,831	26,343	0.87	659	12.28%
Utilities	3.13%	168	0.22	6,713	4,800	0.16	120	2.24%
Water, Sewer, & Trash	12.19%	654	0.87	26,147	26,400	0.87	660	12.31%
Property Insurance	5.84%	313	0.41	12,520	16,000	0.53	400	7.46%
Property Tax	2.4645	320	0.42	12,815	10,000	0.33	250	4.66%
Reserve for Replacements	8.64%	463	0.61	18,531	16,000	0.53	400	7.46%
TDHCA Compliance Fees	0.75%	40	0.05	1,600	1,600	0.05	40	0.75%
Other: Supp. Serv.	1.84%	99	0.13	3,940	3,940	0.13	99	1.84%
TOTAL EXPENSES	73.71%	\$3,954	\$5.23	\$158,144	\$161,455	\$5.34	\$4,036	75.26%
NET OPERATING INC	26.29%	\$1,410	\$1.87	\$56,397	\$53,081	\$1.76	\$1,327	24.74%

DEBT SERVICE

USDA-RD	8.45%	\$453	\$0.60	\$18,133	\$18,491	\$0.61	\$462	8.62%
TDHCA HOME	9.65%	\$518	\$0.69	20,706	20,706	\$0.69	\$518	9.65%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	8.18%	\$439	\$0.58	\$17,559	\$13,884	\$0.46	\$347	6.47%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

1.45	1.35
1.30	

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		14.48%	\$14,499	\$19.19	\$579,971	\$579,971	\$19.19	\$14,499	14.40%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.36%	5,363	7.10	214,500	212,000	7.01	5,300	5.26%
Direct Construction		37.78%	37,831	50.07	1,513,234	1,515,734	50.15	37,893	37.64%
Contingency	10.00%	4.31%	4,319	5.72	172,773	172,773	5.72	4,319	4.29%
Contractor's Fees	14.00%	6.04%	6,047	8.00	241,883	241,883	8.00	6,047	6.01%
Indirect Construction		9.98%	9,988	13.22	399,539	399,539	13.22	9,988	9.92%
Ineligible Costs		0.77%	771	1.02	30,859	30,859	1.02	771	0.77%
Developer's Fees	20.00%	16.00%	16,024	21.21	640,948	641,520	21.23	16,038	15.93%
Interim Financing		3.32%	3,321	4.40	132,841	132,841	4.40	3,321	3.30%
Reserves		1.97%	1,971	2.61	78,825	100,000	3.31	2,500	2.48%
TOTAL COST		100.00%	\$100,134	\$132.52	\$4,005,373	\$4,027,120	\$133.24	\$100,678	100.00%
Construction Cost Recap		53.49%	\$53,560	\$70.88	\$2,142,390	\$2,142,390	\$70.88	\$53,560	53.20%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
USDA-RD	9.06%	\$9,074	\$12.01	\$362,971	\$362,971	\$362,971	Developer Fee Available
TDHCA HOME	13.86%	\$13,880	\$18.37	555,212	555,212	555,212	\$640,948
HTC Syndication Proceeds	77.62%	\$77,723	\$102.86	3,108,937	3,108,937	3,087,190	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	0	0%
Additional (Excess) Funds Req'd	-0.54%	(\$544)	(\$0.72)	(21,747)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$4,005,373	\$4,027,120	\$4,005,373	\$196,274

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

First Huntington Arms, Huntington, HOME / 9% HTC #08201

PAYMENT COMPUTATION

Primary	\$713,250	Amort	600
Int Rate	1.00%	DCR	3.11

Secondary	\$555,212	Amort	480
Int Rate	2.15%	Subtotal DCR	1.45

Additional	\$3,108,937	Amort	
Int Rate		Aggregate DCR	1.45

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$18,133
Secondary Debt Service	25,129
Additional Debt Service	0
NET CASH FLOW	\$13,135

Primary	\$713,250	Amort	600
Int Rate	1.00%	DCR	3.11

Secondary	\$555,212	Amort	360
Int Rate	2.15%	Subtotal DCR	1.30

Additional	\$3,108,937	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	\$224,736	\$231,478	\$238,422	\$245,575	\$252,942	\$293,230	\$339,933	\$394,076	\$529,605
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	231,936	238,894	246,061	253,443	261,046	302,624	350,824	406,701	546,572
Vacancy & Collection Loss	(17,395)	(17,917)	(18,455)	(19,008)	(19,578)	(22,697)	(26,312)	(30,503)	(40,993)
Employee or Other Non-Rental Uni	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$214,541	\$220,977	\$227,606	\$234,435	\$241,468	\$279,927	\$324,512	\$376,199	\$505,579
EXPENSES at 4.00%									
General & Administrative	\$11,683	\$12,150	\$12,636	\$13,142	\$13,668	\$16,629	\$20,231	\$24,615	\$36,436
Management	15,262	15,720	16,191	16,677	17,177	19,913	23,085	26,762	35,965
Payroll & Payroll Tax	25,101	26,105	27,149	28,235	29,364	35,726	43,466	52,883	78,280
Repairs & Maintenance	23,831	24,784	25,776	26,807	27,879	33,919	41,268	50,208	74,321
Utilities	6,713	6,982	7,261	7,552	7,854	9,555	11,625	14,144	20,937
Water, Sewer & Trash	26,147	27,193	28,281	29,412	30,588	37,215	45,278	55,088	81,543
Insurance	12,520	13,021	13,542	14,083	14,647	17,820	21,681	26,378	39,046
Property Tax	12,815	13,328	13,861	14,416	14,992	18,240	22,192	27,000	39,967
Reserve for Replacements	18,531	19,273	20,043	20,845	21,679	26,376	32,090	39,043	57,793
Other	5,540	5,762	5,992	6,232	6,481	7,885	9,593	11,672	17,277
TOTAL EXPENSES	\$158,144	\$164,317	\$170,732	\$177,400	\$184,329	\$223,279	\$270,510	\$327,792	\$481,564
NET OPERATING INCOME	\$56,397	\$56,660	\$56,874	\$57,035	\$57,139	\$56,649	\$54,002	\$48,407	\$24,016
DEBT SERVICE									
First Lien Financing	\$18,133	\$18,133	\$18,133	\$18,133	\$18,133	\$18,133	\$18,133	\$18,133	\$18,133
Second Lien	25,129	25,129	25,129	25,129	25,129	25,129	25,129	25,129	25,129
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$13,135	\$13,398	\$13,612	\$13,773	\$13,877	\$13,387	\$10,741	\$5,145	(\$19,246)
DEBT COVERAGE RATIO	1.30	1.31	1.31	1.32	1.32	1.31	1.25	1.12	0.56

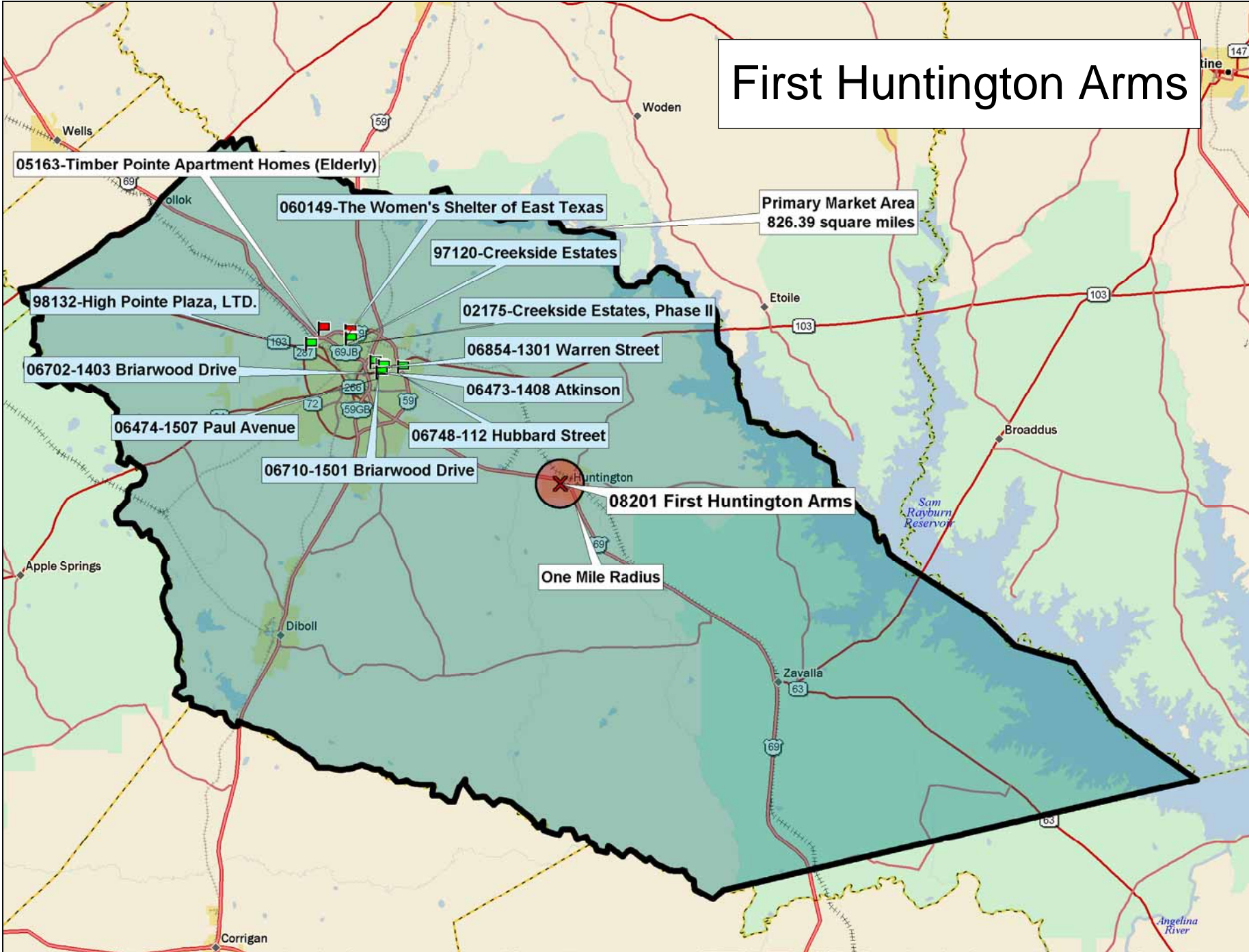
HTC ALLOCATION ANALYSIS -First Huntington Arms, Huntington, HOME / 9% HTC #08201

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$50,000	\$50,000				
Purchase of buildings	\$529,971	\$529,971	\$529,971	\$529,971		
Off-Site Improvements						
Sitework	\$212,000	\$214,500			\$212,000	\$214,500
Construction Hard Costs	\$1,515,734	\$1,513,234			\$1,515,734	\$1,513,234
Contractor Fees	\$241,883	\$241,883			\$241,883	\$241,883
Contingencies	\$172,773	\$172,773			\$172,773	\$172,773
Eligible Indirect Fees	\$399,539	\$399,539			\$399,539	\$399,539
Eligible Financing Fees	\$132,841	\$132,841			\$132,841	\$132,841
All Ineligible Costs	\$30,859	\$30,859				
Developer Fees			\$105,994	\$105,994	\$534,954	\$534,954
Developer Fees	\$641,520	\$640,948				
Development Reserves	\$100,000	\$78,825				
TOTAL DEVELOPMENT COSTS	\$4,027,120	\$4,005,373	\$635,965	\$635,965	\$3,209,724	\$3,209,724

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$635,965	\$635,965	\$3,209,724	\$3,209,724
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$635,965	\$635,965	\$4,172,641	\$4,172,641
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$635,965	\$635,965	\$4,172,641	\$4,172,641
Applicable Percentage			3.51%	3.51%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$22,322	\$22,322	\$347,164	\$347,164

Syndication Proceeds	0.8399	\$187,489	\$187,489	\$2,915,884	\$2,915,884
Total Tax Credits (Eligible Basis Method)				\$369,486	\$369,486
Syndication Proceeds				\$3,103,373	\$3,103,373
Requested Tax Credits				\$370,112	
Syndication Proceeds				\$3,108,630	
Gap of Syndication Proceeds Needed				\$3,108,937	\$3,087,190
Total Tax Credits (Gap Method)				\$370,149	\$367,559

First Huntington Arms



Applicant Evaluation

Project ID # **08201**

Name: **First Huntington Arms**

City: **Huntington**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 3

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 3

Total # of MF awards not yet monitored or pending review: 9

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 3

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/30/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5 /1 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4 /30/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Wind River, TDHCA Number 08205

BASIC DEVELOPMENT INFORMATION

Site Address: 8725 Calmont Ave. Development #: 08205
 City: Fort Worth Region: 3 Population Served: General
 County: Tarrant Zip Code: 76116 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Trinity Quality Housing, L.P.
 Owner Contact and Phone: Barbara Holston, (817) 333-3401
 Developer: Carleton Development, Ltd./Wind Terrace, Inc.
 Housing General Contractor: Carleton Construction, Ltd.
 Architect: RPGA Design Group, Inc.
 Market Analyst: Integra Realty Resources
 Syndicator: Red Capital Group
 Supportive Services: Housing Authority of the City of Fort Worth
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	168
	34 0 34 100	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	40 56 72 0 0 0	Total Development Units:	168
Type of Building:		Total Development Cost*:	\$14,274,066
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	14
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,188,738	\$1,188,738			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Wind River, TDHCA Number 08205

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nelson, District 12, S

Points: 14 US Representative: Granger, District 12, NC

TX Representative: Geren, District 99, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Western Hills Primary School PTA

S or O: S

Volunteers of America

S or O: S

Fort Worth Metropolitan Black Chamber of Commerce

S or O: S

Fort Worth Chamber of Commerce

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by cost certification, that all recommendations of the Phase I ESA and subsequent environmental reports, including asbestos, lead based paint, and lead in drinking water assessments, have been carried out.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old
3. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
4. Receipt of a commitment of funding from the City of Fort Worth for funds in the amount of \$750,000, or a commitment from a qualifying substitute source in an amount not less than \$713,704, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Wind River, TDHCA Number 08205

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$1,188,738

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/24/08 PROGRAM: 9% HTC FILE NUMBER: 08205

DEVELOPMENT

Wind River

Location: 8725 Calmont Ave Region: 3
 City: Fort Worth County: Tarrant Zip: 76116 OCT DDA
 Key Attributes: Multifamily, Family, Urban, Acquisition/Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,188,738			\$1,188,738		

CONDITIONS

- 1 Receipt, review, and acceptance, by cost certification, that all recommendations of the Phase I ESA and subsequent environmental reports, including asbestos, lead based paint, and lead in drinking water assessments, have been carried out.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	34
50% of AMI	50% of AMI	34
60% of AMI	60% of AMI	100

PROS

- The application proposes the revitalization of a 23 year old market rate property and conversion to a restricted affordable property.
- The application proposes 34 public housing units that will allow households well below the 30% of AMI level to qualify.

CONS

- The market rents are well below the 60% of AMI level and below the 50% of AMI level indicating that there will be no saving over market for all non-public housing units.
- The Applicant's and Underwriter's expense to income ratios are above the 65% maximum, but the proposed public housing units exempt the Applicant from meeting this requirement.
- The Underwriter projects that the Applicant will need to set aside more than \$300 per unit per year in reserves to satisfy future capital needs.

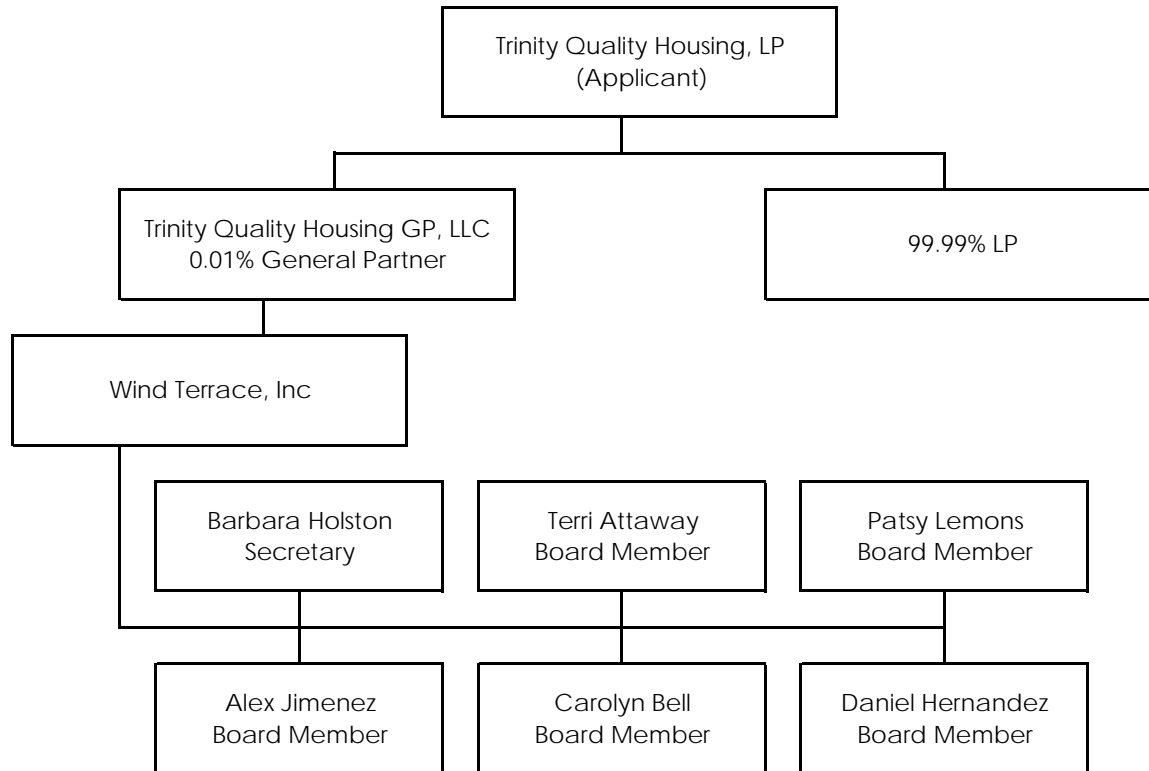
- The Property Condition Assessment reflects rehab costs that are \$438K higher than estimated by the Applicant.

PREVIOUS UNDERWRITING REPORTS

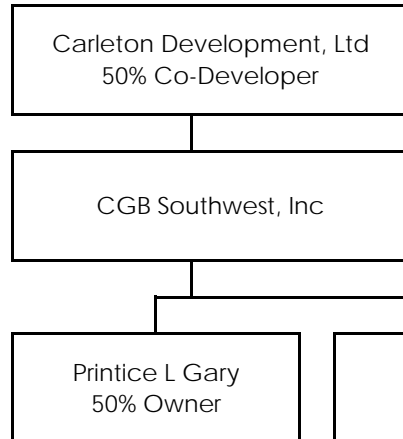
None

DEVELOPMENT TEAM

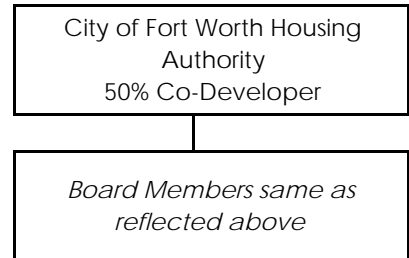
OWNERSHIP STRUCTURE



CO-DEVELOPER



CO-DEVELOPER



CONTACT

Contact: Barbara Holston Phone: 817.333.3401 Fax: 817.332.4830
 Email: barbara@ftwha.org

KEY PARTICIPANTS

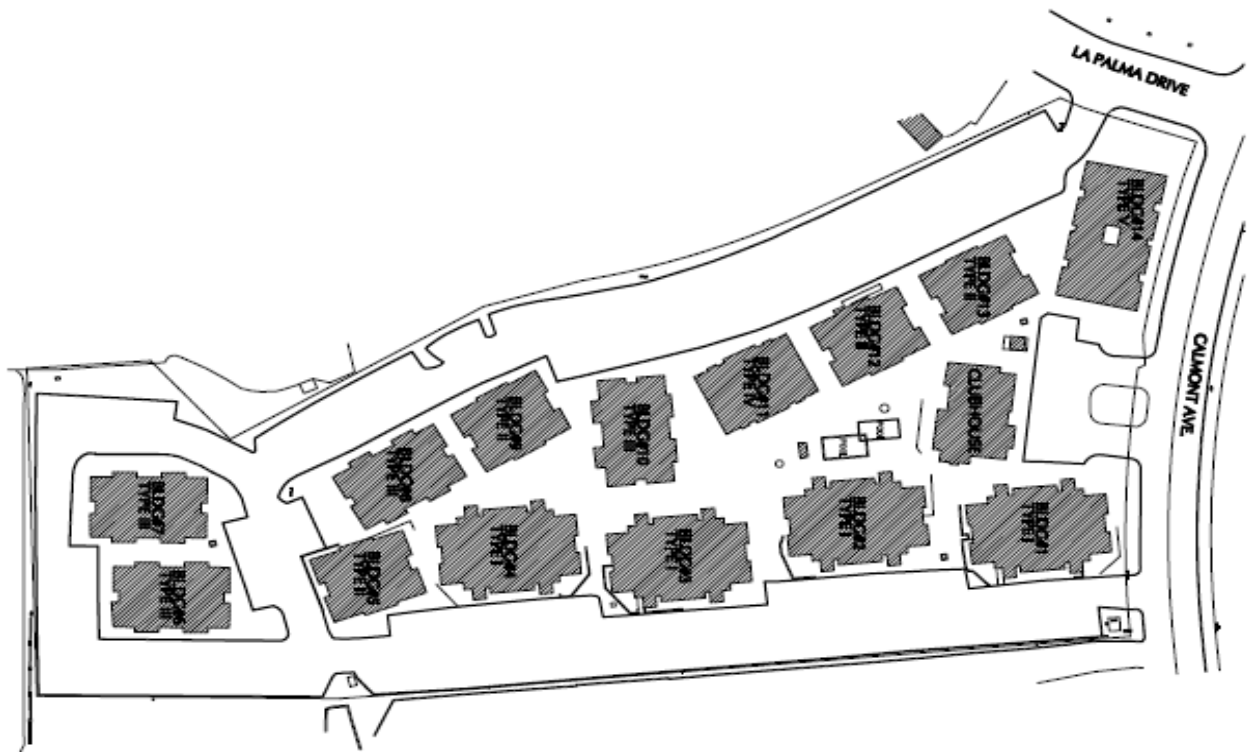
Name	Financial Notes	# Completed Developments
Carleton Development Ltd	N/A	--
CGB Southwest, Inc	N/A	--
Printice L Gary	N/A	15 LIHTC Allocations
R David Kelly	N/A	13 LIHTC Allocations
Neal Hildebrandt	N/A	13 LIHTC Allocations
City of FW Housing Authority	N/A	4 LIHTC Developments

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The subject development was purchased by the Forth Worth Housing Authority ("FWHA"; owner of the GP) on August 31, 2007, and the application proposes the transfer of the development to the partnership for the same transfer price as the original arms length acquisition.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5							Total Buildings
Floors/Stories	2	2	2	2	2							
Number	4	4	4	1	1							14

This section intentionally left blank.

BR/BA	SF	Units								Total Units	Total SF
0/1	433	10								40	17,320
1/1	537	10								40	21,480
1/1	540				16					16	8,640
2/1	629		8							32	20,128
2/2	713				8					8	5,704
2/2	719			8						32	23,008
Units per Building		20	8	8	8	16				168	96,280

Comments:

The developer provided a revised scope of work with the revised Property Condition Assessment submitted during underwriting. The revised scope of work entails the following rehabilitation activities:

Demolish and rebuild or complete rehab of community building; repair retaining walls; install lighted carpports for all spaces; replace all existing paving with concrete; repair sprinkler system; repair landscaping and drainage; repair sidewalks; resurface pool deck; replace pool equipment; replace roofing and flashing; replace all siding with cement board; replace fencing with wrought iron; upgrade site lighting; replace stairs; repair light-weight concrete; replace all gutters; reconfigure accessible units; install washers and dryers in units; texture and paint unit walls and ceilings; install new appliances; replace flooring; refinish cabinets; replace countertops; repair electrical panels; add GFI outlets; replace interior unit doors; replace all trim; replace entry and sliding glass doors; replace hardware; add cable and phone outlets; replace lighting; replace fixtures; replace HVAC; reglaze/replace all windows.

SITE ISSUES

Total Size: 5.515 acres Scattered site? Yes No
Flood Zone: X Within 100-yr floodplain? Yes No
Zoning: "C" Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/24/2008
Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
Surrounding Uses:
North: Calmont Ave / commercial East: Multifamily Housing
South: Multifamily Housing West: Multifamily Housing

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: MACTEC Date: 2/15/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- An addendum letter dated June 18, 2008 from MACTEC indicates: "Based upon the proposed rehabilitation of [Wind River] as opposed to demolition, as well as the construction date of the property, an asbestos and lead based paint assessment of the property will be required prior to renovation or rehabilitation activities which may occur onsite. Additionally, due to these factors, an assessment for lead in drinking water is also recommended."

Comments:

Receipt, review, and acceptance, by cost certification, that all recommendations of the Phase I ESA and subsequent environmental reports, including asbestos, lead based paint, and lead in drinking water assessments, have been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 3/14/2008
 Contact: Charles A Bissell Phone: 817.332.5522 Fax: 817.336.1621
 Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 25.09 square miles (2.83 mile radius)

"Based upon our analysis, we conclude the subject's primary market area (PMA) consists of the following zip codes: 76116 and 76107. Additionally, the subject is located within Census Tract 23104484391024.01. The PMA encompasses all or portions of the following Census Tracts, which comprise the subject's secondary market area: 1108.04, 1109.01, 1109.05, 1052.03, 1052.01, 1023.01, 1024.02, 1023.02, 1024.01, 1025, 1053, 1054.03, 1042.01, 1028, and 1026" (p. 9). The 2007 population of the PMA is estimated by Claritas to be 79,910.

Secondary Market Area (SMA):

As indicated above, the Market Analyst considers all census tracts that intersect or are within the PMA boundaries to the secondary market. However, the Analyst has not included demand calculations for the SMA.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Cambridge Court	05005	330	330	N/A			

Comments:

The Market Analyst identified one other unstabilized comparable property within the PMA. Cambridge Court (TDHCA #05005) is a 2005 transaction that received an allocation of 9% housing tax credits for the rehabilitation of 330 units and is located within one mile of the subject. This transaction involved the same development team as the subject transaction. The Market Analyst indicated that the current occupancy is 60%. Generally, a rehabilitation development may not be considered comparable if that property maintained high occupancy through the rehabilitation period. However, a 60% occupancy is very low for an existing property that has been rehabilitated. The Market Analyst included only 99 units from this property (the number of additional occupied units needed to reach 90% occupancy) in the inclusive capture rate, which is inconsistent with the Department's standard of including all of units from an unstabilized property in the inclusive capture rate calculation. The Underwriter has included all 330 units in the inclusive capture rate.

INCOME LIMITS						
Tarrant						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,600	\$15,500	\$17,450	\$19,400	\$20,950	\$22,500
50	\$22,600	\$25,850	\$29,050	\$32,300	\$34,900	\$37,450
60	\$27,120	\$31,020	\$34,860	\$38,760	\$41,880	\$44,940

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OVERALL DEMAND										
	Apartment Households	Household Size	Income Eligible				Demand			
PMA DEMAND from TURNOVER										
Market Analyst - 0 BR - 50%	100%	13,965	27%	3,771	12%	434	50%	217		
Market Analyst - 0 BR - 60%	100%	13,965	27%	3,771	13%	498	50%	250		
Market Analyst - 1 BR - 30%	100%	13,965	51%	7,122	6%	456	50%	228		
Market Analyst - 1 BR - 50%	100%	13,965	51%	7,122	14%	990	50%	495		
Market Analyst - 1 BR - 60%	100%	13,965	51%	7,122	16%	1,154	50%	578		
Market Analyst - 2 BR - 30%	100%	13,965	39%	5,446	9%	468	50%	235		
Market Analyst - 2/1 - 50%	100%	13,965	39%	5,446	16%	866	50%	434		
Market Analyst - 2/2 - 50%	100%	13,965	39%	5,446	14%	773	50%	387		
Market Analyst - 2/1 - 60%	100%	13,965	39%	5,446	19%	1,046	50%	522		
Market Analyst - 2/2 - 50%	100%	13,965	39%	5,446	17%	948	50%	475		
Market Analyst Overall								3,821		
	All Households	Household Size	Income Eligible	Tenure			Demand			
Underwriter (OVERALL)	100%	35,954	83%	29,869	33%	9,844	56%	5,478	48%	2,635
PMA DEMAND from HOUSEHOLD GROWTH										
	Annual Growth	Household Size	Income Eligible	Tenure			Demand			
Market Analyst - 0 BR - 50%	100%	539	27%	146	12%	17	56%	9	100%	9
Market Analyst - 0 BR - 60%	100%	539	27%	146	13%	19	56%	11	100%	11
Market Analyst - 1 BR - 30%	100%	539	51%	275	6%	18	56%	10	100%	10
Market Analyst - 1 BR - 50%	100%	539	51%	275	14%	38	56%	21	100%	21
Market Analyst - 1 BR - 60%	100%	539	51%	275	16%	45	56%	25	100%	25
Market Analyst - 2 BR - 30%	100%	539	39%	210	9%	18	56%	10	100%	10
Market Analyst - 2/1 - 50%	100%	539	39%	210	16%	33	56%	19	100%	19
Market Analyst - 2/2 - 50%	100%	539	39%	210	14%	30	56%	17	100%	17
Market Analyst - 2/1 - 60%	100%	539	39%	210	19%	40	56%	22	100%	22
Market Analyst - 2/2 - 50%	100%	539	39%	210	17%	37	56%	20	100%	20
Market Analyst Overall										164
Underwriter (OVERALL)	100%	543	83%	451	33%	149	56%	83	100%	83
INCLUSIVE CAPTURE RATE										
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate				
Market Analyst p. 65	168	99	0	267	3,985	6.70%				
Underwriter	168	330	0	498	2,718	18.32%				

Comments:

The Market Analyst calculated turnover demand by each unit type starting with the number of apartment units rather than existing households thereby significantly underestimating the number of all renter households.

The Analyst also summed the individual unit size demand figures for turnover and growth before calculating the inclusive capture rate. The Market Analyst's methodology results in significant overlap and therefore overstatement of demand in the following ways. First, the income bands for the 50% and 60% units overlap significantly and the Market Analyst did not account for this overlap when calculating total demand.

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Second, the Market Analyst counted one person households in calculations for both efficiency and one bedroom units and two person households in calculations for both one and two bedroom units. Because it is difficult to determine what proportion of each household size would choose either size unit, this overlap is acceptable when calculating demand for individual units but this overlap should be eliminated in the overall calculation. This overlap effectively double counts some households and generally results in an inflated total demand number and lower inclusive capture rate. The Analyst also calculated demand for the two bedroom one bath and two bedroom two bath units separately which results in almost 100% overlap and inflates demand.

Finally, the Market Analyst did not account for the 34 public housing units that will allow households with no income to qualify for these units. As such, the Underwriter has expanded the income banding to account for these households earning below the typical eligible incomes. It should be noted that if the public housing units are not approved by HUD, the Underwriter's inclusive capture rate would increase to 30.55%, which would exceed the 25% maximum.

The Market Analyst deviated in several important ways from the guidelines provided in the Department's rules on market studies. The net result is that the Analyst overstated demand and understated supply which results in a lower capture rate than supported by the demographics. Nonetheless, the Underwriter's recalculation results in an inclusive capture rate that meets the Department's guidelines.

Primary Market Occupancy Rates:

"The subject is located in an area with above average occupancy levels, below average rents, and no new approved LIHTC projects, other than the subject, forecast to come online within the PMA during the next 12 months. The overall average occupancy within the PMA is 89%. The existing LIHTC properties within the PMA are reporting occupancy of 78%" (p. 87). While the Market Analyst has indicated that the PMA has above average occupancy levels, it is unclear how this conclusion was reached. The average occupancy of HTC properties is very low (78%) and when Cambridge Court is excluded, the LIHTC property occupancy rate remains low at 82%. Moreover, the properties used as rent comparable reflected an average overall occupancy of 88%. The Analyst indicated that property managers were unable to identify reasons for the low occupancy rates (p. 85). Even the overall occupancy is slightly below stabilized occupancy of 90%. This is likely one of the primary reasons for market rent levels that are below the 50% HTC rents and this is a concern of the Underwriter.

Absorption Projections:

"The subject is forecast to be absorbed in 12 months, equating to an absorption pace of approximately 14 units per month" (p. 87).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
0 BR	433 SF	50%	\$350	\$505	\$450	\$450	\$0
0 BR	433 SF	60%	\$450	\$618	\$450	\$450	\$0
1 BR	537 SF	30%	\$212	\$294	\$500	\$212	N/A
1 BR	537 SF	50%	\$400	\$536	\$500	\$500	\$0
1 BR	537 SF	60%	\$500	\$657	\$500	\$500	\$0
1 BR	540 SF	30%	\$212	\$294	\$500	\$212	N/A
1 BR	540 SF	50%	\$400	\$536	\$500	\$500	\$0
1 BR	540 SF	60%	\$500	\$657	\$500	\$500	\$0
2 BR	629 SF	30%	\$212	\$352	\$550	\$212	N/A
2 BR	629 SF	50%	\$435	\$642	\$550	\$550	\$0
2 BR	629 SF	60%	\$535	\$787	\$550	\$550	\$0
2 BR	713 SF	30%	\$212	\$352	\$600	\$212	N/A
2 BR	713 SF	50%	\$470	\$642	\$600	\$600	\$0
2 BR	713 SF	60%	\$570	\$787	\$600	\$600	\$0
2 BR	719 SF	30%	\$212	\$352	\$600	\$212	N/A
2 BR	719 SF	50%	\$470	\$642	\$600	\$600	\$0
2 BR	719 SF	60%	\$570	\$787	\$600	\$600	\$0

Market Impact:

The Market Analyst did not include an evaluation of the market impact of the subject property although does note that the subject is an existing development in the subject market and has a current occupancy of 97% (p. 84). The Underwriter has determined an occupancy of 93% based on the rent roll provided with the application.

Comments:

While the Market Analyst did not account for several important aspects of the demand analysis (as described above), the Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate. The Underwriter's demand conclusions are sufficient to make a favorable recommendation. It should be noted that the property has an existing tenant base and an occupancy of 93%.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of units per square mile which exceeds the 1,432 units per square mile limit. The proposed development is still acceptable however because the rule provides an exception for existing developments that are at least 80% occupied.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant used rents for the 50% and 60% units that are below the maximum 50% rent limits less utility allowances and below the Market Analyst's documented market rents for the subject. The achievable market rents have been utilized by the Underwriter for the 50% and 60% units, which are 7% to 14% below the net 50% HTC rents and 24% to 30% below the net 60% HTC rents. The Applicant has indicated that 34 of the units, inclusive of all 30% units, are anticipated to be public housing units (PHUs). The Fort Worth Housing Authority provided a letter indicating that the PHUs will replace units at a property recently sold by the Housing Authority to Radio Shack and that they are committed to seeking HUD approval for the public housing designation and agree to maintain and operate these units in accordance with public housing requirements.

Based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy will be equal to the PHUs prorated share of expenses less the tenant contribution and that no debt can be serviced by the public housing units. The Underwriter's PHU rents are equal to those estimated by the Applicant and the Underwriter has included additional subsidy in the other income line item to cover the difference between the rents reflected and the operating expense attributed to each public housing unit.

Per the Department guidelines, developments with market rents that are below the 50% level and proposing 60% units are generally infeasible. However, the rules provide an exception for development's with public housing units, and the subject meets this exception criterion. Still, the extremely low market rents may be indicative of a very soft market. The Market Analyst indicates that several comparable properties are offering concessions for units even as rents are already very affordable.

The Applicant's secondary income and vacancy and collection loss are in line with Department guidelines. The Underwriter has used a 0% vacancy loss for the PHUs and a 7.5% vacancy and collection loss for the non-PHUs as generally public housing units remain occupied and often maintain the subsidy for a short period of time when vacant. As a result of the differences described above, the Applicant's effective gross income estimate is not within 5% of the Underwriter's estimate.

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Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,459 per unit is within 5% of the Underwriter's expense estimate of \$3,556 per unit derived from the TDHCA operating expense database, IREM data, and other sources. The Applicant provided some data on historical expenses, but was unable to provide a full year of expenses because the previous owner did not release this information and the Housing Authority has not operated the property for a full year.

The Applicant's estimates of two line items differ significantly from the Underwriter's, including: general and administrative (\$14K lower); and property insurance (\$13K lower). Additionally, as discussed in detail below, the Property Condition Assessment projects significant future capital needs. The Underwriter's evaluation of the PCA estimates indicates that the development will need to reserve \$368 per unit per year starting in Year One in order to retain sufficient reserves to fund future needs through Year 30. Therefore, the Underwriter's proforma reflects reserve for replacements consistent with the PCA projected needs while the Applicant's has estimated the minimum of \$300 per unit per year for a rehabilitation.

Finally, the Applicant's proforma reflects a 100% property tax exemption. The Housing Authority currently owns the property and it is common for transactions with housing authority involvement to ground lease the property to the partnership and retain 100% ownership of the GP interest in order to achieve a 100% property tax exemption. The Underwriter has also assumed a 100% exemption based on this common structure and the contract for ground lease provided.

Conclusion:

The Applicant's estimates of effective gross income and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma yields a Year One DCR above the Department's current maximum of 1.35 when the \$750,000 City of Fort Worth HOME cashflow loan is not included in debt service. When the City of Fort Worth HOME loan is fully amortized, the projected DCR falls within the parameters of the Department's current guideline. As a result, the Underwriter has not made adjustments to the Applicant's anticipated permanent financing structure. This is discussed more fully in the financing conclusion section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the first 15 years. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Integra Realty Resources</u>	Date:	<u>3/17/2008</u>
Number of Revisions:	<u>1</u>	Date of Last Applicant Revision:	<u>6/27/2008</u>
Land Only:	5.51 acres	\$425,000	As of: <u>3/13/2008</u>
Existing Buildings: (as-is)		\$2,575,000	As of: <u>3/13/2008</u>
Total Development: (as-is)		\$3,000,000	As of: <u>3/13/2008</u>

ASSESSED VALUE

Land Only:	5.51 acres	\$298,386	Tax Year:	<u>2007</u>
Existing Buildings:		\$1,865,614	Valuation by:	<u>Tarrant CAD</u>
Total Assessed Value:		\$2,164,000	Tax Rate:	<u>2.70128</u>

EVIDENCE of PROPERTY CONTROL

Type: Amended and Restated Contract for Ground Lease & Bill of Sale Acreage: N/A
 Contract Expiration: 10/1/2008 Valid Through Board Date? Yes No
 Lease Price: \$3,000,000 Other: _____
 Lessor: Trinity River Public Facility Corp Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/28/2008

Acquisition Value:

The subject development was purchased by the Forth Worth Housing Authority ("FWHA"; owner of the GP) on August 31, 2007. The Applicant provided a settlement statement reflecting a purchase price of \$3,000,000. The subject application proposes the transfer of the existing property from FWHA to the partnership. Generally, the transfer from the original owner to FWHA from August would have triggered a new placement in service date and the subject application would therefore not meet the Federal requirement to be eligible for acquisition credits. IRC Section 42(d)(2)(B)(ii) provides that there must be a period of at least 10 years between the date of acquisition by the partnership and the previous placement in service.

However, FWHA appears to be a "governmental unit or qualified nonprofit organization" and IRC Section 42(d)(2)(D)(ii) provides that an acquisition by a "governmental unit or qualified nonprofit organization" may not trigger a new placement in service date. As a result, the August acquisition of the property by FWHA presumably does not affect the Applicant's eligibility for credits on the acquisition basis.

As indicated previously, the Applicant has provided a settlement statement supporting the purchase price of \$3,000,000, \$542,536 of which was equity from FWHA. FWHA has proposed to take back a \$500,000 seller note as part of the subject application. The acquisition cost reflected in the development cost schedule is consistent with the documentation provided and is supported by an "as is" appraised value of \$3,000,000. The acquisition price is assumed to be reasonable as the transfer of property to the Applicant mirrors the third party acquisition by FWHA in August 2008.

The Applicant has claimed an eligible building basis of \$3,000,000 which is equal to the purchase price. This indicates that the Applicant has assigned no value to the land. The Underwriter has used the land value established by the appraisal (\$425,000) to derive a lower eligible building basis of \$2,575,000.

Sitework Cost:

The Applicant has estimated sitework costs of \$3,867 per unit, which is less than the estimate of \$6,982 reflected in the Property Condition Assessment. The Underwriter has used the estimate from the PCA; however, it should be noted that the PCA sitework estimate is significantly higher than generally needed for existing developments proposing rehabilitation. The PCA provider indicates that areas of "significant" failure and deterioration were documented and has included \$4K per unit in sitework costs for complete replacement of asphalt pavement, substantial sidewalk repairs, and replacement of damaged curbs.

Direct Construction Cost:

The Applicant's direct construction cost estimate of \$31,269 per unit is 2% higher than the PCA estimate of \$30,762 per unit. The Underwriter has utilized the PCA estimate.

Interim Interest Expense:

The Applicant estimate included more than 12 months of fully drawn interest on construction financing in eligible basis. In accordance with Department guidelines, the Underwriter has effectively shifted any interim interest exceeding 12 months of fully drawn interest to ineligible costs.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$13,143,255 supports annual tax credits of \$1,212,186. 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

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 5/28/2008

Source: Red Capital Type: Interim to Permanent Financing

Principal: \$6,408,678 Interest Rate: 5.75% Fixed Term: 24 months
Principal: \$2,332,897 Interest Rate: 6.90% Fixed Amort: 360 months

Comments:

The Red Capital proposal indicates that a 1.25 DCR for three consecutive months will be required to convert to permanent, but the maximum underwriting DCR is 1.20. The proposal indicates that the permanent loan will be Fannie Mae financed and that the interest rate on the permanent loan will be locked once a commitment from Fannie Mae is delivered but prior to construction loan closing.

The required 1.25 DCR is consistent with recent tightening of underwriting and funding requirements by Fannie Mae.

Source: City of Fort Worth HOME funds Type: Interim to Permanent Financing

Principal: \$750,000 Interest Rate: AFR Fixed Amort: N/A months

Comments:

The Applicant has indicated that the HOME funds will be structured as a cashflow loan with an interest rate equal to AFR (underwritten at 4.37%, AFR for February 2008). In order to ensure that this HOME loan does not affect the development's eligibility for 9% HTC's, the interest rate must be equal to or greater than AFR and be projected to be repayable. Therefore, the Underwriter has fully amortized this loan over 30 years to ensure that it can be projected to be fully repaid and that the development will maintain a DCR above 1.15 in accordance with Department guidelines. Based on the Underwriter's analysis, the development can support this debt as a fully amortizing mortgage at AFR.

Source: City of Fort Worth Housing Authority Type: Seller Note

Principal: \$500,000 Interest Rate: 4.5% Fixed Term: 360 months

Comments:

The Applicant has indicated that the Housing Authority will take back a note for \$500,000 for the transfer of the property to the Applicant. The Applicant indicated that a portion of the original acquisition from the unrelated party consisted of cash from the previous sale of another Housing Authority property. As a result, these funds may not be considered Federally sourced. However, the Applicant has indicated that the loan will be structured with an interest rate equal to AFR and all accrued interest and principal payable at the end of 30 years. If this source of financing were included in annual debt service and amortized fully over 30 years, the DCR would fall to 1.14. However, the development would remain viable with a slight reduction in the conventional first lien.

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Source: Red Capital Type: Syndication

Proceeds: \$10,104,273 Syndication Rate: 85% Anticipated HTC: \$ 1,188,738

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.76. At this point, deferred developer fees would not be repayable within 15 years and the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.90, all deferred developer fees would be eliminated and an adjustment to the credit amount may

Amount: \$148,815 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35 when only the Red Capital first lien is included as a fully amortizing loan. However, the Underwriter has shown the anticipated City cashflow HOME loan as fully amortizing, which reduces the effective DCR to 1.29, in line with Department guidelines. As a result no adjustment to the Applicant's anticipated debt structure has been made.

The Underwriter's total development cost estimate, based on the PCA, less the permanent loan of \$2,332,897, City of Fort Worth HOME loan of \$750,000, and seller note of \$500,000 indicates the need for \$10,691,169 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,257,785 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,188,738), the gap-driven amount (\$1,257,785), and eligible basis-derived estimate (\$1,212,186), the Applicant's request of \$1,188,738 is recommended resulting in proceeds of \$10,104,273 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for \$586,896 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation. Additionally, if the City HOME loan was not received, the gap in financing could be filled with additional deferred developer fee and the transaction would remain viable.

Underwriter:	<u>Cameron Dorsey</u>	Date:	<u>July 24, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 24, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 24, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Wind River, Fort Worth, 9% HTC #08205

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%	10	0	1	433	\$565	\$450	\$4,500	\$1.04	\$60.00	\$22.00
TC 60%	30	0	1	433	\$678	\$450	\$13,500	\$1.04	\$60.00	\$22.00
TC 30%/PHU	7	1	1	537	\$363	\$212	\$1,484	\$0.39	\$69.00	\$22.00
TC 50%	9	1	1	537	\$605	\$500	\$4,500	\$0.93	\$69.00	\$22.00
TC 60%	24	1	1	537	\$726	\$500	\$12,000	\$0.93	\$69.00	\$22.00
TC 30%/PHU	3	1	1	540	\$363	\$212	\$636	\$0.39	\$69.00	\$22.00
TC 50%	3	1	1	540	\$605	\$500	\$1,500	\$0.93	\$69.00	\$22.00
TC 60%	10	1	1	540	\$726	\$500	\$5,000	\$0.93	\$69.00	\$22.00
TC 30%/PHU	10	2	1	629	\$436	\$212	\$2,120	\$0.34	\$84.00	\$24.00
TC 50%	6	2	1	629	\$726	\$550	\$3,300	\$0.87	\$84.00	\$24.00
TC 60%	16	2	1	629	\$871	\$550	\$8,800	\$0.87	\$84.00	\$24.00
TC 30%/PHU	3	2	2	713	\$436	\$212	\$636	\$0.30	\$84.00	\$24.00
TC 50%	1	2	2	713	\$726	\$600	\$600	\$0.84	\$84.00	\$24.00
TC 60%	4	2	2	713	\$871	\$600	\$2,400	\$0.84	\$84.00	\$24.00
TC 30%/PHU	11	2	2	719	\$436	\$212	\$2,332	\$0.29	\$84.00	\$24.00
TC 50%	5	2	2	719	\$726	\$600	\$3,000	\$0.83	\$84.00	\$24.00
TC 60%	16	2	2	719	\$871	\$600	\$9,600	\$0.83	\$84.00	\$24.00
TOTAL:	168		AVERAGE:	573		\$452	\$75,908	\$0.79	\$73.29	\$22.86

INCOME		Total Net Rentable Sq Ft:	96,280		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					\$910,896	\$856,776	Tarrant	Fort Worth	3
Secondary Income		Per Unit Per Month:	\$10.00		20,160	20,160	\$10.00	Per Unit Per Month	
Other Support Income: PHU Subsidy					30,319	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					\$961,375	\$876,936			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.062%		(67,890)	(65,772)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$893,485	\$811,164			

EXPENSES	% OF EGI	PER UNIT	PER SQ.FT			PER SQ.FT	PER UNIT	% OF EGI
General & Administrative	6.37%	\$339	0.59	\$56,877	\$42,922	\$0.45	\$255	5.29%
Management	5.07%	270	0.47	45,342	43,864	0.46	261	5.41%
Payroll & Payroll Tax	19.47%	1,036	1.81	173,983	171,143	1.78	1,019	21.10%
Repairs & Maintenance	8.20%	436	0.76	73,299	84,465	0.88	503	10.41%
Utilities	7.02%	373	0.65	62,708	78,969	0.82	470	9.74%
Water, Sewer, & Trash	9.28%	493	0.86	82,872	82,192	0.85	489	10.13%
Property Insurance	3.77%	201	0.35	33,698	20,439	0.21	122	2.52%
Property Tax	2.70128	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	6.92%	368	0.64	61,866	50,400	0.52	300	6.21%
TDHCA Compliance Fees	0.75%	40	0.07	6,720	6,720	0.07	40	0.83%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	66.86%	\$3,556	\$6.20	\$597,364	\$581,114	\$6.04	\$3,459	71.64%
NET OPERATING INC	33.14%	\$1,763	\$3.08	\$296,121	\$230,050	\$2.39	\$1,369	28.36%

DEBT SERVICE								
First Lien Mortgage	20.64%	\$1,097	\$1.91	\$184,374	\$184,299	\$1.91	\$1,097	22.72%
Fort Worth HOME loan	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	12.51%	\$665	\$1.16	\$111,747	\$45,751	\$0.48	\$272	5.64%

AGGREGATE DEBT COVERAGE RATIO	1.61	1.25
RECOMMENDED DEBT COVERAGE RATIO	1.29	

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)			21.02%	\$17,857	\$31.16	\$3,000,000	\$3,000,000	\$31.16	\$17,857	21.68%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			8.22%	6,982	12.18	1,172,925	649,668	6.75	3,867	4.70%
Direct Construction			36.21%	30,762	53.68	5,167,955	5,253,129	54.56	31,269	37.97%
Contingency	9.20%	4.09%	3,471	6.06	583,201	583,201	6.06	3,471	4.22%	
Contractor's Fees	11.59%	5.15%	4,375	7.63	735,000	735,000	7.63	4,375	5.31%	
Indirect Construction			6.08%	5,167	9.02	868,000	868,000	9.02	5,167	6.27%
Ineligible Costs			1.72%	1,465	2.56	246,083	246,083	2.56	1,465	1.78%
Developer's Fees	11.91%	9.80%	8,328	14.53	1,399,050	1,399,050	14.53	8,328	10.11%	
Interim Financing			4.50%	3,822	6.67	642,124	642,124	6.67	3,822	4.64%
Reserves			3.22%	2,736	4.77	459,728	459,728	4.77	2,736	3.32%
TOTAL COST			100.00%	\$84,965	\$148.26	\$14,274,066	\$13,835,983	\$143.71	\$82,357	100.00%
Construction Cost Recap			53.66%	\$45,590	\$79.55	\$7,659,081	\$7,220,998	\$75.00	\$42,982	52.19%

SOURCES OF FUNDS				RECOMMENDED	
First Lien Mortgage	16.34%	\$13,886	\$24.23	\$2,332,897	Developer Fee Available
Fort Worth HOME loan	5.25%	\$4,464	\$7.79	750,000	\$1,399,050
HTC Syndication Proceeds	70.79%	\$60,144	\$104.95	10,104,273	% of Dev. Fee Deferred
FWHA Seller Note	3.50%	\$2,976	\$5.19	500,000	42%
Deferred Developer Fee	1.04%	\$886	\$1.55	148,815	
Additional (Excess) Funds Req'd	3.07%	\$2,608	\$4.55	438,081	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$14,274,066	\$1,645,726

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Wind River, Fort Worth, 9% HTC #08205

PAYMENT COMPUTATION

Primary	\$2,332,897	Amort	360
Int Rate	6.90%	DCR	1.61

Secondary	\$750,000	Amort	0
Int Rate	4.31%	Subtotal DCR	1.61

Additional	\$500,000	Amort	0
Int Rate	4.31%	Aggregate DCR	1.61

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$184,374
Secondary Debt Service	44,909
Additional Debt Service	0
NET CASH FLOW	\$66,838

Primary	\$2,332,897	Amort	360
Int Rate	6.90%	DCR	1.61

Secondary	\$750,000	Amort	360
Int Rate	4.37%	Subtotal DCR	1.29

Additional	\$500,000	Amort	0
Int Rate	4.37%	Aggregate DCR	1.29

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	\$910,896	\$938,223	\$966,370	\$995,361	\$1,025,221	\$1,188,513	\$1,377,812	\$1,597,262	\$2,146,586
Secondary Income	20,160	20,765	21,388	22,029	22,690	26,304	30,494	35,351	47,508
Other Support Income: PHU Su	30,319	32,357	37,326	42,492	47,861	78,058	114,705	159,184	278,722
POTENTIAL GROSS INCOME	961,375	991,345	1,025,083	1,059,882	1,095,773	1,292,875	1,523,011	1,791,796	2,472,816
Vacancy & Collection Loss	(67,890)	(70,006)	(72,389)	(74,846)	(77,381)	(91,300)	(107,551)	(126,532)	(174,624)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$893,485	\$921,338	\$952,695	\$985,036	\$1,018,392	\$1,201,575	\$1,415,460	\$1,665,264	\$2,298,192
EXPENSES at 4.00%									
General & Administrative	\$56,877	\$59,152	\$61,518	\$63,979	\$66,538	\$80,954	\$98,492	\$119,831	\$177,379
Management	45,342	46,756	48,347	49,988	51,681	60,977	71,831	84,508	116,627
Payroll & Payroll Tax	173,983	180,942	188,180	195,707	203,535	247,631	301,281	366,555	542,591
Repairs & Maintenance	73,299	76,231	79,280	82,451	85,749	104,327	126,930	154,429	228,593
Utilities	62,708	65,216	67,825	70,538	73,359	89,253	108,590	132,116	195,564
Water, Sewer & Trash	82,872	86,187	89,635	93,220	96,949	117,953	143,508	174,599	258,450
Insurance	33,698	35,046	36,448	37,906	39,422	47,963	58,354	70,997	105,092
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	61,866	64,340	66,914	69,591	72,374	88,054	107,132	130,342	192,938
Other	6,720	6,989	7,268	7,559	7,861	9,565	11,637	14,158	20,957
TOTAL EXPENSES	\$597,364	\$620,859	\$645,414	\$670,938	\$697,469	\$846,677	\$1,027,755	\$1,247,536	\$1,838,192
NET OPERATING INCOME	\$296,121	\$300,480	\$307,280	\$314,098	\$320,923	\$354,899	\$387,705	\$417,729	\$460,000
DEBT SERVICE									
First Lien Financing	\$184,374	\$184,374	\$184,374	\$184,374	\$184,374	\$184,374	\$184,374	\$184,374	\$184,374
Second Lien	44,909	44,909	44,909	44,909	44,909	44,909	44,909	44,909	44,909
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$66,838	\$71,197	\$77,998	\$84,815	\$91,641	\$125,616	\$158,422	\$188,446	\$230,717
DEBT COVERAGE RATIO	1.29	1.31	1.34	1.37	1.40	1.55	1.69	1.82	2.01

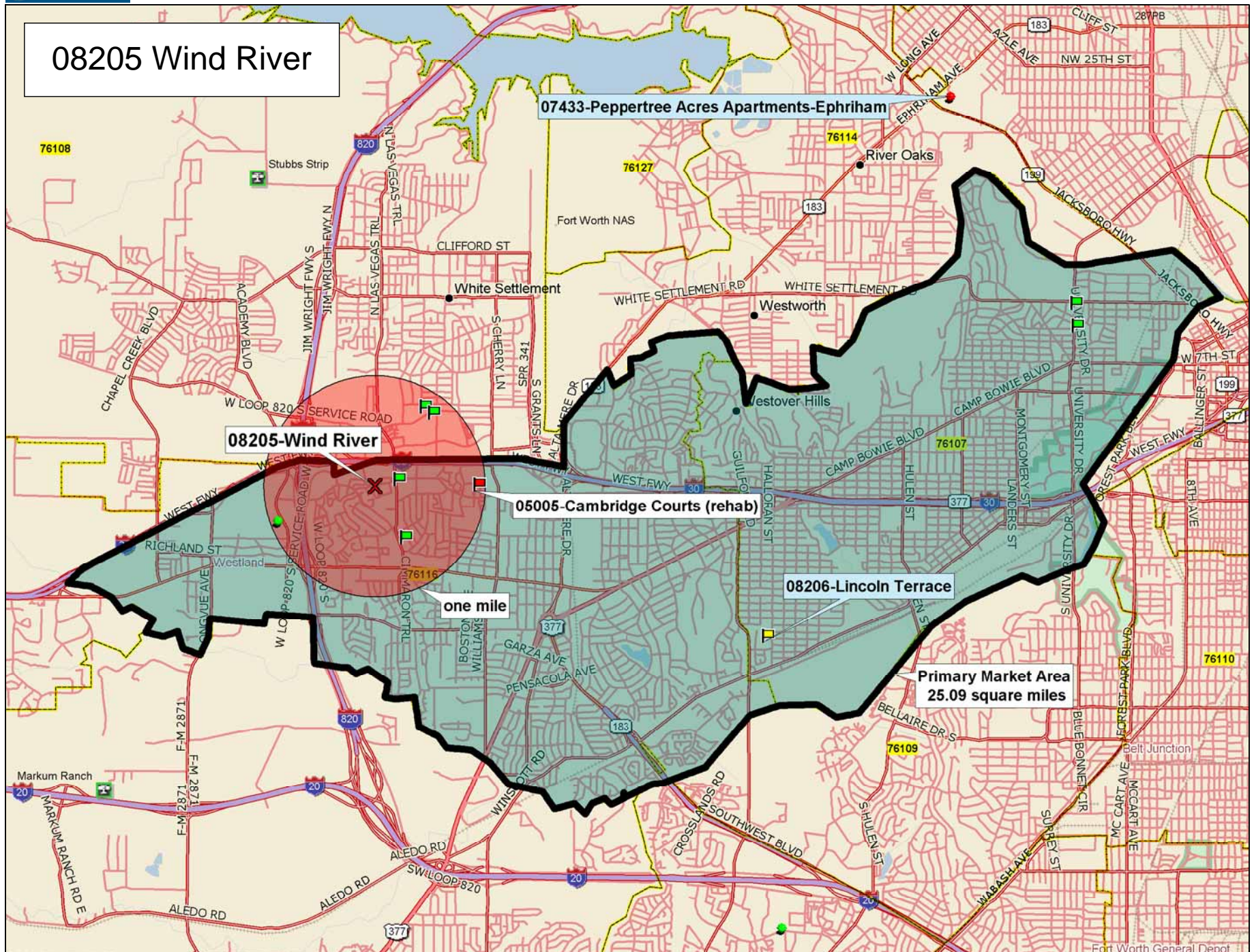
HTC ALLOCATION ANALYSIS -Wind River, Fort Worth, 9% HTC #08205

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land		\$425,000				
Purchase of buildings	\$3,000,000	\$2,575,000	\$3,000,000	\$2,575,000		
Off-Site Improvements						
Sitework	\$649,668	\$1,172,925			\$649,668	\$1,172,925
Construction Hard Costs	\$5,253,129	\$5,167,955			\$5,253,129	\$5,167,955
Contractor Fees	\$735,000	\$735,000			\$735,000	\$735,000
Contingencies	\$583,201	\$583,201			\$583,201	\$583,201
Eligible Indirect Fees	\$868,000	\$868,000			\$868,000	\$868,000
Eligible Financing Fees	\$642,124	\$642,124			\$642,124	\$642,124
All Ineligible Costs	\$246,083	\$246,083				
Developer Fees						
Developer Fees	\$1,399,050	\$1,399,050	\$357,779	\$306,752	\$1,041,271	\$1,092,298
Development Reserves	\$459,728	\$459,728				
TOTAL DEVELOPMENT COSTS	\$13,835,983	\$14,274,066	\$3,357,779	\$2,881,752	\$9,772,393	\$10,261,503

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$3,357,779	\$2,881,752	\$9,772,393	\$10,261,503
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$3,357,779	\$2,881,752	\$12,704,111	\$13,339,954
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$3,357,779	\$2,881,752	\$12,704,111	\$13,339,954
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$119,201	\$102,302	\$1,056,982	\$1,109,884

Syndication Proceeds	0.8500	\$1,013,210	\$869,569	\$8,984,347	\$9,434,016
Total Tax Credits (Eligible Basis Method)				\$1,176,183	\$1,212,186
Syndication Proceeds				\$9,997,557	\$10,303,584
Requested Tax Credits				\$1,188,738	
Syndication Proceeds				\$10,104,273	
Gap of Syndication Proceeds Needed				\$10,253,086	\$10,691,169
Total Tax Credits (Gap Method)				\$1,206,245	\$1,257,785

08205 Wind River

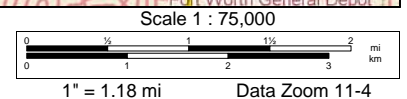


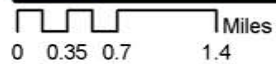
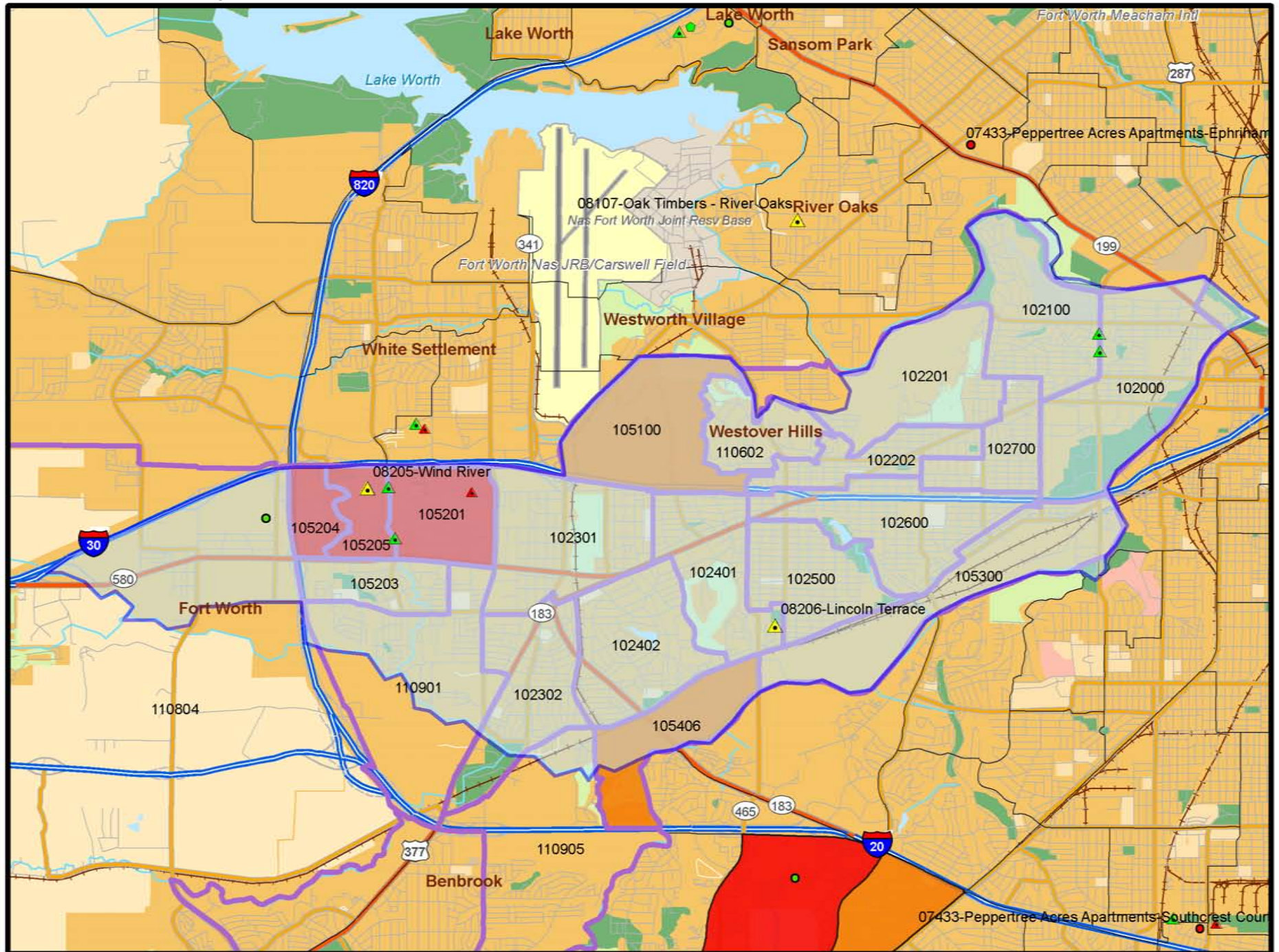
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 Page 16 of 17





08205 - Wind River

Applicant Evaluation

Project ID **08205**

Name **Wind River**

City: **Fort Worth**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 14

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 9

Total # of MF awards not yet monitored or pending review: 4

10-19: 5

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 14

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 6/2/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/2/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Carpenter's Point, TDHCA Number 08207

BASIC DEVELOPMENT INFORMATION

Site Address: 3326 Mingo St. Development #: 08207
 City: Dallas Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75223 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Carpenter's Point, LP
 Owner Contact and Phone: George King, Jr., (469) 693-5113
 Developer: Carleton Development/ Hebron Development LLC
 Housing General Contractor: Carleton Construction, Ltd.
 Architect: Beeler, Guest & Owens Architects, L.P.
 Market Analyst: Integra Realty Resources
 Syndicator: Apollo Housing Capital
 Supportive Services: Hebron Development, LLC
 Consultant: National Housing Advisors, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	150
	8 0 53 89	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 126 24 0 0 0	Total Development Units:	150
Type of Building:		Total Development Cost*:	\$13,163,915
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Carpenter's Point, TDHCA Number 08207

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: West, District 23, S Points: 14 US Representative: Johnson, District 30, NC
TX Representative: Hodge, District 100, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government [checked]
S, Carolyn R. Davis, Councilwoman District 7 S, Derick Evans, Constable Dallas County Precinct 1
S, John Wiley Price, County Commissioner, District 3 S, Mavis, B. Knight, State Board of Education, District 13

Individuals and Businesses In Support: 9 In Opposition 0

Quantifiable Community Participation Input:

Dolphin Heights Neighborhood/ Crime watch Association, Anna Hill Letter Score: 24 S or O: S

There is a growing percentage of elderly and disabled individuals in the community and we believe Carpenter's Point would be an asset to all.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
Allen R. Sullivan, Ph. D. S or O: S
Foundation For Community Empowerment S or O: S
Southwestern Medical Center S or O: S
True Lee Missionary Baptist Church S or O: S
The Frazier Berean Baptist Church S or O: S
Chief Projects Officer Dallas Housing Authority S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and civic organizations. Three people spoke in support of the development at the public hearing.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance, by cost certification, of evidence that an asbestos survey was performed prior to demolition of the church building and any recommendations of said survey were carried out.
2. Receipt, review, and acceptance, by cost certification, of a fully executed Housing Assistance Payment (HAP) contract for project based vouchers covering 100% of the units.
3. Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms or amounts of the proposed rental subsidy, debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
5. Receipt of a commitment of funding from the City of Dallas Housing Department for funds in the amount of \$663,195, or a commitment from a qualifying substitute source in an amount not less than \$658,196, as required by §50.9(i)(5) of the 2008 QAP.
6. Receipt of a commitment of funding from the City of Dallas Housing Department in the amount of \$265,278, or a commitment from a qualifying substitute source(s) in an amount not less than \$263,279 as required by §50.9(i)(27) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Carpenter's Point, TDHCA Number 08207



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Carpenter's Point, TDHCA Number 08207

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/19/08 PROGRAM: 9% HTC FILE NUMBER: 08207

DEVELOPMENT

Carpenter's Point

Location: 3326 Mingo Street Region: 3
 City: Dallas County: Dallas Zip: 75223 OCT DDA
 Key Attributes: Multifamily, Elderly, Urban, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance, by cost certification, of evidence that an asbestos survey was performed prior to demolition of the church building and any recommendations of said survey were carried out.
- 2 Receipt, review, and acceptance, by cost certification, of a fully executed Housing Assistance Payment (HAP) contract for project based vouchers covering 100% of the units.
- 3 Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old .
- 4 Should the terms or amounts of the proposed rental subsidy, debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	53
60% of AMI	60% of AMI	89

PROS

- The Applicant expects to receive Project Based Section 8 vouchers for all 150 units which will allow affordability to extremely low income households.
- The proposed development appears to be part of the City's plan to revitalize the area around the subject site.

CONS

- The average occupancy of affordable properties in the market is slightly below 90% according to the Market Analyst.
- The Site Inspector has rated the site as "questionable" due primarily to the condition of the surrounding neighborhood.
- The Owner of the GP appears to have limited experience with affordable housing and limited financial capacity and the experienced developer will retain no ownership interest but will be able to provide acceptable guarantees.

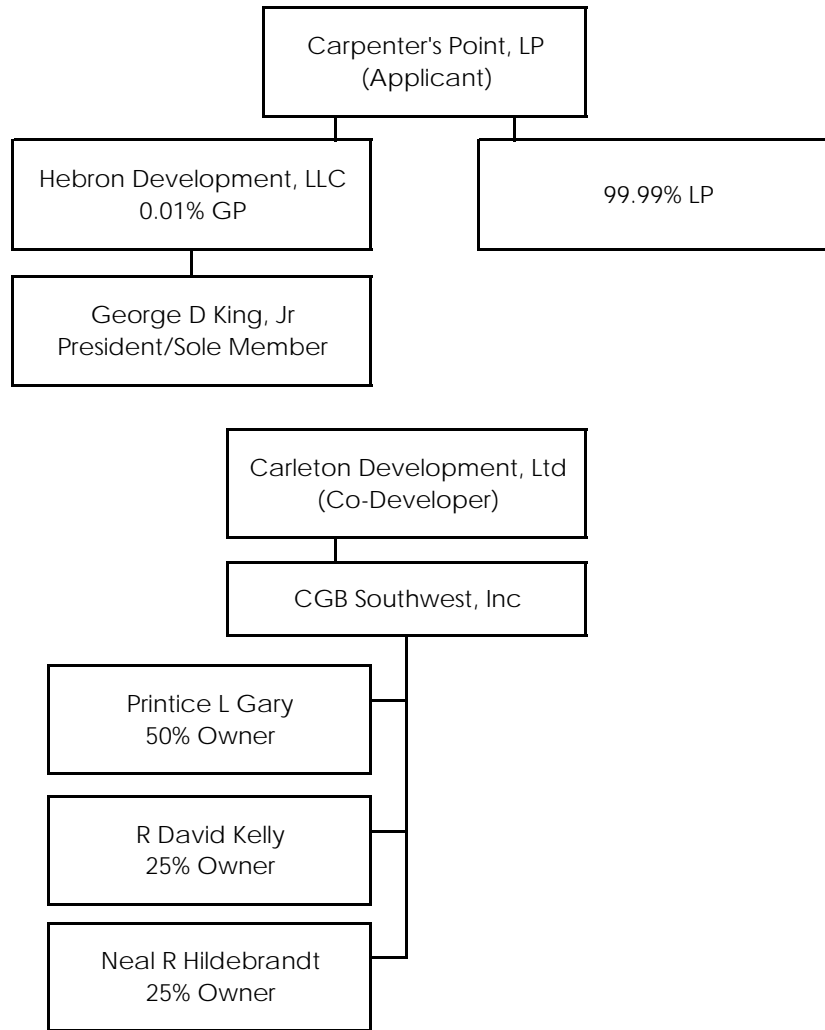
- The Applicant's and Underwriter's expense to income ratios are well above the 65% maximum. Receipt of project based vouchers should mitigate concerns of rising expenses and flat rent levels.

PREVIOUS UNDERWRITING REPORTS

The subject development was submitted during the 2007 competitive housing tax credit cycle. However, the application did not score competitively and was not underwritten.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: George King, Jr Phone: 469.693.5113 Fax: 972.709.5964
 Email: gdkingjr1@att.net

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Hebron Development, LLC	N/A	--
George D King, Jr	Limited capacity	No Experience
Carleton Development, Ltd	N/A	--
CGB Southwest, Inc	N/A	--
Printice L Gary	N/A	15 HTC allocations
R David Kelly	N/A	13 HTC allocations
Nick R Hildebrandt	N/A	13 HTC allocations

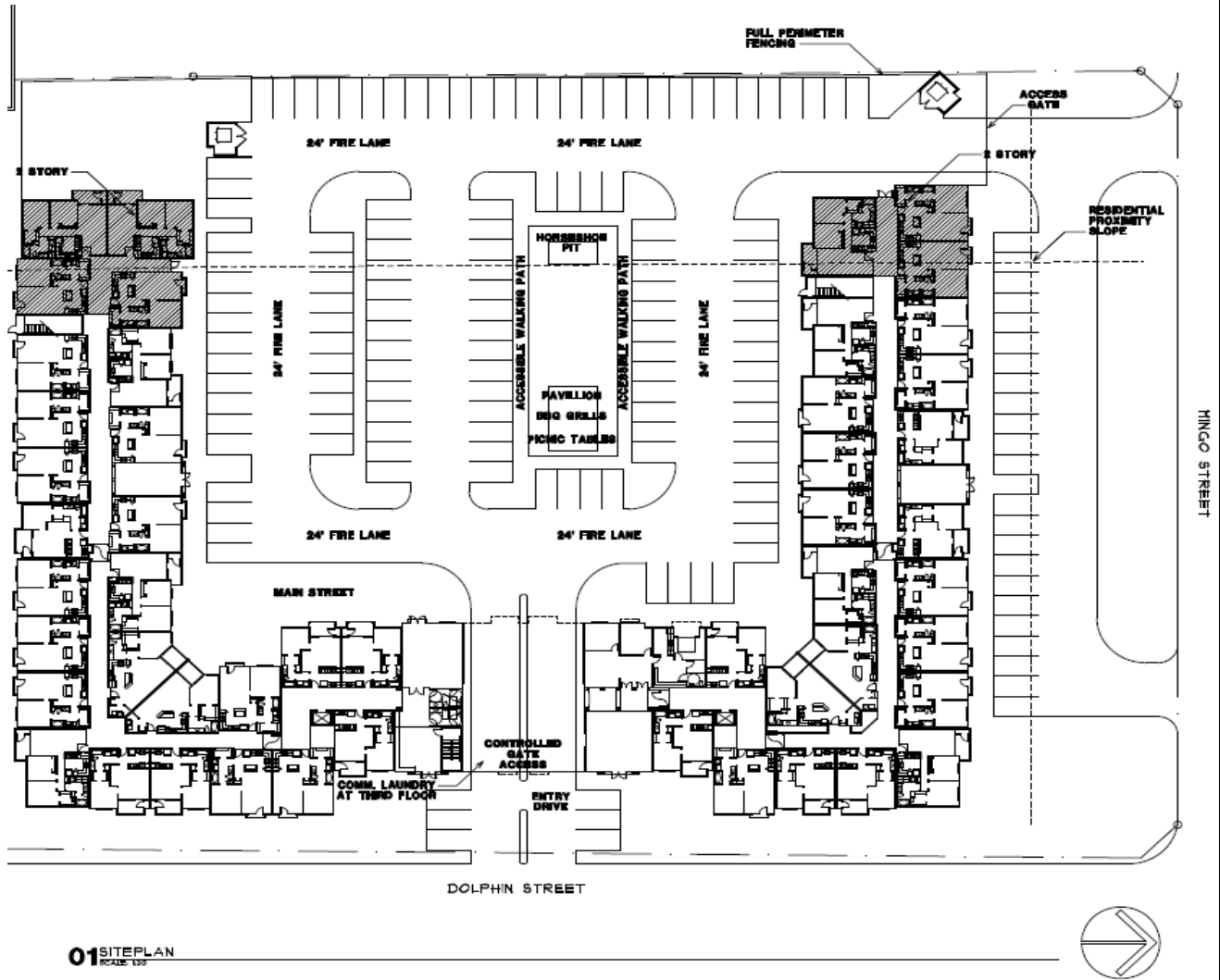
A development partner with limited capacity means that the Underwriter has reviewed their financial statements and credit score and other partners, such as a developer with significant financial capacity and experience, will likely be needed to execute the proposed development plan.

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- George King Jr is an employee of the seller and is 100% owner of the GP; therefore, the transfer of the site is regarded as an identity of interest transaction.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B/D	C	E								Total Buildings
Floors/Stories	3	3	3	3								
Number	1	2	1	1								5

BR/BA	SF	Units						Total Units	Total SF
1/1	610	6	13	2	6			40	24,400
1/1	717	24	15	2	18			74	53,058
1/1	793		6					12	9,516
2/1	874	6	6		6			24	20,976
Units per Building		36	40	4	30			150	107,950

SITE ISSUES

Total Size: 4.061 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MF-2(A) Needs to be re-zoned? Yes No N/A
 Comments:

A small church building is currently located on the north end of the site. However, this church will be removed in order to develop the proposed multifamily property. The Applicant submitted a letter from the pastor of the church (also 100% owner of the GP), which indicates that the current occupants and congregation are fully aware of the subject development plan.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/1/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: Mingo St / Residential East: Dolphin Rd /commercial / cemetery
 South: railroad / commercial / residential West: residential

Comments:
 Regarding the site inspector's "questionable" rating, the inspector wrote, "The neighborhood is unkempt and has many abandoned retail buildings as well as run down houses in the area. Directly South of the site is a railroad track. High voltage lines are present within 300' of site. Approximately ½ mile down road to the North is a large manufacturing facility for Schepps. Beyond railroad tracks to the south are two nice low income housing Projects Wahoo Frazier on the left and Mill City Parc on the right. There is a large cemetery across the street to the East. West of the site are low income houses in various conditions."
 The Inspector identified the poor condition of the neighborhood as a primary reason for the "questionable" rating. However, the Department has funded several recent transactions in the area which are part of a concerted effort by the City to target this area for revitalization as reflected in the City of Dallas Consolidated plan. The City Council has also passed a resolution of intent to authorized \$928,473 in HOME funds for construction of the proposed development.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: MACTEC Date: 2/15/2008

Recognized Environmental Concerns (RECs) and Other Concerns:
 • The ESA indicates, "The structure on the subject property [the church] is scheduled to be removed from the property by a third party. In the event the structure requires demolition, an asbestos survey would be required prior to demolition of the subject property structure" (p. 4-4).

Comments:
 Receipt, review, and acceptance, by cost certification, of evidence that an asbestos survey was performed prior to demolition of the church building and any recommendations of said survey were carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 2/15/2008
 Contact: Charles A Bissell Phone: 972.960.1222 Fax: 972.960.2922

Primary Market Area (PMA): 67 square miles (4.6 mile radius)
 "We consider the primary market area (PMA) for the subject to be constrained by the following boundaries: Interstate Highway 30 to the north; Interstate Highway 635 to the east; Interstate Highway 20 to the south; and Interstate 45 to the west" (p. 45). The estimated 2007 population for the PMA is 178,475 (p. 20).

Secondary Market Area (SMA):
 N/A

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
St Augustine Estates	05609	150	150				
Peachtree Seniors	07289	144	144	N/A			

Comments:

The Market Analyst did not identify any unstabilized comparable units within the subject PMA. However, upon review by the Underwriter, the above properties (St Augustine Estates & Peachtree Seniors) were both identified. According to the Department's central database, Peachtree Seniors was 82% occupied in December of 2007. St Augustine Estates received an allocation of 9% HTC's during the 2007 competitive cycle and has not yet placed in service. Both properties target the elderly population. Due to the limited impact that these properties appear to have on the inclusive capture rate, the Underwriter did not request a revision of the market study to include these properties. These comparable units have, however, been included in the Underwriter's demand calculations below.

INCOME LIMITS						
Dallas						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
50	\$23,300	\$26,600	\$29,950	\$33,250	\$35,900	\$38,550
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

OVERALL DEMAND										
PMA DEMAND from TURNOVER										
		Elderly Apartment Households	Household Size	Income Eligible				Demand		
Market Analyst	1 BR/30%	32%	2,921	92%	2,675	9%	251		50%	126
Market Analyst	1BR/50%	32%	2,921	92%	2,675	14%	380		50%	190
Market Analyst	1BR/60%	32%	2,921	92%	2,675	22%	578		50%	289
Market Analyst	2BR/30%	32%	2,921	69%	2,015	5%	99		50%	49
Market Analyst	2BR/50%	32%	2,921	69%	2,015	9%	177		50%	89
Market Analyst	2BR/60%	32%	2,921	69%	2,015	16%	326		50%	163
Total										906
		All Elderly Households	Household Size	Income Eligible	Tenure			Demand		
Underwriter (OVERALL)		16,162	100%	16,162	66%	10,693	44%	4,662	34%	1,590
PMA DEMAND from HOUSEHOLD GROWTH										
		Growth in Elderly Households	Household Size	Income Eligible	Tenure			Demand		
Market Analyst	1 BR/30%	253	92%	232	9%	22	44%	9	100%	9
Market Analyst	1BR/50%	253	92%	232	14%	33	44%	14	100%	14
Market Analyst	1BR/60%	253	92%	232	22%	50	44%	22	100%	22
Market Analyst	2BR/30%	253	69%	175	5%	9	44%	4	100%	4
Market Analyst	2BR/50%	253	69%	175	9%	15	44%	7	100%	7
Market Analyst	2BR/60%	253	69%	175	16%	28	44%	12	100%	12
Total										68
Underwriter (OVERALL)		436	100%	436	66%	289	44%	126	100%	126

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst (OVERALL)	150	0	0	150	976	15.37%
Underwriter (OVERALL)	150	294	0	444	1,716	25.88%

Comments:

The Market Analyst calculated turnover demand by each unit type starting with the number of apartment units rather than existing households thereby significantly underestimating the number of elderly households. In determining annual elderly growth of households the Analyst used an annual growth rate of 1.48% which is far lower than the Claritas annual growth rate calculated to be 2.70% based upon average population and household growth over a five year period. This also understates the growth of elderly households.

The Analyst also summed the individual unit size demand figures for turnover and growth before calculating the inclusive capture rate. The Market Analyst's methodology results in significant overlap and therefore overstatement of demand in the following ways. First, the income bands for the 50% and 60% units overlap significantly and the Market Analyst did not account for this overlap when calculating total demand. Second, the Market Analyst counted two person households in calculations for both one and two bedroom units. Because it is difficult to determine what proportion of two person household would choose either size unit, this overlap is acceptable when calculating demand for individual units but this overlap should be eliminated in the overall calculation. This overlap effectively double counts some households and generally results in an inflated total demand number and lower inclusive capture rate.

Finally, the Market Analyst did not account for the Project Based Section 8 Vouchers (PBVs) that will cover all 150 units thereby significantly understating demand. These vouchers will provide a subsidy for households at income levels that would generally not be able to afford the tax credit rent levels. As such, the Underwriter has expanded the income banding to account for these households earning below the typical eligible incomes. It should be noted that even without the lower incomes that will be served as a result of the PBVs, the inclusive capture rate appears to remain below the 75% maximum.

The Market Analyst deviated in several important ways from the guidelines provided in the Department's rules on market studies. The net result is that the Analyst understated demand but understated supply more significantly so that the inclusive capture rate appears understated. Nonetheless, the Underwriter's recalculation results in an inclusive capture rate that meets the Department's guidelines.

Primary Market Occupancy Rates:

"The simple average occupancy rate for LIHTC properties within the PMA is 89%" (p. 41). As stated previously, the Analyst did not account for St Augustine Estates, a 2005 tax exempt bond/4% HTC transaction that had an occupancy of 82% as of 12/31/2007. The Market Analyst also notes that the average occupancy rate for all properties is 89% (p. 38). An occupancy rate equal to or greater than 90% (maintained for 12 consecutive months) is considered to be stabilized occupancy. An 89% average occupancy for the market may be indicative of a market reaching saturation.

However, the Underwriter also looked at two 2004 elderly transactions outside of the PMA, but located just a few miles to the northeast of the subject, Primrose at Highland (04222) and Cherrycrest Villas (04490). According to the Department's central database, Cherrycrest Villas had an occupancy of 14.67% on 12/31/2006 (just after place in service) and an occupancy of 98.67% on 12/31/2007. Primrose at Highland had an occupancy of 40.52% on 12/31/2006 and an occupancy of 93.53% on 12/31/2007. Both properties appear to have reached stabilized occupancy levels and appear to indicate a relatively strong elderly market for new product. Villas of Hickory Estates (00006), a 2000 9% HTC transaction, has a current occupancy of 98% according to the Analyst and is located in the southeast portion of the PMA.

Absorption Projections:

"A new 'seniors only' property, the size of the subject as proposed with 150 units, is likely to be absorbed within 10 months of opening, equating to an absorption pace of approximately 15 units per month" (p. 44).

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)			Proposed PBV Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR	610 SF	30%	\$502	\$275	\$625	\$502	\$123	
1 BR	610 SF	50%	\$502	\$525	\$625	\$502	\$123	
1 BR	610 SF	60%	\$502	\$650	\$625	\$502	\$123	
1 BR	717 SF	30%	\$502	\$275	\$675	\$502	\$173	
1 BR	717 SF	50%	\$502	\$525	\$675	\$502	\$173	

RENT ANALYSIS (Tenant-Paid Net Rents) (cont.)							
Unit Type (% AMI)			Proposed PBV Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	717 SF	60%	\$502	\$650	\$675	\$502	\$173
1 BR	793 SF	30%	\$502	\$275	\$700	\$502	\$198
1 BR	793 SF	50%	\$502	\$525	\$700	\$502	\$198
1 BR	793 SF	60%	\$502	\$650	\$700	\$502	\$198
2 BR	874 SF	30%	\$577	\$325	\$775	\$577	\$198
2 BR	874 SF	50%	\$577	\$625	\$775	\$577	\$198
2 BR	874 SF	60%	\$577	\$775	\$775	\$577	\$198

Market Impact:

"We conclude there to be sufficient unmet demand to support the development of the subject" (p. 88).

Comments:

While the Market Analyst did not account for several important aspects of the demand analysis (as described above), the Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate. The Underwriter's demand conclusions are sufficient to make a favorable recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 143 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 177 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 4/10/2008

The Applicant's projected rents for all 150 units are based on the anticipated pay standards for the project based vouchers (PBVs) currently being applied for. The Applicant provided a letter from the Chief Projects Officer of the Dallas Housing Authority indicating that the Applicant is in process of making application for project based vouchers and that the DHA fully anticipates that PBVs covering up to 100% of the units will be approved. Further, the letter estimates gross rents of \$600 and \$700 for the one and two bedroom units respectively. HUD allows Housing Authorities to allocate up to 20% of their respective Section 8 Housing Choice Voucher pools for the Project Based Voucher Program, but HUD approval of the PBVs must be secured prior to finalizing the rent structure and entering into a HAP contract.

While the final structure has not yet been fully vetted or approved by HUD, the Underwriter has used the estimated PBV rent levels reflected in the DHA letter less the applicable DHA utility allowances. Based on the Underwriter's correspondence with Housing Authority staff, the ultimate PBV rent could be well above the current estimates due to the MSA's high Fair Market Rents. Approval of higher rent levels could warrant reevaluation and possible adjustment to the credit amount.

The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines and are also reflected by the Underwriter. As such, the Applicant's effective gross income estimate is equal to the Underwriter's estimate.

It should be noted that the Applicant submitted several iterations of the rent schedule during underwriting and switched between anticipating project based vouchers and not anticipating project based vouchers. The ongoing discussion and revisions were prompted primarily due to a debt coverage ratio well above the 1.35 maximum in the Underwriter's proforma. Receipt, review, and acceptance, by cost certification, of a fully executed HAP contract covering 100% of the units is a condition of this report.

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Expense: Number of Revisions: 2 Date of Last Applicant Revision: 4/10/2008

The Applicant's total annual operating expense projection at \$3,949 per unit is within 5% of the Underwriter's estimate of \$4,051, derived from the TDHCA database, IREM data, and other third-party data sources. However, the Applicant's payroll and payroll tax estimate is \$22K lower than the Underwriter's estimate.

Conclusion:

The Applicant's estimate of Net Operating Income is not within 5% of the Underwriter's estimate; therefore, the Underwriter's Year One proforma is used to determine the development debt capacity and Debt Coverage Ratio (DCR). The proforma reflects a DCR within the Department's current guidelines of 1.15 to 1.35.

The Applicant's and Underwriter's expense to income ratios are well above the Department's 65% maximum. However, the application and underwriting is based on receipt of Project Based Section 8 Vouchers for 100% of the units. The Department's rules allow for an exception to the 65% expense to income ratio for transactions receiving long-term project based rental assistance.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the first 15 years. Therefore, the development can be characterized as feasible. However, it should be noted that shortly after Year 20 the proforma reflects a drop below the 1.15 standard and by Year 30 the development is projected to no longer be able to service its anticipated debt.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources DFW Date: 2/15/2008
Number of Revisions: 0 Date of Last Applicant Revision: N/A
Land Only: 4.06 acres \$620,000 As of: 2/1/2008
Comments:
The appraisal does not contemplate the value of the existing church building that is to be demolished. This structure has no value to the Applicant.

ASSESSED VALUE

Land Only: 5.02 acres \$218,720 Tax Year: 2007
Existing Buildings: \$118,720 Valuation by: Dallas CAD
Total Assessed Value: \$337,440 Tax Rate: 2.514757

EVIDENCE of PROPERTY CONTROL

Type: Contract for Sale Acreage: 4.061
Contract Expiration: 12/31/2008 Valid Through Board Date? Yes No
Acquisition Cost: \$10 Other: _____
Seller: Frazier-Berean Group Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/2/2008

Acquisition Value:

The site is currently owned by The Frazier-Berean Group (FBR) per a Special Warranty Deed provided at application. George King Jr. is an employee of the seller and the 100% owner of the GP; therefore, the transfer of the site is considered an identity of interest transfer. The Applicant has provided an appraisal but the contract reflects that the property will be transferred to the Applicant for a small nominal fee (\$10).

The Applicant/Developer will also be responsible for removal of a small existing church building on-site. This building has no value to the partnership and therefore, any cost incurred to remove this structure plus the transfer price should not be greater than the appraised "as vacant" value of the site. As stated previously the land is effectively being donated to the partnership and the removal cost is likely to be well below the appraised value (\$620,000). Therefore, the terms of the transfer of the property appear to be reasonable.

Sitework Cost:

The Applicant's claimed sitework costs of \$5,975 per unit are within current Department guidelines. Therefore, further third party substantiation is not required. The Applicant has not included any cost for removal of the building on-site. However, the building is a small manufactured building and the removal costs will likely not be significant.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$453K or 7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant's total hard cost estimate is exactly \$85 per NRSF which is questionable as to its accuracy because it is the maximum cost allowable for the points item selected.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$253K 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.

Contingency & Fees:

The Applicant's fees for the developer were set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the overstatement of eligible interest expense discussed above the eligible basis portion of these fees now exceed the maximum by \$35K and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule with the aforementioned eligible basis adjustments made by the Underwriter, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$11,381,781 supports annual tax credits of \$1,219,216. While this figure exceeds this years \$1.2M per development cap, it 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

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 4/10/2008

Source: City of Dallas HOME Type: Interim Financing

Principal: \$663,195 Interest Rate: 1.0% Fixed Term: N/A months

Comments:

The Applicant has provided a City Council resolution of intent to approve \$928,473 in HOME funds for the subject transaction. The Applicant has partitioned the funds into two separate sources with different interest rates. It appears this was done primarily for points purposes. It should be noted that both of these sources were previously reflected as interim and permanent sources. This structure was revised several times in conjunction with revisions to the rent structure as discussed above. The City Council resolution indicates that the funds would be for construction which is consistent with the final underwritten financing structure described herein.

Also, the Applicant removed both sources from eligible basis in the development cost schedule presumably in order to avoid potential loss of eligibility for the requested 9% credits. No revision of this was subsequently submitted once the HOME funds were scaled back to construction only, but it appears that the Applicant has sufficient basis to support the requested maximum HTC allocation of \$1,200,000 even if the HOME funds are removed. If the HOME funds are ultimately not removed at cost certification, the exact timing of the repayment of these funds will have to be evaluated because if they are not repaid by the time the first unit is placed in service they would have to be reduced from eligible basis or potentially force the reduction of credits from 9% to 4%.

Source: City of Dallas HOME Type: Interim Financing

Principal: \$265,278 Interest Rate: AFR Fixed Term: N/A months

Comments:

This source is part of the funds preliminarily approved by the City and discussed in detail above. The terms of these funds have not yet been finalized but the Applicant anticipated a fixed rate equal to AFR.

Source: Washington Mutual Type: Interim to Permanent Financing

Interim: \$6,854,217 Interest Rate: 6.89% Fixed Term: 24 months

Permanent: \$2,875,419 Interest Rate: 6.89% Fixed Amort: 360 months

Comments:

The commitment provided indicates an interest rate equal to the 10-yr Treasury plus 2.75%. The rate will be locked for construction and permanent at construction loan closing. The lender's underwriting rate (6.89%) is used in the analysis though the current calculated rate as of June 1, 2008 would be 26 basis points lower at 6.63% and potentially allow more debt in the transaction. The commitment reflects a reserve for replacement requirement of \$250 per unit and a minimum aggregate DCR (inclusive of debt service on the proposed cashflow loans) of 1.25.

Source: Apollo Equity Partners Type: Syndication

Proceeds: \$9,600,000 Syndication Rate: 80% Anticipated HTC: \$ 1,200,000

Comments:

The original Apollo commitment, dated February 13, 2008, reflected a credit price of \$0.83. However, during underwriting, the Applicant provided an updated commitment, dated April 8, 2008, reflecting a credit price of \$0.80. The revised commitment reflects a minimum DCR requirement of 1.15.

Should the final credit price decrease by more than a fraction of one cent, all else equal, the gap in financing would increase and the resulting deferred developer fee would not be repayable within the required 15 years. Alternatively, the credit price can increase to \$0.857 before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount.

Amount: \$688,496 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$2,875,419 indicates the need for \$10,288,496 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,286,062 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,286,062), and eligible basis-derived estimate (\$1,219,216), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$9,600,000 based on a syndication rate of 80%.

The Underwriter's recommended financing structure indicates the need for \$688,496 in additional permanent funds. Deferred developer fees in this amount does not appear to be repayable in 10 years but is projected to be repayable from development cashflow within 15 years of stabilized operation. Therefore the deferred developer fee is considered to be marginally repayable and if either the amount of debt or syndication proceeds go down by even a nominal amount or if the anticipated rents decrease or expenses go up by small amounts the deferred developer fee will no longer be repayable within the Department's established timeframes and the development would no longer be considered financially feasible. This situation makes the concerns with regard to the volatility in the current market for tax credits discussed above even more significant.

Underwriter:	_____	Date:	_____
	<i>Cameron Dorsey</i>		June 19, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		June 19, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 19, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Carpenter's Point, Dallas, 9% HTC #08207

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/PBV	2	1	1	610	\$373	\$502	\$1,004	\$0.82	\$98.00	\$46.00
TC 50%/PBV	15	1	1	610	\$623	\$502	\$7,530	\$0.82	\$98.00	\$46.00
TC 60%/PBV	23	1	1	610	\$748	\$502	\$11,546	\$0.82	\$98.00	\$46.00
TC 30%/PBV	2	1	1	717	\$373	\$502	\$1,004	\$0.70	\$98.00	\$46.00
TC 50%/PBV	27	1	1	717	\$623	\$502	\$13,554	\$0.70	\$98.00	\$46.00
TC 60%/PBV	45	1	1	717	\$748	\$502	\$22,590	\$0.70	\$98.00	\$46.00
TC 30%/PBV	2	1	1	793	\$373	\$502	\$1,004	\$0.63	\$98.00	\$46.00
TC 50%/PBV	4	1	1	793	\$623	\$502	\$2,008	\$0.63	\$98.00	\$46.00
TC 60%/PBV	6	1	1	793	\$748	\$502	\$3,012	\$0.63	\$98.00	\$46.00
TC 30%/PBV	2	2	1	874	\$448	\$577	\$1,154	\$0.66	\$123.00	\$54.00
TC 50%/PBV	7	2	1	874	\$748	\$577	\$4,039	\$0.66	\$123.00	\$54.00
TC 60%/PBV	15	2	1	874	\$898	\$577	\$8,655	\$0.66	\$123.00	\$54.00
TOTAL:	150		AVERAGE:	720		\$514	\$77,100	\$0.71	\$102.00	\$47.28

INCOME		Total Net Rentable Sq Ft:	107,950	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$925,200	\$925,200	Dallas	Dallas	3
Secondary Income	Per Unit Per Month:	\$10.00		18,000	18,000	\$10.00	Per Unit Per Month	
Other Support Income:				0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$943,200	\$943,200			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(70,740)	(70,740)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				\$872,460	\$872,460			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	6.41%	\$373	0.52	\$55,913	\$51,232	\$0.47	\$342	5.87%	
Management	5.00%	291	0.40	43,623	43,956	0.41	293	5.04%	
Payroll & Payroll Tax	16.27%	946	1.32	141,972	120,000	1.11	800	13.75%	
Repairs & Maintenance	8.27%	481	0.67	72,113	80,000	0.74	533	9.17%	
Utilities	4.16%	242	0.34	36,322	45,325	0.42	302	5.20%	
Water, Sewer, & Trash	6.10%	355	0.49	53,254	47,175	0.44	315	5.41%	
Property Insurance	4.33%	252	0.35	37,783	49,109	0.45	327	5.63%	
Property Tax	2.51	12.97%	754	1.05	113,164	102,000	0.94	680	11.69%
Reserve for Replacements	4.30%	250	0.35	37,500	37,500	0.35	250	4.30%	
TDHCA Compliance Fees	0.69%	40	0.06	6,000	6,000	0.06	40	0.69%	
Other: Supportive Services	1.15%	67	0.09	10,000	10,000	0.09	67	1.15%	
TOTAL EXPENSES	69.65%	\$4,051	\$5.63	\$607,643	\$592,297	\$5.49	\$3,949	67.89%	
NET OPERATING INC	30.35%	\$1,765	\$2.45	\$264,817	\$280,163	\$2.60	\$1,868	32.11%	

DEBT SERVICE	%	\$	\$	TDHCA	APPLICANT	\$	\$	%
Washington Mutual	26.02%	\$1,513	\$2.10	\$227,019	\$229,458	\$2.13	\$1,530	26.30%
Additional Source	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
City of Dallas (at AFR)	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	4.33%	\$252	\$0.35	\$37,797	\$50,705	\$0.47	\$338	5.81%

AGGREGATE DEBT COVERAGE RATIO	1.17	1.22
RECOMMENDED DEBT COVERAGE RATIO	1.17	

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	0.00%	\$0	\$0.00	\$0.00	\$10	\$10	\$0.00	\$0	0.00%
Off-Sites	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
Sitework	7.12%	5,975	8.30	8.30	896,271	896,271	8.30	5,975	6.81%
Direct Construction	50.99%	42,776	59.44	59.44	6,416,355	6,869,069	63.63	45,794	52.18%
Contingency	5.00%	2,438	3.39	3.39	365,631	381,528	3.53	2,544	2.90%
Contractor's Fees	14.00%	8,825	9.48	9.48	1,023,768	1,028,880	9.53	6,859	7.82%
Indirect Construction	6.66%	5,590	7.77	7.77	838,500	838,500	7.77	5,590	6.37%
Ineligible Costs	4.12%	3,455	4.80	4.80	518,208	518,208	4.80	3,455	3.94%
Developer's Fees	15.00%	10,231	14.22	14.22	1,534,627	1,641,128	15.20	10,941	12.47%
Interim Financing	5.49%	4,602	6.39	6.39	690,321	690,321	6.39	4,602	5.24%
Reserves	2.38%	2,000	2.78	2.78	300,000	300,000	2.78	2,000	2.28%
TOTAL COST	100.00%	\$83,891	\$116.57	\$116.57	\$12,583,691	\$13,163,915	\$121.94	\$87,759	100.00%
Construction Cost Recap	69.15%	\$58,014	\$80.61	\$80.61	\$8,702,025	\$9,175,748	\$85.00	\$61,172	69.70%

SOURCES OF FUNDS					RECOMMENDED			
Washington Mutual	22.85%	\$19,169	\$26.64	\$26.64	\$2,875,419	\$2,875,419	\$2,875,419	Developer Fee Available
Additional Source	0.00%	\$0	\$0.00	\$0.00	0	0	0	\$1,605,685
HTC Syndication Proceeds	76.29%	\$64,000	\$88.93	\$88.93	9,600,000	9,600,000	9,600,000	% of Dev. Fee Deferred
Deferred Developer Fees	5.47%	\$4,590	\$6.38	\$6.38	688,496	688,496	688,496	43%
Additional (Excess) Funds Req'd	-4.61%	(\$3,868)	(\$5.37)	(\$5.37)	(580,224)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$12,583,691	\$13,163,915	\$13,163,915	\$708,613

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Carpenter's Point, Dallas, 9% HTC #08207

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.50	\$5,775,427
Adjustments				
Exterior Wall Finish	2.40%		\$1.28	\$138,610
Elderly	3.00%		1.61	173,263
9-Ft. Ceilings	3.30%		1.77	190,589
Roofing			0.00	0
Subfloor			(0.82)	(88,879)
Floor Cover			2.43	262,319
Breezeways/Balconies	\$22.27	5,543	1.14	123,447
Plumbing Fixtures	\$805	0	0.00	0
Rough-ins	\$400	0	0.00	0
Built-In Appliances	\$1,850	150	2.57	277,500
Stairs	\$1,800	4	0.07	7,200
Enclosed Corridors	\$43.58	20,337	8.21	886,306
Heating/Cooling			1.90	205,105
Elevators	\$35,400	2	0.66	70,800
Comm &/or Aux Bldgs	\$53.50	10,187	5.05	545,014
Other: fire sprinkler	\$1.95	107,950	1.95	210,503
SUBTOTAL			81.31	8,777,204
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(8.13)	(877,720)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.18	\$7,899,483
Plans, specs, survy, bld prm	3.90%		(\$2.85)	(\$308,080)
Interim Construction Interest	3.38%		(2.47)	(266,608)
Contractor's OH & Profit	11.50%		(8.42)	(908,441)
NET DIRECT CONSTRUCTION COSTS			\$59.44	\$6,416,355

PAYMENT COMPUTATION

Primary	\$2,875,419	Amort	360
Int Rate	6.89%	DCR	1.17

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.17

Additional	\$0	Amort	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$227,019
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$37,797

Primary	\$2,875,419	Amort	360
Int Rate	6.89%	DCR	1.17

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.17

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.17

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

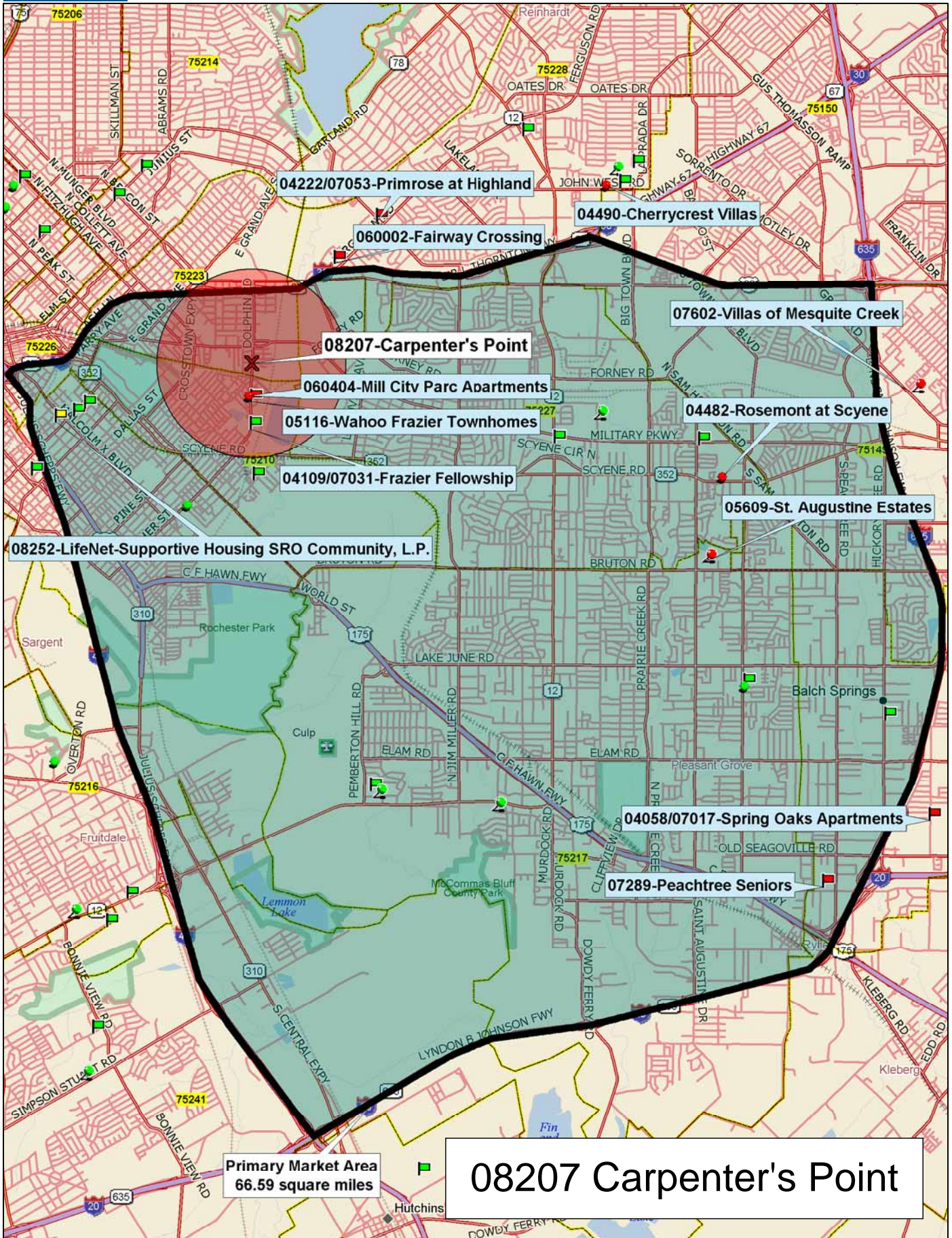
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$925,200	\$952,956	\$981,545	\$1,010,991	\$1,041,321	\$1,207,176	\$1,399,448	\$1,622,344	\$2,180,294
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	943,200	971,496	1,000,641	1,030,660	1,061,580	1,230,662	1,426,675	1,653,907	2,222,713
Vacancy & Collection Loss	(70,740)	(72,862)	(75,048)	(77,300)	(79,618)	(92,300)	(107,001)	(124,043)	(166,703)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$872,460	\$898,634	\$925,593	\$953,361	\$981,961	\$1,138,362	\$1,319,674	\$1,529,864	\$2,056,009
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$55,913	\$58,150	\$60,476	\$62,895	\$65,411	\$79,582	\$96,824	\$117,801	\$174,375
Management	43,623	44,932	46,280	47,668	49,098	56,918	65,984	76,493	102,800
Payroll & Payroll Tax	141,972	147,651	153,557	159,699	166,087	202,071	245,850	299,114	442,761
Repairs & Maintenance	72,113	74,997	77,997	81,117	84,362	102,639	124,876	151,930	224,894
Utilities	36,322	37,775	39,286	40,857	42,492	51,698	62,898	76,525	113,276
Water, Sewer & Trash	53,254	55,384	57,599	59,903	62,299	75,796	92,218	112,197	166,079
Insurance	37,783	39,294	40,866	42,500	44,200	53,776	65,427	79,602	117,830
Property Tax	113,164	117,691	122,398	127,294	132,386	161,068	195,964	238,420	352,919
Reserve for Replacements	37,500	39,000	40,560	42,182	43,870	53,374	64,938	79,007	116,949
Other	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
TOTAL EXPENSES	\$607,643	\$631,513	\$656,324	\$682,114	\$708,922	\$859,695	\$1,042,684	\$1,264,799	\$1,861,783
NET OPERATING INCOME	\$264,817	\$267,121	\$269,269	\$271,247	\$273,039	\$278,668	\$276,990	\$265,065	\$194,226
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$227,019	\$227,019	\$227,019	\$227,019	\$227,019	\$227,019	\$227,019	\$227,019	\$227,019
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$37,797	\$40,102	\$42,249	\$44,227	\$46,020	\$51,648	\$49,970	\$38,046	(\$32,793)
DEBT COVERAGE RATIO	1.17	1.18	1.19	1.19	1.20	1.23	1.22	1.17	0.86

HTC ALLOCATION ANALYSIS -Carpenter's Point, Dallas, 9% HTC #08207

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$10	\$10		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$896,271	\$896,271	\$896,271	\$896,271
Construction Hard Costs	\$6,869,069	\$6,416,355	\$6,869,069	\$6,416,355
Contractor Fees	\$1,028,880	\$1,023,768	\$1,028,880	\$1,023,768
Contingencies	\$381,528	\$365,631	\$381,528	\$365,631
Eligible Indirect Fees	\$838,500	\$838,500	\$838,500	\$838,500
Eligible Financing Fees	\$690,321	\$690,321	\$690,321	\$690,321
All Ineligible Costs	\$518,208	\$518,208		
Developer Fees			\$1,605,685	
Developer Fees	\$1,641,128	\$1,534,627		\$1,534,627
Development Reserves	\$300,000	\$300,000		
TOTAL DEVELOPMENT COSTS	\$13,163,915	\$12,583,691	\$12,310,254	\$11,765,473

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		\$928,473	\$928,473
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$11,381,781	\$10,837,000
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$14,796,316	\$14,088,100
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,796,316	\$14,088,100
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,231,053	\$1,172,130

Syndication Proceeds	0.8000	\$9,848,428	\$9,377,040
Total Tax Credits (Eligible Basis Method)		\$1,231,053	\$1,172,130
Syndication Proceeds		\$9,848,428	\$9,377,040
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$9,600,000	
Gap of Syndication Proceeds Needed		\$10,288,496	
Total Tax Credits (Gap Method)		\$1,286,062	



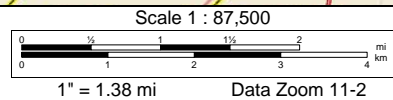
Primary Market Area
66.59 square miles

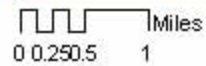
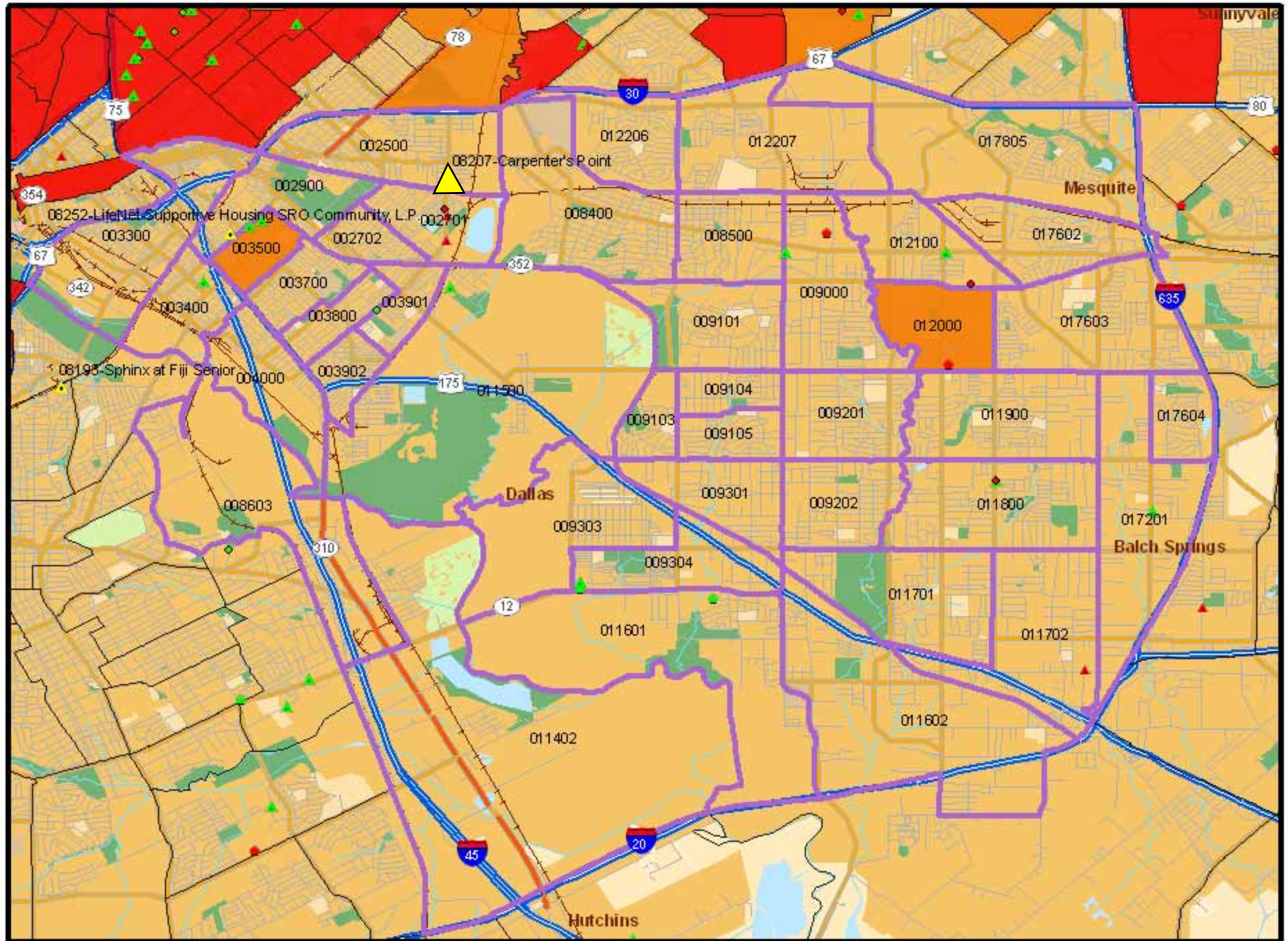
08207 Carpenter's Point

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- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
 - Orange Tracts: 1000 to 1432 units/sq.mi.

08207 - Carpenter's Point

Applicant Evaluation

Project ID # **08207**

Name: **Carpenter's Point**

City: **Dallas**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 13

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 4

Projects grouped by score	0-9:	<u>9</u>
	10-19:	<u>4</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 13

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/30/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/16/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/30/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/30/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mansions at Briar Creek, TDHCA Number 08208

BASIC DEVELOPMENT INFORMATION

Site Address: 1600 Blk Prairie Dr. Development #: 08208
 City: Bryan Region: 8 Population Served: Elderly
 County: Brazos Zip Code: 77802 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Mansions at Briar Creek, LP
 Owner Contact and Phone: Robert R. Burchfield, (713) 956-0555
 Developer: Robert R. Burchfield
 Housing General Contractor: Nations Construction Management, Inc.
 Architect: Mucasey & Associates Architects
 Market Analyst: O'Connor & Associates
 Syndicator: Red Capital Markets, Inc.
 Supportive Services: TBD
 Consultant: Feniksas Real Estate Group, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	171
	9 0 60 102	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 101 70 0 0 0	Total Development Units:	171
Type of Building:		Total Development Cost*:	\$16,161,826
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,187,937	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Mansions at Briar Creek, TDHCA Number 08208

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, NC

Points: 0

US Representative: Edwards, District 17, NC

TX Representative: Brown, District 14, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, David F. Watkins, City Manager

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Twin City Mission

S or O: S

Life Church

S or O: S

Bryan-College Station Habitat for Humanity

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations. Although it did not qualify for Quantifiable Community Participation, the Briar Meadows Creek Property Owners Association submitted a letter stating that the organization supports the proposed development because it will provide much needed affordable senior housing and fits into the development scheme of the neighborhood.

CONDITIONS OF COMMITMENT

- 1. A housing tax credit allocation not to exceed \$1,187,937 annually for ten years.
2. Based on the small demand in this market area for elderly developments only one elderly development in this market area should be considered.
3. Receipt, review and acceptance of a written commitment from the City of Bryan in the amount of \$850,000 by commitment.
4. Receipt, review and acceptance of a written commitment from Compass Bank in the amount of \$350,000 by commitment.
5. Receipt, review, and acceptance by commitment of documentation verifying the rezoning approval of the subject site for Multi Family Development.
6. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
7. Receipt of a commitment of funding from the City of Bryan for funds in the amount of \$850,000, or a commitment from a qualifying substitute source in an amount not less than \$808,092, as required by §50.9(i)(5) of the 2008 QAP.
8. Receipt of a commitment of funding from the City of Bryan in the amount of \$350,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$323,237 as required by §50.9(i)(27) of the 2008 QAP.
9. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Mansions at Briar Creek, TDHCA Number 08208

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **201** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: The proposed transaction is not financially feasible.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/03/08

PROGRAM: 9% HTC

FILE NUMBER: 08208

DEVELOPMENT

Mansions at Briar Creek

Location: 1600 Block of Prairie Drive Region: 8
 City: Bryan County: Brazos Zip: 77802 OCT DDA
 Key Attributes: Multifamily, Elderly, New Construction, Urban

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,187,937			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:

The transaction is financially infeasible due to the development's inability to repay the resulting deferred developer fee within 15 years of stabilized operation per 10 TAC §1.32(i)(3).

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A housing tax credit allocation not to exceed \$1,187,937 annually for ten years.
- 2 Based on the small demand in this market area for elderly developments only one elderly development in this market area should be considered.
- 3 Receipt, review and acceptance of a written commitment from the City of Bryan in the amount of \$850,000 prior to carryover.
- 4 Receipt, review and acceptance of a written commitment from Compass Bank in the amount of \$350,000 prior to carryover.
- 5 Receipt, review, and acceptance by carryover of documentation verifying the rezoning approval of the subject site for Multi Family Development.
- 6 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 7 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	9
50% of AMI	50% of AMI	60
60% of AMI	60% of AMI	102

PROS

- The subject represents the first elderly tax credit development in the City of Bryan.

CONS

- Based on the Applicant's experience/inability to execute on roughly the same transaction due to zoning in the previous two years and the lack of currently appropriate zoning, the Applicant's readiness to proceed is questionable.
- The Underwriter's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, it is below the Department's 65% maximum and therefore no other mitigation is required.
- The proposed number of two bedroom units targeting 60% households may be more than the demand for such units given the Market Analyst's high capture rate for this unit type.

PREVIOUS UNDERWRITING REPORTS

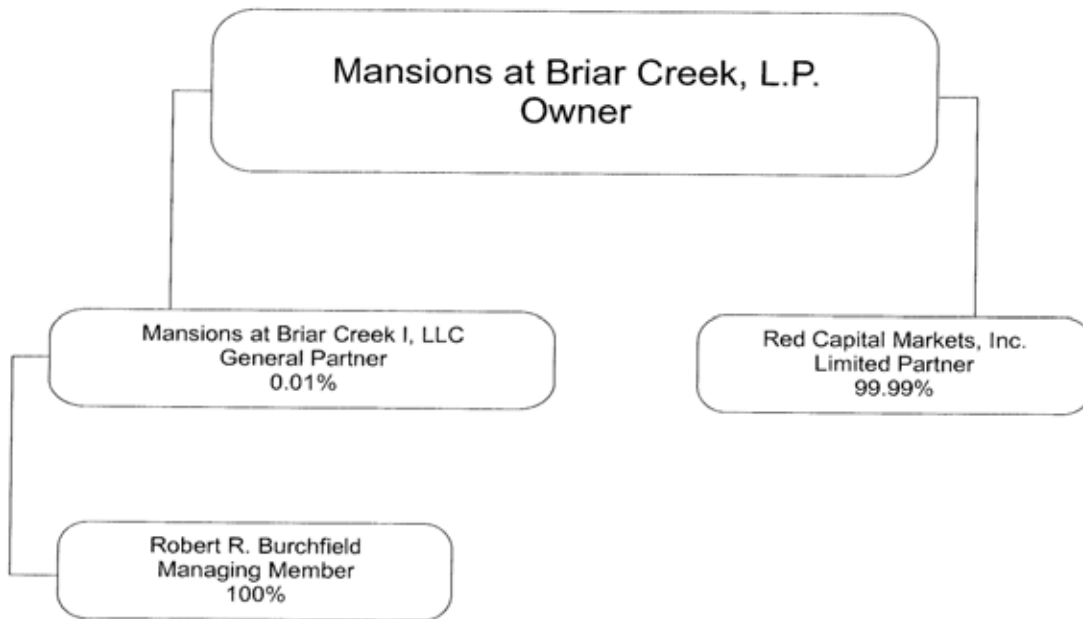
The Applicant submitted a tax credit application in 2006 (#060070) with the same name and was awarded a tax credit allocation of \$1,103,712, but did not develop the property due to not receiving the needed zoning. The 2006 application contained 154 units (17 less than the subject) and was located on a different site just south of the subject. The Applicant also submitted a tax credit application in 2007 (#07275) with the same name and was awarded a tax credit allocation of \$1,200,000, but did not develop the property again due to still not receiving the needed zoning. This application in 2008 on a different site also has a condition that the zoning be changed.

The subject is the same size as last years proposal but is restricting 51 more units than last year to households at or below 50% of AMI. This has the effect of reducing potential gross rent by \$54K or 5%. The Applicant has estimated direct construction cost decrease from last year of roughly 2% and total development costs estimated by the Applicant have decreased by 12%. These reductions have been necessary to attempt to compensate for the over 10% reduction in syndication price and reduced debt capacity.

This section intentionally left blank.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Robert R. Burchfield Phone: (713) 956-0555 Fax: (713) 429-5787
Email: rob@burchfieldcompanies.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Nations Construction Management, Inc.	N/A	--
John M. Czapski	N/A	--
Robert R. Burchfield	N/A	7

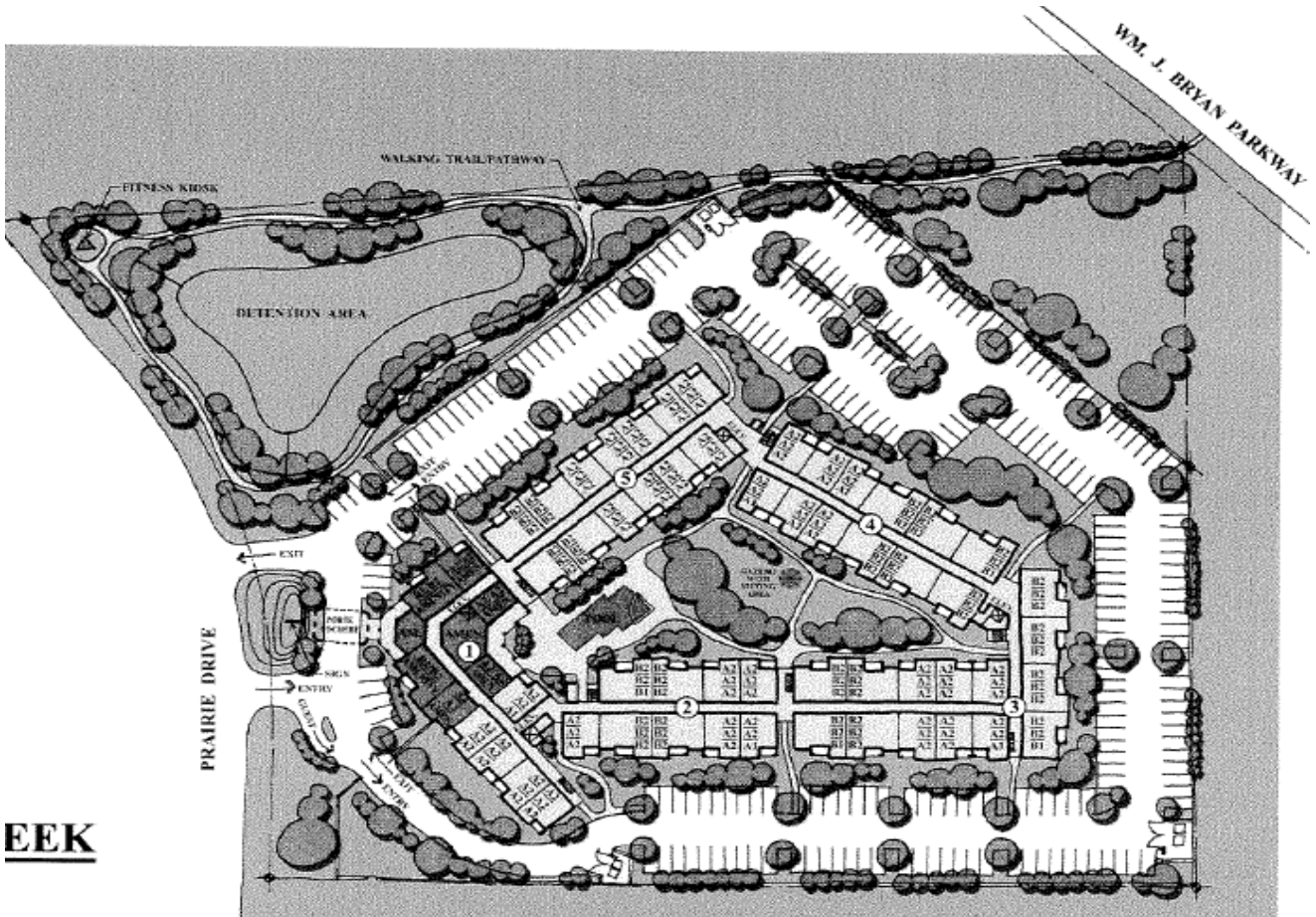
IDENTITIES of INTEREST

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

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5							Total Buildings
Floors/Stories	3	3	3	3	3							
Number	1	1	1	1	1							5

BR/BA	SF	Units										Total Units	Total SF
1/1	729	23	15	18	18	27						101	73,629
2/2	990	4	12	24	18	12						70	69,300
Units per Building		27	27	42	36	39						171	142,929

SITE ISSUES

Total Size: 7.42 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: PDD Needs to be re-zoned? Yes No N/A
 Comments:
 The subject site is currently zoned PDD and a request for a zoning change to Multi-family has been requested. This is being made a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/2/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Multi-family town homes East: Church and gas station
 South: Commercial businesses West: Single family dwellings

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Honesty Environmental Services, Inc. Date: 3/14/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 2/28/2008

Contact: Robert O. Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 536.2 square miles (13.1 miles radius)

"The subject's primary market is defined as that area within Brazos County." (p. 10) The estimated population of the PMA in 2006 was 67,233.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Towne Center	8261	148	141	N/A			
Terrace Pines	04018	100	0				

INCOME LIMITS						
Brazos						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,750	\$13,400	\$15,100	\$16,750	\$18,100	\$19,450
50	\$19,550	\$22,300	\$25,100	\$27,900	\$30,150	\$32,350
60	\$23,460	\$26,760	\$30,120	\$33,480	\$36,180	\$38,820

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	46	6	0	52	5	0	9.6%
1BR/50% Rent Limit	73	8	0	81	36	0	44.4%
1BR/60% Rent Limit	66	7	0	73	60	0	82.2%
2BR/30% Rent Limit	12	2	0	14	4	0	28.6%
2BR/50% Rent Limit	31	2	0	33	24	0	72.7%
2BR/60% Rent Limit	37	2	0	39	42	0	107.7%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 67	17%	10,548	100%	10,548	Included in tenure %	21%	2,243	45%	1,009	
Underwriter	17%	10,550	100%	10,550	30%	3,113	33%	1,024	19%	199
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 67			100%	287	Included in tenure %	21%	61	100%	61	
Underwriter			100%	125	30%	37	33%	12	100%	12
DEMAND from OTHER SOURCES										
Market Analyst p. 65									118	
Underwriter									29	

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 67	171	141	0	312	1,188	26.26%
Underwriter	171		0	171	240	71.24%
HISTA-Based Data Alternate	171		0	171	186	91.9%

The Underwriter's independent determination based on the HISTA data produces an inclusive capture rate of 92%. While this exceeds the Department's guideline of 75% for elderly developments, the Underwriter's independent calculation using the traditional method results in a capture rate of 71.2%. Although it is just below the 75% guideline it is acceptable and therefore no other mitigation is required.

A 2004 tax credit allocation known as Terrace Pines (#04018/07009) in nearby College Station also is restricted to seniors with 100 units. This property reportedly had a 98% occupancy last year and continues to be 98% occupied this year according to the Market Analyst. Therefore, these units were not considered unstabilized.

Town Center Apartment Homes (#08261) is another 9% application submitted during the 2008 cycle within a mile of the subject development. Towne Center is currently at a lower priority and is not anticipated to move forward for underwriting. For this reason the comparable 141 units at Towne Center were not included in the inclusive capture rate conclusions discussed previously. However, if the units of the competing application were included, the inclusive capture rate calculation would increase to 130% using the traditional method and 168% using the HISTA based data method. Both calculations would result in a capture rate that exceeds the Department's 75% maximum for elderly developments, thus characterizing this development as infeasible. Therefore, due to the small demand in this market area for elderly developments, it is a condition of this report that should the subject application be approved for funding, the next competitive application in the region targeting the same population (Towne Center Apartment Homes, #08261) should not be approved for funding.

Primary Market Occupancy Rates:

"The average occupancy for apartments in the subject's primary market area was reported at 95.21% in the most recent O'Connor & Associates Apartment Survey (December 2006)." (p. 35)

Absorption Projections:

"Absorption in the subject's primary market area over the past five quarters ending December 2007 totals a positive 96 units. Absorption has been positive in the past two quarters. Absorption over the past five quarters has averaged ±19 units per quarter, with the greatest amount of absorption taking place in the Class A and B properties." (p. 33)

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RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	729 SF	30%	\$257	\$258	\$750	\$258	\$492
1 BR	729 SF	50%	\$467	\$467	\$750	\$467	\$283
1 BR	729 SF	60%	\$571	\$571	\$750	\$571	\$179
2 BR	990 SF	30%	\$301	\$302	\$905	\$302	\$603
2 BR	990 SF	50%	\$552	\$552	\$905	\$552	\$353
2 BR	990 SF	60%	\$678	\$678	\$905	\$678	\$227

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market." (p. 12)

Comments:

The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 75 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 31 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting the tenant-paid utility allowances as of January 2007, maintained by the Brazos County Council of Governments from the 2008 program gross rent limits. The Underwriter's net rents were calculated by subtracting the current January 2008 utility allowances maintained by the same entity from the 2008 program rent limits. The 2007 utility allowances from the Brazos County COG amount to \$56 and \$75 for the one and two-bedroom units, respectively. The 2008 utility allowances reflect a \$24 and \$25 increase to those allowances. As a result, the Underwriter's potential income is \$50K less than the Applicant's estimate.

The Underwriter discussed these differences with the Applicant. The Applicant responded by providing a letter from a utility provider estimating the utility allowances for the subject development. While documentation from a local utility provider reflecting an alternative calculation of utility allowance specific to the proposed development is an acceptable method, the utility provider estimates should be current. The letter provided by the Applicant was dated February 19, 2007 which is over a year old. It is clear from the housing authority's utility allowances that utility costs have gone up in the last year. For this reason the Underwriter did not use the outdated estimates calculated by the utility provider but rather the current utility allowance from the housing authority.

The Applicant's estimates of secondary income and vacancy and collection loss are within the Department's guidelines. Despite the differences noted above, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

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Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,514 per unit is not within 5% of the Underwriter's estimate of \$3,819, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: general & administrative (\$15K lower) payroll, (\$14K lower) and water, sewer, & trash (\$24 lower).

Conclusion:

The Applicant's net operating income is not within 5%. As a result, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 0.91, which is outside of the Department's DCR guideline of 1.15 to 1.35.

The Underwriter's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, the ratio is below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a DCR below the Department's guidelines. As a result, the Underwriter's recommended financing structure will include a reduced permanent loan amount in order to achieve a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	6.84 acres	<u>\$149,010</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>\$0</u>	Valuation by:	<u>Brazos CAD</u>
Total Assessed Value:		<u>\$149,010</u>	Tax Rate:	<u>2.40</u>

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement and Escrow Agreement Acreage: 7.42

Contract Expiration: 9/4/2009 Valid Through Board Date? Yes No

Acquisition Cost: \$1,050,000 Other: _____

Seller: Brazos Trace, LLC Related to Development Team? Yes No

Comments:

On Jan. 4, 2008 Brazos Trace through its principal Paul Leventis, contracted to acquire the subject property for \$550,000 and the same day contracted to the Applicant for \$1,050,000. The Applicant has indicated that "All contracts are arms-length - Paul Leventis is the president of Brazos Trace LLC, and is not a party to the development or the Applicant. We have worked with Brazos Trace for the last 2+ years to bring this much needed development to this area of Bryan. Brazos Trace is the Developer of Briar Meadows, an age restricted master planned community. By contracting with Fuller Brazos County Venture, Ltd. directly and then selling the property to Mansions at Briar Creek allows Brazos Trace, LLC to maintain the integrity of their master planned community." Therefore, the Underwriter reduced the site acquisition cost by to \$550,000 to limit the ability for credits to fund any excess gap that might be caused by this questionable identity of interest transfer.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

Even though the Applicant contends that the immediate seller, Brazos Trace LLC, is not related to the Applicant, principal, sponsor, or any development team member, the stated intent for including Brazos Trace in the chain of ownership and thereby allowing a \$500,000 increase in the acquisition price is to provide Brazos Trace with developmental control over the site. Therefore, the site acquisition cost has been reduced by \$500,000 to \$550,000.

Sitework Cost:

The Applicant's claimed sitework costs of \$5,579 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$41.9K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$705,092 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.

Contingency & Fees:

The Applicant's contractor's fees are all within the maximums allowed by TDHCA guideline, but the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$105,325 and therefore the eligible portion of the Applicant's eligible fees in this area has been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule less the excess \$500,000 site acquisition cost will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$14,341,842 supports annual tax credits of \$1,193,241. 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

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Red Capital Markets, Inc. Type: Interim Financing

Principal: \$4,210,188 Interest Rate: 6.6% Fixed Term: 24 months

Comments:

Rate set by thirty-day LIBOR plus 2.50%, adjusted monthly

Source: Compass Bank Type: Interim Financing

Principal: \$350,000 Interest Rate: 4.4% Fixed Term: 24 months

Comments:

The interest rate and final terms of the loan to be based on a final analysis of the Development and the Borrower and Guarantors by compass Bank.

Source: City of Bryan Type: Interim Financing

Principal: \$850,000 Interest Rate: 4.4% Fixed Term: 24 months

Comments:

The interest rate will be set at an interest rate at or below the Applicable Federal Rate at the time of closing and on such other terms acceptable to the City.

Source: Red Capital Markets, Inc. Type: Permanent Financing
 Principal: \$5,410,188 Interest Rate: 6.6% Fixed Amort: 360 months
 Comments:

Estimated rate as of Feb. 11, 2008. Rates are subject to daily fluctuations.

Source: Red Capital Markets, Inc. Type: Syndication
 Proceeds: \$9,740,109 Syndication Rate: 82% Anticipated HTC: \$ 1,187,937
 Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer and contractor fee and may further jeopardize the development's ability to repay making the development even more infeasible. Alternatively, should the final credit price increase to more than \$0.99, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: \$1,511,528 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's adjusted total development cost estimate less the adjusted permanent loan of \$4,298,320 indicates the need for \$11,863,506 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,446,914 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,187,937), the gap-driven amount (\$1,446,914), and eligible basis-derived estimate (\$1,193,241), the Applicant's request of \$1,187,937 would be recommended resulting in proceeds of \$9,740,109 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$2,123,397 in additional permanent funds. Deferred developer fees in this amount do not appear to be repayable from development cashflow within 15 years of stabilized operation. Therefore, pursuant 10 TAC §1.32(i)(3) the development must be characterized as infeasible and cannot be recommended for funding.

Should the Board approve this application and waive §1.32(i)(2) of the 2008 Real Estate Analysis Rules, the Underwriter recommends an allocation not to exceed \$1,187,937 subject to conditions identified in this report.

Underwriter:	_____ <i>Carl Hoover</i>	Date:	_____ July 3, 2008
Reviewing Underwriter:	_____ <i>Raquel Morales</i>	Date:	_____ July 3, 2008
Director of Real Estate Analysis:	_____ <i>Tom Gouris</i>	Date:	_____ July 3, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Mansions at Briar Creek, Bryan, 9% HTC #08208

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	5	1	1	729	\$314	\$234	\$1,170	\$0.32	\$80.00	\$62.00
TC 50%	36	1	1	729	\$523	\$443	\$15,948		\$80.00	\$62.00
TC 60%	60	1	1	729	\$627	\$547	\$32,820		\$80.00	\$62.00
TC 30%	4	2	2	990	\$377	\$277	\$1,108		\$100.00	\$67.00
TC 50%	24	2	2	990	\$627	\$527	\$12,648		\$100.00	\$67.00
TC 60%	42	2	2	990	\$753	\$653	\$27,426		\$100.00	\$67.00
TOTAL:	171		AVERAGE:	836		\$533	\$91,120	\$0.64	\$88.19	\$64.05

INCOME

Total Net Rentable Sq Ft: 142,929

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$10.00
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	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.37%	\$324	0.39	\$55,327	\$40,681	\$0.28	\$238	3.78%
Management	5.00%	301	0.36	51,521	53,832	0.38	315	5.00%
Payroll & Payroll Tax	14.75%	889	1.06	151,994	137,793	0.96	806	12.80%
Repairs & Maintenance	8.03%	484	0.58	82,765	87,897	0.61	514	8.16%
Utilities	2.63%	159	0.19	27,144	20,685	0.14	121	1.92%
Water, Sewer, & Trash	6.14%	370	0.44	63,226	39,280	0.27	230	3.65%
Property Insurance	3.85%	232	0.28	39,716	38,475	0.27	225	3.57%
Property Tax	2.40 9.85%	594	0.71	101,505	102,500	0.72	599	9.52%
Reserve for Replacements	4.15%	250	0.30	42,750	42,750	0.30	250	3.97%
TDHCA Compliance Fees	0.66%	40	0.05	6,840	6,840	0.05	40	0.64%
Other:	2.93%	177	0.21	30,229	30,229	0.21	177	2.81%
TOTAL EXPENSES	63.37%	\$3,819	\$4.57	\$653,017	\$600,962	\$4.20	\$3,514	55.82%
NET OPERATING INC	36.63%	\$2,207	\$2.64	\$377,396	\$475,678	\$3.33	\$2,782	44.18%

DEBT SERVICE

Red Capital	40.07%	\$2,415	\$2.89	\$412,918	\$412,918	\$2.89	\$2,415	38.35%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	-3.45%	(\$208)	(\$0.25)	(\$35,522)	\$62,760	\$0.44	\$367	5.83%

AGGREGATE DEBT COVERAGE RATIO

	0.91	1.15
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RECOMMENDED DEBT COVERAGE RATIO

	1.15
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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)		3.44%	\$3,216	\$3.85	\$550,000	\$1,050,000	\$7.35	\$6,140	6.30%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.96%	5,579	6.67	954,000	954,000	6.67	5,579	5.73%
Direct Construction		50.07%	46,843	56.04	8,010,099	8,051,989	56.34	47,088	48.33%
Contingency	5.00%	2.80%	2,621	3.14	448,205	450,299	3.15	2,633	2.70%
Contractor's Fees	14.00%	7.84%	7,339	8.78	1,254,974	1,260,838	8.82	7,373	7.57%
Indirect Construction		6.46%	6,044	7.23	1,033,500	1,033,500	7.23	6,044	6.20%
Ineligible Costs		5.84%	5,466	6.54	934,659	934,659	6.54	5,466	5.61%
Developer's Fees	15.00%	11.65%	10,896	13.04	1,863,198	1,976,000	13.83	11,556	11.86%
Interim Financing		4.50%	4,214	5.04	720,541	720,541	5.04	4,214	4.32%
Reserves		1.44%	1,345	1.61	230,000	230,000	1.61	1,345	1.38%
TOTAL COST		100.00%	\$93,562	\$111.94	\$15,999,176	\$16,661,826	\$116.57	\$97,438	100.00%
Construction Cost Recap		66.67%	\$62,382	\$74.63	\$10,667,278	\$10,717,126	\$74.98	\$62,673	64.32%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Red Capital	33.82%	\$31,639	\$37.85	\$5,410,188	\$5,410,188	\$4,298,320	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,870,675
HTC Syndication Proceeds	60.88%	\$56,960	\$68.15	9,740,109	9,740,109	9,740,109	% of Dev. Fee Deferred
Deferred Developer Fees	9.45%	\$8,839	\$10.58	1,511,528	1,511,528	2,123,397	114%
Additional (Excess) Funds Req'd	-4.14%	(\$3,875)	(\$4.64)	(662,649)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$15,999,176	\$16,661,826	\$16,161,826	\$1,216,769

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Mansions at Briar Creek, Bryan, 9% HTC #08208

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.26	\$7,897,642
Adjustments				
Exterior Wall Finish	2.00%		\$1.11	\$157,953
Elderly	3.00%		1.66	236,929
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(353,035)
Floor Cover			2.43	347,317
Breezeways/Balconies	\$22.27	12,233	1.91	272,424
Plumbing Fixtures	\$805	210	1.18	169,050
Rough-ins	\$400	342	0.96	136,800
Built-In Appliances	\$1,850	171	2.21	316,350
Exterior Stairs	\$2,100	12	0.18	25,200
Enclosed Corridors	\$43.87	35912	11.02	1,575,305
Heating/Cooling			1.90	271,565
Elevators	\$35,400	3	0.74	106,200
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	\$2.15	142,929	2.15	307,297
SUBTOTAL			80.23	11,466,998
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.86		(11.23)	(1,605,380)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.00	\$9,861,618
Plans, specs, survy, bld prmr	3.90%		(\$2.69)	(\$384,603)
Interim Construction Interest	3.38%		(2.33)	(332,830)
Contractor's OH & Profit	11.50%		(7.93)	(1,134,086)
NET DIRECT CONSTRUCTION COSTS			\$56.04	\$8,010,099

PAYMENT COMPUTATION

Primary	\$5,410,188	Amort	360
Int Rate	6.56%	DCR	0.91

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	0.91

Additional	\$9,740,109	Amort	
Int Rate		Aggregate DCR	0.91

RECOMMENDED FINANCING STRUCTURE

Primary Debt Service	\$328,058
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$49,338

Primary	\$4,298,320	Amort	360
Int Rate	6.56%	DCR	1.15

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$9,740,109	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	\$1,093,440	\$1,126,243	\$1,160,030	\$1,194,831	\$1,230,676	\$1,426,691	\$1,653,926	\$1,917,354	\$2,576,763
Secondary Income	20,520	21,136	21,770	22,423	23,095	26,774	31,038	35,982	48,357
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,113,960	1,147,379	1,181,800	1,217,254	1,253,772	1,453,465	1,684,964	1,953,336	2,625,120
Vacancy & Collection Loss	(83,547)	(86,053)	(88,635)	(91,294)	(94,033)	(109,010)	(126,372)	(146,500)	(196,884)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,030,413	\$1,061,325	\$1,093,165	\$1,125,960	\$1,159,739	\$1,344,455	\$1,558,592	\$1,806,835	\$2,428,236
EXPENSES at 4.00%									
General & Administrative	\$55,327	\$57,540	\$59,841	\$62,235	\$64,724	\$78,747	\$95,808	\$116,565	\$172,545
Management	51,521	53,066	54,658	56,298	57,987	67,223	77,930	90,342	121,412
Payroll & Payroll Tax	151,994	158,074	164,397	170,973	177,812	216,335	263,205	320,229	474,017
Repairs & Maintenance	82,765	86,075	89,518	93,099	96,823	117,800	143,322	174,373	258,114
Utilities	27,144	28,230	29,359	30,533	31,755	38,634	47,005	57,188	84,653
Water, Sewer & Trash	63,226	65,755	68,385	71,121	73,966	89,991	109,487	133,208	197,180
Insurance	39,716	41,305	42,957	44,676	46,463	56,529	68,776	83,677	123,862
Property Tax	101,505	105,565	109,788	114,179	118,747	144,473	175,774	213,856	316,559
Reserve for Replacements	42,750	44,460	46,238	48,088	50,011	60,847	74,029	90,068	133,322
Other	37,069	38,552	40,094	41,698	43,365	52,761	64,192	78,099	115,605
TOTAL EXPENSES	\$653,017	\$678,622	\$705,237	\$732,899	\$761,652	\$923,339	\$1,119,527	\$1,357,604	\$1,997,269
NET OPERATING INCOME	\$377,396	\$382,703	\$387,929	\$393,061	\$398,086	\$421,116	\$439,066	\$449,232	\$430,967
DEBT SERVICE									
First Lien Financing	\$328,058	\$328,058	\$328,058	\$328,058	\$328,058	\$328,058	\$328,058	\$328,058	\$328,058
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$49,338	\$54,645	\$59,871	\$65,003	\$70,029	\$93,058	\$111,008	\$121,174	\$102,909
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.20	1.21	1.28	1.34	1.37	1.31

HTC ALLOCATION ANALYSIS -Mansions at Briar Creek, Bryan, 9% HTC #08208				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,050,000	\$550,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$954,000	\$954,000	\$954,000	\$954,000
Construction Hard Costs	\$8,051,989	\$8,010,099	\$8,051,989	\$8,010,099
Contractor Fees	\$1,260,838	\$1,254,974	\$1,260,838	\$1,254,974
Contingencies	\$450,299	\$448,205	\$450,299	\$448,205
Eligible Indirect Fees	\$1,033,500	\$1,033,500	\$1,033,500	\$1,033,500
Eligible Financing Fees	\$720,541	\$720,541	\$720,541	\$720,541
All Ineligible Costs	\$934,659	\$934,659		
Developer Fees			\$1,870,675	
Developer Fees	\$1,976,000	\$1,863,198		\$1,863,198
Development Reserves	\$230,000	\$230,000		
TOTAL DEVELOPMENT COSTS	\$16,661,826	\$15,999,176	\$14,341,842	\$14,284,517

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,341,842	\$14,284,517
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$14,341,842	\$14,284,517
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,341,842	\$14,284,517
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,193,241	\$1,188,472

Syndication Proceeds	0.8199	\$9,783,600	\$9,744,494
Total Tax Credits (Eligible Basis Method)		\$1,193,241	\$1,188,472
Syndication Proceeds		\$9,783,600	\$9,744,494
Requested Tax Credits		\$1,187,937	
Syndication Proceeds		\$9,740,109	
Gap of Syndication Proceeds Needed		\$11,863,506	
Total Tax Credits (Gap Method)		\$1,446,914	

Mansions at Briar Creek

Primary Market Area
536.25 square miles

99140-Rose Maria Arms Apartments

08261 Towne Center (Elderly 141 units)

08208 Mansions at Briar Creek

03009-Forest Park Apartments

One Mile Radius

93157-Emerald Park Apartments

94185-Saddlewood

00114-Haven, The

94164-Windsor Pointe Townhomes

04018/07009-Terrace Pines (Elderly)

01405-Southgate Village Apartments

94114-Villas Of Rock Prairie

07262-Santour Court (Family)

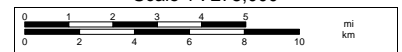
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Scale 1 : 275,000



1" = 4.34 mi

Data Zoom 9-5

Applicant Evaluation

Project ID **08208**

Name **Mansions at Briar Creek**

City: **Bryan**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 6

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 5

Total # of MF awards not yet monitored or pending review: 4

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 6

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 6/11/2008

Date: 6/11/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Lucy Trevino

Date: 6/11/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/11/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 6/11/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Quail Run Apartments, TDHCA Number 08215

BASIC DEVELOPMENT INFORMATION

Site Address: 1906 S. College Ave. Development #: 08215
 City: Decatur Region: 3 Population Served: General
 County: Wise Zip Code: 76234 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Quail Run, LTD.
 Owner Contact and Phone: James W. Fieser, (281) 347-8189
 Developer: Fieser Development, Inc.
 Housing General Contractor: LCJ Construction, Inc.
 Architect: Chiles Architects, Inc.
 Market Analyst: N/A
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: FDI Property Management Services, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	40
	2	0	30	8	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	16	24	0	0	0

Type of Building:

<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Total Development Units:	40
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	Total Development Cost*:	\$2,670,583
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	Number of Residential Buildings:	5
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional	HOME High Total Units:	0
		HOME Low Total Units:	40

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$137,531	\$137,531			
HOME Activity Fund Amount:	\$400,000	\$400,000	335	335	1.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Quail Run Apartments, TDHCA Number 08215

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, NC

Points: 0

US Representative: Granger, District 12, NC

TX Representative: King, District 61, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Joe Lambert, Mayor

Resolution of Support from Local Government

S, Martin B. Woodruff, City Council of Decatur

Individuals and Businesses In Support: 2

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4

Decatur Chamber of Commerce

S or O: S

United Way of Wise County

S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
2. Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 6.7% on average in the current basic rents and a lower rent for the 30% units.
3. Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
5. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$400,000, or a commitment from a qualifying substitute source in an amount not less than \$131,030, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Quail Run Apartments, TDHCA Number 08215

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **189** Meeting a Required Set-Aside Credit Amount*: \$137,531

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$400,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/29/08 PROGRAM: 9% HTC / HOME FILE NUMBER: 08215

DEVELOPMENT	
Quail Run Apartments	
Location: 1906 South College Ave	Region: 3
City: Decatur	County: Wise
Zip: 76234	<input type="checkbox"/> OCT <input type="checkbox"/> DDA
Key Attributes: Multifamily, Family, Rural, At-Risk, USDA, Acquisition/Rehabilitation	

ALLOCATION						
TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$400,000	1.00%	360/360	\$400,000	1.00%	335/335*
Housing Tax Credit (Annual)	\$137,531			\$137,531		

* Parity lien position: fully amortized over a term equal to remaining term of the USDA 515 loan (approx. 335 months).

- CONDITIONS**
- 1 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
 - 2 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 6.7% on average in the current basic rents and a lower rent for the 30% units.
 - 3 Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old .
 - 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	30
60% of AMI	60% of AMI	8

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
Low HOME	30% of AMI	2
Low HOME	50% of AMI	38
High HOME	65% of AMI	0

Comments:
 The Applicant has elected to restrict greater than 40% of the units at 50% of AMI or below in order to meet the IRC Section 42 exception for below market rate HOME loans. The Applicant has also not claimed a 30% boost to eligible basis. Such a structure should mitigate risk of losing eligibility for the 9% HTCs.

PROS

- The application proposes the rehabilitation of an existing 41 unit USDA-RD property constructed in 1986 and maintenance of the 515 interest subsidy.
- The Applicant has considerable experience and financial resources

CONS

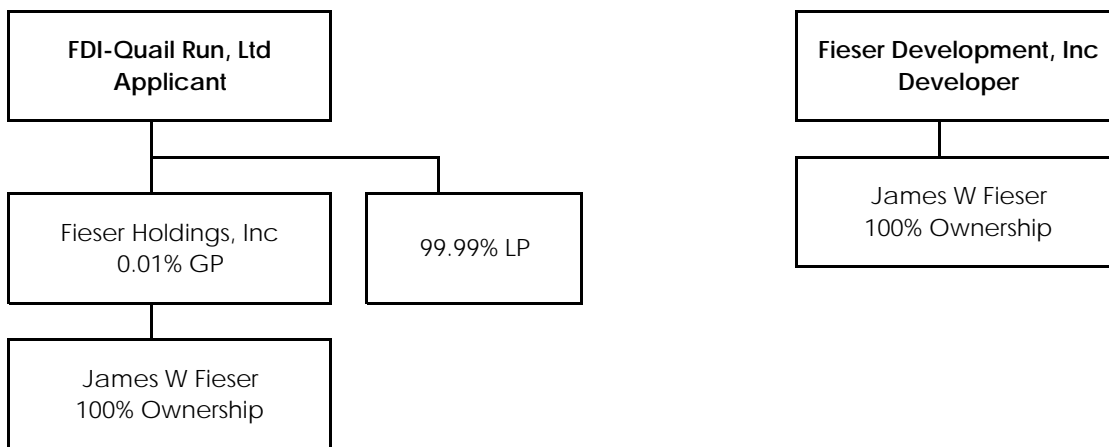
- The Applicant's expense to income ratio of 72% is well above the Department's 65% expense to income ratio, and while one of the exemptions to this rule is met, the property does not receive Rental Assistance on any units.
- If the HOME award is ultimately not received, the transaction may not be financially viable.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: James W Fieser Phone: 281.347.8189 Fax: 281.347.8192
 Email: jim.fieser@jfieser.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Fieser Holdings, Inc	N/A	--
Fieser Development, Inc	N/A	--
James W Fieser	N/A	17 HTC allocations

¹ Liquidity = Current Assets - Current Liabilities

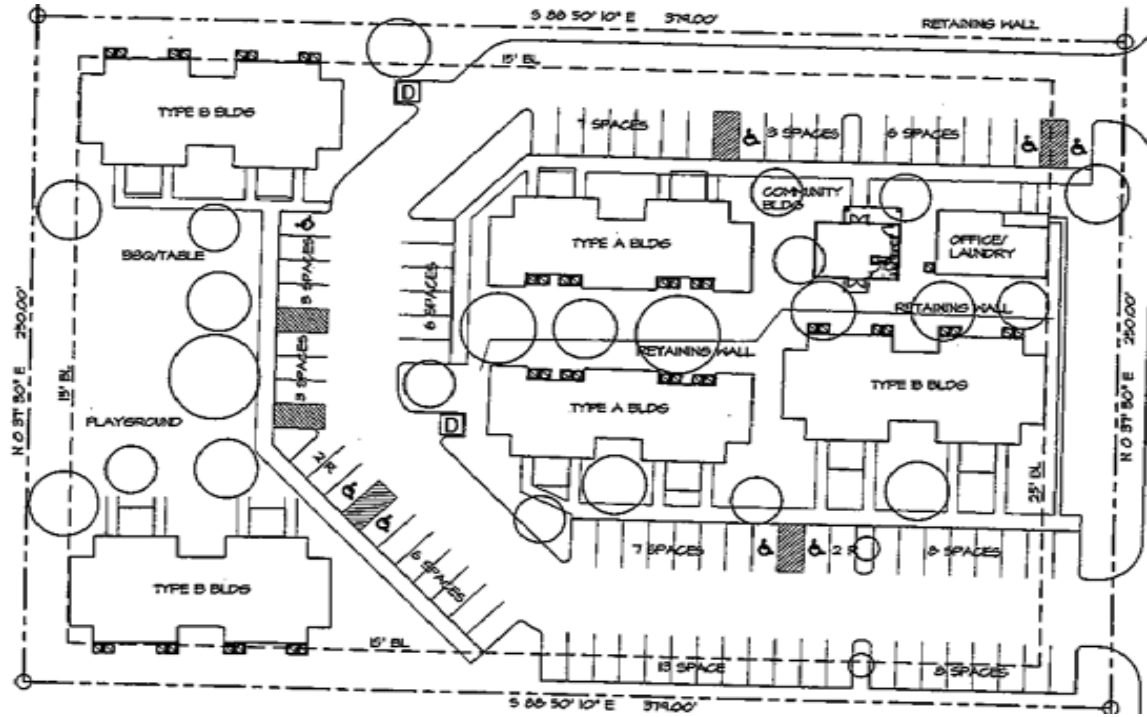
IDENTITIES of INTEREST

- The Applicant, Developer, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



SOUTH COLLEGE AVENUE

BUILDING CONFIGURATION

Building Type	A	B									Total Buildings
Floors/Stories	2	2									
Number	2	3									5

BR/BA	SF	Units								Total Units	Total SF
1/1	602	8								16	9,632
2/1	602		8							24	14,448
Units per Building		8	8							40	24,080

Development Plan:

The Applicant provided a Capital Needs Assessment reflecting the following scope of work:
 Repair damaged sidewalks and parking; install new fencing; replace dumpster enclosures; new community building; replace existing common area flooring; new landscaping; replacement of mailboxes; replace equipment in picnic and playground areas; repair and repaint stucco and wood trim; repair/replace stairways; enhance attic insulation; replace office water heater; replace 20 water heaters; replace heat pumps; replace unit flooring; replace 12 interior doors; replace 23 exterior doors; replace 31 ranges and all range hoods; replace 31 refrigerators; replace all fixtures and countertops; and refurbish cabinets.

Relocation Plan:

The Applicant plans to temporarily relocate tenants during construction and has included \$20K in the construction budget for this.

SITE ISSUES

Total Size: 2.174 acres Scattered site? Yes No

Flood Zone: X Within 100-yr floodplain? Yes No

Zoning: MF-Multifamily Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Carter Sieber- ORCA Date: 4/24/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Multifamily Residential East: South College Ave / vacant land
 South: car dealership / other commercial West: car dealership

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:

A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report. However, environmental clearance will be required subsequent to any award of HOME funds but prior to draws.

The appraisal notes, "to the northeast is an active site that appears to be an injection well used to recycle water that has been used in other gas well drilling sites in the area. The large motors used in this operation are very loud and is noticeable in the subject apartments" (p. 12). Should the recommendations of any future environmental reports result in additional costs for mitigating noise or other environmental hazards, a reevaluation of the development costs and financial structure may be necessary.

MARKET HIGHLIGHTS

Provider: Sherrill & Associates, Inc Date: 2/16/2008

Contact: Jerry Sherrill Phone: 817.557.1791 Fax: N/A

Number of Revisions: 1 Date of Last Applicant Revision: 4/10/2008

Comments:

A market study is not required for existing USDA-RD transactions requesting TDHCA program funds. However, the appraisal provided reflects the following information regarding the subject market.

Market Area:

The appraiser did not define a primary market area, but provides the following description of the market in general:

"The subject is located in Decatur, Wise County, Texas which is located approximately on US Highway 287 at the intersection with US Highway 380, approximately 30 miles northwest of Fort Worth, west of Denton 24 and northwest of the Dallas/Fort Worth International Airport. Wise County had a population of 48,793 in the year 2000 and it had an estimated population of 57,811 in 2006 which is an increase of 18.6% over year 2000 while population has increased 12.7% statewide. Persons aged 65 and over make up 10.7% of the county population compared to 9.9% of the state population. The economic base is made up of agriculture, ranching, petroleum production, tourism and government services. A large part of the residents of Wise County commute to jobs in Forth Worth and Dallas" (p. 10).

INCOME LIMITS

Wise

% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,250	\$14,000	\$15,750	\$17,500	\$18,900	\$20,300
50	\$20,400	\$23,300	\$26,250	\$29,150	\$31,500	\$33,800
60	\$24,480	\$27,960	\$31,500	\$34,980	\$37,800	\$40,560

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	602 SF	30%	\$325	\$256	\$495	\$264	(\$61)
1 BR	602 SF	50%	\$325	\$363	\$495	\$363	\$38
2 BR	739 SF	50%	\$395	\$436	\$560	\$436	\$41
2 BR	739 SF	60%	\$395	\$436	\$560	\$436	\$41

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. Moreover, the property has a current occupancy of 95% according to a rent roll provided at application and is proposing a temporary relocation of tenants. The presence of an existing tenant base mitigates potential concerns about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 8.88 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/9/2008

The Applicant's net rents are anticipated basic rent levels. These basic rents have not yet been approved by USDA-RD. The anticipated basic rents are 16% below the net program rents on average and 9.5% higher than the current USDA-RD basic rent levels. The property does not currently receive Rental Assistance (RA). Without RA the 30% units will have to be limited to collect not more than the 30% rent which is substantially lower than the current basic rent. An increase of 9.5% may be difficult to achieve without RA due to the tenant burden such an increase would create and because USDA-RD must approve this rent increase and the mixed rent limits. The appraisal reflects market rents well above the anticipated levels, which suggests that the anticipated rent levels would be achievable in this market. An increase of at least 6.7% on average is necessary in order to maintain a minimum DCR of 1.15.

As a result, the Underwriter has used the Applicant's anticipated basic rents, but receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 6.7% on average in the current basic rents and the split rents to accommodate the 30% units is a condition of this report. The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2008

The Applicant total expense estimate of \$3,341 per unit is within 5% of the Underwriter's estimate of \$3,277 per unit derived from actual 2007 operating statements for the property, the TDHCA database, IREM data, and other sources. However, the Applicant's estimates of two line items differ significantly from the Underwriter's, including: payroll and payroll tax (\$6.5K lower); and property tax (\$5.7K higher).

Conclusion:

The Applicant's estimate of Net Operating Income is within 5% of the Underwriter's estimate; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's DCR is within the parameters of the Department's guideline.

The Applicant's and Underwriter's expense to income ratios (72% and 70% respectively) are significantly above the TDHCA maximum of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." [§1.32(7)(B)(ii)]. The subject's rents are managed by USDA. As such the subject development meets this feasibility exception.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primarily vested in the additional HOME funding. In fact the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance of documentation that USDA-RD has approved the increase of at least 6.7% overall by cost certification along with the approval of the transfer and parity of the additional HOME debt by carryover are conditions of this report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 with positive cashflow through Year 15. Because of the high expense to income ratio, it should be noted, the debt coverage ratio and cash flow fall below the Department's year one to 15 standards well before year 30 in both the Underwriter's and Applicant's proforma.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Sherrill & Associates, Inc</u>	Date:	<u>2/16/2008</u>
Number of Revisions:	<u>2</u>	Date of Last Applicant Revision:	<u>4/10/2008</u>
Land Only:	<u>2.17 acres</u>	<u>\$89,000</u>	As of: <u>2/7/2008</u>
Existing Buildings: (as-is)	<u>\$570,000</u>	As of:	<u>N/A</u>
Interest subsidy (515 loan)	<u>\$659,000</u>	As of:	<u>N/A</u>
Total Development: (as-is)	<u>\$1,318,000</u>	As of:	<u>2/7/2008</u>

ASSESSED VALUE

Land Only:	<u>2.17 acres</u>	<u>\$94,530</u>	Tax Year:	<u>2007</u>
Existing Buildings:	<u>\$586,910</u>	Valuation by:	<u>Wise CAD</u>	
Total Assessed Value:	<u>\$681,440</u>	Tax Rate:	<u>2.0766</u>	

EVIDENCE of PROPERTY CONTROL

Type:	<u>Improved Property Commercial Contract</u>	Acreage:	<u>2.17</u>
Contract Expiration:	<u>12/15/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,194,720</u>	Other:	<u></u>
Seller:	<u>Quail Run Apartments, Ltd</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/9/2008

Acquisition Value:

The Applicant has provided a contract for the purchase of the subject for \$1,194,720 or \$30K per unit. The Seller is not related to the buyer; however, the transfer must be approved by USDA-RD. History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. The outstanding balance on the USDA loan is approximately \$1,004,961 and the original equity was \$75,508 (including reserves funds). The Applicant did not provide documentation of the estimated exit taxes. However, the purchase price appears to be reasonable should USDA apply this standard. Of note, the Applicant has indicated that the existing reserves will be assumed by the partnership; however, this amount is not included in the purchase price and is not reflected in the Applicant's cost schedule. This is discussed in detail below.

The Applicant has estimated eligible building basis of \$1,054,961 or 88.3% of the total acquisition price. The Underwriter has used an eligible building basis of \$1,033,369, which is 86.5% of the total acquisition price based on a prorata allocation of value to land and buildings as reflected in the revised appraisal submitted by the Applicant.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,314 per unit, which is slightly less than the estimate in the Capital Needs Assessment provided. The CNA also included \$5K in demolition costs that were not reflected in the development cost schedule and the Underwriter has included this demolition in ineligible costs. It should be noted that the CNA was revised three times because it did not meet the Department's guidelines requiring a CNA to account for the developer's entire planned scope of work.

Direct Construction Cost:

The Applicant's direct construction cost estimate is equal to the estimate provided in the fourth revision of the Capital Needs Assessment (CNA). The underwriting analysis will reflect the CNA value.

Reserves:

The Applicant has indicated that the existing reserve for replacement accounts and balances will be assumed by the new owner per USDA-RD requirements. The Applicant has provided documentation that the existing reserve for replacement account balance is \$56K. This amount has not been included in the Applicant's development cost schedule or as a source of funds. However, per the Applicant, the entire amount of existing reserves will be retained in order to satisfy future capital needs. Therefore, the Underwriter has reflected the existing reserve balance as both a use of funds and a source of funds.

Of note, USDA limits the return to owner to 8% of the owner's original equity investment per year and any additional cashflow funds the reserve for replacements. Therefore, it is foreseeable that the Applicant will be able to set aside more than the budgeted \$300 per unit per year.

Contingency & Fees:

The Applicant's developer fee exceeds 20% of the Applicant's adjusted eligible basis by \$7,952 and therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$2,384,753 supports annual tax credits of \$139,261. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/9/2008

Source: Icap Realty Advisors Type: Interim Financing

Principal: \$216,205 Interest Rate: 7.3% Fixed Term: 24 months

Source: USDA-RD Section 515 Type: Existing Financing to Transfer

Principal: \$1,004,961 Interest Rate: 1.0% Fixed Amort: 335 months

Comments:

The Applicant is proposing a same rates and terms transfer of the existing USDA Section 515 mortgage. This type of transfer is generally intended to preserve the below market loan and avoid loss of eligibility for 9% credits associated with new below market funds.

The Applicant provided a promissory note, dated March 12, 1985, reflecting an original balance of \$1,038,220 and a 50 year term. Section 515 loans generally provide a subsidy of the market interest rate down to an effective rate of approximately 1%. The remaining term is approximately 335 months with a current balance of \$1,004,961, as reflected above. The estimated balance is reflected as a source of funds in the recommended financing structure.

Source: Raymond James Type: Syndication

Proceeds: \$1,167,841 Syndication Rate: 85% Anticipated HTC: \$ 137,517

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.76. At this point, 100% of the developer fee would be deferred and the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.868, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$56,319 Type: Existing Reserves

Comments:

As indicated above, the existing reserves balance will transfer to the partnership and be retained for future capital needs. This has been reflected as both a source and a use of funds.

Amount: \$33,615 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio within the Department's guideline of 1.15 to 1.35. However, the Underwriter has reduced the term of the HOME loan to match the remaining term on the USDA-515 loan, which results in a slight increase in the annual debt service and results in a healthy projected DCR of 1.20.

The Underwriter's total development cost estimate less the permanent loan of \$1,004,961, requested HOME loan of \$400,000, and existing reserves of \$56,319 indicates the need for \$1,209,303 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$142,399 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$137,531), the gap-driven amount (\$142,399), and eligible basis-derived estimate (\$139,261), the Applicant's request of \$137,531 is recommended resulting in proceeds of \$1,167,960 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for \$41,343 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 4 years of stabilized operation. If the HOME award is ultimately not awarded, the gap in financing would increase to an amount greater than the developer fee available for deferral and the transaction would not be financially viable unless another source of funds was received.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

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.

Underwriter:

Cameron Dorsey

Date: June 29, 2008

Reviewing Underwriter:

Raquel Morales

Date: June 29, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: June 29, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Quail Run Apartments, Decatur, 9% HTC / HOME #08215

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% / LH	2	1	1	602	\$328	\$264	\$528	\$0.44	\$64.00	\$11.00
TC 50% / LH	14	1	1	602	\$503	\$363	\$5,082	\$0.60	\$64.00	\$11.00
TC 50% / LH	16	2	1	739	\$605	\$436	\$6,976	\$0.59	\$88.00	\$13.00
TC 60% / LH	8	2	1	739	\$605	\$436	\$3,488	\$0.59	\$88.00	\$13.00
TOTAL:	40		AVERAGE:	684		\$402	\$16,074	\$0.59	\$78.40	\$12.20

INCOME				Total Net Rentable Sq Ft:	27,368	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION	
POTENTIAL GROSS RENT						\$192,888	\$192,888	Wise	Fort Worth	3	
Secondary Income		Per Unit Per Month:	\$15.00			7,200	7,200	\$15.00	Per Unit Per Month		
Other Support Income:						0	0	\$0.00	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$200,088	\$200,088				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(15,007)	(14,992)	-7.49%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$185,081	\$185,096				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative				4.84%	\$224	0.33	\$8,959	\$8,500	\$0.31	\$213	4.59%
Management				8.94%	413	0.60	16,539	16,517	0.60	413	8.92%
Payroll & Payroll Tax				15.33%	709	1.04	28,368	21,907	0.80	548	11.84%
Repairs & Maintenance				10.14%	469	0.69	18,766	22,000	0.80	550	11.89%
Utilities				2.28%	106	0.15	4,226	5,200	0.19	130	2.81%
Water, Sewer, & Trash				6.55%	303	0.44	12,121	14,300	0.52	358	7.73%
Property Insurance				6.52%	302	0.44	12,063	9,400	0.34	235	5.08%
Property Tax	2.0766			8.87%	411	0.60	16,422	22,220	0.81	556	12.00%
Reserve for Replacements				6.48%	300	0.44	12,000	12,000	0.44	300	6.48%
TDHCA Compliance Fees				0.86%	40	0.06	1,600	1,600	0.06	40	0.86%
Other:				0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES				70.81%	\$3,277	\$4.79	\$131,064	\$133,644	\$4.88	\$3,341	72.20%
NET OPERATING INC				29.19%	\$1,350	\$1.97	\$54,017	\$51,452	\$1.88	\$1,286	27.80%
DEBT SERVICE											
Existing USDA-RD 515 Mortgage				14.35%	\$664	\$0.97	\$26,553	\$26,553	\$0.97	\$664	14.35%
TDHCA HOME				8.34%	\$386	\$0.56	15,439	15,439	\$0.56	\$386	8.34%
Additional Financing				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW				6.50%	\$301	\$0.44	\$12,025	\$9,460	\$0.35	\$237	5.11%
AGGREGATE DEBT COVERAGE RATIO							1.29	1.23			
RECOMMENDED DEBT COVERAGE RATIO								1.20			

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		44.74%	\$29,868	\$43.65	\$1,194,720	\$1,194,720	\$43.65	\$29,868	45.59%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		2.21%	1,478	2.16	59,120	52,575	1.92	1,314	2.01%
Direct Construction		20.95%	13,986	20.44	559,425	559,425	20.44	13,986	21.35%
Contingency	9.89%	2.29%	1,530	2.24	61,200	61,200	2.24	1,530	2.34%
Contractor's Fees	13.85%	3.21%	2,142	3.13	85,680	85,680	3.13	2,142	3.27%
Indirect Construction		6.01%	4,013	5.86	160,500	160,500	5.86	4,013	6.12%
Ineligible Costs		2.55%	1,704	2.49	68,160	63,160	2.31	1,579	2.41%
Developer's Fees	20.00%	14.88%	9,936	14.52	397,459	408,420	14.92	10,211	15.59%
Interim Financing		1.05%	700	1.02	28,000	28,000	1.02	700	1.07%
Reserves		2.11%	1,408	2.06	56,319	6,916	0.25	173	0.26%
TOTAL COST		100.00%	\$66,765	\$97.58	\$2,670,583	\$2,620,596	\$95.75	\$65,515	100.00%
Construction Cost Recap		28.66%	\$19,136	\$27.97	\$765,425	\$758,880	\$27.73	\$18,972	28.96%

SOURCES OF FUNDS				RECOMMENDED			
Existing USDA-RD 515 Mortgage	37.63%	\$25,124	\$36.72	\$1,004,961	\$1,004,961	\$1,004,961	Developer Fee Available
TDHCA HOME	14.98%	\$10,000	\$14.62	400,000	400,000	400,000	\$400,468
HTC Syndication Proceeds	44.26%	\$29,551	\$43.19	1,182,020	1,182,020	1,167,960	% of Dev. Fee Deferred
Transfer Existing Reserves	2.11%	\$1,408	\$2.06	56,319	0	56,319	
Deferred Developer Fees	1.26%	\$840	\$1.23	33,615	33,615	41,343	10%
Additional (Excess) Funds Req'd	-0.24%	(\$158)	(\$0.23)	(6,332)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$2,670,583	\$2,620,596	\$2,670,583	\$144,115

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Quail Run Apartments, Decatur, 9% HTC / HOME #08215

PAYMENT COMPUTATION

Primary	\$1,004,961	Amort	335
Int Rate	1.00%	DCR	2.03

Secondary	\$400,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.29

Additional	\$1,182,020	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE APPLICANT'S

NOI:

Primary Debt Service	\$26,553
Secondary Debt Service	16,427
Additional Debt Service	0
NET CASH FLOW	\$8,472

Primary	\$1,004,961	Amort	335
Int Rate	1.00%	DCR	1.94

Secondary	\$400,000	Amort	335
Int Rate	1.00%	Subtotal DCR	1.20

Additional	\$1,182,020	Amort	0
Int Rate	0.00%	Aggregate DCR	1.20

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	\$192,888	\$198,675	\$204,635	\$210,774	\$217,097	\$251,675	\$291,760	\$338,230	\$454,553
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	200,088	206,091	212,273	218,642	225,201	261,069	302,651	350,856	471,520
Vacancy & Collection Loss	(14,992)	(15,457)	(15,921)	(16,398)	(16,890)	(19,580)	(22,699)	(26,314)	(35,364)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$185,096	\$190,634	\$196,353	\$202,243	\$208,311	\$241,489	\$279,952	\$324,541	\$436,156
EXPENSES at 4.00%									
General & Administrative	\$8,500	\$8,840	\$9,194	\$9,561	\$9,944	\$12,098	\$14,719	\$17,908	\$26,509
Management	16,517	17,011	17,521	18,047	18,589	21,549	24,981	28,960	38,920
Payroll & Payroll Tax	21,907	22,783	23,695	24,642	25,628	31,180	37,936	46,155	68,320
Repairs & Maintenance	22,000	22,880	23,795	24,747	25,737	31,313	38,097	46,351	68,610
Utilities	5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
Water, Sewer & Trash	14,300	14,872	15,467	16,086	16,729	20,353	24,763	30,128	44,597
Insurance	9,400	9,776	10,167	10,574	10,997	13,379	16,278	19,804	29,315
Property Tax	22,220	23,109	24,033	24,994	25,994	31,626	38,478	46,814	69,296
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	1,600	1,664	1,731	1,800	1,872	2,277	2,771	3,371	4,990
TOTAL EXPENSES	\$133,644	\$138,823	\$144,206	\$149,799	\$155,611	\$188,257	\$227,807	\$275,729	\$404,199
NET OPERATING INCOME	\$51,452	\$51,811	\$52,147	\$52,444	\$52,700	\$53,232	\$52,145	\$48,812	\$31,958
DEBT SERVICE									
First Lien Financing	\$26,553	\$26,553	\$26,553	\$26,553	\$26,553	\$26,553	\$26,553	\$26,553	\$26,553
Second Lien	16,427	16,427	16,427	16,427	16,427	16,427	16,427	16,427	16,427
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$8,472	\$8,830	\$9,166	\$9,464	\$9,719	\$10,251	\$9,164	\$5,831	(\$11,023)
DEBT COVERAGE RATIO	1.20	1.21	1.21	1.22	1.23	1.24	1.21	1.14	0.74

HTC ALLOCATION ANALYSIS -Quail Run Apartments, Decatur, 9% HTC / HOME #08215

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$139,759	\$161,351				
Purchase of buildings	\$1,054,961	\$1,033,369	\$1,054,961	\$1,033,369		
Off-Site Improvements						
Sitework	\$52,575	\$59,120			\$52,575	\$59,120
Construction Hard Costs	\$559,425	\$559,425			\$559,425	\$559,425
Contractor Fees	\$85,680	\$85,680			\$85,680	\$85,680
Contingencies	\$61,200	\$61,200			\$61,200	\$61,200
Eligible Indirect Fees	\$160,500	\$160,500			\$160,500	\$160,500
Eligible Financing Fees	\$28,000	\$28,000			\$28,000	\$28,000
All Ineligible Costs	\$63,160	\$68,160				
Developer Fees			\$210,992	\$206,674	\$189,476	\$190,785
Developer Fees	\$408,420	\$397,459				
Development Reserves	\$6,916	\$56,319				
TOTAL DEVELOPMENT COSTS	\$2,620,596	\$2,670,583	\$1,265,953	\$1,240,043	\$1,136,856	\$1,144,710

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,265,953	\$1,240,043	\$1,136,856	\$1,144,710
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,265,953	\$1,240,043	\$1,136,856	\$1,144,710
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,265,953	\$1,240,043	\$1,136,856	\$1,144,710
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$44,941	\$44,022	\$94,586	\$95,240

Syndication Proceeds 0.8492 \$381,657 \$373,846 \$803,260 \$808,809

Total Tax Credits (Eligible Basis Method) \$139,528 \$139,261

Syndication Proceeds \$1,184,917 \$1,182,655

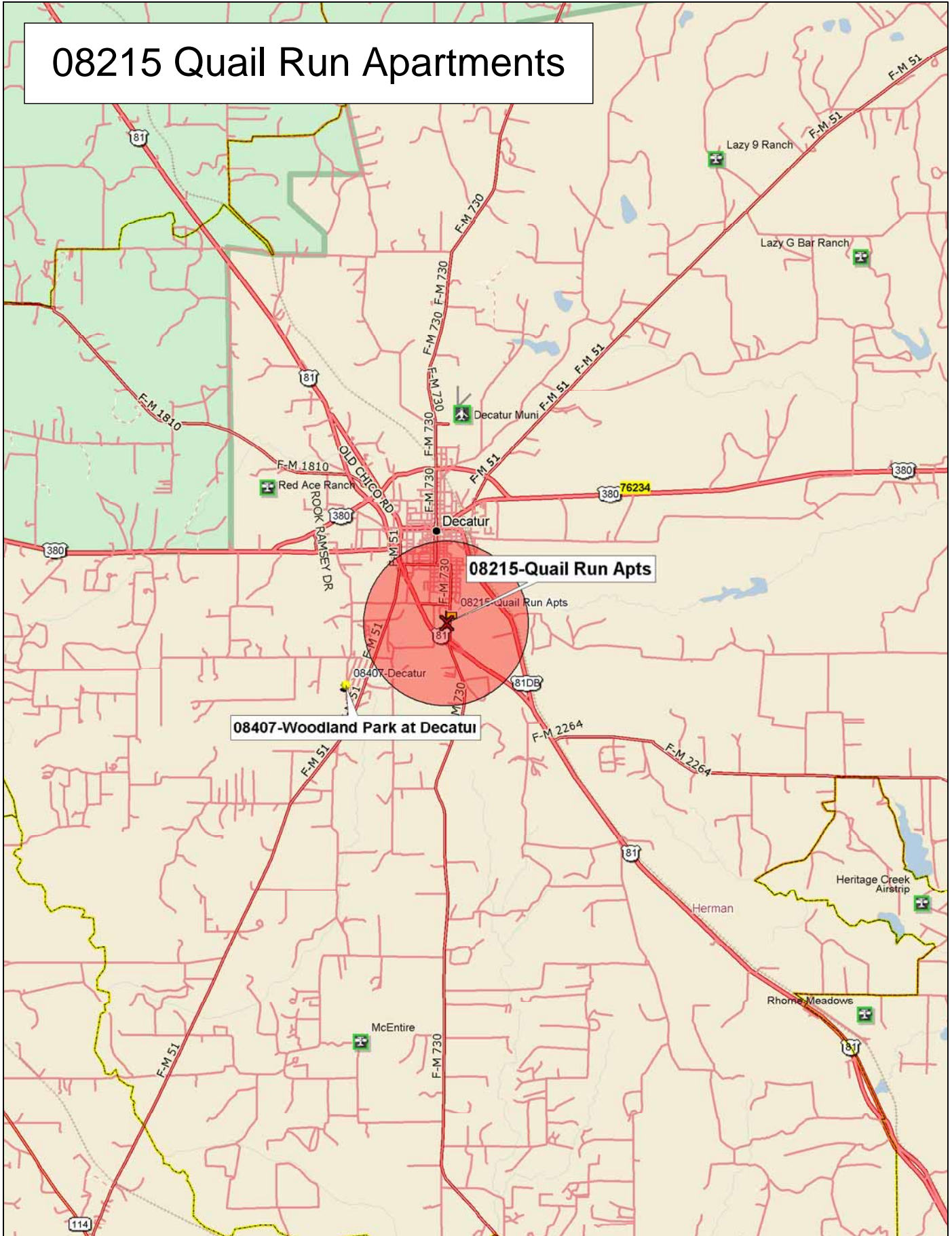
Requested Tax Credits \$137,531

Syndication Proceeds \$1,167,960

Gap of Syndication Proceeds Needed \$1,215,635 \$1,209,303

Total Tax Credits (Gap Method) \$143,145 \$142,399

08215 Quail Run Apartments



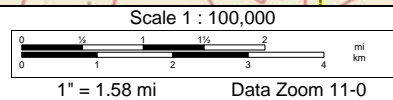
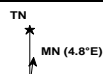
08407-Woodland Park at Decatur

08215-Quail Run Apts

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Applicant Evaluation

Project ID # **08215**

Name: **Quail Run Apartments**

City: **Decatur**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 26

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 12

Total # of MF awards not yet monitored or pending review: 4

10-19: 14

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 26

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/14/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/15/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/29/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/24/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chisum Trail Apartments, TDHCA Number 08216

BASIC DEVELOPMENT INFORMATION

Site Address: 1100 Austin Development #: 08216
 City: Sanger Region: 3 Population Served: General
 County: Denton Zip Code: 76266 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Chisum Trail, Ltd.
 Owner Contact and Phone: James W. Fieser, (281) 347-8189
 Developer: Fieser Development, Inc.
 Housing General Contractor: LCJ Construction, Inc.
 Architect: Chiles Architects, Inc.
 Market Analyst: N/A
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: FDI Property Management Services, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	40
	2 0 18 20	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 24 0 0 0	Total Development Units:	40
Type of Building:		Total Development Cost*:	\$2,672,139
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	40
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$133,940	\$133,940			
HOME Activity Fund Amount:	\$450,000	\$450,000	314	314	0.50%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chisum Trail Apartments, TDHCA Number 08216

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, NC

Points: 0

US Representative: Burgess, District 26, NC

TX Representative: Parker, District 63, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2

Sanger Area Chamber of Commerce

S or O: S

General Summary of Comment:

General support received from elected official(s) and a civic organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
2. Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 10.7% on average in the current basic rents.
3. Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
5. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$450,000, or a commitment from a qualifying substitute source in an amount not less than \$129,921, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chisum Trail Apartments, TDHCA Number 08216

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **184** Meeting a Required Set-Aside Credit Amount*: \$133,940

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$450,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/29/08 PROGRAM: 9% HTC / HOME FILE NUMBER: 08216

DEVELOPMENT

Chisum Trail Apartments

Location: 1100 Austin Region: 3
 City: Sanger County: Denton Zip: 76266 OCT DDA
 Key Attributes: Multifamily, Family, Rural, At Risk, USDA, Acquisition/Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$450,000	1.00%	360/360	\$450,000	0.50%	314/314
Housing Tax Credit (Annual)	\$133,940			\$133,940		

* Parity lien position; fully amortized over a term equal to remaining term of the USDA 515 loan (approx. 314 months).

CONDITIONS

- 1 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 2 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 10.7% on average in the current basic rents.
- 3 Receipt, review, and acceptance, by Carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	18
60% of AMI	60% of AMI	20

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
Low HOME	30% of AMI	2
Low HOME	50% of AMI	38
High HOME	65% of AMI	0

Comments:

The Applicant has elected to restrict more than 40% of the units at 50% of AMI or below in order to meet the IRC Section 42 exception for below market rate HOME loans. Also, a 30% boost is not available to the subject. Such a structure should mitigate risk of losing eligibility for the 9% HTCs.

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PROS

- The application proposes the rehabilitation of an existing 40 unit USDA-RD property constructed in 1984, maintenance of the 515 interest subsidy, and rental assistance for four units.
- The Applicant has considerable experience and financial resources

CONS

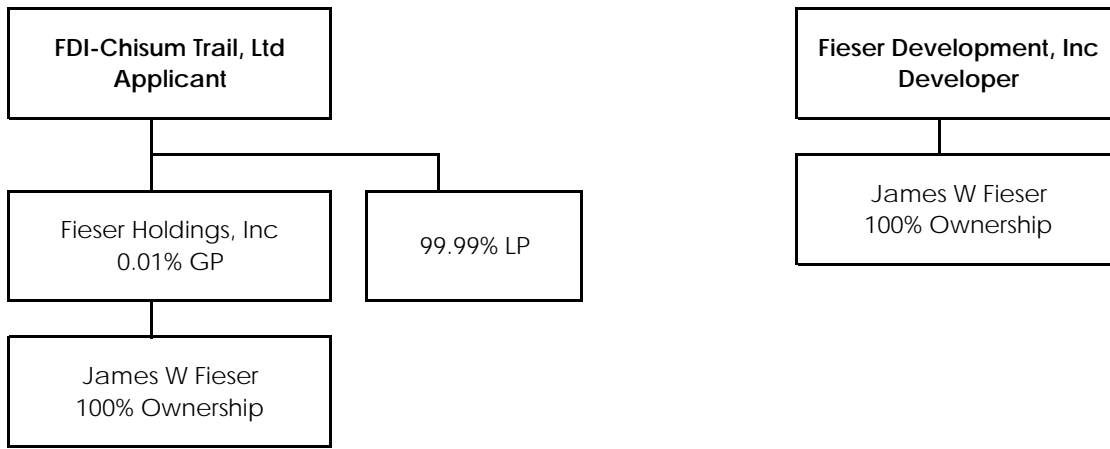
- The Applicant's expense to income ratio of 72% is well above the Department's 65% expense to income ratio, but rental assistance is received on 4 units and the HTC and HOME rents are well above the USDA-RD rents.
- If the HOME award is ultimately not received, the transaction may not be financially viable.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: James W Fieser Phone: 281.347.8189 Fax: 281.347.8192
 Email: jim.fieser@jfieser.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Fieser Holdings, Inc	N/A	--
Fieser Development, Inc	N/A	--
James W Fieser	N/A	17 HTC allocations

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

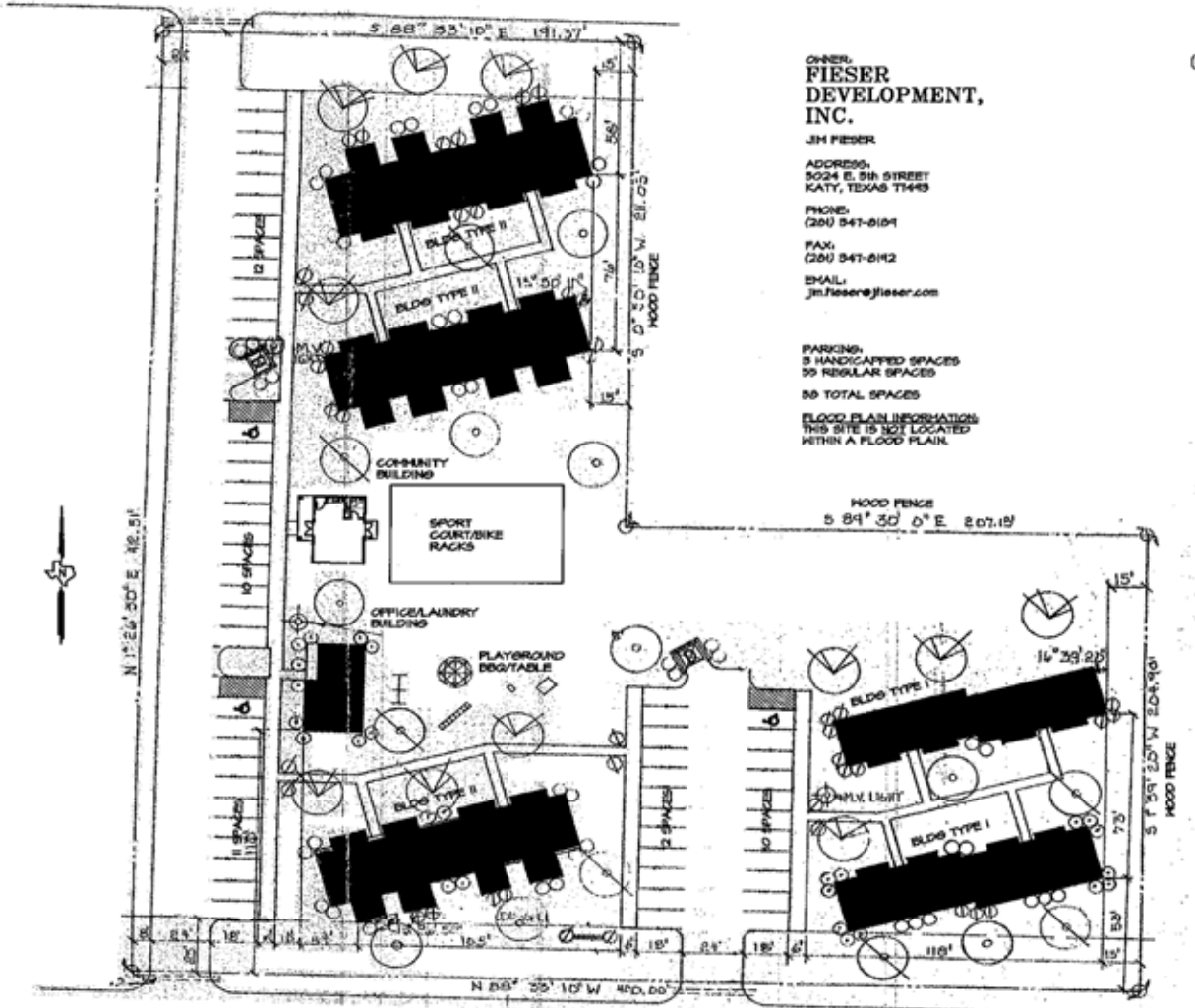
- The Applicant, Developer, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN

CHURCH STREET



OWNER:
FIESER DEVELOPMENT, INC.

04-

JIM FIESER
ADDRESS:
3024 E. 5th STREET
KATY, TEXAS 77448
PHONE:
(281) 547-6101
FAX:
(281) 547-6142
EMAIL:
jim.fieser@fieser.com

PARKING:
5 HANDICAPPED SPACES
55 REGULAR SPACES
60 TOTAL SPACES

FLOOD PLAIN INFORMATION:
THIS SITE IS NOT LOCATED WITHIN A FLOOD PLAIN.

HOOD FENCE
S 84° 30' 0" E 207.15'

W. AUSTIN STREET

BUILDING CONFIGURATION

Building Type	A	B																		Total Buildings
Floors/Stories	2	2																		
Number	2	3																		5

BR/BA	SF	Units														Total Units	Total SF				
1/1	654	8																		16	10,464
2/1	797		8																	24	19,128
Units per Building		8	8																	40	29,592

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Development Plan:

The Applicant provided a Capital Needs Assessment reflecting the following scope of work: Repair damaged sidewalks and parking; install new fencing; replace dumpster enclosures; new community building; replace picnic table and playground equipment; repair basketball court; replace building soffits and fascias; replace common area flooring and repair/repaint walls; new landscaping; repair brick veneers; repair/replace stairways; enhance attic insulation; replace 30 heat pumps ; replace 27 water heaters; replace unit flooring; replace 15 exterior doors; replace 13 interior doors; replace 35 ranges and range hoods; replace 20 refrigerators; replace all fixtures and countertops; and refurbish/replace cabinets.

Relocation Plan:

The Applicant plans to temporarily relocate tenants during construction.

SITE ISSUES

Total Size: 2.792 acres Scattered site? [] Yes [x] No
Flood Zone: X Within 100-yr floodplain? [] Yes [x] No
Zoning: MF-2 Needs to be re-zoned? [] Yes [x] No [] N/A

TDHCA SITE INSPECTION

Inspector: Carter Sieber Date: 4/24/2008
Overall Assessment: [] Excellent [x] Acceptable [] Questionable [] Poor [] Unacceptable
Surrounding Uses:
North: vacant commercial / Church St East: single family residential / IH-35
South: W Austin St / City Park w/pool West: vacant commercial

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:
A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report. However, environmental clearance will be required subsequent to any award of HOME funds but prior to draws.

MARKET HIGHLIGHTS

Provider: Sherrill & Associates, Inc Date: 2/16/2008
Contact: Jerry Sherrill Phone: 817.557.1791 Fax: N/A
Number of Revisions: 1 Date of Last Applicant Revision: 4/17/2008

Comments:
A market study is not required for existing USDA-RD transactions requesting TDHCA program funds. However, the appraisal provided reflects the following information regarding the subject market.

Primary Market Area (PMA):

"The subject is located in Sanger, Denton County, Texas which is located on Interstate Highway 35 at the intersection of Farm to Market Road 455. It is approximately 7 miles north of Denton, 18 miles south of Gainesville, 44 miles northwest of Dallas and 31 miles northeast of Fort Worth. Denton County had a population of 432,976 in year 2000 and it had an estimated population of 584,288 in 2006 which is an increase of 34.9% over year 2000 while population has increased 12.7% statewide" (p. 9).

This section intentionally left blank.

Secondary Market Area (SMA):

N/A

INCOME LIMITS						
Denton						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
50	\$23,300	\$26,600	\$29,950	\$33,250	\$35,900	\$38,550
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 654 SF 30%	\$327	\$367	\$495	\$367	\$40
1 BR 654 SF 50%	\$327	\$367	\$495	\$367	\$40
2 BR 797 SF 50%	\$392	\$436	\$515	\$436	\$44
2 BR 797 SF 60%	\$392	\$436	\$515	\$436	\$44

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. Moreover, the property has a current occupancy of 100% according to a rent roll provided at application and is proposing a temporary relocation of tenants. The presence of an existing tenant base mitigates potential concerns about the lack of information about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 1.09 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 4/9/2008

The Applicant's net rents are anticipated basic rent levels. These basic rents have not yet been approved by USDA-RD. The anticipated basic rents are 33% below the net program rents on average and 12% higher than the current USDA-RD basic rent levels. The property currently receives Rental Assistance (RA) on four units. It is likely that the rental assistance will cover the two proposed 30% units, which will allow the tenant paid rent plus RA to exceed the HTC maximum as reflected in the analysis. The appraisal reflects market rents well above the anticipated levels, which suggests that the anticipated rent levels would be achievable in this market. An increase of at least 10.7% on average is necessary in order to maintain a minimum DCR of 1.15.

As a result, the Underwriter has used the Applicant's anticipated basic rents, but receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 10.7% on average in the current basic rents is a condition of this report. The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total expense estimate of \$3,404 per unit is within 5% of the Underwriter's estimate of \$3,409 per unit derived from actual 2007 operating statements for the property, the TDHCA database, IREM data, and other sources.

Conclusion:

The Applicant's estimate of Net Operating Income is within 5% of the Underwriter's estimate; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the parameters of the Department's current guidelines. The Underwriter has adjusted the terms of the HOME loan to increase the likelihood of repayment and to match the remaining term of the USDA-515 loan. This is discussed in detail in the financing structure section below.

In addition, the Applicant's and Underwriter's expense to income ratios (both at 73%) are significantly above the TDHCA maximum of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." [§1.32(7)(B)(ii)]. The subject's rents are managed by USDA. As such the subject development meets this feasibility exception.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for fifteen years. Because of the high expense to income ratio, it should be noted, the debt coverage ratio and cash flow fall below the Department's year one to 15 standards well before year 30 in both the Underwriter's and Applicant's proforma.

ACQUISITION INFORMATION

APPRAISED VALUE

Table with acquisition details: Provider (Sherrill & Associates, Inc), Date (2/11/2008), Number of Revisions (1), Date of Last Applicant Revision (4/17/2008), and Appraised Values for Land Only, Existing Buildings, USDA Financing Subsidy, and Total Development.

ASSESSED VALUE

Table with assessed values: Land Only (2.79 acres, \$121,620), Existing Buildings (\$376,797), Total Assessed Value (\$498,417), Tax Year (2007), Valuation by (Denton CAD), and Tax Rate (2.17549).

EVIDENCE of PROPERTY CONTROL

Table with property control details: Type (Improved Property - Commercial Contract), Acreage (2.792), Contract Expiration (12/15/2008), Valid Through Board Date (Yes), Acquisition Cost (\$1,204,790), Other, Seller (Chisum Trail Apts Ltd), and Related to Development Team? (No).

This section intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided a contract for the purchase of the subject for \$1,204,790 or \$30K per unit. The Seller is not related to the buyer; however, the transfer must be approved by USDA-RD. History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. The outstanding balance on the USDA loan is approximately \$1,004,794 and the original equity was \$76,696 (including reserves funds). The Applicant did not provide documentation of the estimated exit taxes. However, the purchase price appears to be reasonable should USDA apply this standard. Of note, the Applicant has indicated that the existing reserves will be assumed by the partnership; however, this amount is not included in the purchase price and is not reflected in the Applicant's cost schedule. This is discussed in detail below.

The Applicant has estimated eligible building basis of \$1,054,961 or 88% of the total acquisition price. The Underwriter has used an eligible building basis of \$1,054,961, which is based on the Applicant's land value of \$150,000. The Applicant's land value is higher than the appraised land value and tax assessed value.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,578 per unit, which is comparable to the estimate in the Capital Needs Assessment provided. The CNA also included \$6K in demolition costs that were not reflected in the developer's cost schedule and the Underwriter has included this demolition in ineligible costs. It should be noted that the CNA was revised two times because it did not meet the Department's guidelines of requiring a CNA to account for the developer's entire planned scope of work.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$6K or 1% greater than the estimate provided in the second revision of the Capital Needs Assessment (CNA). The underwriting analysis will reflect the CNA value.

Reserves:

The Applicant has indicated that the existing reserve for replacement accounts and balances will be assumed by the new owner per USDA-RD requirements. The Applicant has provided documentation that the existing reserve for replacement account balances are \$78,328. This amount has not been included in the Applicant's development cost schedule or as a source of funds. However, per the Applicant, the entire amount of existing reserves will be retained in order to satisfy future capital needs. Therefore, the Underwriter has reflected the existing reserve balance as both a use of funds and a source of funds.

Of note, USDA limits the return to owner to 8% of the owner's original equity investment per year and any additional cashflow funds the reserve for replacements. Therefore, it is foreseeable that the Applicant will be able to set aside more than the budgeted \$300 per unit per year.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$2,349,764 supports annual tax credits of \$135,124. 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.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Icap Realty Advisors Type: Interim Financing

Principal: \$181,803 Interest Rate: 7.3% Fixed Term: 24 months

Source: USDA-RD Section 515 Type: Existing Financing to Transfer

Principal: \$1,004,790 Interest Rate: 1.0% Fixed Amort: 314 months

Comments:

The Applicant is proposing a same rates and terms transfer of the existing USDA Section 515 mortgage. This type of transfer is generally intended to preserve the below market loan and avoid loss of eligibility for 9% credits associated with new below market funds.

The Applicant provided a promissory note, dated June 20 1984, reflecting an original balance of \$1,040,000 and a 50 year term. Section 515 loans generally provide a subsidy of the market interest rate down to an effective rate of approximately 1%. The remaining term is approximately 314 months with a current balance of \$1,004,790, as reflected above. The estimated balance is reflected as a source of funds in the recommended financing structure.

Source: Raymond James Type: Syndication

Proceeds: \$1,137,349 Syndication Rate: 85% Anticipated HTC: \$ 133,940

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.77. At this point, deferred developer fee would exceed cumulative 15 year cashflow and the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.867, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$78,328 Type: Existing Reserves

Comments:

As indicated above, the existing reserves balance will transfer to the partnership and be retained for future capital needs. This has been reflected as both a source and a use of funds.

Amount: \$6,279 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

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CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio within the Department's guideline of 1.15 to 1.35 with the Applicant's requested terms. However, the Underwriter has reduced the term of the HOME loan to match the remaining term on the USDA-515 loan and decreased the recommended interest rate from 1% to 0.5%, which results in annual debt service consistent with the requested structure and a healthy projected DCR of 1.15 based on the Applicant's proforma. The reduction in the interest rate is necessary to increase the likelihood of repayment of the HOME funds and to maintain a DCR at or above 1.15.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primarily vested in the additional HOME funding. In fact the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance of documentation that USDA-RD has approved the increase of at least 10.7% overall by cost certification along with the approval of the transfer and parity of the additional HOME debt by carryover are conditions of this report.

The Underwriter's total development cost estimate less the permanent loan of \$1,004,790, requested HOME loan of \$450,000, and existing reserves of \$78,328 indicates the need for \$1,143,628 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$134,679 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$133,940), the gap-driven amount (\$134,679), and eligible basis-derived estimate (\$135,124), the Applicant's request of \$135,124 is recommended resulting in proceeds of \$1,137,349 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for \$1,672 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

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.

Underwriter:	_____	Date:	_____
	<i>Cameron Dorsey</i>		June 29, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		June 29, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 29, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Chisum Trail Apartments, Sanger, 9% HTC / HOME #08216

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% / LH	2	1	1	654	\$373	\$367	\$734	\$0.56	\$63.00	\$58.00
TC 50% / LH	14	1	1	654	\$623	\$367	\$5,138	\$0.56	\$63.00	\$58.00
TC 50% / LH	4	2	1	797	\$748	\$436	\$1,744	\$0.55	\$79.00	\$62.00
TC 60% / LH	20	2	1	797	\$748	\$436	\$8,720	\$0.55	\$79.00	\$62.00
TOTAL:	40		AVERAGE:	740		\$408	\$16,336	\$0.55	\$72.60	\$60.40

INCOME

Total Net Rentable Sq Ft: 29,592

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

	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.89%	\$183	0.25	\$7,313	\$7,250	\$0.24	\$181	3.86%
Management	9.33%	438	0.59	17,538	17,712	0.60	443	9.42%
Payroll & Payroll Tax	13.49%	634	0.86	25,352	27,100	0.92	678	14.42%
Repairs & Maintenance	9.11%	428	0.58	17,120	15,700	0.53	393	8.35%
Utilities	2.37%	111	0.15	4,459	4,800	0.16	120	2.55%
Water, Sewer, & Trash	15.05%	707	0.96	28,293	26,500	0.90	663	14.10%
Property Insurance	5.51%	259	0.35	10,357	10,500	0.35	263	5.59%
Property Tax 2.17549	6.55%	308	0.42	12,318	13,000	0.44	325	6.92%
Reserve for Replacements	6.38%	300	0.41	12,000	12,000	0.41	300	6.38%
TDHCA Compliance Fees	0.85%	40	0.05	1,600	1,600	0.05	40	0.85%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	72.53%	\$3,409	\$4.61	\$136,349	\$136,162	\$4.60	\$3,404	72.43%
NET OPERATING INC	27.47%	\$1,291	\$1.75	\$51,641	\$51,830	\$1.75	\$1,296	27.57%

DEBT SERVICE

Existing USDA 515 First Lien	14.11%	\$663	\$0.90	\$26,526	\$26,526	\$0.90	\$663	14.11%
TDHCA HOME	9.24%	\$434	\$0.59	17,369	15,000	\$0.51	\$375	7.98%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	4.12%	\$194	\$0.26	\$7,746	\$10,304	\$0.35	\$258	5.48%

AGGREGATE DEBT COVERAGE RATIO

1.18 1.25

RECOMMENDED DEBT COVERAGE RATIO

1.15

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)		45.09%	\$30,120	\$40.71	\$1,204,790	\$1,204,790	\$40.71	\$30,120	46.37%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		2.36%	1,578	2.13	63,110	63,100	2.13	1,578	2.43%
Direct Construction		20.01%	13,369	18.07	534,750	540,900	18.28	13,523	20.82%
Contingency	10.00%	2.24%	1,495	2.02	59,786	60,400	2.04	1,510	2.32%
Contractor's Fees	14.00%	3.13%	2,093	2.83	83,700	84,560	2.86	2,114	3.25%
Indirect Construction		5.07%	3,388	4.58	135,500	135,500	4.58	3,388	5.21%
Ineligible Costs		3.52%	2,351	3.18	94,047	87,897	2.97	2,197	3.38%
Developer's Fees	20.00%	14.66%	9,791	13.23	391,627	393,150	13.29	9,829	15.13%
Interim Financing		0.99%	663	0.90	26,500	26,500	0.90	663	1.02%
Reserves		2.93%	1,958	2.65	78,328	1,621	0.05	41	0.06%
TOTAL COST		100.00%	\$66,803	\$90.30	\$2,672,139	\$2,598,418	\$87.81	\$64,960	100.00%
Construction Cost Recap		27.74%	\$18,534	\$25.05	\$741,346	\$748,960	\$25.31	\$18,724	28.82%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Existing USDA 515 First Lien	37.60%	\$25,120	\$33.95	\$1,004,790	\$1,004,790	\$1,004,790	Developer Fee Available
TDHCA HOME	16.84%	\$11,250	\$15.21	450,000	450,000	450,000	\$393,150
HTC Syndication Proceeds	42.56%	\$28,434	\$38.43	1,137,349	1,137,349	1,137,349	% of Dev. Fee Deferred
Transfer Existing Reserves	2.93%	\$1,958	\$2.65	78,328	0	78,328	0%
Deferred Developer Fees	0.23%	\$157	\$0.21	6,279	6,279	1,672	
Additional (Excess) Funds Req'd	-0.17%	(\$115)	(\$0.16)	(4,607)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$2,672,139	\$2,598,418	\$2,672,139	\$121,017

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Chisum Trail Apartments, Sanger, 9% HTC / HOME #08216

PAYMENT COMPUTATION

Primary	\$1,004,790	Amort	314
Int Rate	1.00%	DCR	1.95

Secondary	\$450,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.18

Additional	\$1,137,349	Amort	
Int Rate		Aggregate DCR	1.18

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$26,526
Secondary Debt Service	18,352
Additional Debt Service	0
NET CASH FLOW	\$6,952

Primary	\$1,004,790	Amort	314
Int Rate	1.00%	DCR	1.95

Secondary	\$450,000	Amort	314
Int Rate	0.50%	Subtotal DCR	1.15

Additional	\$1,137,349	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

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	\$196,032	\$201,913	\$207,970	\$214,209	\$220,636	\$255,777	\$296,516	\$343,743	\$461,962
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	203,232	209,329	215,609	222,077	228,739	265,172	307,407	356,369	478,930
Vacancy & Collection Loss	(15,240)	(15,700)	(16,171)	(16,656)	(17,155)	(19,888)	(23,055)	(26,728)	(35,920)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$187,992	\$193,629	\$199,438	\$205,421	\$211,584	\$245,284	\$284,351	\$329,641	\$443,010
EXPENSES at 4.00%									
General & Administrative	\$7,250	\$7,540	\$7,842	\$8,155	\$8,481	\$10,319	\$12,555	\$15,275	\$22,610
Management	17,712	18,243	18,790	19,354	19,935	23,110	26,791	31,058	41,739
Payroll & Payroll Tax	27,100	28,184	29,311	30,484	31,703	38,572	46,928	57,096	84,515
Repairs & Maintenance	15,700	16,328	16,981	17,660	18,367	22,346	27,187	33,078	48,963
Utilities	4,800	4,992	5,192	5,399	5,615	6,832	8,312	10,113	14,970
Water, Sewer & Trash	26,500	27,560	28,662	29,809	31,001	37,718	45,889	55,832	82,644
Insurance	10,500	10,920	11,357	11,811	12,284	14,945	18,183	22,122	32,746
Property Tax	13,000	13,520	14,061	14,623	15,208	18,503	22,512	27,389	40,542
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	1,800	1,664	1,731	1,800	1,872	2,277	2,771	3,371	4,990
TOTAL EXPENSES	\$136,162	\$141,431	\$146,906	\$152,594	\$158,505	\$191,701	\$231,908	\$280,614	\$411,143
NET OPERATING INCOME	\$51,830	\$52,198	\$52,532	\$52,827	\$53,079	\$53,583	\$52,443	\$49,027	\$31,867
DEBT SERVICE									
First Lien Financing	\$26,526	\$26,526	\$26,526	\$26,526	\$26,526	\$26,526	\$26,526	\$26,526	\$26,526
Second Lien	18,352	18,352	18,352	18,352	18,352	18,352	18,352	18,352	18,352
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$6,952	\$7,320	\$7,654	\$7,949	\$8,201	\$8,705	\$7,565	\$4,149	(\$13,011)
DEBT COVERAGE RATIO	1.15	1.16	1.17	1.18	1.18	1.19	1.17	1.09	0.71

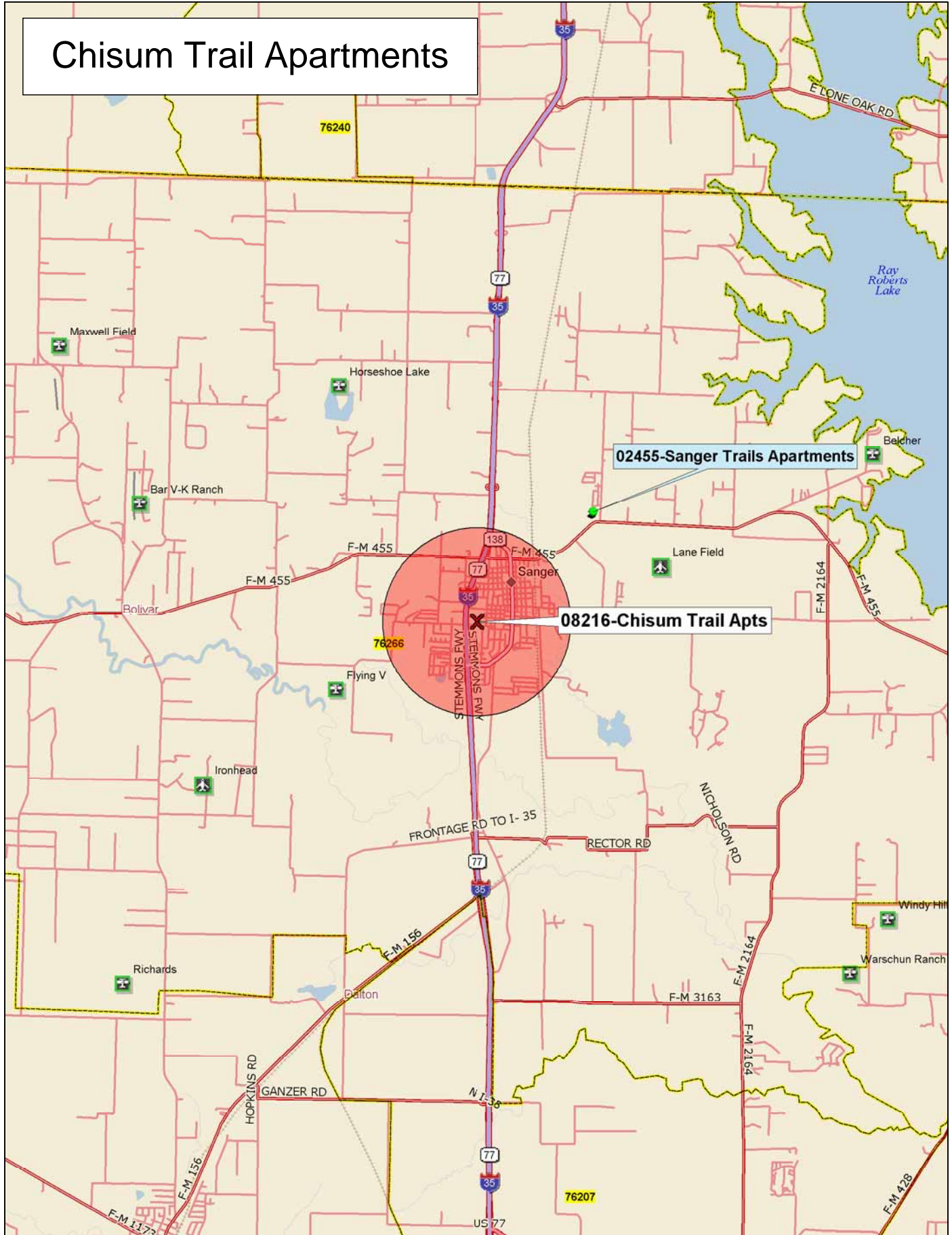
HTC ALLOCATION ANALYSIS -Chisum Trail Apartments, Sanger, 9% HTC / HOME #08216

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$150,000	\$150,000				
Purchase of buildings	\$1,054,790	\$1,054,790	\$1,054,790	\$1,054,790		
Off-Site Improvements						
Sitework	\$63,100	\$63,110			\$63,100	\$63,110
Construction Hard Costs	\$540,900	\$534,750			\$540,900	\$534,750
Contractor Fees	\$84,560	\$83,700			\$84,560	\$83,700
Contingencies	\$60,400	\$59,786			\$60,400	\$59,786
Eligible Indirect Fees	\$135,500	\$135,500			\$135,500	\$135,500
Eligible Financing Fees	\$26,500	\$26,500			\$26,500	\$26,500
All Ineligible Costs	\$87,897	\$94,047				
Developer Fees			\$210,958	\$210,958	\$182,192	\$180,669
Developer Fees	\$393,150	\$391,627				
Development Reserves	\$1,621	\$78,328				
TOTAL DEVELOPMENT COSTS	\$2,598,418	\$2,672,139	\$1,265,748	\$1,265,748	\$1,093,152	\$1,084,016

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,265,748	\$1,265,748	\$1,093,152	\$1,084,016
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,265,748	\$1,265,748	\$1,093,152	\$1,084,016
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,265,748	\$1,265,748	\$1,093,152	\$1,084,016
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$44,934	\$44,934	\$90,950	\$90,190

Syndication Proceeds	0.8491	\$381,557	\$381,557	\$772,302	\$765,848
Total Tax Credits (Eligible Basis Method)				\$135,884	\$135,124
Syndication Proceeds				\$1,153,859	\$1,147,404
Requested Tax Credits				\$133,940	
Syndication Proceeds				\$1,137,349	
Gap of Syndication Proceeds Needed				\$1,143,628	\$1,139,021
Total Tax Credits (Gap Method)				\$134,679	\$134,137

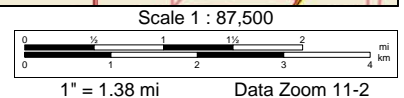
Chisum Trail Apartments



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www.delorme.com



Applicant Evaluation

Project ID # **08216**

Name: **Chisum Trail Apartments**

City: **Sanger**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 26

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 4

Projects grouped by score	0-9:	<u>12</u>
	10-19:	<u>14</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 26

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/14/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/15/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/29/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/24/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Merritt Homes, TDHCA Number 08217

BASIC DEVELOPMENT INFORMATION

Site Address: E. Side of N. Tennessee & W. White Ave. Development #: 08217
 City: McKinney Region: 3 Population Served: Elderly
 County: Collin Zip Code: 75069 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Senior Lane Apartments, L.P.
 Owner Contact and Phone: Beth Bentley, (972) 542-5641
 Developer: Carleton Development, Ltd./ Mckinney Housing GP, LLC
 Housing General Contractor: Carleton Construction, Ltd.
 Architect: Beeler, Guest & Owens Architects, L.P.
 Market Analyst: Integra Realty Resources
 Syndicator: Red Capital Group
 Supportive Services: McKinney Housing Authority
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	178
	10 0 63 105	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 117 61 0 0 0	Total Development Units:	178
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Merritt Homes, TDHCA Number 08217

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Shapiro, District 8, S Points: 14 US Representative: Johnson, District 3, NC
TX Representative: Paxton, District 70, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 2 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2
Collin County Committee on Aging S or O: S

General Summary of Comment:

Support received from elected official(s) and a civic organization. Although it did not qualify for Quantifiable Community Participation, the Charleston Creek Homeowners Association submitted a letter stating that the organization supports the proposed development because there has not been new low/moderate income multifamily or single family housing in over 30 years.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Merritt Homes, TDHCA Number 08217

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Northview Apartments, TDHCA Number 08220

BASIC DEVELOPMENT INFORMATION

Site Address: 331 N. Longview St. Development #: 08220
 City: Kilgore Region: 4 Population Served: Intergenerational
 County: Gregg Zip Code: 75662 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Northview, LTD
 Owner Contact and Phone: James W. Fieser, (281) 367-8189
 Developer: Fieser Development, Inc.
 Housing General Contractor: LCJ Construction
 Architect: Chiles Architects, Inc.
 Market Analyst: N/A
 Syndicator: Raymond James Tax Credit Funds, Inc.
 Supportive Services: FDI Property Management Services, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	72
	4 0 32 36	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 36 24 12 0 0	Total Development Units:	72
Type of Building:		Total Development Cost*:	\$4,269,575
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	27
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	72
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$246,550	\$238,654			
HOME Activity Fund Amount:	\$760,000	\$760,000	30	30	1.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Northview Apartments, TDHCA Number 08220

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, NC Points: 0 US Representative: Gohmert, District 1, NC
TX Representative: Merritt, District 7, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government [checked]
S, Carol Windham, Director of Planning City of Kilgore

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4
The First Presbyterian Church S or O: S
Kilgore Kiwanis Breakfast Club S or O: S
Kilgore Chamber of Commerce S or O: S
Kilgore Community Crisis Center S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

- 1. Receipt, review and acceptance by commitment of a plan from the Applicant to meet the Department's requirements for intergenerational housing.
2. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
3. Receipt, review, and acceptance, by cost certification, of documentation that HUD has approved an increase of at least 5% on average in the current HAP rents.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
6. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$760,000, or a commitment from a qualifying substitute source in an amount not less than \$214,627, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Northview Apartments, TDHCA Number 08220

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$238,654

Recommendation: Competitive in USDA Allocation.

HOME Activity Funds:

Loan Amount: \$760,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/29/08 PROGRAM: HOME / 9% HTC FILE NUMBER: 08220

DEVELOPMENT

Northview Apartments

Location: 331 N. Longview Region: 4
 City: Kilgore County: Gregg Zip: 75662 OCT DDA
 Key Attributes: Intergenerational Housing, USDA, Acquisition/Rehab, Rural and four-plex/duplex buildings

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$760,000	1.00%	30/30	\$760,000	1.00%	30/30
Housing Tax Credit (Annual)	\$246,550			\$238,654		

CONDITIONS

- 1 Receipt, review and acceptance by commitment of a plan from the Applicant to meet the Department's requirements for intergenerational housing.
- 2 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 3 Receipt, review, and acceptance, by cost certification, of documentation that HUD has approved an increase of at least 5% on average in the current HAP rents.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	32
60% of AMI	60% of AMI	36

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
Low HOME	30% of AMI	4
Low HOME	50% of AMI	68
High HOME	65% of AMI	0

PROS

- The application proposes the rehabilitation of an existing 72 unit USDA-RD property constructed in 1981.
- The Applicant has considerable experience and financial resources

CONS

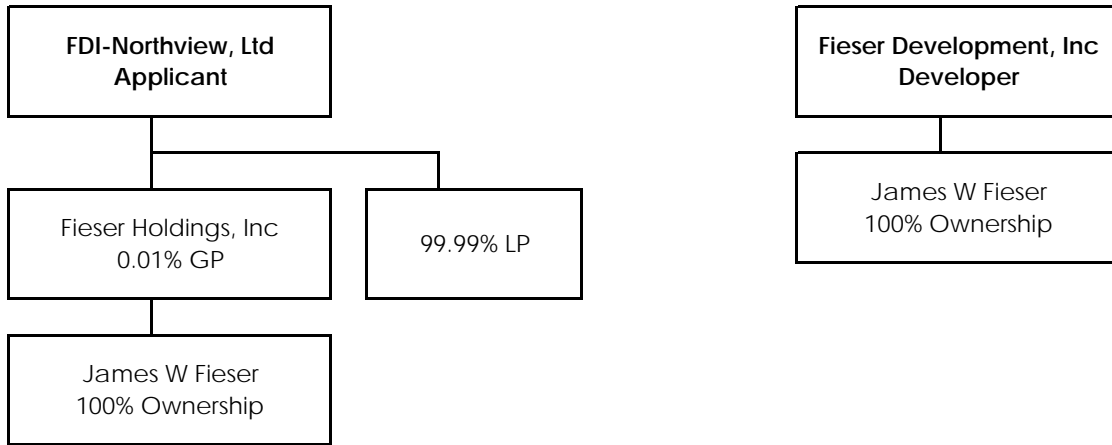
- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.
- If the HOME award is ultimately not received, the transaction may not be financially viable.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: James W Fieser Phone: 281.347.8189 Fax: 281.347.8192
 Email: jim.fieser@jfieser.com

KEY PARTICIPANTS

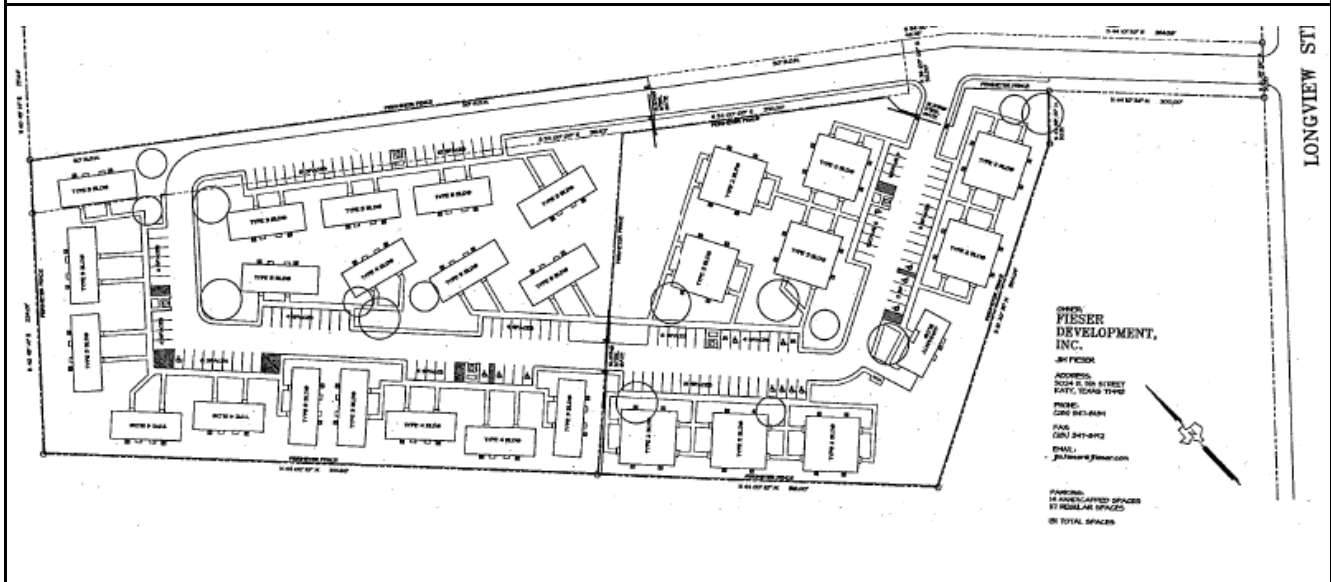
Name	Financial Notes	# Completed Developments
Fieser Holdings, Inc	N/A	--
Fieser Development, Inc	N/A	--
James W Fieser	N/A	17 HTC allocations

IDENTITIES of INTEREST

- The Applicant, Developer, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	2	5	4									Total Buildings
Floors/Stories Number	1	1	1									27

BR/BA	SF	Units										Total Units	Total SF
1/1	625	4										36	22,500
2/1	800		1	2								24	19,200
3/1	950		1									12	11,400
Units per Building		4	2	2								72	53,100

Development Plan:

The Applicant provided a Capital Needs Assessment reflecting the following scope of work:
 Repair damaged sidewalks and parking; install new fencing as needed; replace three dumpster enclosures; replace common area flooring; new landscaping; repair and repaint wood trim; repair/replace stairways; enhance attic insulation; replace water heaters as needed; replace 20 water heaters; replace kitchen cabinets as needed; replace unit carpeting as needed; replace exterior and interior doors as needed; replace HVAC as needed; replace ranges and range hoods as needed; replace refrigerators as needed; replace windows as needed.

The site plan reflects fencing around the senior portion of the development, and toward the center the fenced and gated area is the sole clubhouse/laundry/leasing space that serves both the seniors and family portions of the development. The building itself contains a separate leasing office for seniors and family. The Department's definition of intergenerational housing includes requirements that the property: "Have separate and specific leasing offices and leasing personnel exclusively for the age restricted Units" and "Have separate and specific entrances, and other appropriate security measures for the age restricted Units."

The Department has funded relatively few intergenerational transactions in the past and none that included the rehabilitation of existing units such as the subject. It would appear however that the proposed development does not provide for separate entrances and security measures for age restricted units if all residents must pass through the security gates and go into the "secure" senior portion of the development in order to gain access to the leasing offices, laundry and community room. Therefore this report is conditioned upon receipt, review and acceptance by commitment of a plan from the Applicant to meet the Department's requirements for intergenerational housing. This may be most simply achieved by adding a leasing office and laundry on the outside of the fenced senior portion of the site, however the cost of such remedy is not known nor is the source of funding to compensate for such cost. Thus, any remedy that involves a change to the site plan should be re-evaluated by the underwriting staff.

Relocation Plan:

The Applicant plans to temporarily relocate tenants during construction and has budgeted \$34K in the development cost schedule for expenses associated with the relocation.

SITE ISSUES

Total Size:	<u>7.54</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>(A) Apart. Dist.</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/10/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North:	<u>W. Lantrip / single family</u>	East:	<u>Commercial property / railroad</u>
South:	<u>West Sabine / single family</u>	West:	<u>4th Avenue / single family</u>

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:

A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report.

MARKET HIGHLIGHTS

Provider: Sherrill & Associates, Inc Date: 2/4/2008
 Contact: Jerry Sherrill Phone: (817) 557-1791 Fax: None
 Number of Revisions: 1 Date of Last Applicant Revision: 4/4/2008

Comments:

A market study is not required for existing USDA-RD transactions requesting TDHCA program funds. However, the appraisal provided reflects the following information regarding the subject market.

Market Area:

"The subject is located in East Texas just 5 miles south IH-20, at the intersection of US Highway 259 and State Highway 31 in the town of Kilgore, Gregg County, Texas. It is approximately 11 miles southwest of Longview, 26 miles east of Tyler, 100 miles east of Dallas and 65 miles west of Shreveport, Louisiana. Gregg County has a population of 111,379 in the year 2000 and it had an estimated population of 117,090 in 2006 which is an increase of 5.1% over year 2000 while population has increased 12.7% statewide. Persons aged 65 and over make up 13.3% of the county population compared to 9.9% of the state population. The economic base is made up of oil, manufacturing, tourism, education, agribusiness, lignite coal production and timber products. This is a semi-rural area with property values increasing at an average proportion of the urban areas in the state." (p. 10)

INCOME LIMITS						
Gregg						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,550	\$12,050	\$13,550	\$15,050	\$16,250	\$17,450
50	\$17,550	\$20,100	\$22,600	\$25,100	\$27,100	\$29,100
60	\$21,060	\$24,120	\$27,120	\$30,120	\$32,520	\$34,920

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	625 SF	30%	445	468	\$450	\$468	\$23
1 BR	625 SF	50%	445	468	\$450	\$468	\$23
2 BR	800 SF	60%	514	540	\$544	\$540	\$26
3 BR	950 SF	60%	616	646	\$670	\$646	\$30

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. Moreover, the property has a current occupancy of 92% according to a rent roll provided at application and is proposing a temporary relocation of tenants.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 21.57 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2008

The development currently has a project-based Section 8 Housing Assistance Payment (HAP) contract which covers all of the units in the development. The Applicant's net rents are proposed HAP rent levels and have not yet been approved by HUD. The anticipated HAP rents are 5% higher than the current HAP rent levels. Additionally, the proposed rents are on average 5% higher than the current achievable rents for the market area as determined by the Market Analyst, but on average 24% less than the current Fair Market Rents.

The project based Section 8 rents allow the development to collect the entire projected rent even for the 30% units, however the tenant's portion will not exceed the 30% rent limit. The Underwriter has utilized the Applicant's proposed rents for this analysis. However receipt, review, and acceptance, by cost certification, of documentation of HUD approval of at least a 5% on average increase in the HAP rents is a condition of this report. The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2008

The Applicant's total expense estimate of \$3,177 per unit is within 5% of the Underwriter's estimate of \$3,225 per unit derived from actual 2007 operating statements for the property, the TDHCA database, IREM data, and other sources. However, the Applicant's estimates of several line items differ significantly from the Underwriter's, including: general and administrative (\$4K lower), management fee (\$10K higher), payroll and payroll tax (\$8K lower); and repairs and maintenance (\$5K higher).

The Applicant has estimated a reserve account expense of \$300/unit. This is standard for rehabilitation developments, subject to higher amounts if identified by a Capital Needs Assessment (CNA). The Underwriter's estimate is \$339/unit for this line item in order to account for the repairs and maintenance required over the next 15 years as reflected in the CNA provided. This is a nominal increase from the Applicant's estimate.

Conclusion:

The Applicant's estimates of income, expenses and net operating income are all within 5% of the Underwriter's estimate; therefore, the Applicant's Year One proforma will be used to determine the development's debt service capacity and DCR. The Applicant's Year One DCR is within the parameters of the Department's guideline.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primary vested in the additional HOME funding. In fact the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance of documentation that USDA-RD has approved the basic rent (and HUD the Section 8 rent) increase of at least 5% overall by cost certification along with the approval of the transfer and parity of the additional HOME debt by carryover are conditions of this report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 with positive cashflow through Year 15.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Sherrill & Associates, Inc Date: 2/4/2008
 Number of Revisions: 1 Date of Last Applicant Revision: 2/22/2008
 Land Only: 7.54 acres \$264,000 As of: 2/22/2008
 Existing Buildings: (as-is) \$2,372,000 As of: 2/22/2008
 Total Development: (as-is) \$2,636,000 As of: 2/22/2008

ASSESSED VALUE

Land Only: 7.54 acres \$88,000 Tax Year: 2007
 Existing Buildings: \$796,240 Valuation by: Gregg CAD
 Total Assessed Value: \$884,240 Tax Rate: 2.0271

EVIDENCE of PROPERTY CONTROL

Type: Improved Property Commercial Contract Acreage: 7.54
 Contract Expiration: 12/15/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,773,872 Other: _____
 Seller: Northview Apts Joint Venture I & II Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided two contracts for the purchase of the subject Phase I and Phase II for a total of \$1,773,872 or \$24.6K per unit. The Seller is not related to the buyer; however, the transfer must be approved by USDA-RD. History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. The outstanding balance on the USDA loan is approximately \$1,398,872 and the Applicant did not provide documentation of the estimated exit taxes. However, the purchase price appears to be reasonable should the USDA apply this standard.

The Applicant has estimated eligible building basis of \$1,673,872 or 94% of the total acquisition price. The Underwriter has used an eligible building basis of \$1,509,872, which is 85% of the total acquisition price based on a prorata allocation of value to land and buildings as reflected in the appraisal submitted by the Applicant.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$1,790 per unit, which is slightly less than the estimate in the Capital Needs Assessment provided. It should be noted that the CNA was revised three times because it did not meet the Department's guidelines requiring a CNA to account for the developer's entire planned scope of work. The underwriting analysis will reflect the revised CNA value.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$61.3K higher than the estimate provided in the third revision of the Capital Needs Assessment (CNA). The underwriting analysis will reflect the CNA value.

Reserves:

The Applicant has indicated that the existing reserve for replacement balances will be assumed by the new owner per USDA-RD requirements. The Applicant has provided documentation that the existing reserve for replacement account balance as of March 2008 is \$54K. This amount has not been included in the Applicant's development cost schedule or as a source of funds. However, per the Applicant, the entire amount of existing reserves will be retained to order to satisfy future capital needs.

Contingency & Fees:

The Applicant's contractor's and developer's fees are all within the maximums allowed by TDHCA guidelines.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,863,918 supports annual tax credits of \$238,654. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: Icap Realty Advisors Type: Interim Financing

Principal: \$550,772 Interest Rate: 6.0% Fixed Term: 24 months

Source: USDA-RD Section 515 Type: Existing Financing to Transfer

Principal: \$1,398,872 Interest Rate: 8.75% Fixed Amort: 276 months

Comments:

The Applicant is proposing a same rates and terms transfer of the existing USDA Section 515 mortgage. The Applicant provided two Interest Credit and Rental Assistance Agreements reflecting an original balance of \$720,000 and \$890,300 and a 50 year term. The remaining term is approximately 276 months with a current total balance of \$1,398,872, as reflected above. The estimated balance is reflected as a source of funds in the recommended financing structure.

Source: Raymond James Type: Syndication

Proceeds: \$2,093,584 Syndication Rate: 85% Anticipated HTC: \$ 246,550

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.62. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the \$0.884, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$40,072 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio within the Department's guideline of 1.15 to 1.35. The Underwriter's total development cost estimate less the permanent loan of \$1,398,872, and the requested HOME loan of \$760,000, indicates the need for \$2,110,333 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$248,522 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$246,550), the gap-driven amount (\$248,522), and eligible basis-derived estimate (\$238,654), the eligible basis-derived estimate of \$238,654 is recommended resulting in proceeds of \$2,026,535 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for \$83,798 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three years of stabilized operation. If the HOME award is ultimately not awarded, the gap in financing would increase to an amount greater than the developer fee available and the transaction would not be financially viable unless another source of funds was received.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

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.

Underwriter:	_____	Date:	_____
	<i>Carl Hoover</i>		June 29, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		June 29, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 29, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Northview Apartments, Kilgore, HOME / 9% HTC #08220

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% / LH	4	1	1	625	\$282	\$468	\$1,872	\$0.75	\$57.00	\$49.00
TC 50% / LH	32	1	1	625	\$470	\$468	\$14,976		\$57.00	\$49.00
TC 60% / LH	24	2	1	800	\$565	\$540	\$12,960		\$74.00	\$57.00
TC 60% / LH	12	3	1	950	\$652	\$646	\$7,752		\$96.00	\$62.00
TOTAL:	72		AVERAGE:	738		\$522	\$37,560	\$0.71	\$69.17	\$53.83

INCOME

Total Net Rentable Sq Ft: 53,100

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.71%	\$221	0.30	\$15,907	\$11,450	\$0.22	\$159	2.67%
Management	5.00%	298	0.40	21,445	31,000	0.58	431	7.23%
Payroll & Payroll Tax	14.03%	836	1.13	60,174	52,500	0.99	729	12.24%
Repairs & Maintenance	6.07%	361	0.49	26,027	30,950	0.58	430	7.22%
Utilities	2.16%	128	0.17	9,252	9,200	0.17	128	2.15%
Water, Sewer, & Trash	7.82%	466	0.63	33,550	33,550	0.63	466	7.82%
Property Insurance	3.77%	224	0.30	16,150	15,100	0.28	210	3.52%
Property Tax 2.0271	5.10%	304	0.41	21,893	20,000	0.38	278	4.66%
Reserve for Replacements	5.70%	339	0.46	24,444	21,600	0.41	300	5.04%
TDHCA Compliance Fees	0.67%	40	0.05	2,880	2,880	0.05	40	0.67%
Other: Training	0.12%	7	0.01	500	500	0.01	7	0.12%
TOTAL EXPENSES	54.14%	\$3,225	\$4.37	\$232,221	\$228,730	\$4.31	\$3,177	53.33%
NET OPERATING INC	45.86%	\$2,732	\$3.70	\$196,683	\$200,174	\$3.77	\$2,780	46.67%

DEBT SERVICE

Existing USDA-RD 515 Mortgage	33.28%	\$1,982	\$2.69	\$142,727	\$143,004	\$2.69	\$1,986	33.34%
TDHCA HOME	6.84%	\$407	\$0.55	29,334	29,334	\$0.55	\$407	6.84%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	5.74%	\$342	\$0.46	\$24,623	\$27,836	\$0.52	\$387	6.49%

AGGREGATE DEBT COVERAGE RATIO

1.14 1.16

RECOMMENDED DEBT COVERAGE RATIO

1.16

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)		41.55%	\$24,637	\$33.41	\$1,773,872	\$1,773,872	\$33.41	\$24,637	41.32%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.51%	2,081	2.82	149,809	128,855	2.43	1,790	3.00%
Direct Construction		26.93%	15,969	21.65	1,149,773	1,211,065	22.81	16,820	28.21%
Contingency	10.00%	3.04%	1,805	2.45	129,958	133,992	2.52	1,861	3.12%
Contractor's Fees	14.00%	4.26%	2,527	3.43	181,941	187,588	3.53	2,605	4.37%
Indirect Construction		4.21%	2,494	3.38	179,575	179,575	3.38	2,494	4.18%
Ineligible Costs		1.93%	1,146	1.55	82,488	82,488	1.55	1,146	1.92%
Developer's Fees	15.00%	11.80%	7,000	9.49	503,989	536,092	10.10	7,446	12.49%
Interim Financing		1.38%	819	1.11	59,000	59,000	1.11	819	1.37%
Reserves		1.39%	822	1.11	59,169	0	0.00	0	0.00%
TOTAL COST	100.00%	\$59,300	\$80.41	\$80.41	\$4,269,575	\$4,292,527	\$80.84	\$59,618	100.00%
Construction Cost Recap		37.74%	\$22,382	\$30.35	\$1,611,482	\$1,661,500	\$31.29	\$23,076	38.71%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Existing USDA-RD 515 Mortgage	32.76%	\$19,429	\$26.34	\$1,398,872	\$1,398,872	\$1,398,872	Developer Fee Available
TDHCA HOME	17.80%	\$10,556	\$14.31	760,000	760,000	760,000	\$536,092
HTC Syndication Proceeds	49.03%	\$29,078	\$39.43	2,093,584	2,093,584	2,026,535	% of Dev. Fee Deferred
Deferred Developer Fees	0.94%	\$557	\$0.75	40,072	40,072	84,168	16%
Additional (Excess) Funds Req'd	-0.54%	(\$319)	(\$0.43)	(22,953)	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$4,269,575	\$4,292,527	\$4,269,575	\$839,343

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Northview Apartments, Kilgore, HOME / 9% HTC #08220

PAYMENT COMPUTATION

Primary	\$1,610,300	Amort	600
Int Rate	8.75%	DCR	1.38

Secondary	\$760,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.14

Additional	\$2,093,584	Amort	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$142,727
Secondary Debt Service	29,334
Additional Debt Service	0
NET CASH FLOW	\$28,114

Primary	\$1,610,300	Amort	600
Int Rate	8.75%	DCR	1.40

Secondary	\$760,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.16

Additional	\$2,093,584	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

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	\$450,720	\$464,242	\$478,169	\$492,514	\$507,289	\$588,087	\$681,754	\$790,340	\$1,062,151
Secondary Income	12,960	13,349	13,749	14,162	14,587	16,910	19,603	22,725	30,541
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	463,680	477,590	491,918	506,676	521,876	604,997	701,358	813,066	1,092,692
Vacancy & Collection Loss	(34,776)	(35,819)	(36,894)	(38,001)	(39,141)	(45,375)	(52,602)	(60,980)	(81,952)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$428,904	\$441,771	\$455,024	\$468,675	\$482,735	\$559,622	\$648,756	\$752,086	\$1,010,740
EXPENSES at 4.00%									
General & Administrative	\$11,450	\$11,908	\$12,384	\$12,880	\$13,395	\$16,297	\$19,828	\$24,123	\$35,709
Management	31,000	31,930	32,888	33,875	34,891	40,448	46,890	54,359	73,054
Payroll & Payroll Tax	52,500	54,600	56,784	59,055	61,418	74,724	90,913	110,610	163,729
Repairs & Maintenance	30,950	32,188	33,476	34,815	36,207	44,052	53,595	65,207	96,522
Utilities	9,200	9,568	9,951	10,349	10,763	13,094	15,931	19,383	28,692
Water, Sewer & Trash	33,550	34,892	36,288	37,739	39,249	47,752	58,098	70,685	104,631
Insurance	15,100	15,704	16,332	16,985	17,665	21,492	26,148	31,813	47,092
Property Tax	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Reserve for Replacements	21,600	22,464	23,363	24,297	25,269	30,744	37,404	45,508	67,363
Other	3,380	3,515	3,656	3,802	3,954	4,811	5,853	7,121	10,541
TOTAL EXPENSES	\$228,730	\$237,569	\$246,753	\$256,294	\$266,207	\$321,879	\$389,295	\$470,946	\$689,704
NET OPERATING INCOME	\$200,174	\$204,202	\$208,272	\$212,381	\$216,528	\$237,743	\$259,461	\$281,140	\$321,036
DEBT SERVICE									
First Lien Financing	\$142,727	\$142,727	\$142,727	\$142,727	\$142,727	\$142,727	\$142,727	\$142,727	\$142,727
Second Lien	29,334	29,334	29,334	29,334	29,334	29,334	29,334	29,334	29,334
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$28,114	\$32,142	\$36,211	\$40,321	\$44,468	\$65,683	\$87,401	\$109,080	\$148,976
DEBT COVERAGE RATIO	1.16	1.19	1.21	1.23	1.26	1.38	1.51	1.63	1.87

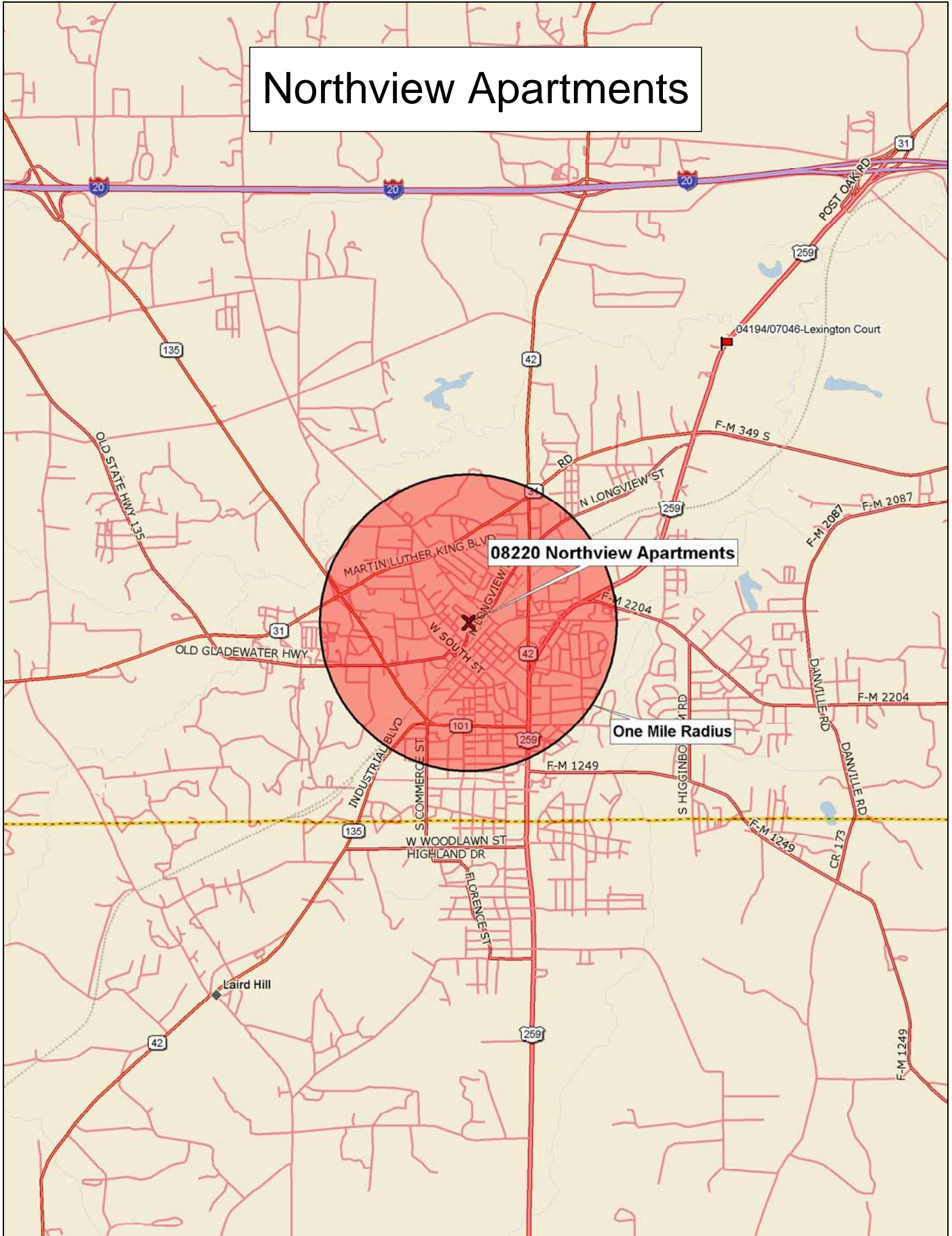
HTC ALLOCATION ANALYSIS -Northview Apartments, Kilgore, HOME / 9% HTC #08220

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$100,000	\$264,000				
Purchase of buildings	\$1,673,872	\$1,509,872	\$1,673,872	\$1,509,872		
Off-Site Improvements						
Sitework	\$128,855	\$149,809			\$128,855	\$149,809
Construction Hard Costs	\$1,211,065	\$1,149,773			\$1,211,065	\$1,149,773
Contractor Fees	\$187,588	\$181,941			\$187,588	\$181,941
Contingencies	\$133,992	\$129,958			\$133,992	\$129,958
Eligible Indirect Fees	\$179,575	\$179,575			\$179,575	\$179,575
Eligible Financing Fees	\$59,000	\$59,000			\$59,000	\$59,000
All Ineligible Costs	\$82,488	\$82,488				
Developer Fees				\$226,481		\$277,509
Developer Fees	\$536,092	\$503,989	\$251,081		\$285,011	
Development Reserves		\$59,169				
TOTAL DEVELOPMENT COSTS	\$4,292,527	\$4,269,575	\$1,924,953	\$1,736,353	\$2,185,086	\$2,127,565

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,924,953	\$1,736,353	\$2,185,086	\$2,127,565
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,924,953	\$1,736,353	\$2,185,086	\$2,127,565
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,924,953	\$1,736,353	\$2,185,086	\$2,127,565
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$68,336	\$61,641	\$181,799	\$177,013

Syndication Proceeds	0.8492	\$580,275	\$523,422	\$1,543,751	\$1,503,113
Total Tax Credits (Eligible Basis Method)				\$250,135	\$238,654
Syndication Proceeds				\$2,124,026	\$2,026,535
Requested Tax Credits				\$246,550	
Syndication Proceeds				\$2,093,584	
Gap of Syndication Proceeds Needed				\$2,133,655	\$2,110,703
Total Tax Credits (Gap Method)				\$251,269	\$248,566

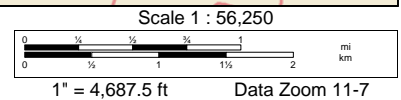
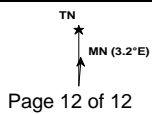
Northview Apartments



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Applicant Evaluation

Project ID # **08220**

Name: **Northview Apartments**

City: **Kilgore**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 26

Projects in Material Noncompliance

Yes No

Projects grouped by score

0-9:	<u>12</u>
10-19:	<u>14</u>
20-29:	<u>0</u>

Total # of MF awards not yet monitored or pending review: 4

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 26

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/14/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/15/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/29/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/24/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at The Colony, TDHCA Number 08223

BASIC DEVELOPMENT INFORMATION

Site Address: NW. Corner of SH 121 & Morning Star Development #: 08223
 City: The Colony Region: 3 Population Served: Elderly
 County: Denton Zip Code: 75056 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: The Colony Senior Community, L.P.
 Owner Contact and Phone: Brad Forslund, (972) 550-7800
 Developer: Churchill Residential, Inc.
 Housing General Contractor: ICI Construction, Inc.
 Architect: GTF Design
 Market Analyst: Integra Realty Resources
 Syndicator: SunAmerica Affordable Housing Partners, Inc.
 Supportive Services: LifeNet Community Behavior Healthcare
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	145
	8	0	51	86	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	73	72	0	0	0
Type of Building:					Total Development Units:	145
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building				Total Development Cost*:	\$17,514,002
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence				Number of Residential Buildings:	6
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy				HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional				HOME Low Total Units:	29

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$3,000,000	\$3,000,000	480	16	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at The Colony, TDHCA Number 08223

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nelson, District 12, NC Points: 0 US Representative: Burgess, District 26, NC
TX Representative: Crownover, District 64, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
Special Programs for Aging Needs (SPAN) S or O: S
Visiting Nurse Association S or O: S
Trinity Presbyterian Church S or O: S
The Colony Chamber of Commerce S or O: S

General Summary of Comment:

Support received from an elected official and civic organizations. Although it did not qualify for Quantifiable Community Participation, the Estancia apartment complex submitted a letter stating that they support the proposed development because it will increase their residency as families may move there and move their elderly family members next door.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
2. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
3. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$2,150,000, or a commitment from a qualifying substitute source in an amount not less than \$875,700, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
4. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$850,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$350,280 as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Evergreen at The Colony, TDHCA Number 08223

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$3,000,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/03/08 PROGRAM: 9% HTC / HOME FILE NUMBER: 08223

DEVELOPMENT

Evergreen at The Colony

Location: NW corner of SH 121 & Morning Star Region: 3
 City: The Colony County: Denton Zip: 75056 OCT DDA
 Key Attributes: Multifamily, Elderly, Urban, Nonprofit, CHDO, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$3,000,000	0.00%	480/480	\$3,000,000	0.00%	480/16
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 2 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LIHTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	51
60% of AMI	60% of AMI	86

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Unit Mix
30% of AMI	Low HOME	8
50% of AMI	Low HOME	21
60% to 80% of AMI	High HOME	0

PROS

- The subject represents the first tax credit development in The Colony.

CONS

- The Applicant's proforma reflects an expense to income ratio of 60.71% which is just below the Department's 65% limit. An expense to income ratio of above 60% reflects an increased risk that the development will fail after even a moderate period of flat income and rising expenses.

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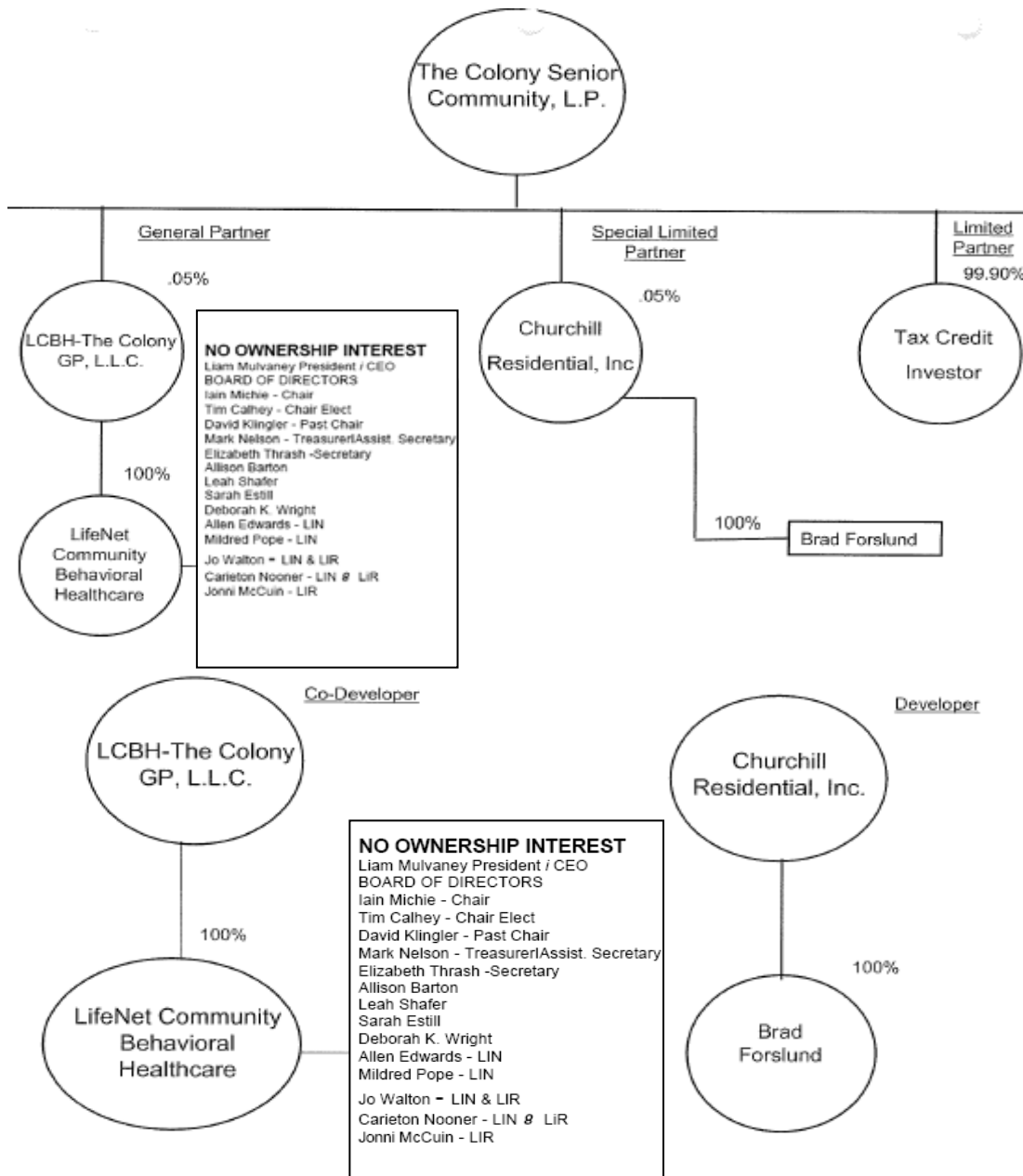
- The Applicant's projected direct construction cost is higher than can be reasonable verified by the Underwriter.
- The Lender's extremely high reserve requirement (more than 15 months of expenses and debt service) may indicate significant concerns regarding the strength of the primary market for the subject property.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Brad Forslund Phone: 972.550.7800 Fax: 972.550.7900
 Email: bforslund@cri.bz

KEY PARTICIPANTS

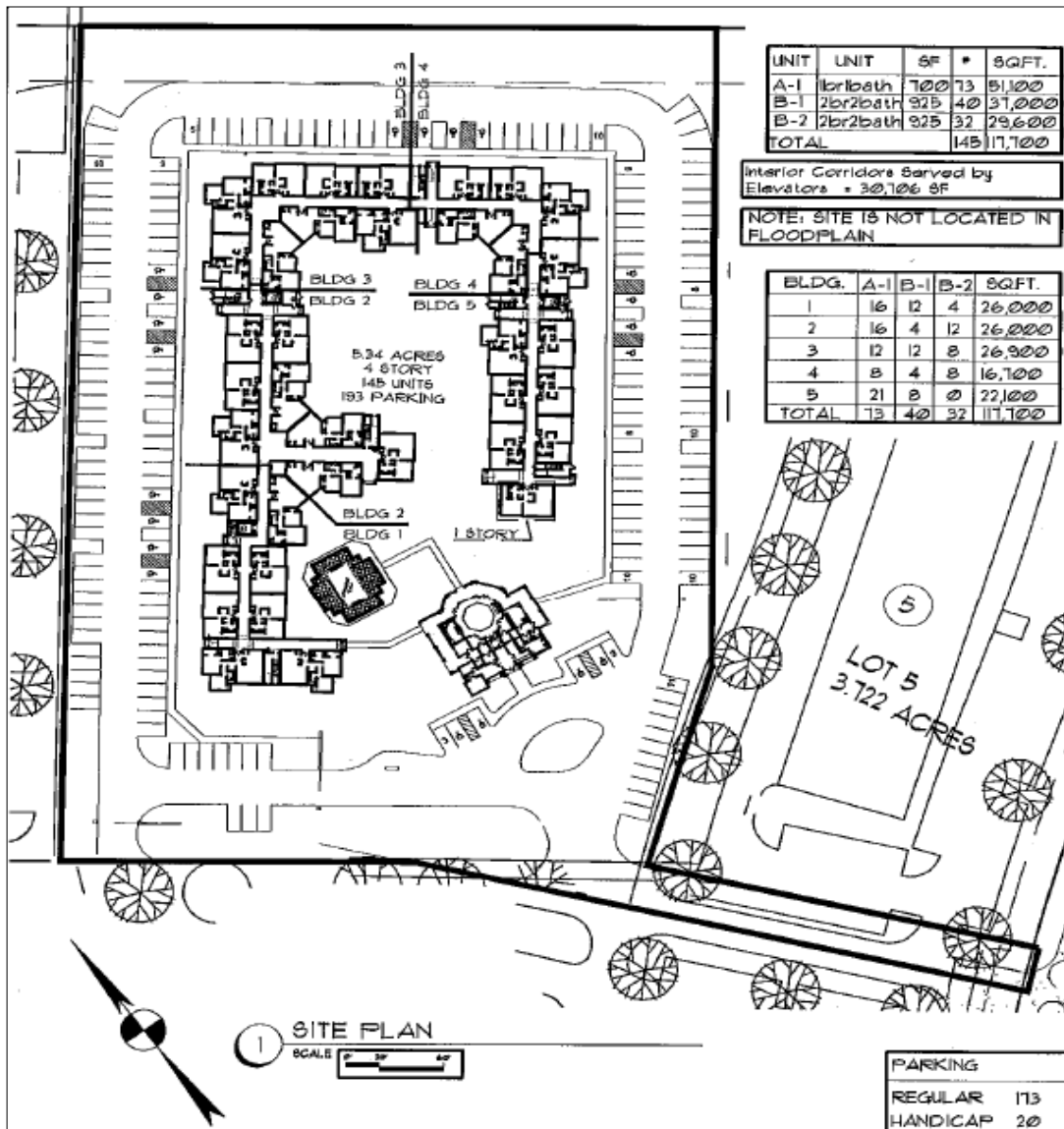
Name	Financial Notes	# Completed Developments
LifeNet Community Behavioral Healthca	N/A	--
Churchill Residential, Inc	N/A	--
Brad Forslund	N/A	10 HTC Allocations

IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	4										
Number	1										1

BR/BA	SF	Units									Total Units	Total SF
1/1	700	73									73	51,100
2/2	925	72									72	66,600
Units per Building	145										145	117,700

The site plan reflects one building broken into five sections which are identified as five separate buildings by the Applicant.

SITE ISSUES

Total Size: 5.3302 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: Multifamily Needs to be re-zoned? Yes No N/A

Comments:

The survey provided reflects a swale (low area; may retain water) that bisects the site from southwest to northeast. Based on the siteplan, it appears that the a portion of the proposed residential building will be situated on this swale. At the Underwriter's request, the Applicant provided a letter from a professional engineer indicating that a drainage channel that runs along the north property line was designed to handle drainage from the site (letter dated June 11, 2008). The Applicant intends to remove this swale as part of the sitework.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/26/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: drainage ditch / multifamily housing East: Morningstar Dr / vacant land
 South: vacant land / commercial West: vacant land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Rone Engineering Date: 6/11/2008
 Recognized Environmental Concerns (RECs) and Other Concerns:
 • The ESA provider identifies no RECs or other concerns warranting additional investigation.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 2/26/2008
 Contact: Charles A Bissell Phone: 972.960.1222 Fax: N/A
 Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 135 square feet (6.56 mile radius)

The subject site is located at the northwest quadrant of State Highway 121 and Morningstar Drive in the City of The Colony, Denton County, Texas. The primary market area (PMA) for any form of rental real estate property is defined as the area that a majority of the project's tenants will be drawn from. Market areas are shaped by physical barriers, psychological barriers, density, and other factors. There are no significant physical or psychological barriers in the immediate proximity of the subject that are believed to limit the subject's market area. For this analysis, we consider the primary market area (PMA) for the subject to be constrained by the following boundaries: W Main Street to the north; Coit Road to the east; President George Bush Turnpike to the south; and Interstate Highway 35 to the west.

According to the demographics provided in the market study, the 2007 population of the PMA is estimated at 294,780, which is significantly more than the Department's maximum population of 250,000 for primary market areas in elderly transactions. However, the PMA include no other unstabilized comparable properties to affect the supply of units in the required inclusive capture rate calculation. Moreover, the Underwriter's inclusive capture rate (20.99%) based on the proposed PMA is well below the Department's maximum of 75%. If a prorata adjustment to the demographics is made to reduce the effective population input to the maximum of 250,000, then the projected demand would decrease from 691 to 586 and the inclusive capture rate would increase just 4% to 25%. This inclusive capture rate is also well below the Department's guideline.

Greater than a 72% reduction in the PMA population would be required for the Underwriter's inclusive capture rate to exceed the Department's 75% maximum. As a result of this margin and due to the lack of any other unstabilized comparable properties, the Underwriter has not sought a revision to the market study.

Secondary Market Area (SMA):

None

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
none				N/A			

INCOME LIMITS						
Denton						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,950	\$15,950	\$17,950	\$19,950	\$21,550	\$23,150
50	\$23,300	\$26,600	\$29,950	\$33,250	\$35,900	\$38,550
60	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Demand	"Turnover Capture Rate"					
PMA DEMAND from TURNOVER										
Market Analyst 1BR/30%	20%	5,911	72%	4,238	3%	123	50%	61	7%	
Market Analyst 1BR/50%	20%	5,911	72%	4,238	6%	250	50%	125	21%	
Market Analyst 1BR/60%	20%	5,911	72%	4,238	7%	309	50%	155	28%	
Market Analyst 2BR/30%	20%	5,911	51%	3,026	2%	45	50%	23	18%	
Market Analyst 2BR/50%	20%	5,911	51%	3,026	3%	97	50%	48	52%	
Market Analyst 2BR/60%	20%	5,911	51%	3,026	4%	118	50%	59	73%	
Market Analyst Overall								471		
	All Elderly Households	Household Size	Income Eligible	Tenure	Demand					
Underwriter (OVERALL)	20%	28,671	100%	28,671	17%	4,980	33%	1,639	34%	559
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst 1BR/30%			72%	1,368	3%	40	33%	13	100%	13
Market Analyst 1BR/50%			72%	1,368	6%	81	33%	27	100%	27
Market Analyst 1BR/60%			72%	1,368	7%	100	33%	33	100%	33
Market Analyst 2BR/30%			51%	977	2%	15	33%	5	100%	5
Market Analyst 2BR/50%			51%	977	3%	31	33%	10	100%	10
Market Analyst 2BR/60%			51%	977	4%	38	33%	13	100%	13
Market Analyst Overall										101
Underwriter (OVERALL)			100%	2,311	17%	401	33%	132	100%	132

Comments:

The Market Analyst calculated turnover demand by each unit type starting with the number of apartment units rather than existing households thereby significantly underestimating the number of elderly households.

The Market Analyst calculated demand by each unit type and summed these individual demand figures before calculating the inclusive capture rate. However, the Market Analyst's methodology results in significant overlap in the following ways. First, the income bands for the 50% and 60% units overlap significantly and the Market Analyst did not account for this overlap when calculating total demand. Second, the Market Analyst counted two person households in calculations for both one and two bedroom units. Because it is difficult to determine what proportion of two person household would choose either size unit, this overlap is acceptable when calculating demand for individual units but this overlap should be eliminated in the overall calculation. This overlap effectively double counts some households and generally results in an inflated total demand number and lower inclusive capture rate. For the subject development however, the Analyst has only included 1 and 2 person elderly households in the demand which is more restrictive than the Underwriter.

Finally, the Market Analyst used a turnover rate of 50%. This rate appears to be derived from data not specific to elderly households. Elderly households generally turnover at lower rates than non-elderly households. Therefore, the Underwriter has used a lower turnover rate specific to elderly households of 34.1%.

The Market Analyst deviated in several important ways from the guidelines provided in the Department's rules on market studies. The Underwriter has made adjustments in the calculation of the overall demand to be in line with Department guidelines. The net result is that the Analyst understated demand. The Underwriter has therefore determined a lower inclusive capture rate of 20.99% (see the chart below).

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst OVERALL	145	0	0	145	572	25.33%
Underwriter OVERALL	145	0	0	145	691	20.99%

Primary Market Occupancy Rates:

"The simple average occupancy for properties within the PMA is 94%" (p. 86). "The simple average occupancy rate for LIHTC properties within the PMA is 93%" (p. 87).

Absorption Projections:

"We forecast a lease-up period of 14 months for the subject, equating to an absorption pace of 10 units per month" (p. 90).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 700 SF 30%	\$265	\$265	\$835	\$265	\$570		
1 BR 700 SF 50%	\$515	\$515	\$835	\$515	\$320		
1 BR 700 SF 50%	\$515	\$515	\$835	\$515	\$320		
1 BR 700 SF 60%	\$640	\$640	\$835	\$640	\$195		
2 BR 925 SF 30%	\$319	\$318	\$1,075	\$318	\$757		
2 BR 925 SF 50%	\$618	\$618	\$1,075	\$618	\$457		
2 BR 925 SF 50%	\$618	\$618	\$1,075	\$618	\$457		
2 BR 925 SF 60%	\$768	\$768	\$1,075	\$768	\$307		

Market Impact:

"We conclude there to be sufficient unmet demand to support the development of the subject" (p. 91).

Comments:

While the Market Analyst did not account for several important aspects of the demand analysis (as described above), the Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate. The Underwriter's demand conclusions are sufficient to make a favorable recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 146 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 204 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/27/2008

The Applicant's net rents are equal to the lesser of the HOME program rent limits less utility allowances or the HTC program rent limits less utility allowances. The Underwriter has also used the lesser of the applicable program restrictions for each unit. However, the Applicant has used utility allowances maintained by the Plano Housing Authority dated November 2005. The Underwriter has used current utility allowances from the Lewisville Housing Authority (LHA). LHA is the applicable utility allowance provider for The Colony, including the subject site. This difference results in a 1% difference between the Applicant's and Underwriter's potential gross rent estimates.

It should be noted, however, that the for-profit development partner submitted a similar application for Evergreen at Vista Ridge in Lewisville and instead of using the LHA utility allowances used much lower estimated allowances provided by Ciro Energy, a local utility provider. Using the lower allowances in this case would provide significantly higher rents and greater net operating income and could allow for a reduced loan term or higher interest rate for the proposed HOME loan. It is not clear that the energy company in that application can serve the subject.

The Applicant's estimates of secondary income and vacancy and collection loss are each in line with Department standards. Therefore, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Of note, the Applicant has elected to reserve more than 40% of the units for households at or below 50% of AMI in order to ensure that the requested HOME loan does not jeopardize the development's eligibility for 9% HTCs.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/16/2008

The Applicant's expense estimate of \$4,330 per unit is not within 5% of the Underwriter's estimate of \$3,924 per unit derived from the TDHCA database, IREM data, and other sources. Two of the Applicant's estimates of specific line items differ significantly from the Underwriter's, including: general and administrative (\$12K higher); and payroll and payroll tax (\$55K higher).

The Applicant has indicated that they expect a 50% CHDO exemption on property taxes, which is typical of transactions with CHDO ownership of the GP. The Underwriter has assumed a 50% CHDO exemption.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are each not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the parameters of the Department's current guideline.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 30.6 acres	\$2,521,125	Tax Year:	2007
One Acre:	\$82,525	Valuation by:	Denton CAD
Prorata Value: 5.33 acres	\$439,872	Tax Rate:	2.30339

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement (w/five amendments) Acreage: 5.34

Contract Expiration: 8/1/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$1,500,000 Other: Extensions available

Seller: Triangle Property 01 Ltd & 04 Ltd Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/11/2008

Acquisition Value:

The site cost of \$281K per acre or \$10,345 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. However, this is a relatively high land cost compared to other similar transactions.

Sitework Cost:

The Applicant's revised sitework costs are \$10,712 per unit. The Applicant has supplemented the application with a signed and sealed letter from a third-party engineer supporting the Applicant's estimate and a letter from a CPA indicating supporting the eligibility of these costs. No further documentation is required at this time.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate of \$54,980 per unit is 9% or \$647K higher than the Underwriter's estimate of \$50,515 derived from Marshall and Swift Residential Cost Handbook. The Applicant revised the development cost schedule two times during underwriting to attempt to reconcile the direct construction cost with the Underwriter's estimate which originally differed by 15%.

The Applicant's proposed development is very similar to several previous developments funded with TDHCA programs for the same development team. In fact, the units are exactly the same in square footage and configuration as these previous transactions, but the buildings are configured for each of these developments to best fit the site and total size of the development. The primary difference is that the subject transaction is four stories. This similarity provides a unique opportunity for comparison.

Evergreen at Plano (#04409; 250 units), Evergreen at Lewisville (#04457; 218 units), and Evergreen at Keller (#04491; 250 units) are all 2004 4%HTC/Bond transactions. Both Evergreen at Keller and Evergreen at Lewisville cost certified in mid-2007. The actual total hard construction costs for these transactions ranged from \$49K to \$52K per unit. The Applicant's proposed hard costs of \$78K per unit are 50% to 59% higher than the actual direct construction costs on these three similar transactions. In each of these transactions, the Applicant returned between \$15K and \$20K in tax credits due to a lower eligible basis as cost certification than at underwriting.

The Applicant also submitted the actual costs for Evergreen at Rockwall (#060111), a 141 unit 2006 9%/HOME funded transaction currently under construction. Based on the Underwriter's evaluation, the actual direct construction costs amount to \$48,063 per unit. It should be noted that this may be overstated because the Underwriter allocated all change orders, amounting to \$498K, to direct costs and none to sitework or contractor fees. The Applicant's direct cost estimate for the proposed transaction is 14% higher than for Evergreen at Rockwall, while the Underwriter's direct cost estimate is 3% higher. Moreover, these actual costs do not include the 5% contingency allowance included at underwriting or the 40bp spread in the applicable percentage at underwriting.

The Applicant has cited the total hard construction costs incurred at Evergreen at Rockwall as the reason for the total hard cost for the subject transaction. However, the Applicant significantly understated actual sitework costs when Rockwall was underwritten by pegging the \$7,500 per unit threshold. The actual sitework costs incurred are \$13K per unit. Additionally, contractor fees amount to more than 19% of the sitework and direct costs, which is significantly above the Department's 14% limit on contractor fees.

Based on the documentation provided by the Applicant, the Underwriter's direct construction cost estimate appears to be in line with the actual costs of similar developments. Moreover, the primary costs differences appear to be the result of incurring contractor fees well in excess of the Department's 14% limit.

Reserves:

The Applicant has estimated reserves of \$486,189 which is higher than the underwriting standard of 6 months of expenses less management fee plus debt service. However, the Applicant provided an updated permanent loan commitment from SunAmerica indicating that reserves consisting of a \$324,989 interest reserve, \$300,000 "pre-leasing" reserve, and \$186,189 reserve for stabilization will be required. This amounts to \$625,354 in required reserves, which is sufficient to fund the required operating costs and debt service for more than 15 months. This is an extremely high reserves requirement and may be indicative of the lender's concerns regarding the strength of the local market and the market's ability to absorb the proposed units. Interim interest has been included as an eligible financing cost and the lender's interest reserve has therefore not been included in this line item.

Conclusion:

The Applicant's total development cost is marginally 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 \$14,971,354 supports annual tax credits of \$1,245,617 which is more than the \$1,200,000 limit per development. 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

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: SunAmerica Affordable Housing Partners Type: Interim to Permanent Financing

Principal: \$3,540,000 Interest Rate: 7.50% Fixed Amort: 480 months

Comments:

An interest rate of 7.5% is relatively high compared to other similar transactions currently being evaluated and particularly high when considering this source is just 20% of the Applicant's total estimated development cost but contemplated by the lender to hold sole first lien position. The commitment indicates a 40 year amortization with a 16 term.

This section intentionally left blank.

Source: SunAmerica Affordable Housing Partners Type: Syndication

Proceeds: \$9,840,000 Syndication Rate: 82% Anticipated HTC: \$ 1,200,000

Comments:

The letter of interest indicates that a bridge loan of \$8,615,450 will be provided during construction and only \$165K in tax credit equity will enter the transaction before completion of construction. Based on the relatively late equity pay-in schedule and in light of the substantial requested HOME loan, a credit price of \$0.82 per dollar of credit appears to be lower than would be expected. However, should the final credit price decrease less than \$0.70, all else equal, the gap in financing would increase and 100% of the available developer fee would be deferred. Beyond this point a reevaluation would be prudent to determine if contractor fees would also be available to defer. Alternatively, an increase in the credit price to more than \$0.91, all else equal, could warrant a reduction in the HTC allocation because the gap in financing would decrease and the credits needed to fill this gap would also decrease.

Amount: \$1,134,001 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$3,540,000 and anticipated \$3,000,000 in TDHCA HOME funds indicates the need for \$10,974,002 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,338,293 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,200,000), the gap-driven amount (\$1,338,293), and limited eligible basis-derived estimate (\$1,200,000), the Applicant's request of \$1,200,000 is recommended resulting in proceeds of \$9,840,000 based on a syndication rate of 82%.

The Underwriter recommends a HOME loan not to exceed \$3,000,000 structured as a fully repayable mortgage with an interest rate of 0% and with an amortization and term to mirror the SunAmerica mortgage or replacement source of financing (currently with 16 year term & 40 year amortization). If the HOME award is ultimately not received the substantial resulting gap in financing would render this transaction infeasible.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. The HOME award is less than the amount of the proposed SunAmerica mortgage. The conventional lender's loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department's Board has accepted a second lien for loans where the Department's funds are less than the conventional lender's.

This section intentionally left blank.

The Applicant has elected to restrict 40% of the units at 50% of AMI with no 30% boost in order to maintain eligibility for the requested 9% credits. Moreover, the interest rate may be fixed during the construction and permanent periods because the below market rate nature of the funds will not alone result in recapture of the credit.

The Underwriter's recommended financing structure indicates the need for \$1,134,002 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Underwriter:	_____	Date:	_____
	<i>Cameron Dorsey</i>		July 3, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 3, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 3, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Evergreen at The Colony, The Colony, 9% HTC / HOME #08223

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	4	1	1	700	\$373	\$265	\$1,060	\$0.38	\$108.00	\$44.00
TC 50%	15	1	1	700	\$623	\$515	\$7,725	\$0.74	\$108.00	\$44.00
TC 50%/LH	11	1	1	700	\$623	\$515	\$5,665	\$0.74	\$108.00	\$44.00
TC 60%	43	1	1	700	\$748	\$640	\$27,520	\$0.91	\$108.00	\$44.00
TC 30%/LH	4	2	2	925	\$448	\$318	\$1,272	\$0.34	\$130.00	\$48.00
TC 50%	15	2	2	925	\$748	\$618	\$9,270	\$0.67	\$130.00	\$48.00
TC 50%/LH	10	2	2	925	\$748	\$618	\$6,180	\$0.67	\$130.00	\$48.00
TC 60%	43	2	2	925	\$898	\$768	\$33,024	\$0.83	\$130.00	\$48.00
TOTAL:	145		AVERAGE:	812		\$633	\$91,716	\$0.78	\$118.92	\$45.99

INCOME		Total Net Rentable Sq Ft:	117,700		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					\$1,100,592	\$1,100,640	Denton	Dallas	3
Secondary Income		Per Unit Per Month:	\$10.00		17,400	17,400	\$10.00	Per Unit Per Month	
Other Support Income:					0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					\$1,117,992	\$1,118,040			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(83,849)	(83,856)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$1,034,143	\$1,034,184			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT		TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.53%	\$394	0.49		\$57,165	\$68,875	\$0.59	\$475	6.66%
Management	5.00%	357	0.44		51,707	51,781	0.44	357	5.01%
Payroll & Payroll Tax	14.52%	1,036	1.28		150,164	204,719	1.74	1,412	19.80%
Repairs & Maintenance	5.67%	405	0.50		58,653	59,015	0.50	407	5.71%
Utilities	5.00%	357	0.44		51,732	50,110	0.43	346	4.85%
Water, Sewer, & Trash	5.27%	376	0.46		54,549	54,000	0.46	372	5.22%
Property Insurance	3.39%	242	0.30		35,029	32,625	0.28	225	3.15%
Property Tax	2.30339	403	0.50		58,449	55,250	0.47	381	5.34%
Reserve for Replacements	3.51%	250	0.31		36,250	36,250	0.31	250	3.51%
TDHCA Compliance Fees	0.56%	40	0.05		5,800	5,800	0.05	40	0.56%
Other: Support Services	0.91%	65	0.08		9,425	9,425	0.08	65	0.91%
TOTAL EXPENSES	55.01%	\$3,924	\$4.83		\$568,922	\$627,850	\$5.33	\$4,330	60.71%
NET OPERATING INC	44.99%	\$3,208	\$3.95		\$465,221	\$406,334	\$3.45	\$2,802	39.29%

DEBT SERVICE					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
SunAmerica Mortgage	27.03%	\$1,928	\$2.38		\$279,548	\$279,548	\$2.38	\$1,928	27.03%
TDHCA HOME loan	7.25%	\$517	\$0.64		75,000	75,000	\$0.64	\$517	7.25%
Additional Financing	0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
NET CASH FLOW	10.70%	\$763	\$0.94		\$110,673	\$51,786	\$0.44	\$357	5.01%

AGGREGATE DEBT COVERAGE RATIO	1.31	1.15
RECOMMENDED DEBT COVERAGE RATIO	1.31	

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)	8.96%	\$10,345	\$12.74		\$1,500,000	\$1,500,000	\$12.74	\$10,345	8.56%
Off-Sites	0.00%	0	0.00		0	0	0.00	0	0.00%
Stework	9.28%	10,712	13.20		1,553,244	1,553,244	13.20	10,712	8.87%
Direct Construction	43.77%	50,515	62.23		7,324,741	7,972,149	67.73	54,980	45.52%
Contingency	4.29%	2,628	3.24		381,016	381,016	3.24	2,628	2.18%
Contractor's Fees	14.00%	8,572	10.56		1,242,918	1,333,555	11.33	9,197	7.61%
Indirect Construction	8.27%	9,549	11.76		1,384,551	1,384,551	11.76	9,549	7.91%
Ineligible Costs	3.33%	3,838	4.73		556,459	556,459	4.73	3,838	3.18%
Developer's Fees	15.00%	12,765	15.73		1,850,946	1,893,672	16.09	13,060	10.81%
Interim Financing	2.71%	3,125	3.85		453,167	453,167	3.85	3,125	2.59%
Reserves	2.91%	3,353	4.13		486,189	486,189	4.13	3,353	2.78%
TOTAL COST	100.00%	\$115,402	\$142.17		\$16,733,231	\$17,514,002	\$148.80	\$120,786	100.00%
Construction Cost Recap	62.76%	\$72,427	\$89.23		\$10,501,919	\$11,239,964	\$95.50	\$77,517	64.18%

SOURCES OF FUNDS					TDHCA	APPLICANT	RECOMMENDED	
SunAmerica Mortgage	21.16%	\$24,414	\$30.08		\$3,540,000	\$3,540,000	\$3,540,000	Developer Fee Available
TDHCA HOME loan	17.93%	\$20,690	\$25.49		3,000,000	3,000,000	3,000,000	\$1,893,672
SunAmerica HTC Equity	58.81%	\$67,862	\$83.60		9,840,000	9,840,000	9,840,000	% of Dev. Fee Deferred
Deferred Developer Fees	6.78%	\$7,821	\$9.63		1,134,001	1,134,001	1,134,002	60%
Additional (Excess) Funds Req'd	-4.67%	(\$5,385)	(\$6.63)		(780,770)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$16,733,231	\$17,514,002	\$17,514,002	\$2,552,360

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Evergreen at The Colony, The Colony, 9% HTC / HOME #08223

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.08	\$6,247,956
Adjustments				
Exterior Wall Finish	4.00%		\$2.12	\$249,918
Elderly	3.00%		1.59	187,439
9-Ft. Ceilings	3.50%		1.86	218,678
Fireplace	\$2,575	1	0.02	2,575
Subfloor			(0.62)	(72,680)
Floor Cover			2.43	286,011
Breezeways/Balconies	\$21.36	1,504	0.27	32,125
Plumbing Fixtures	\$805	216	1.48	173,880
Rough-ins	\$400	290	0.99	116,000
Built-In Appliances	\$1,850	145	2.28	268,250
Stairs	\$1,800	18	0.28	32,400
Enclosed Corridors	\$46.42	30,706	12.11	1,425,487
Heating/Cooling			1.90	223,630
Elevators	\$45,100	3	1.15	135,300
Comm &/or Aux Bldgs	\$81.38	2,500	1.73	203,461
Other: fire sprinkler	\$1.95	148,406	2.46	289,392
SUBTOTAL			85.13	10,019,823
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(8.51)	(1,001,982)
TOTAL DIRECT CONSTRUCTION COSTS			\$76.62	\$9,017,841
Plans, specs, survy, bld prm	3.90%		(\$2.99)	(\$351,696)
Interim Construction Interest	3.38%		(2.59)	(304,352)
Contractor's OH & Profit	11.50%		(8.81)	(1,037,052)
NET DIRECT CONSTRUCTION COSTS			\$62.23	\$7,324,741

PAYMENT COMPUTATION

Primary	\$3,540,000	Amort	480
Int Rate	7.50%	DCR	1.66

Secondary	\$3,000,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.31

Additional	\$9,840,000	Amort	
Int Rate		Aggregate DCR	1.31

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$279,548
Secondary Debt Service	75,000
Additional Debt Service	0
NET CASH FLOW	\$110,673

Primary	\$3,540,000	Amort	480
Int Rate	7.50%	DCR	1.66

Secondary	\$3,000,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.31

Additional	\$9,840,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.31

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

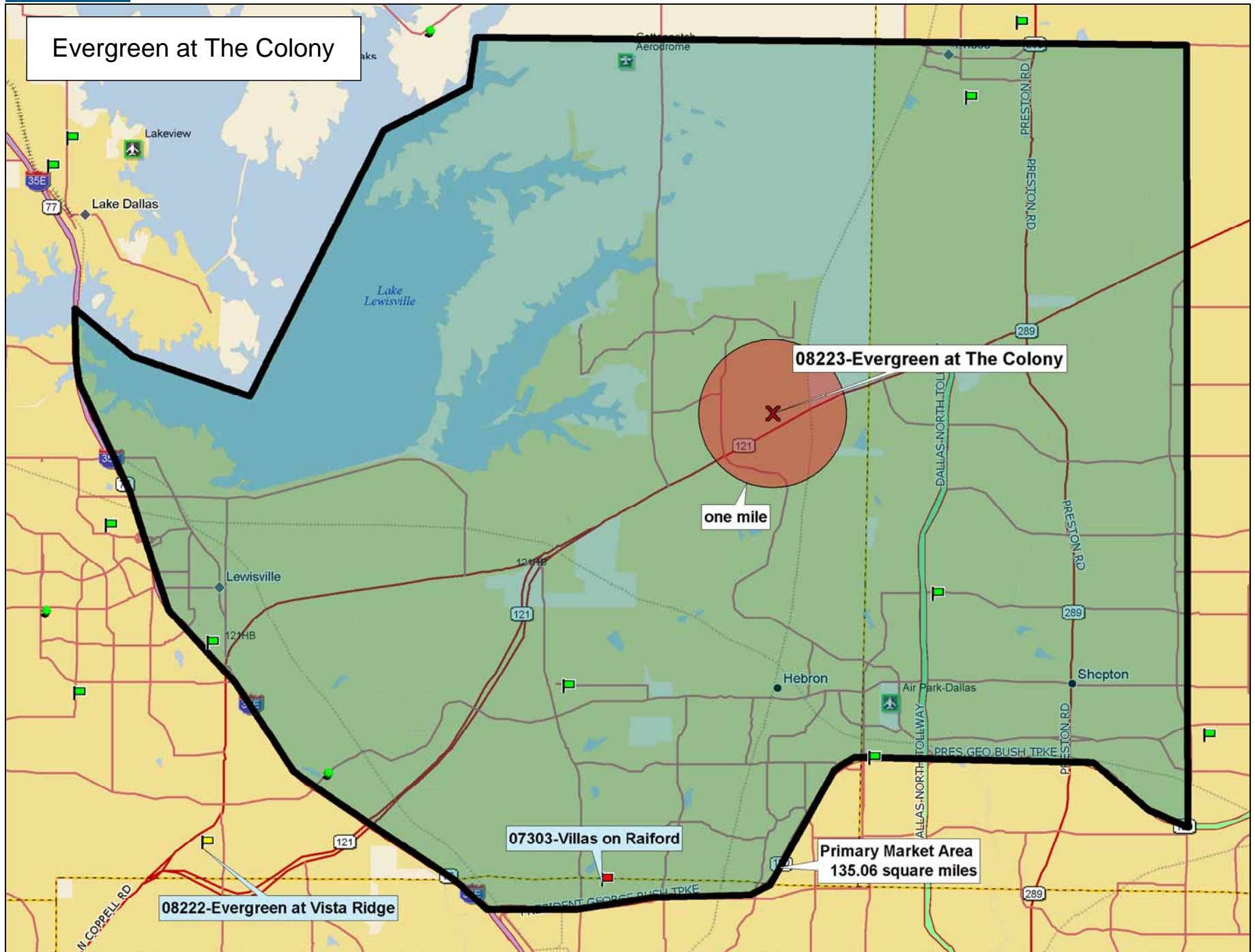
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,100,592	\$1,133,610	\$1,167,618	\$1,202,647	\$1,238,726	\$1,436,023	\$1,664,744	\$1,929,895	\$2,593,617
Secondary Income	17,400	17,922	18,460	19,013	19,584	22,703	26,319	30,511	41,004
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,117,992	1,151,532	1,186,078	1,221,660	1,258,310	1,458,726	1,691,063	1,960,406	2,634,621
Vacancy & Collection Loss	(83,849)	(86,365)	(88,956)	(91,625)	(94,373)	(109,404)	(126,830)	(147,030)	(197,597)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,034,143	\$1,065,167	\$1,097,122	\$1,130,036	\$1,163,937	\$1,349,322	\$1,564,233	\$1,813,375	\$2,437,025
EXPENSES at 4.00%									
General & Administrative	\$57,165	\$59,451	\$61,829	\$64,302	\$66,874	\$81,363	\$98,991	\$120,437	\$178,276
Management	51,707	53,258	54,856	56,502	58,197	67,466	78,212	90,669	121,851
Payroll & Payroll Tax	150,164	156,170	162,417	168,914	175,670	213,729	260,035	316,372	468,308
Repairs & Maintenance	58,653	60,999	63,439	65,977	68,616	83,482	101,569	123,574	182,919
Utilities	51,732	53,801	55,953	58,191	60,519	73,631	89,583	108,992	161,334
Water, Sewer & Trash	54,549	56,730	59,000	61,360	63,814	77,640	94,460	114,925	170,118
Insurance	35,029	36,430	37,887	39,403	40,979	49,857	60,659	73,801	109,243
Property Tax	58,449	60,786	63,218	65,747	68,377	83,190	101,214	123,142	182,281
Reserve for Replacements	36,250	37,700	39,208	40,776	42,407	51,595	62,773	76,373	113,051
Other	15,225	15,834	16,467	17,126	17,811	21,670	26,365	32,077	47,481
TOTAL EXPENSES	\$568,922	\$591,161	\$614,275	\$638,298	\$663,265	\$803,624	\$973,860	\$1,180,362	\$1,734,863
NET OPERATING INCOME	\$465,221	\$474,005	\$482,847	\$491,738	\$500,672	\$545,698	\$590,374	\$633,014	\$702,162
DEBT SERVICE									
First Lien Financing	\$279,548	\$279,548	\$279,548	\$279,548	\$279,548	\$279,548	\$279,548	\$279,548	\$279,548
Second Lien	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$110,673	\$119,457	\$128,298	\$137,189	\$146,124	\$191,150	\$235,825	\$278,465	\$347,613
DEBT COVERAGE RATIO	1.31	1.34	1.36	1.39	1.41	1.54	1.67	1.79	1.98

HTC ALLOCATION ANALYSIS -Evergreen at The Colony, The Colony, 9% HTC / HOME #08223

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,500,000	\$1,500,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,553,244	\$1,553,244	\$1,553,244	\$1,553,244
Construction Hard Costs	\$7,972,149	\$7,324,741	\$7,972,149	\$7,324,741
Contractor Fees	\$1,333,555	\$1,242,918	\$1,333,555	\$1,242,918
Contingencies	\$381,016	\$381,016	\$381,016	\$381,016
Eligible Indirect Fees	\$1,384,551	\$1,384,551	\$1,384,551	\$1,384,551
Eligible Financing Fees	\$453,167	\$453,167	\$453,167	\$453,167
All Ineligible Costs	\$556,459	\$556,459		
Developer Fees				
Developer Fees	\$1,893,672	\$1,850,946	\$1,893,672	\$1,850,946
Development Reserves	\$486,189	\$486,189		
TOTAL DEVELOPMENT COSTS	\$17,514,002	\$16,733,231	\$14,971,354	\$14,190,583

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,971,354	\$14,190,583
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$14,971,354	\$14,190,583
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,971,354	\$14,190,583
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,245,617	\$1,180,656

Syndication Proceeds	0.8200	\$10,214,057	\$9,681,383
Total Tax Credits (Eligible Basis Method)		\$1,245,617	\$1,180,656
Syndication Proceeds		\$10,214,057	\$9,681,383
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$9,840,000	
Gap of Syndication Proceeds Needed		\$10,974,002	
Total Tax Credits (Gap Method)		\$1,338,293	



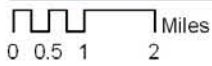
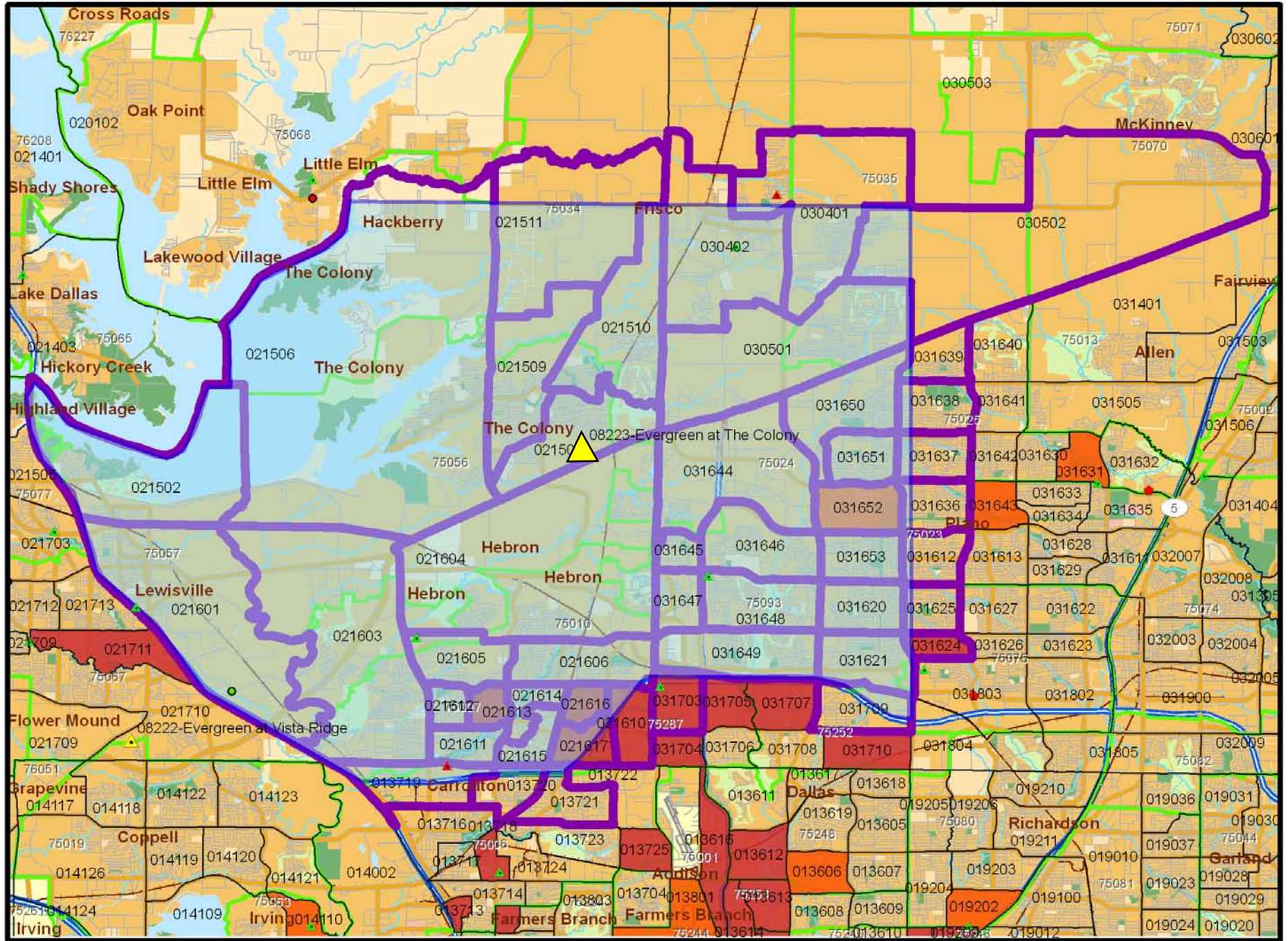
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TN
 MN (4.4°E)
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Scale 1 : 112,500
 0 1 2 3 4 5 mi
 0 1 2 3 4 5 km
 1" = 1.78 mi Data Zoom 10-7



- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
- Orange Tracts: 1000 to 1432 units/sq.mi.

08223

Applicant Evaluation

Project ID **08223**

Name **Evergreen at the Colony**

City: **The Colony**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 11

Projects in Material Noncompliance
Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Projects grouped by score 0-9: 10

Total # of MF awards not yet monitored or pending review: 3

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 11

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 6/2/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/2/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Whispering Oaks Apartments, TDHCA Number 08226

BASIC DEVELOPMENT INFORMATION

Site Address: 1209 W. 8th St. Development #: 08226
 City: Goldthwaite Region: 8 Population Served: Elderly
 County: Mills Zip Code: 76844 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Goldthwaite Fountainhead, L.P.
 Owner Contact and Phone: Patrick A. Barbolla, (817) 732-1055
 Developer: Fountainhead Affiliates, Inc.
 Housing General Contractor: Fountainhead Construction, Inc.
 Architect: J. Douglas Cain Associates, Architects, Inc.
 Market Analyst: N/A
 Syndicator: Boston Capital Corp
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	24
	2 0 18 4	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 18 6 0 0 0	Total Development Units:	24
Type of Building:		Total Development Cost*:	\$1,988,972
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	2
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	22
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$140,410	\$135,597			
HOME Activity Fund Amount:	\$210,000	\$210,000	30	30	AFR
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Whispering Oaks Apartments, TDHCA Number 08226

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S

Points: 14 US Representative: Conaway, District 11, NC

TX Representative: Miller, District 59, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition: 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s).

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
2. Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 17% on average in the current basic rents.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Whispering Oaks Apartments, TDHCA Number 08226

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **163** Meeting a Required Set-Aside Credit Amount*: \$135,597

Recommendation: Competitive in USDA Allocation

HOME Activity Funds:

Loan Amount: \$210,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/30/08 PROGRAM: HOME / 9% HTC FILE NUMBER: 08226

DEVELOPMENT

Whispering Oaks Apartments

Location: 1209 West 8th Region: 8
 City: Goldthwaite County: Mills Zip: 76844 OCT DDA
 Key Attributes: Elderly, At-Risk, Acquisition/Rehab, Rural, and four-plex buildings

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$210,000	4.50%	30/30	\$210,000	AFR*	30/30
Housing Tax Credit (Annual)	\$140,410			\$135,597		

* Estimated at 4.50% at the time of underwriting.

CONDITIONS

- 1 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 2 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 17% on average in the current basic rents.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	18
60% of AMI	60% of AMI	4

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
Low HOME	30% of AMI	2
Low HOME	50% of AMI	20
High HOME	65% of AMI	2

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PROS

- The application proposes the rehabilitation of an existing 24 unit USDA-RD property constructed in 1985.
- The development team has substantial experience constructing, rehabilitating and managing USDA-RD properties.

CONS

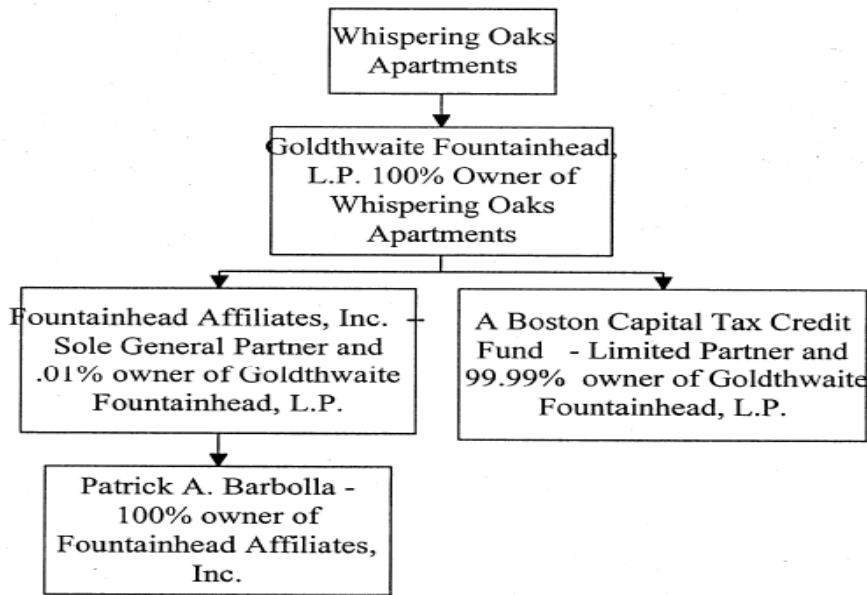
- If the HOME award is ultimately not received, the transaction may not be financially viable.
- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Patrick A. Barbolla Phone: (817) 732-1055 Fax: (817) 732-7716
 Email: pabarbolla@aol.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Fountainhead Affiliates, Inc.	N/A	22
Patrick A. Barbolla	N/A	25

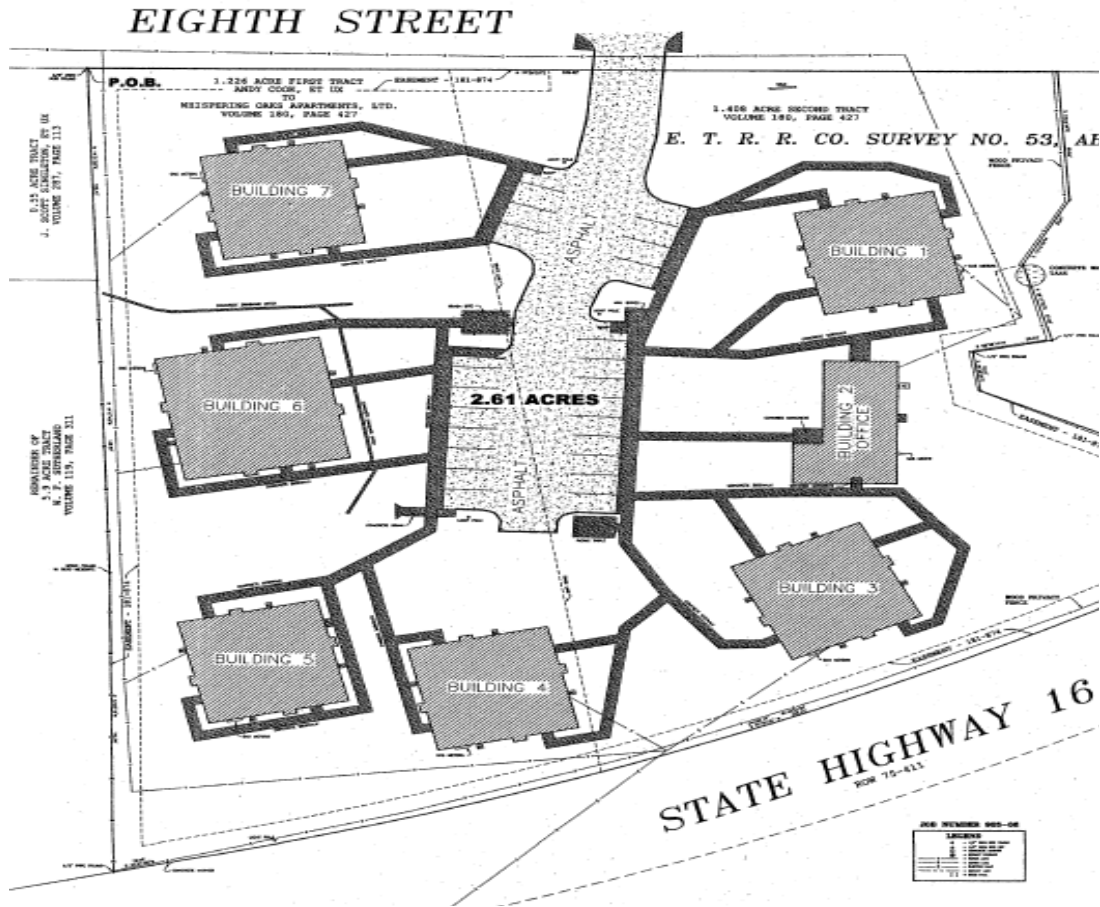
IDENTITIES of INTEREST

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

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B																		Total Buildings	
Floors/Stories	1	1																			
Number	5	1																			6

BR/BA	SF	Units										Total Units	Total SF	
1/1	574	4											20	11,480
2/1	772		4										4	3,088
Units per Building		4	4										24	14,568

Development Plan:

The Applicant provided a Capital Needs Assessment reflecting the following scope of work:
 Repair damaged sidewalks and parking; install new fencing with steel posts on three sides; replace two dumpster enclosures; replace all resilient flooring with tile; replace all carpet areas; new landscaping; repair and repaint wood trim; replace all roofing material; add R-15 insulation to all attics, replace ten water heaters as needed; replace kitchen cabinets as needed; paint all exterior areas; replace HVAC as needed; replace ranges and range hoods as needed; replace refrigerators as needed; and replace windows as needed.

Relocation Plan:

The Applicant plans to temporarily relocate some tenants off-site at the expense of the complex for a period of up to two weeks during construction.

SITE ISSUES

Total Size: 2.634 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: No zoning Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/11/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Single family residences East: Single family residences
 South: State Highway 16 and a city park West: Single family residences

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:
 A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report.

MARKET HIGHLIGHTS

Provider: Sherrill & Associates, Inc Date: 2/27/2008
 Contact: Jerry Sherrill Phone: (817) 557-1791 Fax: None
 Number of Revisions: none Date of Last Applicant Revision: N/A

Comments:
 A market study is not required for existing USDA-RD transactions requesting TDHCA program funds. However, the appraisal provided reflects the following information regarding the subject market.

Market Area:

"The subject is located in Goldthwaite, Mills County, Texas which is located at the intersection of US Highway 84 and US Highway 183, in the central area of Texas. It is approximately 100 miles southeast of Abilene, 120 miles southwest of Fort Worth, 95 miles northwest of Austin and 85 miles west of Waco. Mills County had a population of 5,151 in the year 2000 and it had an estimated population of 5,184 in 2006 which is an increase of 0.6% over year 2000 while population has increased 12.7% statewide. Persons aged 65 and over make up only 21.5% of the county population compared to 9.9% of the state population." (p. 10)

"The economic base is made up of agriculture, tourism and government services. This area is becoming a popular area for retirement of older and more affluent people. The Colorado River forms the southwest county line between Mills and San Saba counties and is about 10 miles south of Goldthwaite. This river is very popular for fishing and camping. This is a predominantly rural area with property values increasing at a slower rate than the urban areas in the state." (p. 10)

INCOME LIMITS

Mills						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,400	\$10,750	\$12,100	\$13,450	\$14,550	\$15,600
50	\$15,700	\$17,900	\$20,150	\$22,400	\$24,200	\$26,000
60	\$18,840	\$21,480	\$24,180	\$26,880	\$29,040	\$31,200

This section intentionally left blank.

Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	574 SF	30%	301	354	\$330	\$354	\$53
1 BR	574 SF	50%	301	354	\$330	\$354	\$53
1 BR	574 SF	60%	301	354	\$330	\$354	\$53
2 BR	772 SF	50%	411	480	\$430	\$480	\$69
2 BR	772 SF	60%	411	480	\$430	\$480	\$69

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. Moreover, the property has a current occupancy of 88% according to a rent roll provided at application and is proposing a temporary relocation of some tenants at the expense of the complex, for a period of up to two weeks. The presence of an existing tenant base mitigates potential concerns about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 0.01 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's net rents are anticipated basic rent levels. These basic rents have not yet been approved by USDA-RD. The proposed rents are 17% higher than the current USDA-RD basic rent levels and 8% higher than the Appraiser's market rents and provides \$16K more in gross potential income than is available currently and roughly \$8K more the market rents. The property currently receives Rental Assistance (RA) on all twenty-four units.

The proposed rents are higher than the maximum rent for the units targeting 50% income. The Applicant has restricted all but 2 units as Low HOME units which are restricted to 50% incomes and therefore will need rental assistance on these units in order for the development to receive the full basic rent in the form of rental subsidy as the tenants, themselves, may not pay more than the 50% maximum rent. The Underwriter has used the Applicant's proposed rents for this analysis, but receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved the proposed basic rents is a condition of this report. The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant total expense estimate of \$2,939 per unit is within 5% of the Underwriter's estimate of \$2,934 per unit derived from actual 2007 operating statements for the property, the TDHCA database, IREM data, and other sources.

The Applicant has estimated a reserve account expense of \$275/unit. The Department's guidelines required a minimum of \$300/unit/year in reserve for replacement expense for a development proposing rehabilitation, subject to higher amounts if identified by the Capital Needs Assessment (CNA). The Underwriter's estimate of \$328/unit accounts the repairs and maintenance required over a 15 year period as reflected in the CNA. This is a nominal increase from the Applicant's estimate.

The Underwriter evaluated the Applicant's proforma as estimated, including the \$275/unit reserve for replacement line item. This amount results in a negative reserve balance by Year 10. This negative balance could be mitigated if the Applicant were to reserve the recommended \$328/unit/month in reserves as reflected in the Underwriter's analysis.

Conclusion:

The Applicant's income, operating expense and Net Operating Income (NOI) estimates are all within 5% of the Underwriter's estimate, therefore, the Applicant's proforma will be used to determine the development's debt service capacity and debt coverage ratio (DCR). The Applicant's proforma and estimated debt service result in a debt coverage ratio (DCR) that is below the Department's minimum guideline of 1.15. Therefore, the recommended financing structure for the requested TDHCA HOME funds will be adjusted in order to achieve an acceptable DCR.

The Applicant's and Underwriter's expense to income ratios (67.89% and 67.76%, respectively) are above the TDHCA guideline of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing" [§1.32(7)(B)(ii)]. The subject's proposed rents are managed by USDA. As such the subject development meets this feasibility exception.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primarily vested in the additional HOME funding. In fact the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance of documentation that USDA-RD has approved the increase as proposed by cost certification along with the approval of the transfer and parity of the additional HOME debt by carryover are conditions of this report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that falls slightly below the Department's minimum of 1.15. However, as indicated previously, the subject development meets the REA exceptions for the minimum DCR and maximum expense to income ratio as a result of receiving rental assistance in association with USDA-RD financing. Additionally, rent increases are subject to budget review and approval by USDA-RD, and therefore, future expense increases can be offset by increases in USDA-RD rents. Therefore, the development can be characterized as feasible. Because of the high expense to income ratio, it should be noted that the debt coverage ratio and cash flow fall below the Department's year one to 15 standards well before year 30 in both the Underwriter's and Applicant's proforma.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Sherrill & Associates, Inc</u>	Date:	<u>2/27/2008</u>
Number of Revisions:	<u>none</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>2.63 acres</u>	<u>\$84,000</u>	As of: <u>2/27/2008</u>
Existing Buildings: (as-is)	<u>\$333,000</u>		As of: <u>2/27/2008</u>
Total Development: (as-is)	<u>\$417,000</u>		As of: <u>2/27/2008</u>

Comments:

The Appraiser has provided an "as is market value" reflected above and a "prospective value as restricted" of \$488,000 rather than providing an "as is restricted value". Moreover that the record suggests a prospective value, after rehabilitation and the rent increase, that is not significantly more than the current value is troubling. The Appraiser provides a value associated with the below market USDA and proposed HOME financing (\$424,000 and \$41,700 respectively) that might mitigate this concern but for the Appraiser's presentation that suggests that these values are within the as is prospective value rather than in addition to it (though the latter was likely intended).

ASSESSED VALUE

Land Only: 2.63 acres	<u>\$13,170</u>	Tax Year:	2007
Existing Buildings:	<u>\$286,490</u>	Valuation by:	<u>Mills CAD</u>
Total Assessed Value:	<u>\$299,660</u>	Tax Rate:	<u>1.6936</u>

EVIDENCE of PROPERTY CONTROL

Type: Real Estate Purchase Agreement Acreage: 2.634

Contract Expiration: 12/29/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$805,800 Other: _____

Seller: Whispering Oaks Apartments, Ltd. Related to Development Team? Yes No

TITLE

Comments:
 An outstanding Deed of Trust dated November 6, 1985, securing payment of a note of even date in the sum of \$659,400, payable to the order of the United States of America, acting through the Farmers Home Administration (USDA-RD) is set out in the Title Insurance Commitment.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:
 The Applicant has provided a contract for the purchase of the subject for a total of \$805,800 or \$33,575 per unit. The Seller is not related to the buyer; however, the transfer must be approved by USDA-RD. History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. The outstanding balance on the USDA loan is approximately \$635,800. The Applicant did not provide documentation of the estimated exit taxes to the Seller. In addition, the acquisition price appears to be more than the appraised value of the property and USDA may also take issue with that as part of their decision to approve the transfer. The purchase appears to be an arms length transaction, however, and the Department does not limit the acquisition in such instances to the appraised value. The Seller and Buyer appear to recognize the standards by which USDA approves transfers and are expected to obtain approval of this transfer.

The Applicant has included total acquisition costs of \$821,800 which includes \$45,000 for land and \$16,000 for closing costs. The Applicant estimated eligible building basis of \$775,840 or 94% of the total acquisition cost. This amount includes \$15,040 in costs classified as "title policy." These costs, if eligible, are more often included in indirect costs, however the Underwriter maintained these costs as part of the acquisition. The Applicant did not justify the 8% value attributed to the land. The prorata percentage implied by the appraisal is 20% for land and 80% for buildings (\$84,000 land /\$417,000 total as is value). This results in an eligible building basis of \$656,258, when the closing costs are included. Therefore, the Underwriter's reconciled eligible acquisition basis is \$119,582 less than the Applicant's estimate.

Sitework Cost:
 Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$6,648 per unit, which agrees with the estimate in the Capital Needs Assessment provided. The underwriting analysis will reflect the value in the CNA.

Direct Construction Cost:
 The Applicant's direct construction cost estimate is \$20,471 per unit and the estimate provided in the Capital Needs Assessment (CNA) is in agreement with the Applicant's costs per the Scope of Work (SOW) report provided. The underwriting analysis will reflect the value in the CNA.

Reserves:

The Applicant has indicated that the existing reserve for replacement accounts and balances will be assumed by the new owner per USDA-RD requirements. The Applicant has provided information that the existing reserve for replacement account balance is approximately \$68K. This amount has not been included in the Applicant's development cost schedule or as a source of funds. However, per the Applicant, the entire amount of existing reserves will be retained to order to satisfy future capital needs.

Contingency & Fees:

The Applicant has not budgeted any contingency, which is a serious concern on an acquisition and rehabilitation application. The presence of unanticipated damage to the buildings or presence hazardous building materials such as asbestos can have a significant impact on costs. The Department has no minimum contingency requirement and the Applicant may have embedded some contingency elsewhere in the budget.

The Applicant's contractor's and developer's fees are all within the maximums allowed by TDHCA guidelines.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$800,049 plus a rehabilitation acquisition of \$991,080 supports annual tax credits of \$135,597. 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

Source: USDA-RD (existing) Type: Permanent Financing
Principal: \$635,800 Interest Rate: 1.0% Fixed Amort: 330 months
Comments:

The Applicant is proposing the same rates and terms transfer of the existing USDA Section 515 mortgage. The remaining term is approximately 330 months with a current total balance of \$635,800, as reflected above. The estimated balance is reflected as a source of funds in the recommended financing

Source: Boston Capital Type: Syndication
Proceeds: \$1,118,996 Syndication Rate: 79% Anticipated HTC: \$ 140,410
Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.775. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to \$0.84 or higher all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$40,172 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

This section intentionally left blank.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio slightly below the Department's guideline of 1.15. However, this development will receive rental assistance in association with USDA-RD financing, which provides mitigation to the minimum DCR requirement. The Underwriter's total development cost estimate less the existing USDA-RD permanent loan balance of \$635,800, and the requested HOME loan of \$210,000, indicates the need for \$1,146,005 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$143,799 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$140,410), the gap-driven amount (\$143,799), and eligible basis-derived estimate (\$135,597), the eligible basis-derived estimate of \$135,597 is recommended resulting in proceeds of \$1,180,630 based on a syndication rate of 79%.

The Underwriter's recommended financing structure indicates the need for \$62,538 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 year of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

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.

Underwriter:	_____	Date:	_____
	<i>Carl Hoover</i>		June 30, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		June 30, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 30, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Whispering Oaks Apartments, Goldthwaite, HOME / 9% HTC #08226

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% / LH	2	1	1	574	\$251	\$354	\$708	\$0.62	\$75.00	\$35.50
TC 50% / LH	16	1	1	574	\$420	\$354	\$5,664	\$0.62	\$75.00	\$35.50
TC 60% / LH	2	1	1	574	\$420	\$354	\$708	\$0.62	\$75.00	\$35.50
TC 50% / LH	2	2	2	772	\$503	\$480	\$960	\$0.62	\$81.00	\$40.70
TC 60% / HH	2	2	2	772	\$594	\$480	\$960	\$0.62	\$81.00	\$40.70
TOTAL:	24		AVERAGE:	607		\$375	\$9,000	\$0.62	\$76.00	\$36.37

INCOME

Total Net Rentable Sq Ft: 14,568

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

% OF EGI PER UNIT PER SQ FT

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.14%	\$223	0.37	\$5,345	\$4,307	\$0.30	\$179	4.15%
Management	10.68%	462	0.76	11,093	11,093	0.76	462	10.68%
Payroll & Payroll Tax	15.05%	651	1.07	15,633	16,900	1.16	704	16.27%
Repairs & Maintenance	7.21%	312	0.51	7,495	9,100	0.62	379	8.76%
Utilities	1.26%	54	0.09	1,305	1,400	0.10	58	1.35%
Water, Sewer, & Trash	5.62%	243	0.40	5,841	5,960	0.41	248	5.74%
Property Insurance	8.43%	365	0.60	8,755	8,755	0.60	365	8.43%
Property Tax 1.6936	5.87%	254	0.42	6,097	5,823	0.40	243	5.60%
Reserve for Replacements	7.59%	328	0.54	7,881	6,594	0.45	275	6.35%
TDHCA Compliance Fees	0.92%	40	0.07	960	600	0.04	25	0.58%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	67.76%	\$2,934	\$4.83	\$70,405	\$70,532	\$4.84	\$2,939	67.89%
NET OPERATING INC	32.24%	\$1,395	\$2.30	\$33,491	\$33,364	\$2.29	\$1,390	32.11%

DEBT SERVICE

Existing USDA-RD 515 Mortgage	16.14%	\$698	\$1.15	\$16,764	\$16,913	\$1.16	\$705	16.28%
TDHCA HOME	12.29%	\$532	\$0.88	12,768	12,777	\$0.88	\$532	12.30%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	3.81%	\$165	\$0.27	\$3,959	\$3,674	\$0.25	\$153	3.54%

AGGREGATE DEBT COVERAGE RATIO

1.13 1.12

RECOMMENDED DEBT COVERAGE RATIO

1.13

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)		41.32%	\$34,242	\$56.41	\$821,800	\$821,800	\$56.41	\$34,242	40.99%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.02%	6,648	10.95	159,542	159,542	10.95	6,648	7.96%
Direct Construction		24.70%	20,471	33.73	491,309	491,309	33.73	20,471	24.50%
Contingency	0.61%	0.20%	167	0.27	4,000	4,000	0.27	167	0.20%
Contractor's Fees	14.00%	4.58%	3,796	6.25	91,109	91,109	6.25	3,796	4.54%
Indirect Construction		3.61%	2,991	4.93	71,790	71,790	4.93	2,991	3.58%
Ineligible Costs		0.37%	304	0.50	7,300	7,300	0.50	304	0.36%
Developer's Fees	20.00%	15.01%	12,438	20.49	298,522	314,518	21.59	13,105	15.69%
Interim Financing		0.94%	775	1.28	18,600	18,600	1.28	775	0.93%
Reserves		1.26%	1,042	1.72	25,000	25,000	1.72	1,042	1.25%
TOTAL COST		100.00%	\$82,874	\$136.53	\$1,988,972	\$2,004,968	\$137.63	\$83,540	100.00%
Construction Cost Recap		37.50%	\$31,082	\$51.21	\$745,960	\$745,960	\$51.21	\$31,082	37.21%

SOURCES OF FUNDS

RECOMMENDED

Existing USDA-RD 515 Mortgage	31.97%	\$26,492	\$43.64	\$635,800	\$635,800	\$635,800	Developer Fee Available
TDHCA HOME	10.56%	\$8,750	\$14.42	210,000	210,000	210,000	\$314,518
HTC Syndication Proceeds	56.26%	\$46,625	\$76.81	1,118,996	1,118,996	1,080,638	% of Dev. Fee Deferred
Deferred Developer Fees	2.02%	\$1,674	\$2.76	40,172	40,172	62,533	20%
Additional (Excess) Funds Req'd	-0.80%	(\$667)	(\$1.10)	(15,996)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$1,988,972	\$2,004,968	\$1,988,972	\$91,107

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Whispering Oaks Apartments, Goldthwaite, HOME / 9% HTC #08226

PAYMENT COMPUTATION

Primary	\$659,400	Amort	600
Int Rate	1.00%	DCR	2.00

Secondary	\$210,000	Amort	360
Int Rate	4.50%	Subtotal DCR	1.13

Additional		Amort	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$16,764
Secondary Debt Service	12,768
Additional Debt Service	0
NET CASH FLOW	\$3,832

Primary	\$659,400	Amort	600
Int Rate	1.00%	DCR	1.99

Secondary	\$210,000	Amort	360
Int Rate	4.50%	Subtotal DCR	1.13

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.13

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

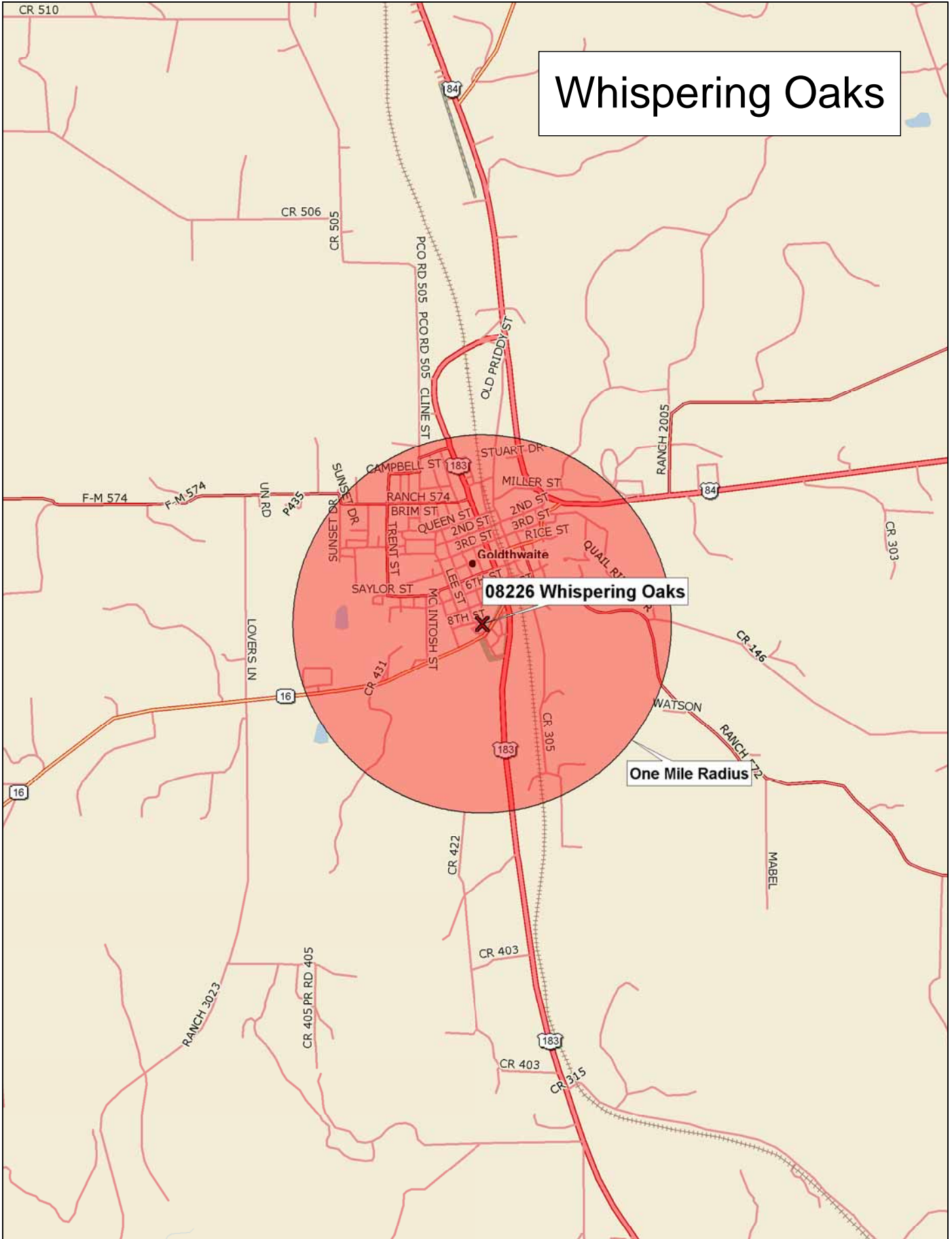
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$108,000	\$111,240	\$114,577	\$118,015	\$121,555	\$140,916	\$163,360	\$189,379	\$254,509
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	112,320	115,690	119,160	122,735	126,417	146,552	169,894	196,954	264,689
Vacancy & Collection Loss	(8,424)	(8,677)	(8,937)	(9,205)	(9,481)	(10,991)	(12,742)	(14,772)	(19,852)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$103,896	\$107,013	\$110,223	\$113,530	\$116,936	\$135,561	\$157,152	\$182,182	\$244,838
EXPENSES at 4.00%									
General & Administrative	\$4,307	\$4,479	\$4,658	\$4,845	\$5,039	\$6,130	\$7,458	\$9,074	\$13,432
Management	11,093	11,426	11,769	12,122	12,485	14,474	16,779	19,452	26,141
Payroll & Payroll Tax	16,900	17,576	18,279	19,010	19,771	24,054	29,265	35,606	52,705
Repairs & Maintenance	9,100	9,464	9,843	10,236	10,646	12,952	15,758	19,172	28,380
Utilities	1,400	1,456	1,514	1,575	1,638	1,993	2,424	2,950	4,366
Water, Sewer & Trash	5,960	6,198	6,446	6,704	6,972	8,483	10,321	12,557	18,587
Insurance	8,755	9,105	9,469	9,848	10,242	12,461	15,161	18,445	27,304
Property Tax	5,823	6,056	6,298	6,550	6,812	8,288	10,084	12,268	18,160
Reserve for Replacements	6,594	6,858	7,132	7,417	7,714	9,385	11,419	13,893	20,564
Other	600	624	649	675	702	854	1,039	1,264	1,871
TOTAL EXPENSES	\$70,532	\$73,242	\$76,058	\$78,982	\$82,020	\$99,074	\$119,708	\$144,681	\$211,511
NET OPERATING INCOME	\$33,364	\$33,771	\$34,165	\$34,548	\$34,915	\$36,487	\$37,444	\$37,502	\$33,327
DEBT SERVICE									
First Lien Financing	\$16,764	\$16,764	\$16,764	\$16,764	\$16,764	\$16,764	\$16,764	\$16,764	\$16,764
Second Lien	12,768	12,768	12,768	12,768	12,768	12,768	12,768	12,768	12,768
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$3,832	\$4,238	\$4,633	\$5,015	\$5,383	\$6,954	\$7,911	\$7,969	\$3,794
DEBT COVERAGE RATIO	1.13	1.14	1.16	1.17	1.18	1.24	1.27	1.27	1.13

HTC ALLOCATION ANALYSIS -Whispering Oaks Apartments, Goldthwaite, HOME / 9% HTC #08226

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$45,960	\$165,542				
Purchase of buildings	\$775,840	\$656,258	\$775,840	\$656,258		
Off-Site Improvements						
Sitework	\$159,542	\$159,542			\$159,542	\$159,542
Construction Hard Costs	\$491,309	\$491,309			\$491,309	\$491,309
Contractor Fees	\$91,109	\$91,109			\$91,109	\$91,109
Contingencies	\$4,000	\$4,000			\$4,000	\$4,000
Eligible Indirect Fees	\$71,790	\$71,790	\$10,450	\$10,450	\$61,340	\$61,340
Eligible Financing Fees	\$18,600	\$18,600			\$18,600	\$18,600
All Ineligible Costs	\$7,300	\$7,300				
Developer Fees			\$149,338	\$133,342	\$165,180	\$165,180
Developer Fees	\$314,518	\$298,522				
Development Reserves	\$25,000	\$25,000				
TOTAL DEVELOPMENT COSTS	\$2,004,968	\$1,988,972	\$935,628	\$800,049	\$991,080	\$991,080

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$935,628	\$800,049	\$991,080	\$991,080
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$935,628	\$800,049	\$1,288,404	\$1,288,404
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$935,628	\$800,049	\$1,288,404	\$1,288,404
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$33,215	\$28,402	\$107,195	\$107,195

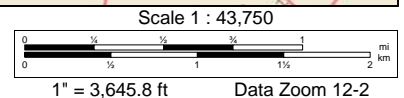
Syndication Proceeds	0.7969	\$264,705	\$226,347	\$854,291	\$854,291
Total Tax Credits (Eligible Basis Method)				\$140,410	\$135,597
Syndication Proceeds				\$1,118,996	\$1,080,638
Requested Tax Credits				\$140,410	
Syndication Proceeds				\$1,118,996	
Gap of Syndication Proceeds Needed				\$1,159,168	\$1,143,172
Total Tax Credits (Gap Method)				\$145,451	\$143,444



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Applicant Evaluation

Project ID # **08226**

Name: **Whispering Oaks Apartments**

City: **Goldthwaite**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 36

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 0

Projects grouped by score	0-9: <u>27</u>
	10-19: <u>9</u>
	20-29: <u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 36

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/25/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/28/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/29/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chelsea Senior Community, TDHCA Number 08228

BASIC DEVELOPMENT INFORMATION

Site Address: 3350 W. Little York Rd. Development #: 08228
 City: Houston Region: 6 Population Served: Elderly
 County: Harris Zip Code: 77091 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Chelsea Senior, L.P.
 Owner Contact and Phone: Chernon Njie, (512) 458-5577
 Developer: Songhai Development, LLC
 Housing General Contractor: Integrated Construction & Development
 Architect: GFT Design
 Market Analyst: O'Connor & Associates
 Syndicator: Crossroads of Grace
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	36
	2 0 13 21	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 13 23 0 0 0	Total Development Units:	36
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$506,036	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chelsea Senior Community, TDHCA Number 08228

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Whitmire, District 15, S

Points: 14 US Representative: Jackson Lee, District 18, NC

TX Representative: Turner, District 139, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

O, Ed Emmett, Harris County Judge

O, David B. Turkel, Harris County Director Comm. & Econ. Dev. Dept.

Individuals and Businesses In Support: 1 In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Although it did not qualify for Quantifiable Community Participation, the Acres Homes Super Neighborhood Council submitted a letter stating that the organization supports the proposed development because it will address the growing need for affordable housing for seniors within the Acres Homes area.

Opposition received from Harris County official(s) citing inconsistency with the Harris County Multi-family and Senior Apartment Concentration Policy and opposition to new tax credit or bond financed projects in this area until it is proven that the area can support additional units. One individual spoke in opposition at the public hearing, indicating that the proposed site abuts his property and the neighborhood has an existing tax credit property that has not been maintained and is rundown.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Chelsea Senior Community, TDHCA Number 08228

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **191** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Fairwood Commons Senior Apartments, TDHCA Number 08229

BASIC DEVELOPMENT INFORMATION

Site Address: S. Side of Old Austin Hwy Approx. 250' E. of Hasler Blvd. Development #: 08229
 City: Bastrop Region: 7 Population Served: Elderly
 County: Bastrop Zip Code: 78602 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Fairwood Commons Associates, LP
 Owner Contact and Phone: David G. Rae, (425) 455-3879
 Developer: CHA Development Limited Partnership
 Housing General Contractor: Campbell-Hogue Construction Associates
 Architect: Chiles Architects, Inc.
 Market Analyst: Capital Market Research, Inc.
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: Housing Authority of city of Bastrop
 Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	63
	4 0 47 12	Market Rate Units:	3
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 50 16 0 0 0	Total Development Units:	66
Type of Building:		Total Development Cost*:	\$7,190,603
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	10
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	4
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$499,000	\$485,611			
HOME Activity Fund Amount:	\$600,000	\$600,000	30	18	AFR
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Fairwood Commons Senior Apartments, TDHCA Number 08229

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hegar, District 18, S Points: 14 US Representative: Doggett, District 25, S
TX Representative: Cook, District 17, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Tom Scott, Mayor for City Bastrop Resolution of Support from Local Government
S, Ronnie McDonald, County Judge

Individuals and Businesses In Support: 6 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
Bastrop Senior Center S or O: S
Bastrop County Emergency Food Pantry S or O: S
Family Crisis Center, Bastrop S or O: S
Combined Community Action, Inc. S or O: S
Advocacy Outreach S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations. Though it did not qualify for Quantifiable Community Participation, the Old Austin Highway Commercial Property Owners association submitted a letter stating that the organization supports the proposed development because it will support the addition of affordable senior housing for the residents of the community.

CONDITIONS OF COMMITMENT

- 1. This development is only recommended to the extent that a competing development, Villas at Lost Pines #08263 is not allocated tax credits with priority over the subject this year.
2. Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned.
3. Receipt, review, and acceptance, by carryover, of an executed ground lease between the Applicant and the Bastrop Housing Authority, clearly indicating an upfront payment equal to the purchase price.
4. Receipt, review and acceptance, by carryover, of a letter from the Bastrop County Appraisal District confirming the correct and current owner of the subject 2.6 acres.
5. Should Bastrop RP, Ltd be determined to be the current owner of the subject Property, receipt, review and acceptance of an updated title commitment and purchase contract reflecting the appropriate Seller of the property and continuous site control since pre-application by the Applicant.
6. Receipt, review and acceptance of the Agreement of Purchase and Sale entered into and effective on January 3, 2008, as referenced in the latest amendment provided by the Applicant.
7. Receipt, review and acceptance, by Cost Certification, of documentation from the local appraisal district reflecting a property tax exemption for the subject property.
8. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
9. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Fairwood Commons Senior Apartments, TDHCA Number 08229

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$485,611

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$600,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/22/08 PROGRAM: 9% HTC/HOME FILE NUMBER: 08229

DEVELOPMENT

Fairwood Commons Senior Apartments

Location: Intersection of N. Hasler Blvd. & Old Bastrop Highway (Old Austin Highway) Region: 7
 City: Bastrop County: Bastrop Zip: 78602 QCT DDA
 Key Attributes: Seniors, New Construction, Rural

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
HOME Activity Funds	\$600,000	1.00%	30/18	\$600,000	AFR	30/18
Housing Tax Credit (Annual)	\$499,000			\$485,611		

CONDITIONS

- 1 This development is only recommended to the extent that a competing development, Villas at Lost Pines #08263 is not allocated tax credits with priority over the subject this year.
- 2 Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned.
- 3 Receipt, review, and acceptance, by carryover, of an executed ground lease between the Applicant and the Bastrop Housing Authority, clearly indicating an upfront payment equal to the purchase price.
- 4 Receipt, review and acceptance, by carryover, of a letter from the Bastrop County Appraisal District confirming the correct and current owner of the subject 2.6 acres.
- 5 Should Bastrop RP, Ltd be determined to be the current owner of the subject Property, receipt, review and acceptance of an updated title commitment and purchase contract reflecting the appropriate Seller of the property and continuous site control since pre-application by the Applicant.
- 6 Receipt, review and acceptance of the Agreement of Purchase and Sale entered into and effective on January 3, 2008, as referenced in the latest amendment provided by the Applicant.
- 7 Receipt, review and acceptance, by Cost Certification, of documentation from the local appraisal district reflecting a property tax exemption for the subject property.
- 8 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 9 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.

This section intentionally left blank.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	47
60% of AMI	60% of AMI	12

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	Low HOME	4
50% of AMI	High HOME	10

PROS

- While the HOME funds are substantial they can be repaid at AFR and it appears that they could easily be replaced by conventional debt and deferred developer fee if necessary.

CONS

- The Market Study suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.
- The capture rate based on the alternate method to calculate inclusive capture rate using the HISTA data source indicates the development would need to capture 81% which exceeds the current Department maximum of 75% for this type of development.
- The proposed number of one-bedroom units targeting 50% households may be more than the demand for such units given the Market Analyst's capture rate of over 100% for this unit type.

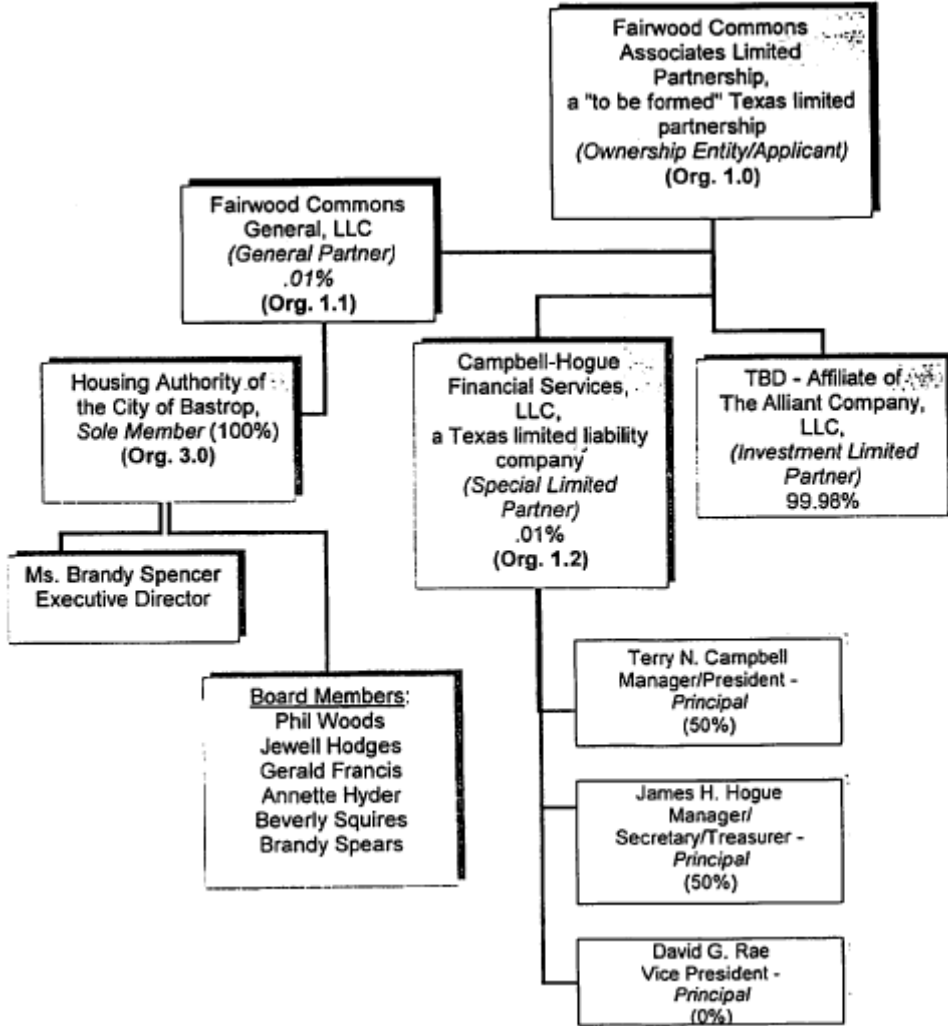
PREVIOUS UNDERWRITING REPORTS

No previous reports.

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: David G. Rae Phone: (425) 455-3879 Fax: (425) 454-3468
 Email: DavidR@Campbell-Hogue.com

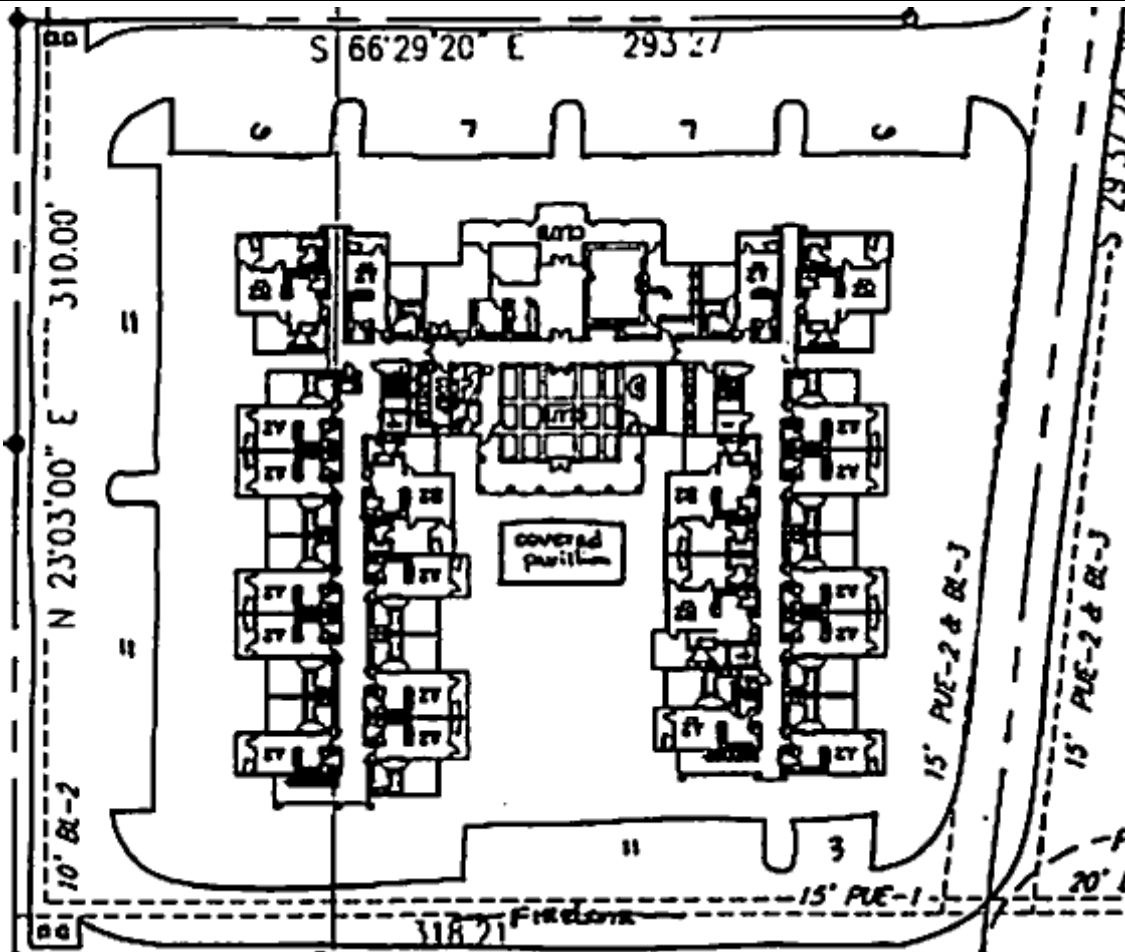
KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Fairwood Commons Associates Ltd Partnership	N/A	N/A
Fairwood Commons General, LLC	N/A	N/A
Housing Authority of the City of Bastrop	N/A	N/A
CHA Development Ltd Partnership	N/A	1
Campbell-Hogue Financial Services, LLC	N/A	1
Campbell-Hogue & Associates TX, Inc.	Guarantor	9
Terry Campbell	N/A	9
James Hogue	N/A	9
Brandy Spencer	N/A	None Identified

IDENTITIES of INTEREST

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

PROPOSED SITE
SITE PLAN



BUILDING CONFIGURATION

Building Type	1									Total Buildings
Floors/Stories	3									
Number	1									1

BR/BA	SF	Units								Total Units	Total SF
1/1	720	47								47	33,840
1/1	760	3								3	2,280
2/2	1,005	13								13	13,065
2/2	1,050	3								3	3,150
Units per Building		66								66	52,335

This section intentionally left blank.

SITE ISSUES

Total Size: 2.15 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: C-2 Needs to be re-zoned? Yes No N/A

Comments:

The property is presently zoned C-2 (Commercial). The applicant is requesting a change in zoning to P.D. (Planned Development).
 Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/1/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Old Austin Highway and commercial uses.
 South: Hospital Drive and commercial & retail uses.
 East: SR 150 Loop, vacant land and commercial uses.
 West: Hasler Blvd and commercial and retail uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consulting Engineers and Scientists Date: 2/12/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "...the site is considered to have a low potential for elevated levels of radon gas. Note, however, testing would be required to confirm specific site concentrations of radon gas." (p. 19)

Comments:

"Based on the scope of services, limitations, and findings of this assessment, Terracon did not identify RECs which, in our opinion, warrant additional investigation at this time." (p.22)

MARKET HIGHLIGHTS

Provider: Capitol Market Research, Inc. Date: 2/29/2008

Contact: Charles Heimsath Phone: (512) 476-5000 Fax: N/A

Number of Revisions: 1 Date of Last Applicant Revision: 7/15/2008

Primary Market Area (PMA): 891.53 square feet (16.9 miles radius)

"The "primary" market area defined for this project, shown on the map on page 49, includes all of Bastrop County. More specifically, the market area includes 2000 U.S. Census Tracts 9501, 9502, 9503, 9504, 9505, 9506,9507 and 9508." (p.51)

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Villas at Lost Pines	08263	66	LP:64	N/A			
Crescent Village II Apts	060181	76	Family				

Villas at Lost Pines is a proposed 9% HTC/HOME 66-unit development also targeting seniors, located within the defined PMA boundaries; however, it is a lower scoring application as of the date of this underwriting report.

INCOME LIMITS						
Bastrop						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,950	\$17,100	\$19,200	\$21,350	\$23,050	\$24,750
50	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250
60	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	38	5		43	4	4	9.3%
1 BR/50% Rent Limit	24	3		27	38	38	140.7%
1 BR/60% Rent Limit	25	5		30	6	6	20.0%
2 BR/50% Rent Limit	14	2		16	7	7	43.8%
2 BR/60% Rent Limit	10	2		12	6	6	50.0%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 67							111
Underwriter	21% 9,008	100% 9,008	28% 2,551	20% 510	24%	122	
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 67							17
Underwriter		100% 549	28% 155	20% 31	100%	31	

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 67	63	0	0	63	128	49.22%
Underwriter	62	0	0	62	154	40.38%
HISTA Data Alternate	61	0	0	61	75	81.01%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject and found the revised inclusive capture rate to be acceptable at 40%. It should be noted, based on the alternate method to calculate inclusive capture rate using the HISTA provided data which identifies separate income bands for each household size, making this more appropriate calculation available, the development would need to capture 81% of the projected market area demand. Essentially, the capture rate exceeds the current Department maximum of 75% for this type of development based on this alternate data source. However, the traditional method of calculating demand is acceptable; therefore, this development can be considered feasible based on this method.

However, if Villas at Lost Pines were to be funded, this analysis suggests there would be limited support for additional units, as the inclusion of any more HTC units in the area yields a capture rate above the current Department maximum of 75% for senior developments, based on both methods of calculating demand. Therefore, this report is conditioned upon Villas at Lost Pines (#08263) not being funded in the 2008 allocation.

Primary Market Occupancy Rates:

"The predominant unit available in the market is the one bedroom and one bathroom plan, which comprises 62.5% of the market (3,547 units) of which all but 203 (94.2%) are occupied. There are also 533 efficiencies, which have an occupancy rate at 99.1 %, and 869 two-bedroom/two bathroom units at 90.3% occupancy. Also, the 713 two bedroom/one bathroom units are currently 96.4% occupied." (p. 20)

"The market area occupancy as of February 2008 at the only age restricted seniors property in the Bastrop County market area is 100%. Settlement Estates Seniors also has a waiting list of approximately 8 to 12 months. According to the long term on-site property manager, the project has been 100% occupied for at least the past twelve months and has remained above 90% since stabilizing." (p.35)

Absorption Projections:

"Generally, seniors apartment properties lease up at a slower rate than family properties. New multifamily properties in the Austin area typically lease up at rates between 16-25 units per month, while senior properties have leased-up at rates that average between 6-10 units per month in recent years...Considering that there are currently only 66 units planned in the subject property in 2010, it seems reasonable that the subject Fairwood Commons Seniors Apartments would lease up at a similar rate." (p. 70)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	720 SF	30%	\$337	\$338	\$808	\$338	\$470
1 BR	720 SF	50%	\$603	\$604	\$808	\$604	\$204
1 BR	720 SF	50%	\$603	\$604	\$808	\$604	\$204
1 BR	720 SF	60%	\$737	\$738	\$808	\$738	\$70
1 BR	760 SF	60%	\$737	\$738	\$819	\$738	\$81
1 BR	760 SF	MR	\$750	N/A	\$819	\$750	\$69
2 BR	1,005 SF	50%	\$721	\$722	\$1,016	\$722	\$294
2 BR	1,005 SF	50%	\$721	\$722	\$1,016	\$722	\$294
2 BR	1,005 SF	60%	\$880	\$882	\$1,058	\$882	\$176
2 BR	1,050 SF	60%	\$900	N/A	\$1,058	\$900	\$158

Market Impact:

The Market Analyst does not explicitly comment on the impact the subject development will have on the market area.

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 14.5 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of less than one unit per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the projected rents collected per unit calculated by subtracting tenant-paid utility allowances effective as of November 1, 2007, maintained by the Bastrop Housing Authority, from the 2008 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant chose not to anticipate the rents quoted by the Market Analyst as achievable but rather utilized rents that are \$69 to \$158 less for the market rents. Further, the Applicant's market rents for the one and two-bedroom units are \$12 and \$18 higher, respectively, than the 60% rents for the same unit types. If the Applicant were able to collect the estimated market rents for these units as indicated by the Market Analyst, an additional \$3,552 in rental income could be achieved per month.

The Applicant's secondary income assumptions are in line with current TDHCA underwriting guidelines; however, the Applicant provided for losses due to vacancy and collection equal to 5.0% of potential income, which is lower than the underwriting standard and is not supported by the market study. Current underwriting guidelines assume an allowance of 7.5% of potential income. Despite the Applicant's use of lower rents for the market rate units and a lower vacancy and collection loss, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,396 per unit is within 5% of the Underwriter's estimate of \$3,261, derived from the TDHCA database, and third-party data sources.

The Applicant's information appears to suggest that the property will achieve a property tax exemption due to the Housing Authority's ownership of the GP. However, staff's experience with such transactions suggests that this alone is not sufficient to reasonably assume a 100% exemption. Typically, a lease structure can be used in order to secure an exemption but no such structure was explicitly proposed by the applicant nor was any evidence of an agreement with the Housing Authority provided. The Applicant does however provide a legal opinion indicating that the Property will qualify for an exemption as a result of the Housing Authority's "equitable ownership] of the Project," and a nominal estimate for "land lease payments" are included in the proposed annual operating expenses. As of the date of this report, no documentation of an executed lease agreement has been provided.

Of note, if the property were to secure a 50% exemption or no exemption at all, the impact on the NOI would warrant adjustment to the permanent loan amount in order to maintain minimum feasibility. Based on the Underwriter's analysis of these two scenarios, the development appears to remain financially feasible. The Underwriter's analysis assumes the development will have no property tax expense as reflected in the application. However, this report is conditioned upon receipt, review and acceptance, by Cost Certification, of an executed lease agreement between the Applicant and the Bastrop Housing Authority. Additionally, receipt, review and acceptance, by Cost Certification, of documentation from the local taxing authorities reflecting a property tax exemption will also be a condition of this report.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.15, which is within the Department's DCR guideline of 1.15 to 1.35. It should be noted however, that the Applicant assumed a 1% interest rate on the HOME loan, but the Underwriter is recommending a rate at AFR to preserve the 9% credit which will be discussed in more detail in the financing section below.

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Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 7.29 acres	<u>\$516,460</u>	Tax Year:	<u>2007</u>
1 acre:	<u>\$70,855</u>	Valuation by:	<u>Bastrop CAD</u>
Total Prorata (2.6 acres):	<u>\$184,222</u>	Tax Rate:	<u>2.6552</u>

Comments:

The 2007 tax assessment provided in the Application (dated 2/6/2008) reflects Jenkins & McLeod as the current owners of the entire 7.29-acre tract. This is consistent with the sellers identified in the Purchase and Sale Agreement provided in the Application. However, an update to the assessment appears to have been made and the current assessment reflects that a sale occurred as recently as May 14, 2008 to Bastrop RP LTD. In response to this discrepancy the Applicant indicated that the parcel of land located next to the subject 2.6 acres was sold to Bastrop RP LTD, but the appraisal district erroneously reflected the entire 7.29 acres as having been sold to this unrelated entity. Due to the uncertainty of the sales that occurred on May 14, 2008, this report is conditioned upon receipt, review and acceptance, by carryover, of a letter from the Bastrop County Appraisal District reflecting that the subject 2.6 acres is currently owned by Jenkins & McLeod.

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement Acreage: 2.6

Contract Expiration: 10/1/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$566,280 Other: The GP will ultimately acquire the property and lease it back to the partnership

Seller: R. Jenkins Family Investments & The McLeod Family Ltd. Partnership Related to Development Team? Yes No

Comments:

There appears to be several inconsistencies related to the Purchase and Sale Agreement provided in the Application as well as with confirming the correct seller of the property. The Purchase and Sale Agreement provided in the Application reflects a contract between R. Jenkins Family Investments & The McLeod Family Ltd. Partnership and the Applicant, entered into and effective on December 6, 2007. A First Amendment and Ratification of the Agreement was also provided in the Application, dated January 22, 2008 and referencing the original 12/6/2007 contract.

The Underwriter was unable to determine the Feasibility Period of the stated contract and asked the Applicant to provide additional documentation to reflect this information. In response, the Applicant provided a First Amendment to Agreement of Purchase and Sale that was originally effective January 3, 2008. Therefore, it appears that the latest amendment provided is in reference to a contract that has not previously been submitted to the Department. The Applicant responded that there is only one contract and that the latest amendment appears to have incorrect dates. Despite this error, the Applicant states that the contract and amendments provided are enforceable and offered to have his attorney provide a statement to this effect. Therefore, this report is conditioned upon receipt, review and acceptance, by carryover, of the Agreement of Purchase and Sale entered into and effective on January 3, 2008 or a letter from the Applicant's attorney stating that the latest amendment dated April 15, 2008 is in reference to the original contract provided in the application and dated December 6, 2007.

TITLE

Comments:

The title commitment reflects the seller as the current owner, however given the discrepancies in the contract documentation and the county assessor information should it turn out that ownership is vested in another entity, a revised title commitment would be required.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$8,580 per acre or \$217,800 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant is ultimately going to lease the property from the General Partner and compensate the housing authority up front for the acquisition price. A nominal annual rental fee will also be paid.

As noted above, there have been some discrepancies in the site control documentation which have been verbally clarified by the Applicant. However, formal documentation is being requested to confirm and should the Applicant's claims not be substantiated, a re-evaluation of the construction costs and site control would be required.

Off-Site Cost:

The Applicant claimed off-site costs of \$16,134 for water and waste water sewer lines, and provided sufficient third party certification through an engineer to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,125 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$587K or 17% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. Of note, the Underwriter confirmed with the Applicant that the proposed corridor space is to be enclosed and conditioned, and the Underwriter adjusted the costing accordingly.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$6,270,386 supports annual tax credits of \$485,611. 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. It should be noted, the Applicant had used a slightly higher applicable percentage and took the HOME funds out of eligible basis because they considered them to be a below market rate loan. The Underwriter included the HOME funds in basis but increased the interest rate to AFR.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Bastrop Housing Authority Type: Interim Financing

Principal: \$400,000 Interest Rate: AFR Fixed Amort: 360 months

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Source: Shelter Resources, Inc. Type: Interim Financing

Principal: \$160,000 Interest Rate: AFR Fixed Amort: 0 months

Source: JP Morgan Chase Type: Interim to Permanent Financing

Interim: \$3,552,796 Interest Rate: 7.25% Fixed Amort: 24 months

Permanent: \$2,645,000 Interest Rate: 7.25% Fixed Amort: 360 months

Comments:

Interim Rate Index: Prime floating plus 125bps; underwritten @ 7.25%. Permanent Rate Index: 10 Year Treasury; underwritten @ 7.25%

Source: TDHCA HOME Type: Permanent Financing

Principal: \$600,000 Conditions: _____

Comments:

In addition to the Applicant's request for tax credits, a request for a HOME loan in the amount stated above has also been requested. The Applicant has requested the structure of the loan to include a 1% interest rate, to be amortized over 30 years. Of note, the application reflects the amount of the requested HOME funds taken out of eligible basis. While the Applicant has at least 40% of the units at 50% AMI or below which would mitigate concern of remaining eligible for the 9% credit; the Underwriter increased the interest rate on the HOME loan to AFR because the development can repay the loan at this rate and doing so allows a slightly lower first lien debt which will reduce the gap effect on the credit allocation. Maintaining a 1% HOME loan would allow the full amount of the Applicant's first lien debt and reduce the credit allocation by an additional \$12,700 per year. The Underwriter's analysis reflects the HOME funds as remaining in basis for this purpose.

Source: Alliant Capital Type: Syndication

Proceeds: \$4,140,872 Syndication Rate: 83% Anticipated HTC: \$ 499,000

Comments:

Due to the recent volatility in credit pricing, it should be noted, a decrease below \$0.63 per credit dollar may jeopardize the financial feasibility of the deal. Alternatively, based on the current analysis, an increase to more than \$0.837 in the final credit price may warrant further adjustment to the credit amount.

Amount: \$574,762 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

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CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$2,499,043 and \$600K in HOME funds indicates the need for \$4,091,560 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$493,058 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$499,000), the gap-driven amount (\$493,058), and eligible basis-derived estimate (\$485,611), the eligible basis-driven amount of \$485,611 would be recommended resulting in proceeds of \$4,029,761 based on a syndication rate of 83%.

The Underwriter's recommended financing structure indicates the need for a nominal amount (\$32,877) in additional permanent funds, as such deferred developer fee could be repaid in the first year of stabilized operations.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of just over 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on only deferred developer fee based upon first year income is relatively high but this is less meaningful because it neglects to consider the tax credit induced equity. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter:	<i>Diamond Unique Thompson</i>	Date:	July 22, 2008
Reviewing Underwriter:	<i>Raquel Morales</i>	Date:	July 22, 2008
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 22, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Fairwood Commons Senior Apartments, Bastrop, 9% HTC/HOME #08229

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	LH	4	1	1	720	\$400	\$338	\$1,352	\$0.47	\$62.00	\$47.00
TC 50%		30	1	1	720	\$666	\$604	\$18,120	\$0.84	\$62.00	\$47.00
TC 50%	HH	8	1	1	720	\$666	\$604	\$4,832	\$0.84	\$62.00	\$47.00
TC 60%		5	1	1	720	\$800	\$738	\$3,690	\$1.03	\$62.00	\$47.00
TC 60%		1	1	1	760	\$800	\$738	\$738	\$0.97	\$62.00	\$47.00
MR		2	1	1	760		\$750	\$1,500	\$0.99	\$78.00	\$47.00
TC 50%		7	2	2	1,005	\$800	\$722	\$5,054	\$0.72	\$78.00	\$47.00
TC 50%	HH	2	2	2	1,005	\$800	\$722	\$1,444	\$0.72	\$78.00	\$47.00
TC 60%		4	2	2	1,005	\$960	\$882	\$3,528	\$0.88	\$78.00	\$47.00
TC 60%		2	2	2	1,050	\$960	\$900	\$1,800	\$0.86	\$78.00	\$47.00
MR		1	2	2	1,050		\$1,058	\$1,058		\$78.00	\$47.00
TOTAL:		66			AVERAGE: 793		\$653	\$43,116	\$0.82	\$66.36	\$47.00

INCOME				Total Net Rentable Sq Ft:	52,335	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$517,392	\$514,236	Bastrop		7
Secondary Income		Per Unit Per Month:	\$15.00			11,880	11,880	\$15.00	Per Unit Per Month	
Other Support Income:						0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$529,272	\$526,116			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(39,695)	(26,304)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$489,577	\$499,812			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.04%	\$374	0.47	\$24,659	\$23,430	\$0.45	\$355	4.69%	
Management		4.00%	297	0.37	19,583	19,992	0.38	303	4.00%	
Payroll & Payroll Tax		12.33%	914	1.15	60,352	59,400	1.13	900	11.88%	
Repairs & Maintenance		5.05%	374	0.47	24,713	39,600	0.76	600	7.92%	
Utilities		2.68%	199	0.25	13,140	11,550	0.22	175	2.31%	
Water, Sewer, & Trash		6.46%	479	0.60	31,641	31,878	0.61	483	6.38%	
Property Insurance		3.68%	273	0.34	18,004	14,850	0.28	225	2.97%	
Property Tax	2.66	0.00%	0	0.00	0	200	0.00	3	0.04%	
Reserve for Replacements		3.37%	250	0.32	16,500	16,500	0.32	250	3.30%	
TDHCA Compliance Fees		0.51%	38	0.05	2,520	2,640	0.05	40	0.53%	
Other: cable, supp. servs, security		0.84%	62	0.08	4,092	4,092	0.08	62	0.82%	
TOTAL EXPENSES		43.96%	\$3,261	\$4.11	\$215,205	\$224,132	\$4.28	\$3,396	44.84%	
NET OPERATING INC		56.04%	\$4,157	\$5.24	\$274,372	\$275,680	\$5.27	\$4,177	55.16%	
DEBT SERVICE										
JP Morgan Chase		44.23%	\$3,281	\$4.14	\$216,523	\$216,523	\$4.14	\$3,281	43.32%	
TDHCA HOME		4.73%	\$351	\$0.44	23,158	23,158	\$0.44	\$351	4.63%	
Additional Financing		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
NET CASH FLOW		7.09%	\$526	\$0.66	\$34,691	\$35,999	\$0.69	\$545	7.20%	
AGGREGATE DEBT COVERAGE RATIO					1.14	1.15				
RECOMMENDED DEBT COVERAGE RATIO						1.15				

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)		7.90%	\$8,603	\$10.85	\$567,780	\$567,780	\$10.85	\$8,603	7.13%	
Off-Sites		0.22%	244	0.31	16,134	16,134	0.31	244	0.20%	
Sitework		6.54%	7,125	8.99	470,250	470,250	8.99	7,125	5.91%	
Direct Construction		47.29%	51,525	64.98	3,400,638	3,988,000	76.20	60,424	50.10%	
Contingency	2.98%	1.61%	1,750	2.21	115,500	115,500	2.21	1,750	1.45%	
Contractor's Fees	14.00%	7.54%	8,211	10.35	541,924	624,155	11.93	9,457	7.84%	
Indirect Construction		9.30%	10,127	12.77	668,367	668,367	12.77	10,127	8.40%	
Ineligible Costs		2.63%	2,869	3.62	189,355	189,355	3.62	2,869	2.38%	
Developer's Fees	15.00%	11.37%	12,392	15.63	817,876	918,315	17.55	13,914	11.54%	
Interim Financing		3.56%	3,876	4.89	255,830	255,830	4.89	3,876	3.21%	
Reserves		2.04%	2,226	2.81	146,948	146,948	2.81	2,226	1.85%	
TOTAL COST		100.00%	\$108,949	\$137.40	\$7,190,603	\$7,960,634	\$152.11	\$120,616	100.00%	
Construction Cost Recap		62.98%	\$68,611	\$86.53	\$4,528,312	\$5,197,905	\$99.32	\$78,756	65.30%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
JP Morgan Chase		36.78%	\$40,076	\$50.54	\$2,645,000	\$2,645,000	\$2,499,043	Developer Fee Available		
TDHCA HOME		8.34%	\$9,091	\$11.46	600,000	600,000	600,000	\$918,315		
Alliant Capital		57.59%	\$62,740	\$79.12	4,140,872	4,140,872	4,029,761	% of Dev. Fee Deferred		
Deferred Developer Fees		7.99%	\$8,709	\$10.98	574,762	574,762	32,877	4%		
Additional (Excess) Funds Req'd		-10.71%	(\$11,667)	(\$14.71)	(770,031)	0	28,922	15-Yr Cumulative Cash Flow		
TOTAL SOURCES					\$7,190,603	\$7,960,634	\$7,190,603	\$986,762		

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Fairwood Commons Senior Apartments, Bastrop, 9% HTC/HOME #08229

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.92	\$2,822,105
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	3.00%		1.62	84,663
9-Ft. Ceilings	3.00%		1.62	84,663
Roofing			0.00	0
Subfloor			(0.82)	(43,089)
Floor Cover			2.43	127,174
Breezeways/Corridors	\$49.34	11,664	11.00	575,547
Plumbing Fixtures	\$805	45	0.69	36,225
Rough-ins	\$400	66	0.50	26,400
Built-In Appliances	\$1,850	66	2.33	122,100
Exterior Stairs	\$1,800	8	0.28	14,400
Elevators	\$53,600	2	2.05	107,200
Heating/Cooling			1.90	99,437
Balconies	\$44.00	5,544	4.66	243,957
Comm &/or Aux Bldgs	\$67.92	5,336	6.93	362,434
Other: fire sprinkler	\$2.15	69,335	2.85	149,070
SUBTOTAL			91.95	4,812,286
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(11.95)	(625,597)
TOTAL DIRECT CONSTRUCTION COSTS			\$80.00	\$4,186,689
Plans, specs, survy, bld prmts	3.90%		(\$3.12)	(\$163,281)
Interim Construction Interest	3.38%		(2.70)	(141,301)
Contractor's OH & Profit	11.50%		(9.20)	(481,469)
NET DIRECT CONSTRUCTION COSTS			\$64.98	\$3,400,638

PAYMENT COMPUTATION

Primary	\$2,645,000	Amort	360
Int Rate	7.25%	DCR	1.27

Secondary	\$600,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.14

Additional	\$4,140,872	Amort	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$204,575
Secondary Debt Service	35,167
Additional Debt Service	0
NET CASH FLOW	\$35,938

Primary	\$2,499,043	Amort	360
Int Rate	7.25%	DCR	1.35

Secondary	\$600,000	Amort	360
Int Rate	4.19%	Subtotal DCR	1.15

Additional	\$4,140,872	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

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

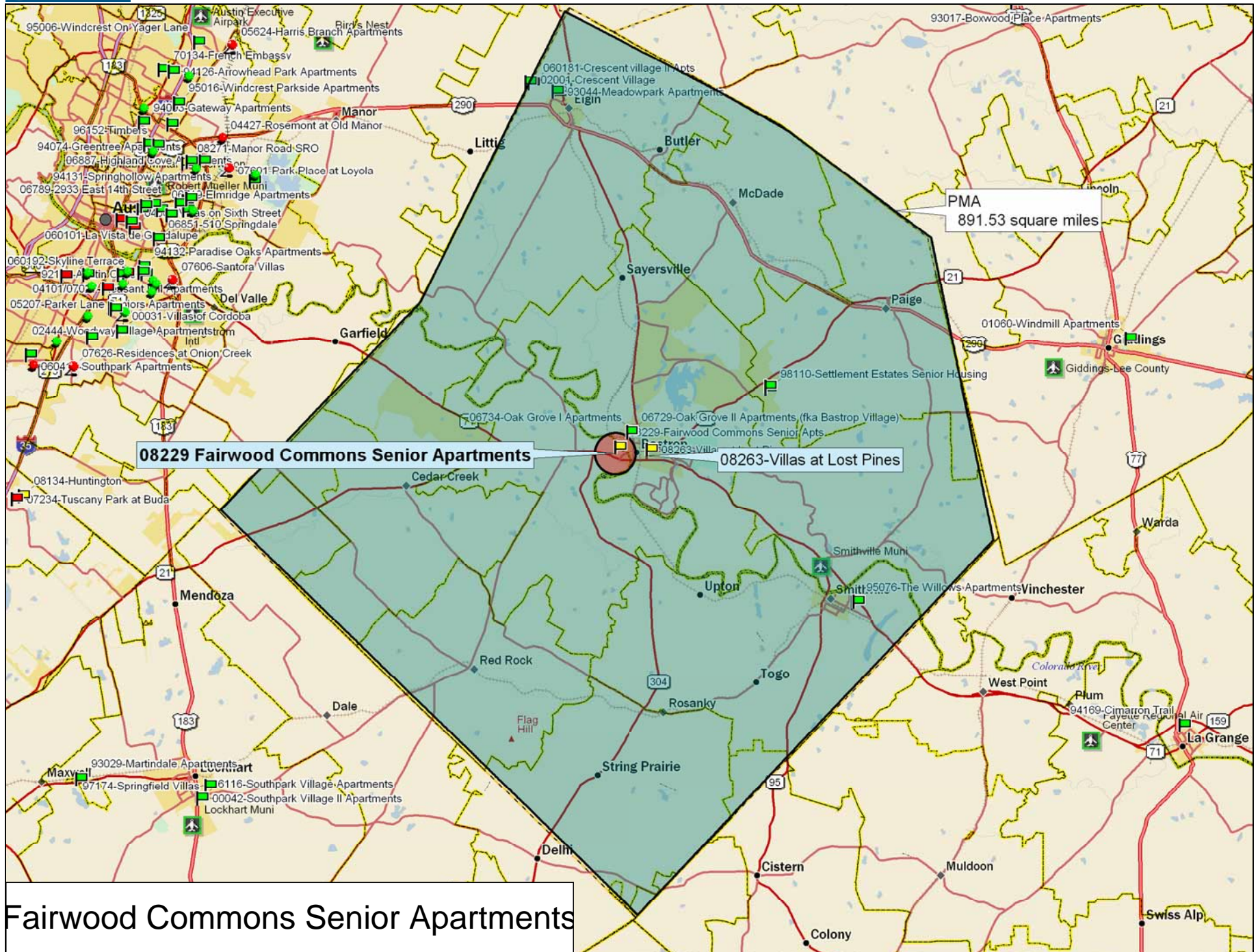
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$514,236	\$529,663	\$545,553	\$561,920	\$578,777	\$670,961	\$777,828	\$901,716	\$1,211,831
Secondary Income	11,880	12,236	12,603	12,982	13,371	15,501	17,970	20,832	27,996
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	526,116	541,899	558,156	574,901	592,148	686,462	795,798	922,548	1,239,827
Vacancy & Collection Loss	(26,304)	(40,642)	(41,862)	(43,118)	(44,411)	(51,485)	(59,685)	(69,191)	(92,987)
Employee or Other Non-Rental Units or Cot	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$499,812	\$501,257	\$516,295	\$531,784	\$547,737	\$634,977	\$736,113	\$853,357	\$1,146,840
EXPENSES at 4.00%									
General & Administrative	\$23,430	\$24,367	\$25,342	\$26,356	\$27,410	\$33,348	\$40,573	\$49,363	\$73,070
Management	19,992	20,050	20,651	21,271	21,909	25,398	29,444	34,133	45,872
Payroll & Payroll Tax	59,400	61,776	64,247	66,817	69,490	84,545	102,862	125,147	185,248
Repairs & Maintenance	39,600	41,184	42,831	44,545	46,326	56,363	68,574	83,431	123,499
Utilities	11,550	12,012	12,492	12,992	13,512	16,439	20,001	24,334	36,020
Water, Sewer & Trash	31,878	33,153	34,479	35,858	37,293	45,372	55,202	67,162	99,416
Insurance	14,850	15,444	16,062	16,704	17,372	21,136	25,715	31,287	46,312
Property Tax	200	208	216	225	234	285	346	421	624
Reserve for Replacements	16,500	17,160	17,846	18,560	19,303	23,485	28,573	34,763	51,458
Other	6,732	7,001	7,281	7,573	7,875	9,582	11,658	14,183	20,995
TOTAL EXPENSES	\$224,132	\$232,355	\$241,449	\$250,901	\$260,724	\$315,953	\$382,948	\$464,226	\$682,514
NET OPERATING INCOME	\$275,680	\$268,902	\$274,846	\$280,883	\$287,013	\$319,024	\$353,165	\$389,131	\$464,326
DEBT SERVICE									
First Lien Financing	\$204,575	\$204,575	\$204,575	\$204,575	\$204,575	\$204,575	\$204,575	\$204,575	\$204,575
Second Lien	35,167	35,167	35,167	35,167	35,167	35,167	35,167	35,167	35,167
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$35,938	\$29,160	\$35,104	\$41,141	\$47,271	\$79,282	\$113,423	\$149,389	\$224,584
DEBT COVERAGE RATIO	1.15	1.12	1.15	1.17	1.20	1.33	1.47	1.62	1.94

HTC ALLOCATION ANALYSIS -Fairwood Commons Senior Apartments, Bastrop, 9% HTC/HOME #0822

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$567,780	\$567,780		
Purchase of buildings				
Off-Site Improvements	\$16,134	\$16,134		
Sitework	\$470,250	\$470,250	\$470,250	\$470,250
Construction Hard Costs	\$3,988,000	\$3,400,638	\$3,988,000	\$3,400,638
Contractor Fees	\$624,155	\$541,924	\$624,155	\$541,924
Contingencies	\$115,500	\$115,500	\$115,500	\$115,500
Eligible Indirect Fees	\$668,367	\$668,367	\$668,367	\$668,367
Eligible Financing Fees	\$255,830	\$255,830	\$255,830	\$255,830
All Ineligible Costs	\$189,355	\$189,355		
Developer Fees				
Developer Fees	\$918,315	\$817,876	\$918,315	\$817,876
Development Reserves	\$146,948	\$146,948		
TOTAL DEVELOPMENT COSTS	\$7,960,634	\$7,190,603	\$7,040,417	\$6,270,386

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		\$600,000	
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$6,440,417	\$6,270,386
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$6,440,417	\$6,270,386
Applicable Fraction		93.08%	93.08%
TOTAL QUALIFIED BASIS		\$5,994,935	\$5,836,665
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$498,779	\$485,611

Syndication Proceeds	0.8298	\$4,139,035	\$4,029,761
Total Tax Credits (Eligible Basis Method)		\$498,779	\$485,611
Syndication Proceeds		\$4,139,035	\$4,029,761
Requested Tax Credits		\$499,000	
Syndication Proceeds		\$4,140,872	
Gap of Syndication Proceeds Needed			\$4,091,560
Total Tax Credits (Gap Method)			\$493,058

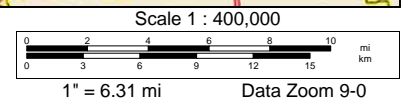
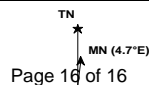


Fairwood Commons Senior Apartments

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Applicant Evaluation

Project ID **08229**

Name **Fairwood Commons Senior Apartmen** City: **Bastrop**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 9

Projects in Material Noncompliance

Yes No

Projects 0-9: 6

Total # of MF awards not yet monitored or pending review: 0

Projects grouped by score 10-19: 1

20-29: 1

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 9

Total # of SF Contracts: 1

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date 7/2/2008

Date 7/7/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date 7/3/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer Candace Christiansen

Date 7/7/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer Monica Guerra

Date 7/14/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sakowitz Apartments, TDHCA Number 08232

BASIC DEVELOPMENT INFORMATION

Site Address: 2300 Sakowitz Development #: 08232
 City: Houston Region: 6 Population Served: General
 County: Harris Zip Code: 77020 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Sakowitz SRO, Ltd
 Owner Contact and Phone: Joy Horak-Brown, (713) 222-0290
 Developer: New Hope Housing, Inc.
 Housing General Contractor: LJC Construction, Inc.
 Architect: Val Glitsch, FAIA, LEED AP
 Market Analyst: O'Connor & Associates
 Syndicator: PNC Multifamily Capital
 Supportive Services: New Housing, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	166
	9 0 58 99	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	166 0 0 0 0 0	Total Development Units:	166
Type of Building:		Total Development Cost*:	\$7,494,211
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	2
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input checked="" type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$740,419	\$740,419			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Sakowitz Apartments, TDHCA Number 08232

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, S Points: 14 US Representative: Jackson Lee, District 18, NC
TX Representative: Dutton, District 142, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government
S, Adrian Garcia, District H, Mayor Pro-Tem

Individuals and Businesses In Support: 8 In Opposition 0

Quantifiable Community Participation Input:

Greater Fifth Ward Super Neighborhood Council #55, Barbara Miller Letter Score: 24 S or O: S
This development will provide quality, low cost housing for those interested in living in the greater Fifth Ward area.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
United Way of Greater Houston S or O: S
Assoc for the Advancement of Mexican Americans S or O: S
SEARCH Homeless Services S or O: S
Texas Homeless Network S or O: S
The Open Door Mission Foundation S or O: S
The Women's Home S or O: S
5th Ward Community Redevelopment Corp. S or O: S
Christ Church Cathedral S or O: S

General Summary of Comment:

General support received from elected official(s), civic organizations, and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance, by Cost Certification, of an attorney or CPA opinion clearly establishing that the proposed HOME loan can be considered to be a valid debt with the reasonable expectation that it will be repaid in full.
2. Receipt, review, and acceptance, by Cost Certification, of documentation that a detailed noise study has been completed by a qualified professional at the subject site, and that any resulting recommendations have been effectively implemented.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the rates and terms of the proposed financing change, the transaction must be reevaluated, and a reduction in allocation may be warranted.
5. Receipt of a commitment of funding from the City of Houston for funds in the amount of \$1,198,721, or a commitment from a qualifying substitute source in an amount not less than \$374,710, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Sakowitz Apartments, TDHCA Number 08232

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$740,419

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/22/08 PROGRAM: 9% HTC FILE NUMBER: 08232

DEVELOPMENT

Sakowitz Apartments

Location: 2300 Sakowitz Region: 6
 City: Houston County: Harris Zip: 77020 QCT DDA
 Key Attributes: Multifamily, Urban, Single Room Occupancy, Non-Profit, New Construction

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$740,419			\$740,419		

CONDITIONS

- 1 Receipt, review, and acceptance, by Cost Certification, of an attorney or CPA opinion clearly establishing that the proposed HOME loan can be considered to be a valid debt with the reasonable expectation that it will be repaid in full.
- 2 Receipt, review, and acceptance, by Cost Certification, of documentation that a detailed noise study has been completed by a qualified professional at the subject site, and that any resulting recommendations have been effectively implemented.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 Should the rates and terms of the proposed financing change, the transaction must be reevaluated, and a reduction in allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	9
50% of AMI	50% of AMI	58
60% of AMI	60% of AMI	99

PROS

- The development will serve a market need that is difficult to serve without access to substantial sources of private grant funds and donations.
- New Hope Housing has documented a successful history of fundraising for operating activities, supportive services, and development activities.

CONS

- The development has a limited ability to sustain breakeven operations during periods of increasing expenses and flat rents without substantial access to additional capital.
- The development may need as much as \$2M in additional operating subsidies over the 30 year affordability period in order to sustain breakeven operations.

◦ The development team is dedicated and experienced in operating supportive housing properties.

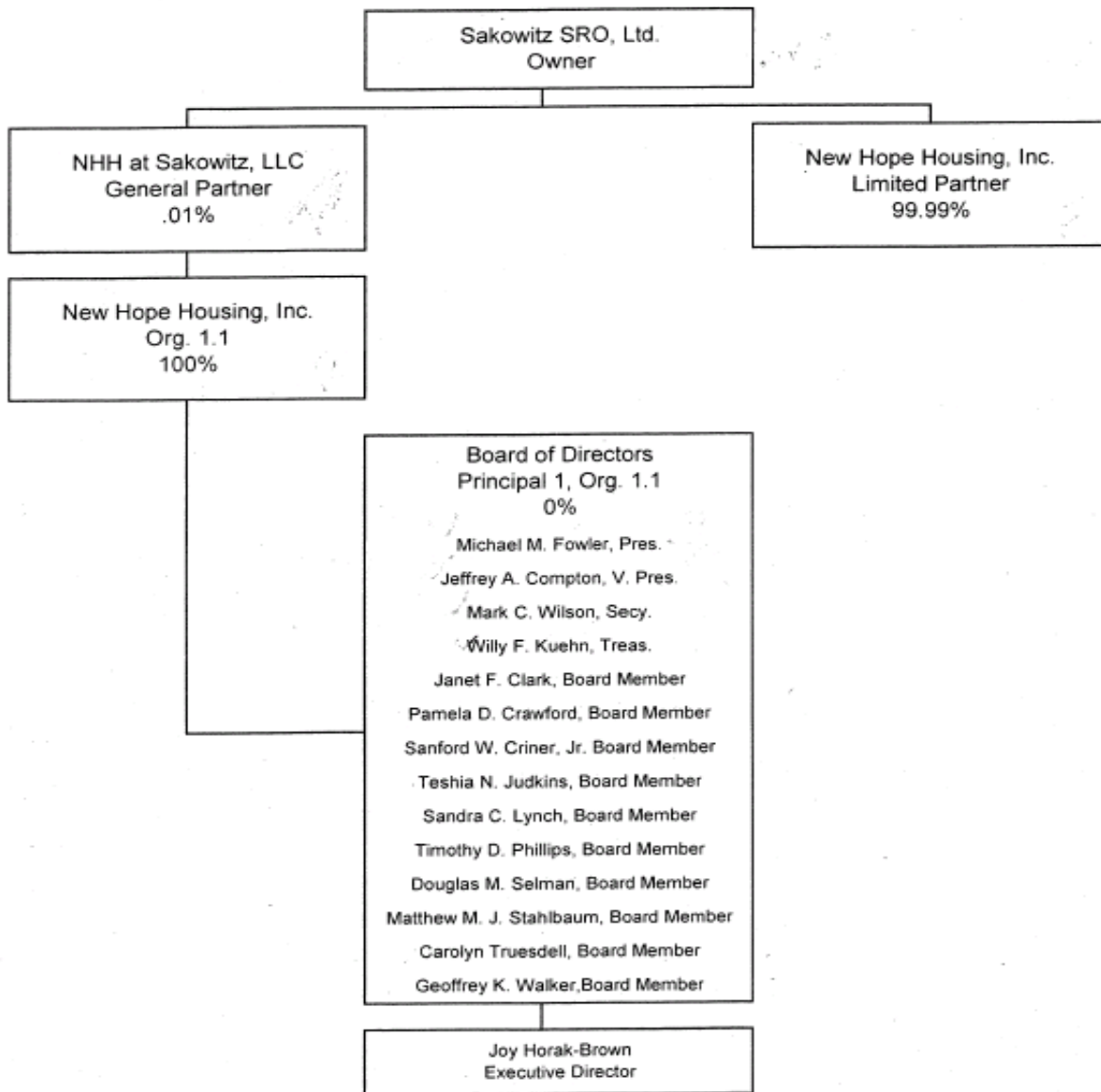
◦ The operating subsidy required to sustain long term feasibility of the development is between the Applicant, its parent organization, and sponsor. New Hope Housing has made a similar pledge for at least 3 properties in addition to the subject and there is a risk that the parent could overextend its long term capacity.

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Joy Horak-Brown Phone: (713) 222-0290 Fax: (713) 222-7770
 Email: joy@newhopehousing.com

KEY PARTICIPANTS

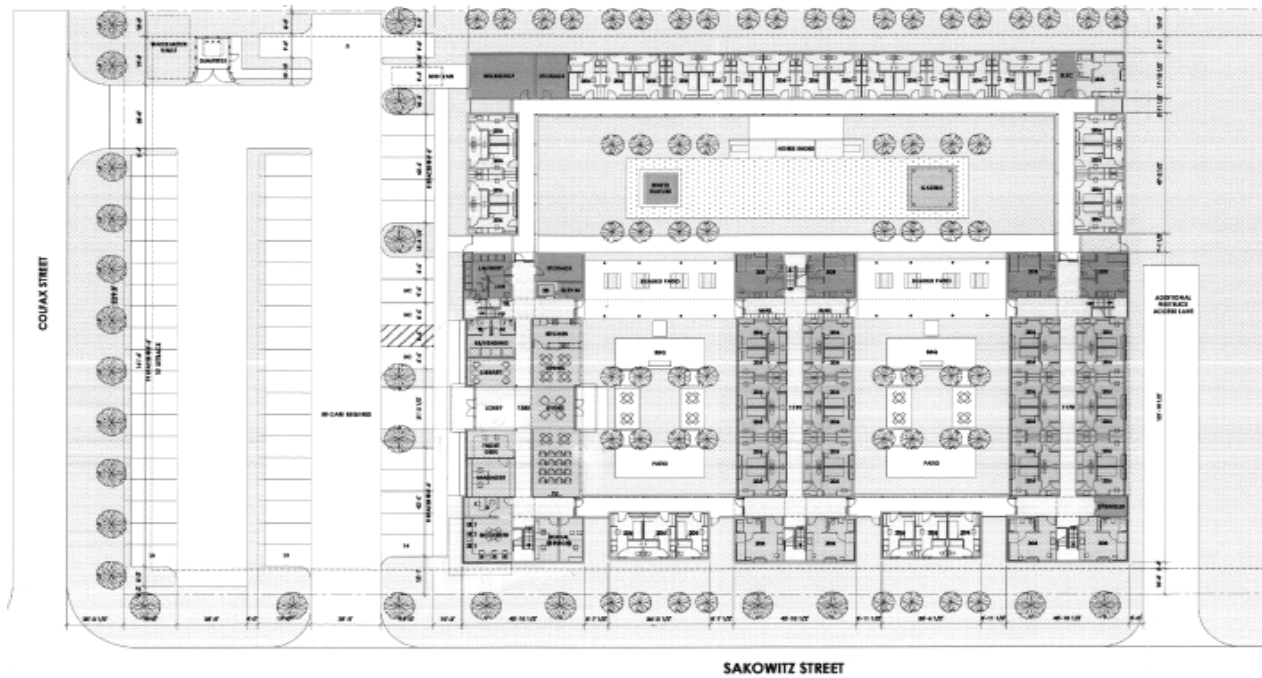
Name	Financial Notes	# Awarded/Completed Developments
New Hope Housing, Inc.	N/A	3/2 SRO Development Utilizing TDHCA HOME/HTF
Joy Horak-Brown	N/A	3/2 SRO Development Utilizing TDHCA HOME/HTF
Michael M Fowler	N/A	3/2 SRO Development Utilizing TDHCA HOME/HTF

IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B									Total Buildings
Floors/Stories	1	3									
Number	1	1									2

Type	SF	Units									Total Units	Total SF
SRO	206	23	94								117	24,102
SRO	227		16								16	3,632
SRO	243		4								4	972
SRO	308	1	28								29	8,932
Units per Building		24	142								166	37,638

SITE ISSUES

Total Size: 2.5234 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: N / A Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/1/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Commercial East: Train Tracks
 South: Residential West: Residential

Comments:

The Inspector labeled as "poor" the quality and condition of the neighborhood, adjacent properties, roads and offsites, and the visibility/appeal to potential tenants; the Inspector added the comment "Old neighborhood with abandoned sites and homes and trash on some sites."

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: DCH Environmental Consultants, LP Date: 3/9/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- An addendum to the Phase I ESA provided on July 17, 2008, states: "DCH Environmental Consultants LP (DCH) completed a noise information worksheet for the referenced property. Based on the close proximity of the railroad tracks on the east side of the property, a noise study with noise abatement recommendations are recommended for the subject site." This report will be conditioned on receipt, review, and acceptance, by Cost Certification, of documentation that a detailed noise study has been completed by a qualified professional at the subject site, and that any resulting recommendations have been effectively implemented.

Comments:

Based on DCH's site investigation ... no direct evidence was found indicating recognized environmental conditions exist at the subject site. DCH recommends no further action at this time.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 3/3/2008

Contact: Kenneth Araiza Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: none Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 22 sq. miles 3 mile radius

The subject's primary market area is generally defined as that area contained within Loop 610 to the north and east, Clinton Drive to the south, and Interstate Highway 45 to the west. This area includes all or a portion of zip codes 77009, 77026, 77020, and 77029, and all of the following census tracts:

48201210100	48201210500	48201210900	48201211300	48201211700
48201210200	48201210600	48201211000	48201211400	48201211800
48201210300	48201210700	48201211100	48201211500	48201211900
48201210400	48201210800	48201211200	48201211600	48201212000
				48201212100

The PMA has an estimated 2007 population of 85,644, with 24,646 households.

This section intentionally left blank.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
none							

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
30% SRO	8	0		8	9	0	113%
50% SRO	313	1		314	58	0	18%
60% SRO	427	1		428	99	0	23%

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
30% SRO	196	-3		193	9	0	5%
50% SRO	288	-3		284	58	0	20%
60% SRO	301	-4		296	99	0	33%

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 73	24,646	46%	11,455	19%	2,135	60%	1,281
Underwriter	100% 24,647	46%	11,456	25%	2,890	59%	1,701
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 73		46%	-107	19%	-20	100%	-20
Underwriter		46%	-128	25%	-15	59%	-9
DEMAND from OTHER SOURCES							
Market Analyst p. 72							146
Underwriter							86

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 73	166	0	0	166	1,407	12%
Underwriter	166	0	0	166	1,098	15%

This section intentionally left blank.

Demand Analysis

The Market Analyst identified demand for 1,281 units resulting from household turnover; demand resulting from household growth was determined to be negative (-20 units); and additional demand for 146 units was identified from holders of Section 8 Housing Choice vouchers. The Market Analyst's calculations are based on the entire income range from the minimum \$11,006 to the maximum \$29,340. The underwriting analysis has excluded the ineligible income band from \$14,700 to \$18,343. (These households are factored into the Section 8 household population.) The underwriting analysis identified demand for 1,021 units resulting from household turnover; demand resulting from household growth was determined to be negative (-9 units); and additional demand for 86 units was identified from holders of Section 8 Housing Choice vouchers. Overall, the Market Analyst concluded an inclusive capture rate of 12%; the underwriting analysis concluded an inclusive capture rate of 15%. Either result is well under the maximum 25%.

The market study was performed based on the guidelines from the 2008 Real Estate Analysis Rules; the study indicates an inclusive capture rate well below the maximum guideline. The analysis is based on serving households with a minimum income above \$11,000 annually. However, the subject property will likely also serve households well below this level. The rent roll for the Canal Street Apartments indicates rents of \$370 per month, while 57 of the 133 units are occupied by households earning below \$11,000 annually with many earning below \$7,500 annually. Demand from households at this income level are partially included in the demand from other sources which considers Section 8 households at these incomes; however, it is likely that the subject property will be one of the most affordable sources of quality housing within the area and as such will serve households that will be willing to pay well over 35% of their income to live in these facilities.

Primary Market Occupancy Rates:

"Occupancy in the primary market area has ranged from 88% to 92% for the last several years. Based on our analysis of the market, moderate increases in occupancy are projected for this market ... the high occupancy of the affordable housing projects in the area indicates a potential pent-up demand for newly-constructed affordable housing units in the primary market area." (p. 39)

Absorption Projections:

"Absorption in the subject's primary market area over the past thirteen quarters ending December 2007 totals a positive 48 units ... The Jacinto Manor (Sun East), 200-unit senior tax credit project, was completed in September 2005, and stabilized in May 2006, equating to an absorption rate of 20 units per month ... The Canal Place Apartments, a 200-unit tax credit property, was completed in May 2007 and stabilized in January 2008, an absorption rate of 26 units per month. There are no recent examples of absorption for market properties in the PMA. The Canal Street Apartments, a subsidized SRO project outside the PMA (operated by the parent firm of the Applicant), reportedly stabilized in 5 months, indicating an absorption rate of 24 units per month." (p. 37)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
SRO	206 SF	30%	\$400	\$321	\$470	\$321	\$149
SRO	206 SF	50%	\$400	\$535	\$470	\$365	\$105
SRO	206 SF	60%	\$400	\$642	\$470	\$365	\$105
SRO	227 SF	60%	\$410	\$642	\$485	\$365	\$120
SRO	243 SF	60%	\$415	\$642	\$490	\$365	\$125
SRO	308 SF	60%	\$430	\$642	\$520	\$365	\$155

Market Impact:

"Based on studies performed by the City, Houston is in need of Single-Room Occupancy units for income-qualified single homeless people. The study cites a gap between housing and the homeless of 9,439 units. Of the estimated 30,000 homeless there are an estimated 2,340 earning above \$10,000 ... For 2007, the annualized count, which is an estimate of the number of persons who experience homelessness over the course of a calendar year, according to HMIS reports is 30,953." (p. 75)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 74.8 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 172.5 which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant's projected operating income is based on rents defined in an operating subsidy agreement provided by New Hope Housing, Inc., the owner of the GP. The subject property will be a single-room occupancy, supportive housing development that will serve very low income tenants and provide extensive supportive services available to all tenants. New Hope Housing will provide an operating subsidy above the tenant paid rents, if necessary, in an amount "sufficient to fund normal operations and maintenance of the Project, but not to exceed \$400 for each and every 206 square-foot unit per month, \$410 for each and every 227 square-foot unit per month, \$415 for each and every 243 square-foot unit per month, and \$430 for each and every 308 square-foot unit per month." Moreover, the Operational Subsidy agreement indicates that "New Hope will increase the amount thereafter up to 4% per year based on actual expenses as necessary for normal operation and maintenance of the Project. New Hope will not subsidize the Project in excess of the amount required."

The underwriting analysis is based on the average of the actual rents from two other New Hope Housing SRO properties operating within the Houston area. This level of demonstrated achievable rent is 12% less than the Applicant's projected rents. However, the Underwriter has included an operating subsidy as other secondary income to offset the estimated expenses that will not be covered by the tenant-paid rental income. The Underwriter has assumed a subsidy amount that will result in breakeven operations for all 30-years of the long-term proforma. In addition, the Underwriter has used the minimum standard for other secondary income of \$5 per unit and has assumed the standard vacancy and collection loss. The Applicant estimated no secondary income but used the standard vacancy and collection loss assumption of 7.5%. The Applicant's estimate for effective gross income is 2% more than the Underwriter's projected amount.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/16/2008

The Applicant's projected annual operating expenses total \$4,501 per unit. This is within 1% of the underwriting estimate of \$4,442, which is based primarily on the actual expenses from two other New Hope Housing SRO properties operating within the Houston area. Individual line items with the most significant variations include payroll and payroll tax (the Applicant's figure is \$37K higher than the underwriting estimate) and property tax (the Applicant's figure is \$11K lower than the underwriting estimate). The Underwriter has also included the average expense for supportive services from the other properties. The Applicant indicates that property taxes were estimated based on an estimate of taxable value of \$800,000 provided by the Market Analyst.

The Underwriter inquired as to the tax status of the Applicant's two similar properties; the Applicant responded "At the time we developed Canal and Hamilton, an exemption of property taxes was available to nonprofits and we met the qualifications for this exemption. This type of exemption is no longer available to us." It is the Underwriter's understanding that a Limited Partnership in which the General Partner is wholly owned by a non-profit will generally continue to qualify for a 50% tax exemption based on state law however large cities such as Houston have the ability to override this exemption. The Underwriter's estimate of property tax expense is based on an estimated valuation of \$15K per unit, or \$2.49M, and an assumed 50% property tax exemption. The Applicant's estimate is lower still.

Conclusion:

The Applicant's projected effective gross income and annual operating expenses are each within 5% of the underwriting estimates. The Applicant has concluded a net operating income (NOI) of \$4,713 per year. The underwriting analysis, however, is based on collected rents being less than projected by the Applicant, with the difference made up through an operating subsidy from the parent organization, so the underwriting estimate of NOI is zero; the underwriting estimates will therefore be used in the feasibility analysis. The development will operate at or close to breakeven, and without conventional long-term debt, and as such, the limits on debt coverage and expense ratio cannot be applied. Moreover, the 2008 Real Estate Analysis Rules provide exceptions for supportive housing developments from the DCR and long-term feasibility requirements if evidence is submitted to show capacity to provide sufficient resources to offset 15 years of potentially negative cashflow.

During the fiscal years ending on June 30, 2007 and 2008, respectively, New Hope Housing accumulated cash donations of \$377K and \$394K in organizational operating funds, as well as \$159K and \$120K in cash donations for resident services programs. Moreover, New Hope Housing provided documentation that fundraising goals were met for Canal Street Apartment's (#2003-0178) a 2003 TDHCA HOME funded SRO development also in Houston. New Hope Housing raised \$2.9M in private grant funds between 2000 and 2005 for the development of the Canal Street Apartments.

§ 1.32(g)(3)(C) of the 2008 Real Estate Analysis Rules requires that if annual fundraising is used to evidence the long-term feasibility of a supportive housing development, a resolution from the Applicant's governing board must be provided confirming their irrevocable commitment to the provision of these funds and activities. The New Hope Housing Board of Directors passed resolutions on Jan 24, 2008 stating that 1) the funding for development and operations of Sakowitz Apartments are irrevocably committed in the event that TDHCA awards Housing Tax Credits to the owner, and 2) that New Hope Housing, Inc., in its capacity as Sole Member of NHH at Sakowitz, LLC, pledges to cause NHH at Sakowitz, LLC to take all requisite actions to secure sufficient funds to cover any operating shortfall through organizational fundraising, including personal gifts of the Directors of New Hope Housing, Inc. and NHH at Sakowitz, LLC.

In addition to evidence of successful fundraising, the Applicant has submitted the current rent rolls for Canal Street Apartments and Hamilton Street Residence, two similar SRO properties in Houston. Based on the rent roll provided, Hamilton Street Residence currently has 10 vacancies and 119 occupied units; Canal Street currently has 2 units vacant but leased, 3 units vacant but not leased, and 128 occupied units. The financial statements for both properties indicate positive net income for the fiscal year ended June 2007. While New Hope is committed to subsidize each property to break-even operation, it has never actually had to provide any such subsidy. Tenants either pay the full rent themselves, or secure rental assistance from outside private and public organizations. The Applicant indicated that among the current tenants at Hamilton Street, 25 are receiving assistance from 5 different organizations; at Canal Street, 5 residents are receiving such assistance. The Applicant actively works to match prospective tenants to the various organizations available to provide individual assistance.

Feasibility:

The 30-year underwriting proforma, based on rents currently being collected at the Applicant's two similar properties, indicates that as much as \$880K in operating subsidies could be needed over the first 15 years, and a total of \$2 million over 30 years. To the extent that the Applicant is able to achieve higher rents up to the level projected, the required operating subsidy can be minimized. The Applicant has demonstrated a commitment and ability to pursue the needed fundraising activities. As such, the Applicant appears to have satisfied the provision in the 2008 Real Estate Analysis Rules exempting supportive housing developments from the initial and long-term feasibility requirements.

The development has generally satisfied the Department's long-term feasibility requirements based upon the Applicant's documented capacity to provide sufficient resources to offset future operating deficits. It should also be noted, however, that the subject property will be the third property funded to this sponsor through TDHCA since 2003. New Hope Housing has committed ongoing operating subsidies for at least four properties. As New Hope Housing continues to pursue development of new SRO properties under this model, the organization must escalate fundraising activities to cover potential operating deficits. The Underwriter is concerned about the long-term commitment and capacity required to continue development of SRO housing and to fully fund existing subsidy commitments.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	3.15 acres	\$343,500	Tax Year:	2008
prorata	1 acres	\$108,900	Valuation by:	Harris County CAD
Subject:	2.52 acres	\$274,798	Tax Rate:	2.52871

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 3.156
 Contract Expiration: 12/1/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$247,000 Other: _____
 Seller: Alan J. Atkinson Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 6/16/2008

Acquisition Value:

The Applicant initially claimed an acquisition cost of \$247,000 for a 3.156 acre tract, of which 2.5234 acres will be used for the subject development. The Applicant indicated there are no immediate plans for the use of the remainder tract. After being informed that if the entire acquisition cost was included that the entire 3.156 acres would be restricted under the LURA, the Applicant submitted a revised development cost schedule reflecting only \$197,490, the prorata cost of the subject 2.5234 acres. This lower amount was included in this analysis. The acquisition cost is assumed to be reasonable as the purchase is an arm's length transaction.

Sitework Cost:

The Applicant has claimed site work costs equivalent to \$1,478 per unit, well below the underwriting guideline of \$9,000 per unit; no further substantiation is required.

Direct Construction Cost:

The Applicant has projected total direct construction costs of \$3.3 million. At \$87.70 per sq.ft., this is substantially higher than typical multifamily construction; however, this is expected due to the unique characteristics of the SRO environment, with an average unit size of 227 sq. ft. The ratio of units to total area is literally "off the chart" of the cost estimation tools normally relied upon for underwriting purposes. The Underwriter has referred to the broader-based Marshall & Swift Valuation Service data; the average quality motel was determined to be the closest representation to the subject, due to small single-room units, each with bathroom facilities. The Underwriter estimated total direct construction costs at \$3.6 million, or 9% higher than the Applicant's projection.

Interim Interest Expense, Contingency & Fees:

Interim financing, contingency, and developer and contractor fees are all within underwriting guidelines.

Conclusion:

The Applicant's projection of total development cost is \$7.6 million. This is within 5% of the underwriting estimate of \$7.8 million; therefore, the Applicant's projection will be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of \$6,845,587 is increased by 30% due to the subject site being located in both a Qualified Census Tract and a Difficult Development Area. The adjusted basis of \$8,899,263 supports an annual tax credit allocation of \$740,419. This will be compared to the amount requested by the Applicant and the amount indicated by the gap in financing in order to determine any recommended allocation.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/16/2008

Source: Wells Fargo Type: Interim Financing
Principal: \$4,220,000 Interest Rate: 8.5% Fixed Term: 30 months
Comments:

Source: City of Houston Type: Permanent Financing
Principal: \$1,198,721 Interest Rate: 0.0% Fixed Amort: 240 months
Comments:

The application stated that the Applicant had applied to the City of Houston for HOME Investment Partnership funds structured as a loan at 0% for 20 years, with options to extend, with a single balloon payment at maturity, with borrower's option to elect forgiveness. Since HOME funds are sourced from the federal government, the loan terms as described would require that the funds be excluded from eligible basis in determining tax credits. The Applicant subsequently provided new commitments indicating that the City of Houston will loan the funds as described (20 years at 0%, single balloon payment at maturity) to Houston Area Community Development Corp. (HACDC), a related party to the Applicant. HACDC will in turn loan the funds to the Applicant for 20 years at AFR, with no payments required during the term. This structure ensures that the funds are not considered below market federal funding, as long as the funding is deemed to be a valid debt with the reasonable expectation that it will be repaid in full.

The Applicant has provided a CPA letter with "accompanying projected cash flow, projected loan amortization, projected residual analysis, and other projected data for a forty year operations period ... for calculating the residual value of the Project with HOME loan financing." Unfortunately, this analysis is based on a number of unlikely assumptions. For instance, the analysis assumes a forty year period, but the loan matures after twenty years. The analysis suggests a year one NOI of \$37K; the application only suggests NOI of \$2K, and the underwriting analysis is based on the assumption that the property will generally operate at break-even. The CPA analysis suggests that sufficient cash flow is applied toward the HOME loan such that the outstanding balance after forty years is only \$1.3M, as compared to the beginning principal amount of \$1.2M. The analysis assumes a year forty NOI of \$207K, and therefore the underlying property value would support the debt in question.

Most significantly, the CPA letter states "We have not examined the projection and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions." This report will be conditioned on receipt, review, and acceptance, by Cost Certification, of an attorney or CPA opinion clearly establishing that the proposed HOME loan can be considered to be a valid debt with the reasonable expectation that it will be repaid in full.

Source: Rockwell Fund, Inc. Type: Grant
Principal: \$150,490 Conditions: _____
Comments:

The Applicant has applied to the Rockwell Fund, Inc. for a grant in the amount of \$150,490. The President of RFI has acknowledged that the application "meets our standards for funding but reserve final commitment until our full board can act on the application at its next quarterly meeting and your project has been selected to receive an allocation of 2008 Low Income Housing Tax Credits from TDHCA."

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Source: PNC MultiFamily Capital Type: Syndication

Proceeds: \$6,145,000 Syndication Rate: 83% Anticipated HTC: \$ 740,419

Comments:

The syndication rate appears to be consistent with current trends in equity pricing. Any reduction in the syndication rate would result in the need for additional financing sourced from deferred developer fees. With no substantial projected cashflow, it would not be possible to recommend a financing structure which included significant deferred fees; therefore, the application would need to be re-evaluated, with the likely result that an allocation could not be recommended. On the other hand, the recommended allocation is equal to the maximum funds required based on the gap in financing. If the syndication rate were to increase even slightly, the equity proceeds would exceed the gap, and the allocation should be reduced accordingly.

Amount: \$90,000 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,198,721 and the grant of \$150,490 indicates the need for \$6,145,000 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$740,419 annually would be required to fill this gap in financing. The three possible allocations are:

Allocation determined by eligible basis:	\$740,419
Allocation requested by Applicant:	\$740,419
Allocation determined by gap in financing:	\$740,419

The allocation amount requested by the Applicant is recommended. A tax credit allocation of \$740,419 per year for ten years results in total equity proceeds of \$6,145,000 at a syndication rate of \$0.83 per tax credit dollar.

The Underwriter's recommended financing structure does not indicate the need for any additional permanent funds.

Underwriter: _____ Date: July 22, 2008
Thomas Cavanagh

Reviewing Underwriter: _____ Date: July 22, 2008
Raquel Morales

Director of Real Estate Analysis: _____ Date: July 22, 2008
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Sakowitz Apartments, Houston, 9% HTC #08232

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	9	0	1	206	\$321	\$321	\$2,889	\$1.56	\$70.00	\$33.00
TC 50%	58	0	1	206	\$535	\$365	\$21,170	\$1.77	\$70.00	\$33.00
TC 60%	50	0	1	206	\$642	\$365	\$18,250	\$1.77	\$70.00	\$33.00
TC 60%	16	0	1	227	\$642	\$365	\$5,840	\$1.61	\$70.00	\$33.00
TC 60%	4	0	1	243	\$642	\$365	\$1,460	\$1.50	\$70.00	\$33.00
TC 60%	29	0	1	308	\$642	\$365	\$10,585	\$1.19	\$70.00	\$33.00
TOTAL:	166		AVERAGE:	227		\$363	\$60,194	\$1.60	\$70.00	\$33.00

INCOME

Total Net Rentable Sq Ft: 37,638

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00

Operating Subsidy Per Unit Per Month

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	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.39%	\$284	1.25	\$47,151	\$48,785	\$1.30	\$294	6.51%
Management	5.51%	245	1.08	40,660	44,946	1.19	271	6.00%
Payroll & Payroll Tax	38.22%	1,698	7.49	281,831	318,945	8.47	1,921	42.58%
Repairs & Maintenance	9.68%	430	1.90	71,372	74,913	1.99	451	10.00%
Utilities	13.35%	593	2.61	98,402	90,990	2.42	548	12.15%
Water, Sewer, & Trash	4.42%	197	0.87	32,625	34,984	0.93	211	4.67%
Property Insurance	6.49%	288	1.27	47,861	55,000	1.46	331	7.34%
Property Tax 2.52871	4.27%	190	0.84	31,482	20,321	0.54	122	2.71%
Reserve for Replacements	5.63%	250	1.10	41,500	41,500	1.10	250	5.54%
TDHCA Compliance Fees	0.90%	40	0.18	6,640	6,640	0.18	40	0.89%
Other:	5.13%	228	1.00	37,799	10,220	0.27	62	1.36%
TOTAL EXPENSES	100.00%	\$4,442	\$19.59	\$737,323	\$747,244	\$19.85	\$4,501	99.75%
NET OPERATING INC	0.00%	\$0	\$0.00	\$0	\$1,892	\$0.05	\$11	0.25%

DEBT SERVICE

Houston HOME	0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%
Rockwell Fund Grant	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	0.00%	\$0	\$0.00	\$0	\$1,892	\$0.05	\$11	0.25%

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)		2.56%	\$1,190	\$5.25	\$197,490	\$197,490	\$5.25	\$1,190	2.64%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		3.18%	1,478	6.52	245,400	245,400	6.52	1,478	3.27%
Direct Construction		47.07%	21,901	96.59	3,635,488	3,301,015	87.70	19,886	44.05%
Contingency 4.57%		2.29%	1,068	4.71	177,250	177,250	4.71	1,068	2.37%
Contractor's Fees 12.79%		6.43%	2,991	13.19	496,500	496,500	13.19	2,991	6.63%
Indirect Construction		16.53%	7,691	33.92	1,276,724	1,276,724	33.92	7,691	17.04%
Ineligible Costs		0.53%	248	1.09	41,132	41,132	1.09	248	0.55%
Developer's Fees 14.03%		11.44%	5,322	23.47	883,500	883,500	23.47	5,322	11.79%
Interim Financing		6.02%	2,802	12.36	465,200	465,200	12.36	2,802	6.21%
Reserves		3.95%	1,840	8.11	305,362	410,000	10.89	2,470	5.47%
TOTAL COST	100.00%	\$46,530	\$205.22	\$7,724,046	\$7,494,211	\$199.11	\$45,146	100.00%	
Construction Cost Recap		58.97%	\$27,438	\$121.01	\$4,554,638	\$4,220,165	\$112.13	\$25,423	56.31%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Houston HOME	15.52%	\$7,221	\$31.85	\$1,198,721	\$1,198,721	\$1,198,721	Developer Fee Available
Rockwell Fund Grant	1.95%	\$907	\$4.00	150,490	150,490	150,490	\$883,500
PNC MultiFamily Capital	79.56%	\$37,018	\$163.27	6,145,000	6,145,000	6,145,000	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0		0	0%
Additional (Excess) Funds Req'd	2.98%	\$1,385	\$6.11	229,835	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,724,046	\$7,494,211	\$7,494,211	#DIV/0!

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Sakowitz Apartments, Houston, 9% HTC #08232

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Valuation Service
Motel Average Class D

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$71.80	\$4,169,296
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			0.00	0
Floor Cover			0.00	0
Breezeways/Balconies			0.00	0
Plumbing Fixtures			0.00	0
Rough-ins			0.00	0
Built-In Appliances			0.00	0
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			0.00	0
Garages/Carports			0.00	0
Elevators	\$56,500	1	0.97	36,621
Other: fire sprinkler	\$2.33	58,069	2.33	87,697
SUBTOTAL			73.94	4,293,614
Current Cost Multiplier	1.07		5.18	194,806
Local Multiplier	0.87		(9.61)	(361,783)
TOTAL DIRECT CONSTRUCTION COSTS			\$69.50	\$4,126,637
Plans, specs, survy, bld prm	3.90%		(\$2.71)	(\$102,023)
Interim Construction Interest	3.38%		(2.35)	(88,289)
Contractor's OH & Profit	11.50%		(7.99)	(300,837)
NET DIRECT CONSTRUCTION COSTS			\$56.45	\$3,635,488

PAYMENT COMPUTATION

Primary	\$1,198,721	Amort	
Int Rate		DCR	#DIV/0!
Secondary	\$150,490	Amort	
Int Rate		Subtotal DCR	#DIV/0!
Additional		Amort	
Int Rate		Aggregate DCR	#DIV/0!

RECOMMENDED FINANCING STRUCTURE

Primary Debt Service	\$0
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	N/A

Primary	\$1,198,721	Amort	0
Int Rate	4.39%	DCR	N/A
Secondary	\$150,490	Amort	0
Int Rate	0.00%	Subtotal DCR	N/A
Additional	\$0	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	\$722,328	\$743,998	\$766,318	\$789,307	\$812,987	\$942,474	\$1,092,586	\$1,266,607	\$1,702,213
Secondary Income	9,960	10,259	10,567	10,884	11,210	12,996	15,065	17,465	23,471
Operating Subsidy	64,818	74,733	85,265	96,445	108,304	179,060	272,678	395,310	760,211
POTENTIAL GROSS INCOME	797,106	828,990	862,150	896,636	932,501	1,134,530	1,380,329	1,679,382	2,485,895
Vacancy & Collection Loss	(59,783)	(62,174)	(64,661)	(67,248)	(69,938)	(85,090)	(103,525)	(125,954)	(186,442)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$737,323	\$766,816	\$797,488	\$829,388	\$862,563	\$1,049,440	\$1,276,805	\$1,553,428	\$2,299,453
EXPENSES at 4.00%									
General & Administrative	\$47,151	\$49,037	\$50,998	\$53,038	\$55,160	\$67,110	\$81,650	\$99,339	\$147,046
Management	40,660	42,286	43,978	45,737	47,566	57,872	70,410	85,664	126,804
Payroll & Payroll Tax	281,831	293,104	304,828	317,021	329,702	401,133	488,039	593,774	878,931
Repairs & Maintenance	71,372	74,227	77,196	80,284	83,495	101,585	123,593	150,370	222,585
Utilities	98,402	102,338	106,431	110,689	115,116	140,057	170,400	207,318	306,881
Water, Sewer & Trash	32,625	33,930	35,287	36,698	38,166	46,435	56,496	68,736	101,745
Insurance	47,861	49,776	51,767	53,838	55,991	68,122	82,881	100,837	149,263
Property Tax	31,482	32,742	34,051	35,413	36,830	44,809	54,517	66,329	98,183
Reserve for Replacements	41,500	43,160	44,886	46,682	48,549	59,067	71,865	87,434	129,424
Other	44,439	46,217	48,065	49,988	51,987	63,251	76,954	93,626	138,590
TOTAL EXPENSES	\$737,323	\$766,816	\$797,488	\$829,388	\$862,563	\$1,049,440	\$1,276,805	\$1,553,428	\$2,299,453
NET OPERATING INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DEBT SERVICE									
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
NET CASH FLOW	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DEBT COVERAGE RATIO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

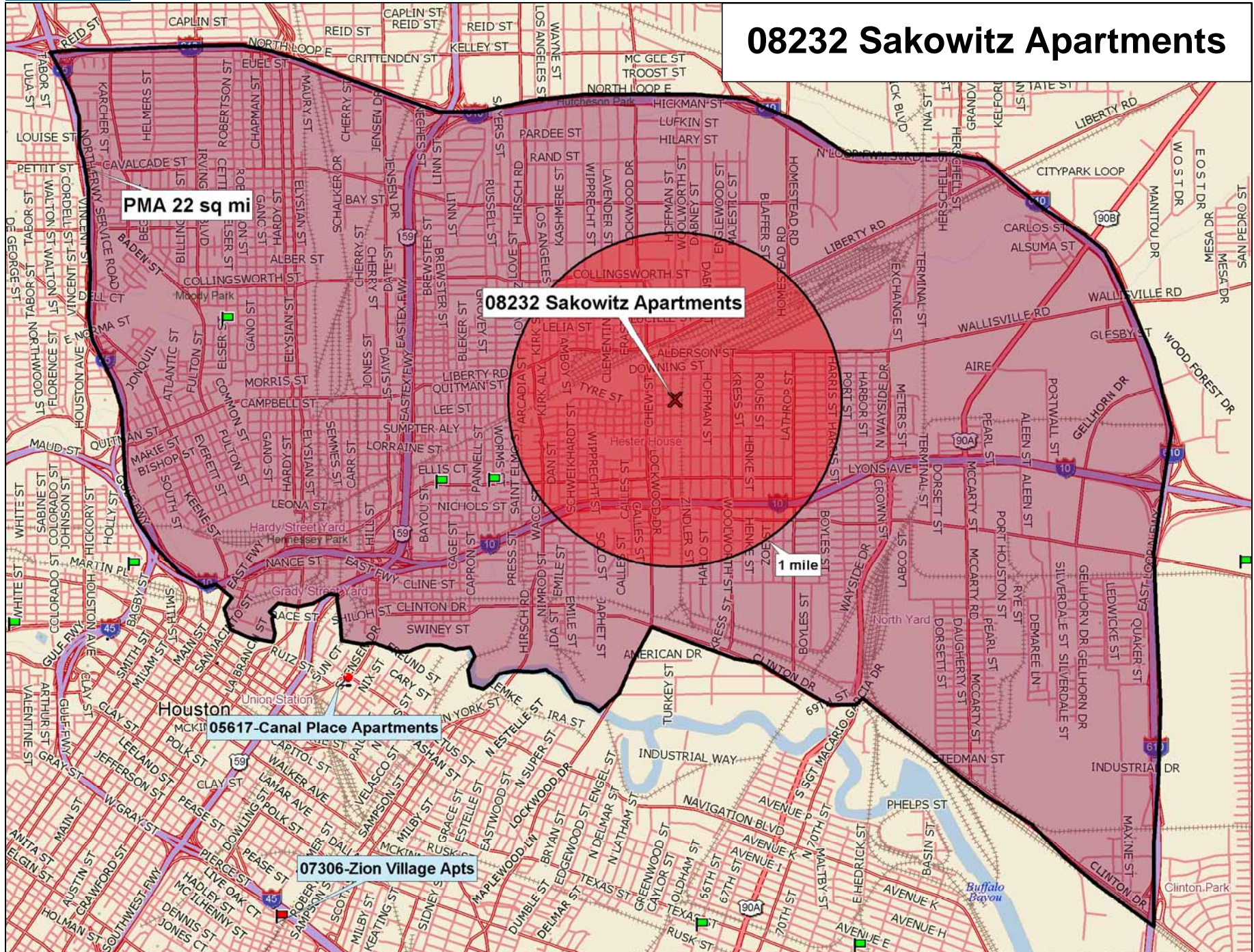
HTC ALLOCATION ANALYSIS -Sakowitz Apartments, Houston, 9% HTC #08232

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$197,490	\$197,490		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$245,400	\$245,400	\$245,400	\$245,400
Construction Hard Costs	\$3,301,015	\$3,635,488	\$3,301,015	\$3,635,488
Contractor Fees	\$496,500	\$496,500	\$496,498	\$496,500
Contingencies	\$177,250	\$177,250	\$177,250	\$177,250
Eligible Indirect Fees	\$1,276,724	\$1,276,724	\$1,276,724	\$1,276,724
Eligible Financing Fees	\$465,200	\$465,200	\$465,200	\$465,200
All Ineligible Costs	\$41,132	\$41,132		
Developer Fees				
Developer Fees	\$883,500	\$883,500	\$883,500	\$883,500
Development Reserves	\$410,000	\$305,362		
TOTAL DEVELOPMENT COSTS	\$7,494,211	\$7,724,046	\$6,845,587	\$7,180,062

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$6,845,587	\$7,180,062
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$8,899,263	\$9,334,081
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$8,899,263	\$9,334,081
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$740,419	\$776,596

Syndication Proceeds	0.8299	\$6,144,998	\$6,445,242
Total Tax Credits (Eligible Basis Method)		\$740,419	\$776,596
Syndication Proceeds		\$6,144,998	\$6,445,242
Requested Tax Credits		\$740,419	
Syndication Proceeds		\$6,145,000	
Gap of Syndication Proceeds Needed		\$6,145,000	
Total Tax Credits (Gap Method)		\$740,419	

08232 Sakowitz Apartments



PMA 22 sq mi

08232 Sakowitz Apartments

1 mile

Houston

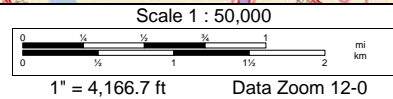
05617-Canal Place Apartments

07306-Zion Village Apts

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Applicant Evaluation

Project ID **08232**

Name **Sakowitz Apartments**

City: **Houston**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored:	<u>1</u>	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Projects grouped by score	0-9:	<u>0</u>
Total # of MF awards not yet monitored or pending review:	<u>2</u>		10-19:	<u>0</u>	
SF Contract Experience <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Total # of MF Projects in Material Noncompliance:	<u>0</u>	20-29:	<u>0</u>
Total # of SF Contracts:	<u>0</u>		Total monitored with a score 0-29:		<u>1</u>

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 5/21/2008

Single Audit

- | | |
|--|--|
| <input type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input checked="" type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen

Date: 5/23/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Heritage Park Vista, TDHCA Number 08233

BASIC DEVELOPMENT INFORMATION

Site Address: 8500 Ray White Rd. Development #: 08233
 City: Fort Worth Region: 3 Population Served: Elderly
 County: Tarrant Zip Code: 76248 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Heritage Park Vista Housing Partners, Ltd
 Owner Contact and Phone: Dan Allgeier, (972) 573-3411
 Developer: Nurock Development Group, Inc.
 Housing General Contractor: NuRock Construction, LLC
 Architect: Morton Gurber & Associates
 Market Analyst: Ipser & Associates, Inc.
 Syndicator: Boston Capital
 Supportive Services: NuRock Foundation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	135
	7 0 49 79	Market Rate Units:	5
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 70 70 0 0 0	Total Development Units:	140
Type of Building:		Total Development Cost*:	\$15,989,700
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,126,048	\$1,106,616			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Heritage Park Vista, TDHCA Number 08233

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Nelson, District 12, NC

Points: 0

US Representative: Granger, District 12, NC

TX Representative: Truitt, District 98, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 6

In Opposition 0

Quantifiable Community Participation Input:

North Fort Worth Alliance, Colleen Demel

Letter Score: 24 S or O: S

This development will put no new burden on Keller ISD's currently over-populated schools in the immediate area and will bring minimal to no additional traffic.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0

North Park Baptist Church

S or O: S

General Summary of Comment:

Support received from elected official(s), a qualified Neighborhood Organization, a civic organization, and from non-official(s).

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of information regarding any potential adverse affects of the existing tenancy in common agreements listed in Schedule B of the title commitment on the development or operation of the proposed multifamily property.
2. Receipt, review, and acceptance, by cost certification, of a noise study and evidence that all recommendations of said study have been fully implemented.
3. Receipt, review, and acceptance by cost certification of an executed and recorded Land Use Restriction Agreement (LURA) restricting all 16.01 acres for the proposed development.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
6. Receipt of a commitment of funding from the City of Kerrville for funds in the amount of \$800,000, or a commitment from a qualifying substitute source in an amount not less than \$799,485, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Heritage Park Vista, TDHCA Number 08233

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$1,106,616

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/26/08 PROGRAM: 9% HTC FILE NUMBER: 08233

DEVELOPMENT

Heritage Park Vista

Location: 8500 Ray White Road Region: 3
 City: Fort Worth County: Tarrant Zip: 76248 OCT DDA
 Key Attributes: Multifamily, Elderly, Urban, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,126,048			\$1,106,616		

CONDITIONS

- 1 Receipt, review, and acceptance, by carryover, of information regarding any potential adverse affects of the existing tenancy in common agreements listed in Schedule B of the title commitment on the development or operation of the proposed multifamily property.
- 2 Receipt, review, and acceptance, by cost certification, of a noise study and evidence that all recommendations of said study have been fully implemented.
- 3 Receipt, review, and acceptance by cost certification of an executed and recorded Land Use Restriction Agreement (LURA) restricting all 16.01 acres for the proposed development.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	7
50% of AMI	50% of AMI	49
60% of AMI	60% of AMI	79

PROS

- The Market Rents are significantly higher than the maximum 60% tax credit rents which indicates that the subject units will offer eligible households a significant savings over other comparable properties in the market.

CONS

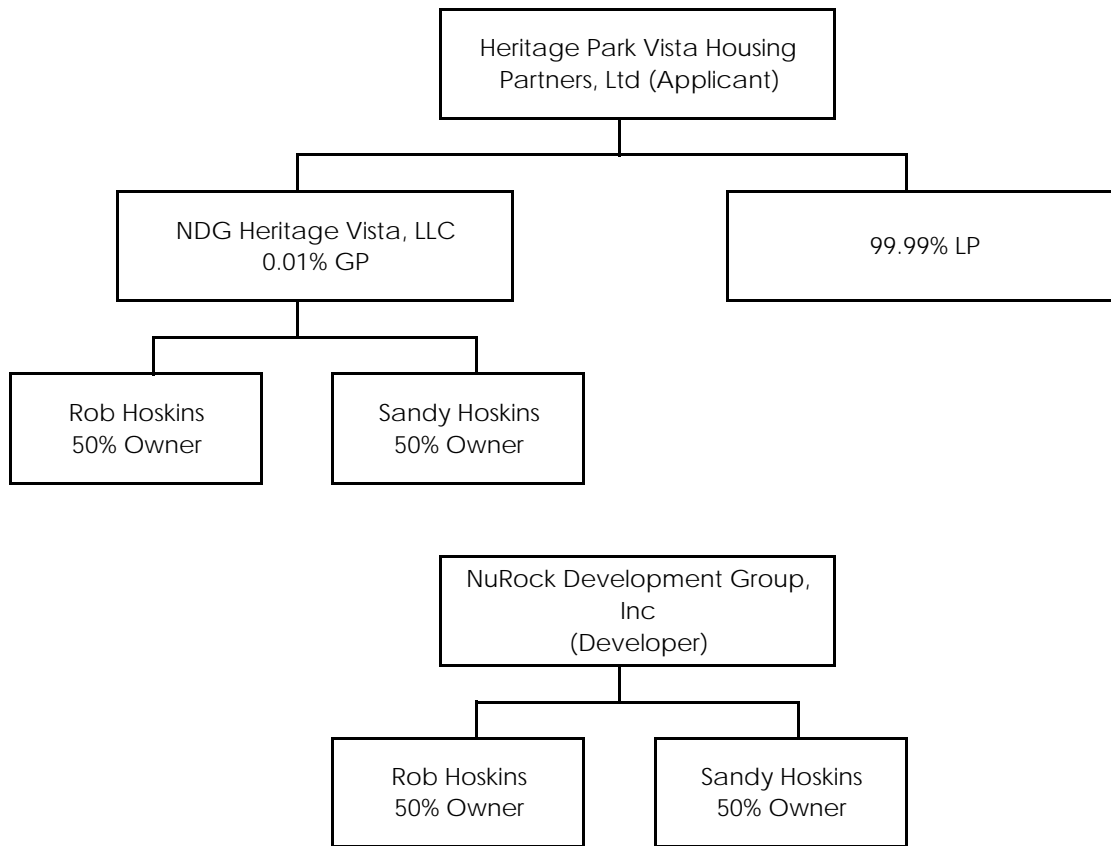
- Should the final credit price decrease by more than a fraction of one cent, all else equal, the deferred developer fee would exceed the amount repayable within 15 years and the transaction would not meet the REA rules for feasibility.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dan Allgeier Phone: 972.573.3411 Fax: 678.218.1496
 Email: dallgeier@nurrock.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
NuRock Development Group, Inc	N/A	--
Rob Hoskins & Sandy Hoskins	N/A	7 Texas HTC Allocations

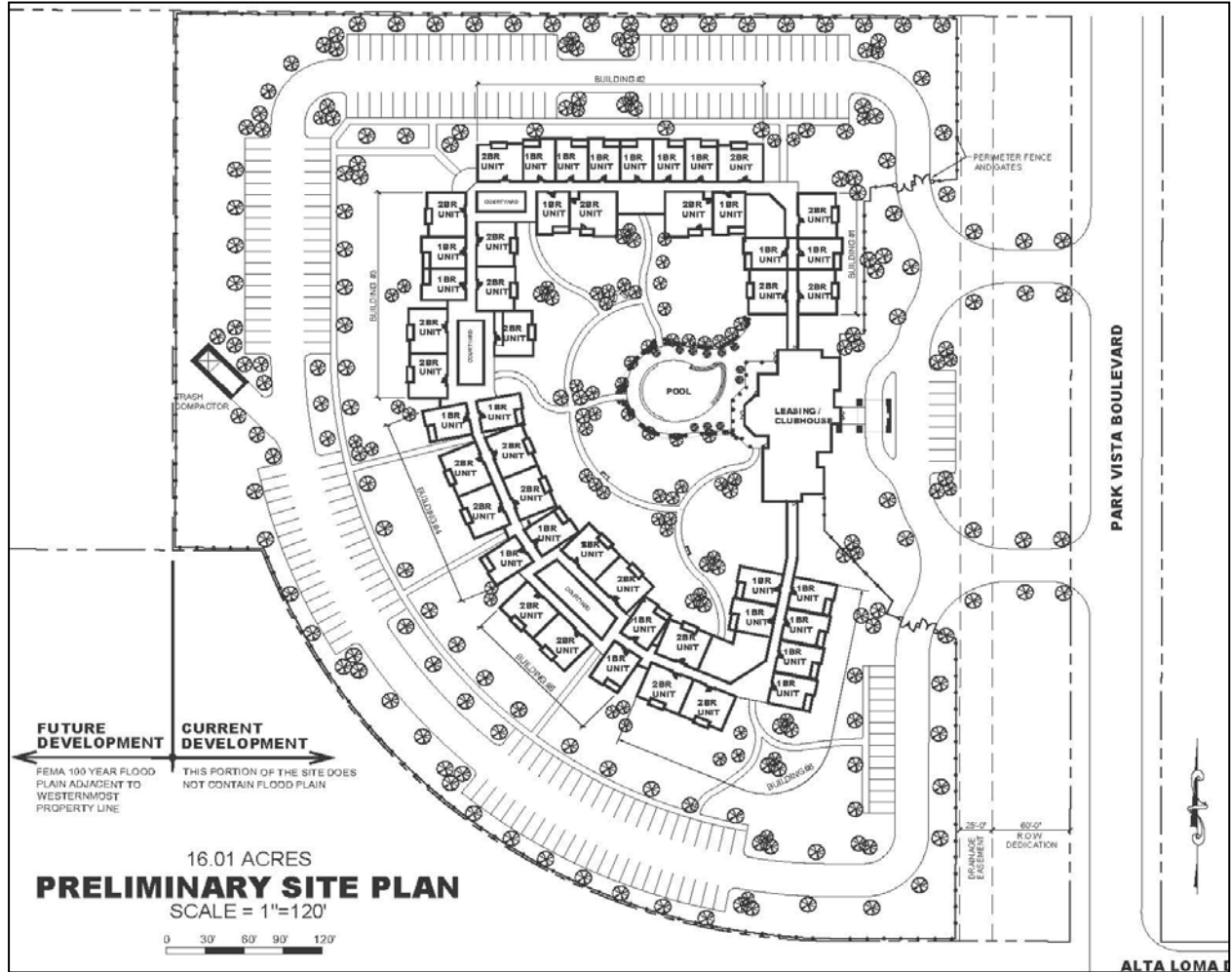
IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F					Total Buildings
Floors/Stories	3	3	3	3	3	3					
Number	1	1	1	1	1	1					6

BR/BA	SF	Units								Total Units	Total SF
1/1	722	6	24	6	11	6	17			70	50,540
2/1	948	9	12	17	12	12	8			70	66,360
Units per Building		15	36	23	23	18	25			140	116,900

SITE ISSUES

Total Size:	<u>16.01</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>X & A (Shaded)</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Zoning:	<u>C & CF</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

N/A

This section intentionally left blank.

Comments:

The Applicant currently has 16.01 acres under contract. Only the eastern half of the site is planned for development according to the site plan submitted and based on correspondence with the Applicant. While the site plan indicates that the eastern portion will be used for future development, the Applicant indicates that the entire site will be restricted under the LURA and has claimed the acquisition cost for the entire 16.01 acres in the cost schedule. As such, any desire to pursue development of the eastern portion of the site will require TDHCA Board action to release that acreage from the LURA. Additionally, the entire acquisition cost is being fully claimed as part of the subject development and should the developer pursue a phase II in the future, the transaction may be underwritten with no acquisition cost.

Only a small portion (no more than 10,00SF) of the westernmost portion of the site is located within the 100 year floodplain. Based upon the siteplan submitted, no residential structures are planned within several hundred feet of this area and it is unlikely that the floodplain will affect the planned development unless significant changes to the development plan are made. Should such changes be made, further review may be required and the Applicant would be required to meet 2008 QAP guidelines for development within the 100 year floodplain. Of note, the Applicant indicated that no part of the site was within the 100 year floodplain.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Date: 4/7/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: residential /vacant land East: Park Vista Blvd / residential
South: commercial construction site West: vacant/ residential / Creek

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: GEE Consultants, Inc Date: 3/24/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- The ESA states, "Due to the proximity of Tarrant Parkway to the subject site, there is a potential for noise to impact the site. At this time, GEE Consultants believes the best course of action is to give HUD the discretion to decide if it would like the client to proceed with a noise study" (p. 7).

Comments:

Based on the documentation submitted by the Applicant, it does not appear that HUD will be directly involved in the transaction and would not have the opportunity to review the potential need for a noise study. The REA rules indicate that HUD's noise guidelines should be used in making a recommendation regarding noise. The Department's use of HUD noise survey guidelines as a benchmark may have led the ESA provider to conclude that HUD would be involved. However, the ESA provider clearly indicates that noise could impact the site. Therefore, receipt, review, and acceptance, by cost certification, of a noise study and evidence that all recommendations of said study have been fully implemented is a condition of this report.

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc Date: 3/6/2008

Contact: Ed Ipser Phone: 817.927.2838 Fax: 817.927.0032

Number of Revisions: none Date of Last Applicant Revision: N/A

This section intentionally left blank.

Primary Market Area (PMA): 68.59 square miles (4.67 miles radius)

"The primary market area is defined as the 31 Census Tract area in north Fort Worth. The area is bound on the north by Keller-Hicks Road and Big Bear Creek, on the east by FM 1938, Precinct Line Road, Campus Drive, Airport Freeway, Loop 820 and Booth Calloway Road, on the south by SH 183, and on the west by Deen Road, The Burlington Northern and Santa Fe railroad line, Blue Mound Road, an unnamed creek, Western Center Blvd. and IH 35W" (p. 2-3). The Analyst estimates the 2008 population to be 233,748.

Secondary Market Area (SMA):

None defined

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Aventine Tarrant Parkway*	04435	240	0	N/A			

* Aventine Tarrant Parkway is a family development and therefore not considered a direct comparable

INCOME LIMITS						
Tarrant						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,600	\$15,500	\$17,450	\$19,400	\$20,950	\$22,500
50	\$22,600	\$25,850	\$29,050	\$32,300	\$34,900	\$37,450
60	\$27,120	\$31,020	\$34,860	\$38,760	\$41,880	\$44,940

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	31	4	0	35	4	0	11%
1 BR/50% Rent Limit	45	7	0	52	25	0	48%
1 BR/60% Rent Limit	51	9	0	60	40	0	67%
2 BR/30% Rent Limit	37	4	0	41	3	0	7%
2 BR/50% Rent Limit	54	9	0	63	24	0	38%
2 BR/60% Rent Limit	69	13	0	82	39	0	48%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. N-1A	N/A	19,568	100%	19,568	26%	5,146	15%	757	30%	228
Underwriter		N/A	20,580	100%	20,580	22%	4,554	15%	670	30%	202
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. N-1A			100%	1,012	26%	266	15%	39	100%	39
Underwriter				100%	1,011	22%	224	15%	33	100%	33

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. N-1A	135	0	0	135	267	50.59%
Underwriter		135	0	0	135	234	57.59%

Primary Market Occupancy Rates:

"The subject's proposed location in Census Tract 1139.14 is not a qualified census tract. The two HTC elderly complexes within the market area have a combined occupancy of 99.8% (one vacancy in 513 units). One of the HTC family complexes has 93.8% physical occupancy and 95.8% economic occupancy. The second HTC family complex refused to provide current occupancy, but had reported 96.3% physical occupancy and 100% leased occupancy in March 2007. Several conventional projects, including the HTC family projects would not (or as they claim, could not) divulge the number of elderly tenants. However, a few indicated that they had some elderly tenants such as approximately 50 at one location and more than 10 at another location" (p. 3-7).

Absorption Projections:

"Average absorption for the subject is estimated at 12 to 15 units per month, and it is expected that an 9 to 11 month lease-up period will be required to achieve 92.5% occupancy of the 129 units. Absorption could be accelerated by the acceptance of Section 8 Vouchers. The Existing Section 8 Program is administered by the Fort Worth Housing Authority, with 100% of the 4,793 allocated vouchers are issued. Currently, about 5,000 names are on the Section 8 waiting list (10% to 15% of which are elderly), which had been opened and then closed January 31, 2008. Some elderly tenants could be expected to relocate from multi-family complexes in throughout Fort Worth or the surrounding communities in northeast Tarrant County" (p. 3-6).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	722 SF	30%	\$276	\$283	\$810	\$283	\$527
1 BR	722 SF	50%	\$514	\$525	\$810	\$525	\$285
1 BR	722 SF	60%	\$633	\$646	\$810	\$646	\$164
1 BR	722 SF	MR	\$650		\$810	\$650	\$160
2 BR	948 SF	30%	\$330	\$339	\$960	\$339	\$621
2 BR	948 SF	50%	\$616	\$629	\$960	\$629	\$331
2 BR	948 SF	60%	\$759	\$774	\$960	\$774	\$186
2 BR	948 SF	MR	\$775		\$960	\$775	\$185

Market Impact:

"The overall high occupancy with high rent rates, including both the family as well as elderly HTC projects indicates the need for affordable housing. Several projects that had offered concessions in March 2007 have dropped the specials and made rent adjustments resulting in increases, although small, at most complexes" (p. 3-7).

Comments:

The market study was performed in accordance with the Department's guidelines and provides sufficient information on which to base a funding recommendation. The inclusive capture rates calculated by the Market Analyst and Underwriter are below Department's 75% threshold for elderly transactions.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 10 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 139 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant has estimated rents based on the 2007 gross program rents less applicable utility allowances maintained by the Fort Worth Housing Authority. The Underwriter has used updated 2008 gross program rent limits less applicable utility allowances. According to the Market Analyst, these net program rent levels are achievable.

The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines and are also reflected by the Underwriter. The Applicant has also included \$40K in income from garage rentals. The Applicant provided no support for this source of income and it has therefore not been included by the Underwriter. The Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/3/2008

The Applicant's expense estimate of \$4,252 per unit is within 5% of the Underwriter's estimate of \$4,169 per unit derived from the TDHCA database, IREM data, and other sources. However, several of the Applicant's estimates of specific line items differ significantly from the Underwriter's, including: utilities (\$13K higher); water, sewer and trash (\$36K higher); property tax (\$22K lower); and TDHCA compliance fees (\$30 per unit rather than actual of \$40 per unit). The Applicant has proposed a utility structure with tenants paying for all electric, water, and sewer costs and the Underwriter has accounted for this structure which generally results in lower water and sewer costs bourn by the owner. However, the Applicant's estimate appears to be in line with a more typical utility structure with the owner paying water and sewer costs. This may account for the significant difference in estimates.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's DCR is within the parameters defined in the Department's current guidelines.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: N/A acres \$1,046,093 Tax Year: 2007
Existing Buildings: N/A Valuation by: Tarrant CAD
Total Assessed Value: \$1,046,093 Tax Rate: 2.848677

EVIDENCE of PROPERTY CONTROL

Type: Standard Contract for Sale and Purchase Acreage: 16.01
Contract Expiration: 9/30/2008 Valid Through Board Date? [x] Yes [] No
Acquisition Cost: \$1,410,000 Other:
Seller: Fort Worth North Park Baptist Church Related to Development Team? [] Yes [x] No

TITLE

Comments:

Schedule B of the title commitment submitted by the Applicant reflects several items regarding "tenancy in common agreements" involving Quadrant North Tarrant Partners, First Savings Bank, and Lazy F Inc. The purpose and any potential affect on the development of the site are not clear from the summary provided in the title commitment. The Underwriter has requested additional information regarding these items from the Applicant, but has not received a response prior to completion of this report. As such, receipt, review, and acceptance, by carryover, of information regarding any potential adverse affects of the existing tenancy in common agreements listed in Schedule B of the title commitment on the development or operation of the proposed multifamily property is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/16/2008

Acquisition Value:

The Applicant has provided a contract for the purchase of 16.01 acres for \$88,070 per acre or \$10,071 per unit. The transaction appears to be arms-length and, therefore, the purchase price is assumed to be reasonable. As previously discussed, only the eastern half of the 16.01 acres is being developed; however, the Applicant indicated their intention to restrict the entire 16.012 acres in the Department's Land Use Restriction Agreement (LURA). The Applicant has claimed the acquisition cost for the entire acreage in the development cost schedule. Therefore, receipt, review, and acceptance of an executed and recorded Land Use Restriction Agreement (LURA) restricting all 16.01 acres for the proposed development is a condition of this report.

Sitework Cost:

The Applicant's revised sitework estimate is below the Department's threshold; therefore, no further documentation is required.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is 0.12% or \$8.5K below the Underwriter's Marshall and Swift derived direct construction cost estimate. Of note, the Applicant will collect rent from garages that will be provided to tenants as an optional amenity. The Applicant has appropriately excluded the cost to construct said garages from eligible basis.

Impact Fees:

The Applicant's revised development cost schedule reflects \$550K in impact fees associated with the development of the proposed property, which is significantly higher than impact fees generally reviewed by the Underwriter. Upon request, the Applicant provided additional documentation to support this estimate, including: City estimate of park impact fees for another property located near the subject and documentation of the proposed transportation fees. Additionally, the Underwriter reviewed the water and sewer impact fee schedule available on the City of Fort Worth website. The Applicant's estimate appears to be reasonable based on this additional information, but any difference in the estimated and actual fees will be reconciled at cost certification.

Interim Interest Expense:

The Applicant has claimed eligible interim interest expense in excess of the Department's limit of one year's fully drawn interest on any construction financing. As such, the Underwriter has shifted the excess interest expense, \$184,153, to ineligible costs.

Contingency & Fees:

As a result of the misallocation of eligible costs described above, the Applicant's eligible developer fee now exceeds the Department's 15% maximum by \$16,448. The Underwriter has shifted this excess to ineligible costs which results in a comparable reduction in eligible basis.

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Conclusion:

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 \$13,834,900 supports annual tax credits of \$1,106,616. 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. It should be note that the Applicant utilized a higher per unit applicable fraction rather than the lesser square footage applicable fraction required. This had the effect of reducing the recommended credit amount by \$3,386 in addition to the reductions based upon the eligible basis adjustments discussed above.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: City of Fort Worth Type: Interim Financing

Principal: \$800,000 Interest Rate: 4.31% Fixed Term: 30 months

Comments:

The Applicant has indicated their intent to apply for an \$800,000 construction loan at AFR from the City of Fort Worth. The Underwriter has used the April 2008 AFR for underwriting.

Source: Trinity Victory Family Ministries Type: Interim Financing

Principal: \$350,000 Interest Rate: 4.54% Fixed Term: 24 months

Comments:

The Applicant has provided a commitment for this source indicating a rate equal to the 90-day LIBOR plus 2%. The Underwriter has used April 2008 LIBOR for underwriting.

Source: Wells Fargo Type: Interim to Permanent Financing

Principal: \$5,000,000 Interest Rate: 6.65% Fixed Amort: 360 months

Comments:

Lender will require \$250 per unit per year in reserves for replacement.

Source: Boston Capital Type: Syndication

Proceeds: \$9,570,452 Syndication Rate: 85% Anticipated HTC: \$ 1,126,048

Comments:

Should the final credit price decrease by more than one cent, all else equal, the gap in financing would increase and the resulting deferred developer fee would not be repayable within the required 15 years. Alternatively, the credit price can increase to \$0.995 before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount.

Amount: \$1,419,248 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

This section intentionally left blank.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$5,000,000 indicates the need for \$10,989,700 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,293,035 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,126,048), the gap-driven amount (\$1,293,035), and eligible basis-derived estimate (\$1,106,616), the eligible basis-derived estimate of \$1,106,616 is recommended resulting in proceeds of \$9,405,299 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for \$1,584,401 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

Underwriter:

Cameron Dorsey

Date: June 26, 2008

Reviewing Underwriter:

Raquel Morales

Date: June 26, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: June 26, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Heritage Park Vista, Fort Worth, 9% HTC #08233

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	4	1	1	722	\$363	\$283	\$1,132	\$0.39	\$80.00	\$11.00
TC 50%	25	1	1	722	\$605	\$525	\$13,125	\$0.73	\$80.00	\$11.00
TC 60%	40	1	1	722	\$726	\$646	\$25,840	\$0.89	\$80.00	\$11.00
MR	1	1	1	722		\$650	\$650	\$0.90	\$80.00	\$11.00
TC 30%	3	2	1	948	\$436	\$339	\$1,017	\$0.36	\$97.00	\$11.00
TC 50%	24	2	1	948	\$726	\$629	\$15,096	\$0.66	\$97.00	\$11.00
TC 60%	39	2	1	948	\$871	\$774	\$30,186	\$0.82	\$97.00	\$11.00
MR	4	2	1	948		\$775	\$3,100	\$0.82	\$97.00	\$11.00
TOTAL:	140		AVERAGE:	835		\$644	\$90,146	\$0.77	\$88.50	\$11.00

INCOME				Total Net Rentable Sq Ft:	116,900	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION	
POTENTIAL GROSS RENT						\$1,081,752	\$1,060,788	Tarrant	Fort Worth	3	
Secondary Income		Per Unit Per Month:	\$15.00			25,200	25,200	\$15.00	Per Unit Per Month		
Other Support Income: Garages						0	40,320	\$24.00	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$1,106,952	\$1,126,308				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(83,021)	(84,468)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$1,023,931	\$1,041,840				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative		5.46%	\$400	0.48		\$55,954	\$50,700	\$0.43	\$362	4.87%	
Management		5.00%	366	0.44		51,197	52,092	0.45	372	5.00%	
Payroll & Payroll Tax		13.88%	1,015	1.22		142,125	138,000	1.18	986	13.25%	
Repairs & Maintenance		7.05%	516	0.62		72,202	66,800	0.57	477	6.41%	
Utilities		3.14%	230	0.27		32,130	45,000	0.38	321	4.32%	
Water, Sewer, & Trash		2.30%	168	0.20		23,520	60,000	0.51	429	5.76%	
Property Insurance		3.35%	245	0.29		34,293	34,000	0.29	243	3.26%	
Property Tax	2.848677	11.68%	855	1.02		119,644	97,500	0.83	696	9.36%	
Reserve for Replacements		3.42%	250	0.30		35,000	35,000	0.30	250	3.36%	
TDHCA Compliance Fees		0.55%	40	0.05		5,600	4,200	0.04	30	0.40%	
Other: Support Services		1.17%	86	0.10		12,000	12,000	0.10	86	1.15%	
TOTAL EXPENSES				57.00%	\$4,169	\$4.99	\$583,665	\$595,292	\$5.09	\$4,252	57.14%
NET OPERATING INC				43.00%	\$3,145	\$3.77	\$440,265	\$446,548	\$3.82	\$3,190	42.86%

DEBT SERVICE											
Wells Fargo First Lien		37.62%	\$2,751	\$3.29		\$385,179	\$388,859	\$3.33	\$2,778	37.32%	
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
NET CASH FLOW				5.38%	\$393	\$0.47	\$55,087	\$57,689	\$0.49	\$412	5.54%
AGGREGATE DEBT COVERAGE RATIO						1.14	1.15				
RECOMMENDED DEBT COVERAGE RATIO							1.16				

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT		\$1,410,000	\$1,410,000	\$12.06	\$10,071	8.82%	
Acquisition Cost (site or bldg)		8.75%	\$10,071	\$12.06		0	0	0.00	0	0.00%	
Off-Sites		0.00%	0	0.00		1,250,000	1,250,000	10.69	8,929	7.82%	
Sitework		7.76%	8,929	10.69		6,985,421	6,994,000	59.83	49,957	43.74%	
Direct Construction		43.37%	49,957	59.76		411,771	412,200	3.53	2,944	2.58%	
Contingency	5.00%	2.56%	2,944	3.52		1,152,959	1,154,160	9.87	8,244	7.22%	
Contractor's Fees	14.00%	7.16%	8,235	9.86		1,454,000	1,454,000	12.44	10,386	9.09%	
Indirect Construction		9.03%	10,386	12.44		728,353	728,353	6.23	5,203	4.56%	
Ineligible Costs		4.52%	5,203	6.23		1,803,021	1,821,000	15.58	13,007	11.39%	
Developer's Fees	15.00%	11.19%	12,879	15.42		765,988	765,988	6.55	5,471	4.79%	
Interim Financing		4.76%	5,471	6.55		144,175	0	0.00	0	0.00%	
Reserves		0.90%	1,030	1.23							
TOTAL COST				100.00%	\$115,041	\$137.77	\$16,105,686	\$15,989,700	\$136.78	\$114,212	100.00%
Construction Cost Recap				60.85%	\$70,001	\$83.83	\$9,800,151	\$9,810,360	\$83.92	\$70,074	61.35%

SOURCES OF FUNDS						RECOMMENDED				
Wells Fargo First Lien		31.04%	\$35,714	\$42.77		\$5,000,000	\$5,000,000	\$5,000,000	Developer Fee Available	
Additional Financing		0.00%	\$0	\$0.00		0	0	0	\$1,804,552	
Boston Capital HTC Equity		59.42%	\$68,360	\$81.87		9,570,452	9,570,452	9,405,299	% of Dev. Fee Deferred	
Deferred Developer Fees		8.81%	\$10,137	\$12.14		1,419,248	1,419,248	1,584,401	88%	
Additional (Excess) Funds Req'd		0.72%	\$828	\$0.99		115,986	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES						\$16,105,686	\$15,989,700	\$15,989,700	\$1,713,412	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Heritage Park Vista, Fort Worth, 9% HTC #08233

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.59	\$6,497,956
Adjustments				
Exterior Wall Finish	2.40%		\$1.33	\$155,951
Elderly	3.00%		1.67	194,939
9-Ft. Ceilings	3.30%		1.83	214,433
Roofing			0.00	0
Subfloor			(0.82)	(96,248)
Floor Cover			2.43	284,067
Breezeways/Balconies	\$24.79	41,501	8.80	1,028,810
Plumbing Fixtures	\$805	0	0.00	0
Rough-ins	\$400	280	0.96	112,000
Built-In Appliances	\$1,850	140	2.22	259,000
Exterior Stairs	\$1,800	16	0.25	28,800
Elevators	\$35,400	2	0.61	70,800
Heating/Cooling			1.90	222,110
Garages/Carpools			0.00	0
Comm &/or Aux Bldgs	\$55.59	6,388	3.04	355,081
Other: fire sprinkler	\$1.95	116,900	1.95	227,955
SUBTOTAL			81.74	9,555,653
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(8.17)	(955,565)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.57	\$8,600,087
Plans, specs, survy, bid prm	3.90%		(2.87)	(335,403)
Interim Construction Interest	3.38%		(2.48)	(290,253)
Contractor's OH & Profit	11.50%		(8.46)	(989,010)
NET DIRECT CONSTRUCTION COSTS			\$59.76	\$6,985,421

PAYMENT COMPUTATION

Primary	\$5,000,000	Amort	360
Int Rate	6.65%	DCR	1.14

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.14

Additional		Amort	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$385,179
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$61,369

Primary	\$5,000,000	Amort	360
Int Rate	6.65%	DCR	1.16

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

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	\$1,060,788	\$1,092,612	\$1,125,390	\$1,159,152	\$1,193,926	\$1,384,088	\$1,604,537	\$1,860,098	\$2,499,816
Secondary Income	25,200	25,956	26,735	27,537	28,363	32,880	38,117	44,188	59,385
Other Support Income: Garage	40,320	41,530	42,775	44,059	45,381	52,608	60,988	70,701	95,017
POTENTIAL GROSS INCOME	1,126,308	1,160,097	1,194,900	1,230,747	1,267,670	1,469,576	1,703,642	1,974,988	2,654,219
Vacancy & Collection Loss	(84,468)	(87,007)	(89,618)	(92,306)	(95,075)	(110,218)	(127,773)	(148,124)	(199,066)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,041,840	\$1,073,090	\$1,105,283	\$1,138,441	\$1,172,594	\$1,359,358	\$1,575,869	\$1,826,864	\$2,455,152
EXPENSES at 4.00%									
General & Administrative	\$50,700	\$52,728	\$54,837	\$57,031	\$59,312	\$72,162	\$87,796	\$106,817	\$158,116
Management	52,092	53,654	55,264	56,922	58,629	67,968	78,793	91,343	122,757
Payroll & Payroll Tax	138,000	143,520	149,261	155,231	161,440	196,417	238,971	290,745	430,374
Repairs & Maintenance	66,800	69,472	72,251	75,141	78,147	95,077	115,676	140,738	208,326
Utilities	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Water, Sewer & Trash	60,000	62,400	64,896	67,492	70,192	85,399	103,901	126,411	187,119
Insurance	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Property Tax	97,500	101,400	105,456	109,674	114,061	138,773	168,838	205,418	304,069
Reserve for Replacements	35,000	36,400	37,856	39,370	40,945	49,816	60,609	73,740	109,153
Other	16,200	16,848	17,522	18,223	18,952	23,058	28,053	34,131	50,522
TOTAL EXPENSES	\$595,292	\$618,582	\$642,789	\$667,948	\$694,097	\$841,111	\$1,019,440	\$1,235,783	\$1,816,808
NET OPERATING INCOME	\$446,548	\$454,508	\$462,494	\$470,493	\$478,498	\$518,248	\$556,429	\$591,081	\$638,344
DEBT SERVICE									
First Lien Financing	\$385,179	\$385,179	\$385,179	\$385,179	\$385,179	\$385,179	\$385,179	\$385,179	\$385,179
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$61,369	\$69,329	\$77,315	\$85,314	\$93,319	\$133,069	\$171,250	\$205,902	\$253,165
DEBT COVERAGE RATIO	1.16	1.18	1.20	1.22	1.24	1.35	1.44	1.53	1.66

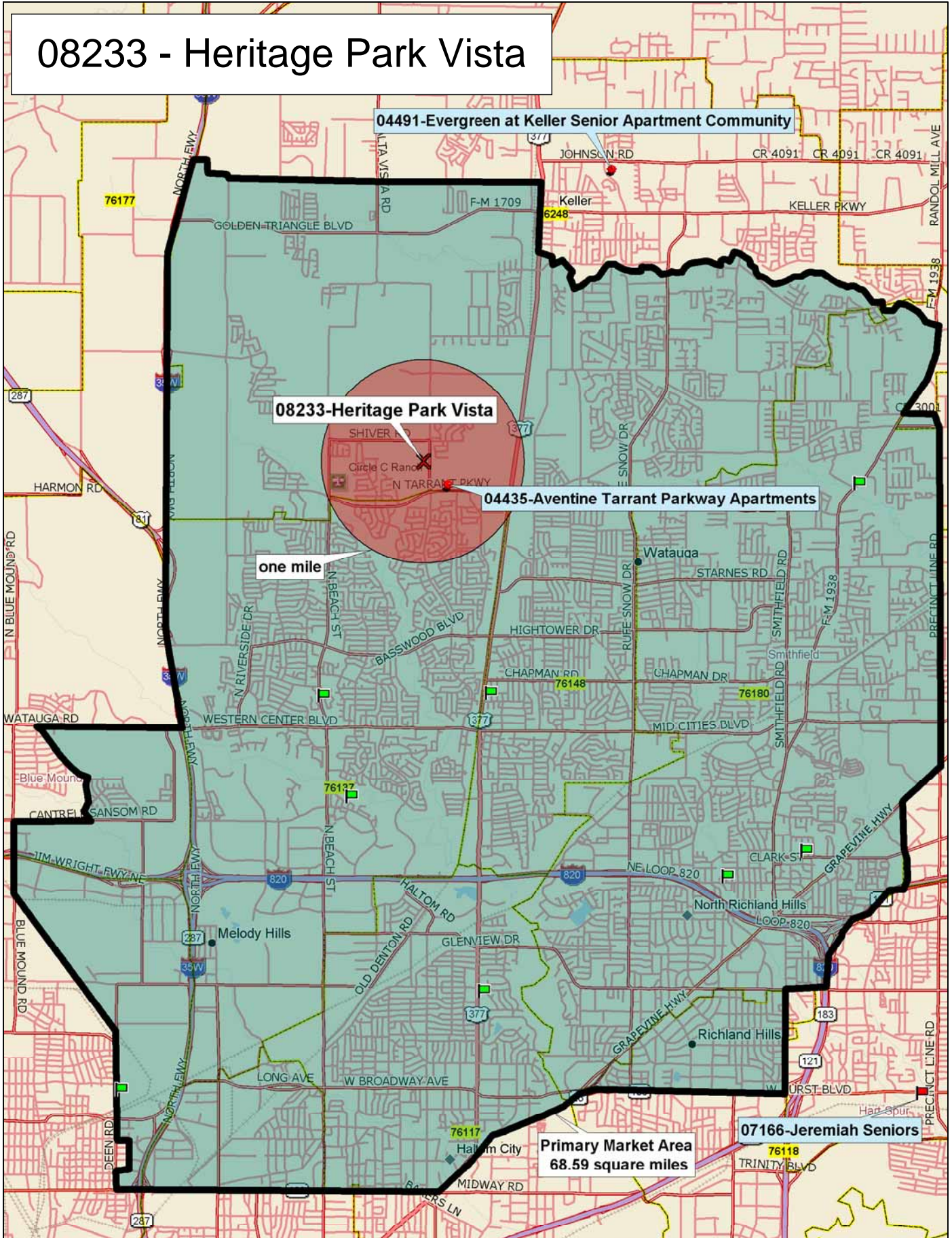
HTC ALLOCATION ANALYSIS -Heritage Park Vista, Fort Worth, 9% HTC #08233

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,410,000	\$1,410,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000
Construction Hard Costs	\$6,994,000	\$6,985,421	\$6,994,000	\$6,985,421
Contractor Fees	\$1,154,160	\$1,152,959	\$1,154,160	\$1,152,959
Contingencies	\$412,200	\$411,771	\$412,200	\$411,771
Eligible Indirect Fees	\$1,454,000	\$1,454,000	\$1,454,000	\$1,454,000
Eligible Financing Fees	\$765,988	\$765,988	\$765,988	\$765,988
All Ineligible Costs	\$728,353	\$728,353		
Developer Fees			\$1,804,552	
Developer Fees	\$1,821,000	\$1,803,021		\$1,803,021
Development Reserves		\$144,175		
TOTAL DEVELOPMENT COSTS	\$15,989,700	\$16,105,686	\$13,834,900	\$13,823,159

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$13,834,900	\$13,823,159
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$13,834,900	\$13,823,159
Applicable Fraction		96.14%	96.14%
TOTAL QUALIFIED BASIS		\$13,300,676	\$13,289,389
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,106,616	\$1,105,677

Syndication Proceeds	0.8499	\$9,405,299	\$9,397,317
Total Tax Credits (Eligible Basis Method)		\$1,106,616	\$1,105,677
Syndication Proceeds		\$9,405,299	\$9,397,317
Requested Tax Credits		\$1,126,048	
Syndication Proceeds		\$9,570,452	
Gap of Syndication Proceeds Needed		\$10,989,700	
Total Tax Credits (Gap Method)		\$1,293,035	

08233 - Heritage Park Vista



08233-Heritage Park Vista

04491-Evergreen at Keller Senior Apartment Community

04435-Aventine Tarrant Parkway Apartments

07166-Jeremiah Seniors

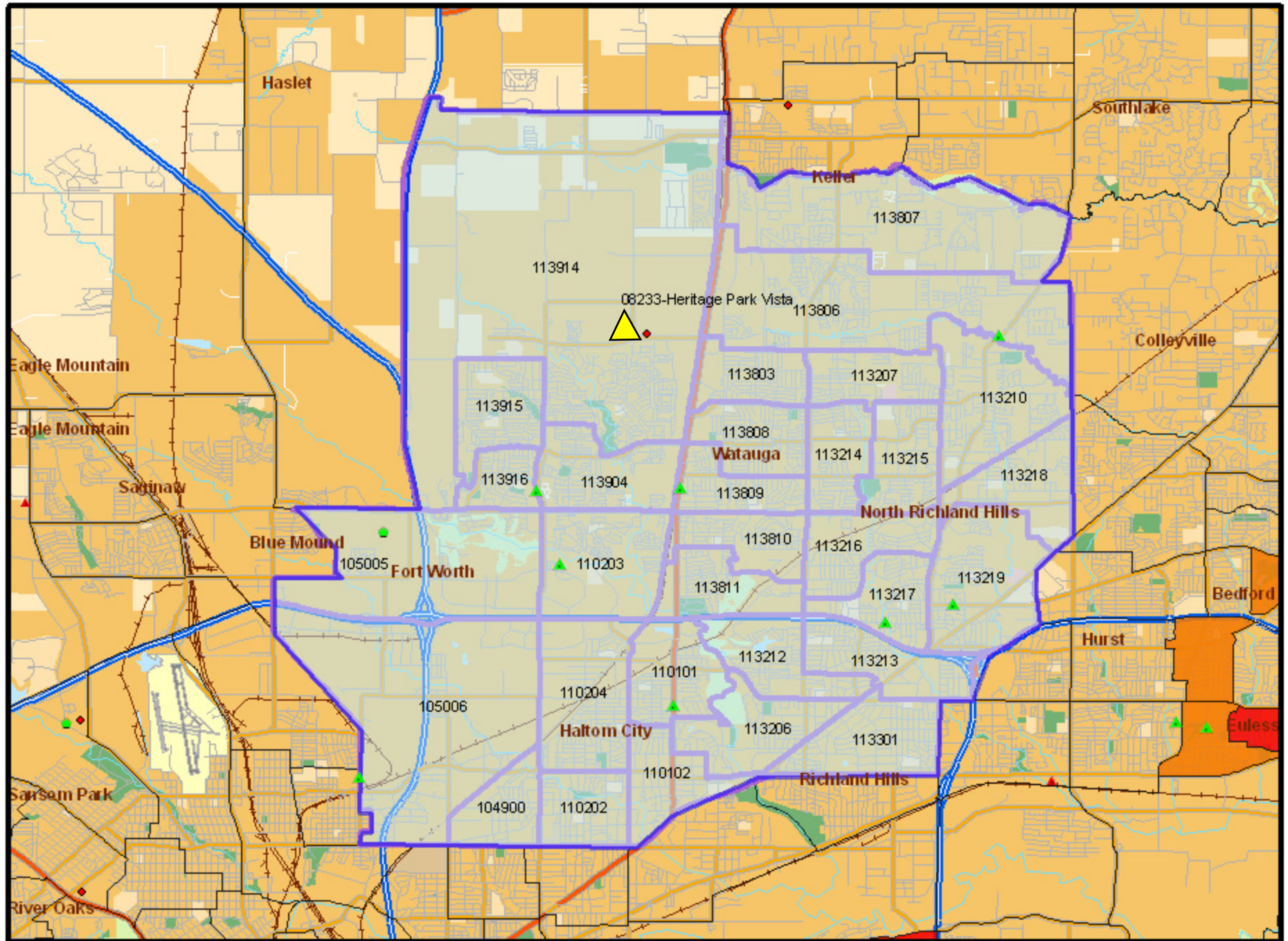
**Primary Market Area
68.59 square miles**

one mile

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08233 - Heritage Park Vista

0 0.3 0.6 1.2 Miles

- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
- Orange Tracts: 1000 to 1432 units/sq.mi.

Applicant Evaluation

Project ID # **08233**

Name: **Heritage Park Vista**

City: **Fort Worth**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 8

Projects in Material Noncompliance

Yes No

Projects grouped by score	0-9: <u>4</u>
	10-19: <u>4</u>
	20-29: <u>0</u>

Total # of MF awards not yet monitored or pending review: 3

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 8

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/14/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/15/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/18/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/25/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Central Park Senior Village, TDHCA Number 08234

BASIC DEVELOPMENT INFORMATION

Site Address: 3101 S. Center St. Development #: 08234
 City: Arlington Region: 3 Population Served: Elderly
 County: Tarrant Zip Code: 76014 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: RRAH Arlington, LP
 Owner Contact and Phone: Randy Stevenson, (817) 261-5088
 Developer: Rocky Ridge Developer, LP
 Housing General Contractor: TBD
 Architect: Beeler, Guest & Owens Architects, L.P.
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Centerline Capital Group
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	140
	8 0 48 84	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 70 70 0 0 0	Total Development Units:	140
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	13
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,162,693	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Central Park Senior Village, TDHCA Number 08234

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Harris, District 9, S

Points: 14 US Representative: Barton, District 6, NC

TX Representative: Patrick, District 94, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: O, Robert N. Cluck, M.D., Mayor

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Mayfield Neighborhood Association, Ed Reasoner

Letter Score: 24 S or O: S

This development will create needed additional affordable housing opportunities for senior citizens in our area.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and from a qualified Neighborhood Organization.

Opposition received from Mayor Robert N. Cluck, M.D. stating the City of Arlington has an abundance of aged and poorly maintained multifamily housing; a new development in the proposed location will not improve the overall multifamily rental housing stock. The city would more favorably consider the development if it were located in the downtown area, where revitalization has been targeted or if the proposal included demolition of existing substandard housing and new high quality multifamily housing built as a replacement.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Central Park Senior Village, TDHCA Number 08234

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Senior Village, TDHCA Number 08235

BASIC DEVELOPMENT INFORMATION

Site Address: 4650 Old Brownsville Rd. Development #: 08235
 City: Corpus Christi Region: 10 Population Served: Elderly
 County: Nueces Zip Code: 78405 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: RRAH Corpus Christi, LP
 Owner Contact and Phone: Randy Stevenson, (817) 261-5088
 Developer: Rocky Ridge Developer, LP
 Housing General Contractor: TBD
 Architect: Beeler, Guest & Owens Architects, L.P.
 Market Analyst: Ipser & Associates, Inc.
 Syndicator: Centerline Capital Group
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	100
	5 0 35 60	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 50 50 0 0 0	Total Development Units:	100
Type of Building:		Total Development Cost*:	\$8,707,735
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	13
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$923,689	\$857,951			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Senior Village, TDHCA Number 08235

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hinojosa, District 20, NC

Points: 0

US Representative: Ortiz, District 27, NC

TX Representative: Herrero, District 34, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Eddie Lucio, Jr., State Senator, District 27

Individuals and Businesses In Support: 0

In Opposition 0

Quantifiable Community Participation Input:

Westside Neighborhood Association, Miguel Morado

Letter Score: 24 S or O: S

This development will create needed additional affordable neighborhood housing opportunities for our senior citizens in our area.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and from a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
3. Receipt of a commitment of funding from the City of Corpus Christi for funds in the amount of \$475,000, or a commitment from a qualifying substitute source in an amount not less than \$463,142, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Buena Vida Senior Village, TDHCA Number 08235

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$857,951

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/16/08 PROGRAM: HTC 9% FILE NUMBER: 08235

DEVELOPMENT

Buena Vida Senior Village

Location: 4650 Old Brownsville Road Region: 10
 City: Corpus Christi County: Nueces Zip: 78405 QCT DDA
 Key Attributes: Elderly, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$923,689	n/a	n/a	\$857,951	n/a	n/a

CONDITIONS

- 1 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 2 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
50% of AMI	50% of AMI	35
60% of AMI	60% of AMI	60

PROS

This development will provide affordable seniors housing in an area of the state that has a high demand for it.

CONS

- The Applicant's and Underwriter's expense to income ratios are quite high, above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.
- The Applicant's direct construction costs are overstated compared to the Underwriter's by 9% after accounting for Tier 2 high wind construction.

PREVIOUS UNDERWRITING REPORTS

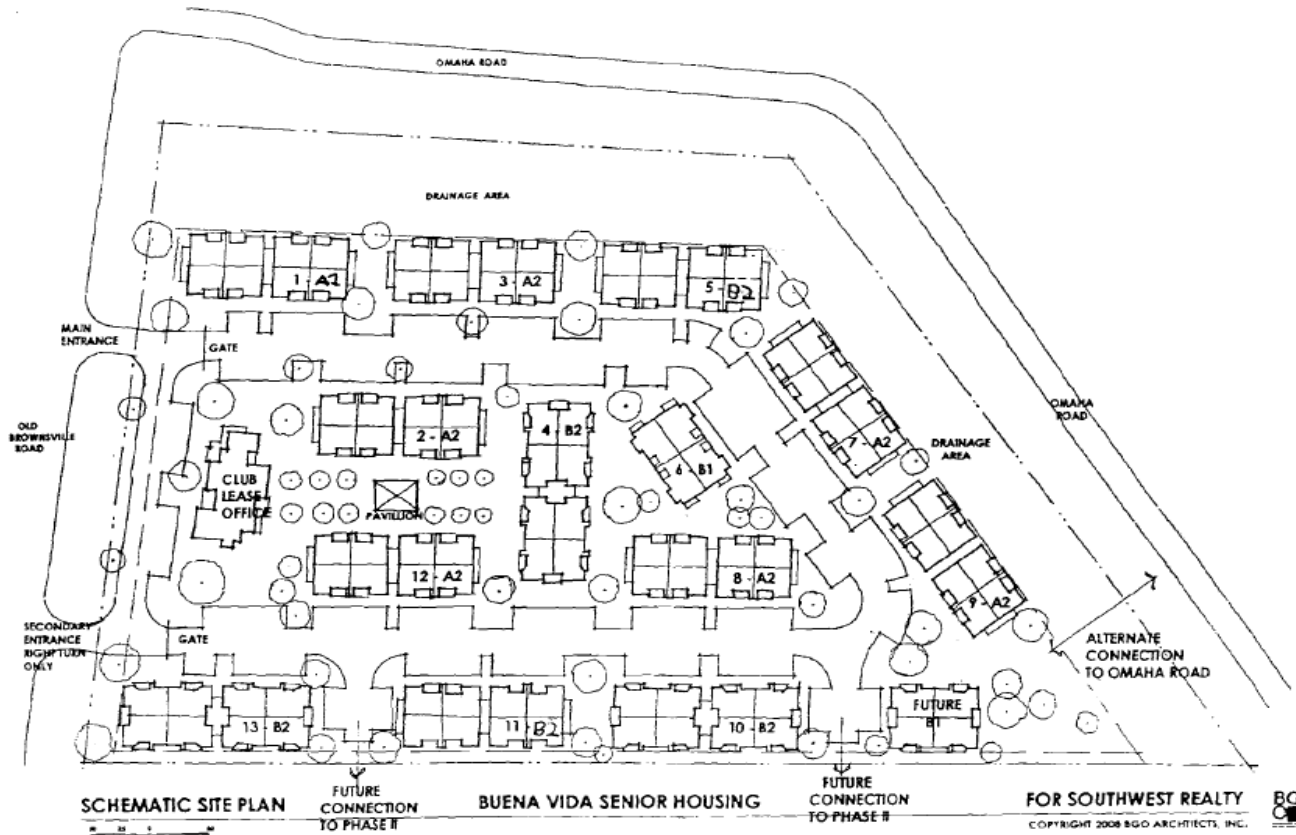
No previous reports.

DEVELOPMENT TEAM		
OWNERSHIP STRUCTURE		
<pre> graph TD Applicant["Applicant RRAH Corpus Christi, LP A Texas Limited Partnership"] --- GP["General Partner Rocky Ridge Affordable Housing, LLC A Texas LLC - 1%"] Applicant --- LP["Limited Partner 99% Randy Stevenson Individual"] GP --- RS100["Randy Stevenson President - 100%"] GP --- AS0["Ann Stevenson Secretary/Treasurer - 0%"] </pre>		
CONTACT		
Contact:	<u>Randy Stevenson</u>	Phone: <u>(817) 261-5088</u> Fax: <u>(817) 261-5095</u>
Email:	<u>Randy@swrealtors.net</u>	
KEY PARTICIPANTS		
Name	Financial Notes	# Completed Developments
Rocky Ridge Developer, LP	N/A	2
Randy Stevenson	N/A	7
Matt Stevenson	N/A	2
IDENTITIES of INTEREST		
<ul style="list-style-type: none"> ▫ The Applicant, Developer, and property manager are related entities. These are common relationships for HTC-funded developments. 		

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A1	A2	B1	B2														Total Buildings
Floors/Stories	1	1	1	1														
Number	1	6	1	5														13

BR/BA	SF	Units										Total Units	Total SF
1/1	716	2										2	1,432
2/1	862	6										6	5,172
1/1	716		8									48	34,368
2/2	907			4								4	3,628
2/1	862				8							40	34,480
Units per Building		8	8	4	8							100	79,080

SITE ISSUES

Total Size:	<u>8.955</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Flood Zone:	<u>C</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>A-1 Apt. District</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> N/A

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TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/26/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Vacant / warehouse beyond East: Apartments / commercial beyond
 South: Golf course / single family beyond West: College / single family beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Boatright Engineering Date: 3/16/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

"The review of the site has not revealed any environmental concerns." (p. 16)

MARKET HIGHLIGHTS

Provider: Mark C. Temple & Associates, LLC Date: 3/26/2008

Contact: Mark Temple Phone: (210) 496-9499 Fax: _____

Number of Revisions: 2 Date of Last Applicant Revision: 6/2/2008

Primary Market Area (PMA): 130.83 square miles (6.47 mile radius)

"The primary or defined market area for the Buena Vida Senior Village Apartments is considered the City of Corpus Christi and is described by the following farthest boundaries: North - Corpus Christi Bay and Nueces Bay, South - Corpus Christi City Limits, East - Laguna Madre, and West - FM Highway 2292. The primary market area had an estimated 2007 population of 284,324 which is greater than the Department's PMA size limit. The excessive market area size should be addressed with the Market Analyst, however the effect on the demand will be addressed below.

Secondary Market Area (SMA):

"The secondary market area includes the Corpus Christi Metropolitan Statistical Area (MSA) and is described by the following farthest boundaries: North - Bee and Refugio Counties, South - Kleberg County, East - Gulf of Mexico, and West - Live Oak and Jim Wells Counties." (p II-3) This is an extraordinary sized secondary market, "however, demand calculations are based on the primary market area for the purposes of this analysis."

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS

PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Sea Breeze Seniors	060405	200	200	None Identified			
Costa Tarragona I	05433	250	Family				
LULAC Hacienda Apts.	07174	60	Recon				
Navagation Pointe	05127	124	Family				
Hampton Port	05166	110	Rehab				
Gulfway Manor	07401	151	Rehab				
Oasis at the Park	08145	80	Rehab				
DN Leathers Townhomes	08194	130	Rehab				

INCOME LIMITS

Nueces

% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,100	\$11,550	\$13,000	\$14,450	\$15,600	\$16,750
50	\$16,850	\$19,300	\$21,700	\$24,100	\$26,050	\$27,950
60	\$20,220	\$23,160	\$26,040	\$28,920	\$31,260	\$33,540

MARKET ANALYST PMA DEMAND BY UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30%	772	41	0	813	4	0	0.5%
1BR/50%	1,394	73	0	1,467	15	0	1.0%
1BR/60%	1,611	85	0	1,696	31	0	1.8%
2BR/30%	772	41	0	813	1	0	0.1%
2BR/50%	1,208	64	0	1,272	20	0	1.6%
2BR/60%	1,178	62	0	1,240	29	0	2.3%

OVERALL DEMAND										
		Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER										
Market Analyst	p. IX-4	37,904	90%	34,114	26%	8,767	40%	3,481	100%	3,481
Underwriter		22% 37,924	90%	34,132	21%	7,298	40%	2,899	32%	922
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. IX-4		90%	1,736	26%	446	40%	178	100%	178
Underwriter			90%	921	21%	177	40%	70	100%	70

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. IX-4	100	100	200	3,659	5.47%
Underwriter		100	200	300	992	30.23%

Comment:

The Market Analyst information indicate an inclusive capture rate of 5.47%; however, the Underwriter used a more conservative approach and calculated a rate of 30.23%. The Underwriter included the seniors units that have received tax credit awards since 2005, with the exception of acquisition/rehabilitation properties, and a turnover rate of 32% since this is a senior's development. Presumably the market could have been reduced by as much as half and the capture rate by this method would likely still be within the guidelines.

The Underwriter also calculated the capture rate using HISTA data with the resulting capture rate being 59% which is still within the Department's maximum allowable rate.

Primary Market Occupancy Rates:

"The occupancy level of the market area is presently 98.5 percent." (p. VII-1)

Absorption Projections:

"According to the Corpus Christi Chamber of Commerce and Claritas, Inc. present absorption trends of apartment projects located in the Corpus Christi Market Area range from 10 to 15 units per month. The strength of this immediate market area is further supported by the continued and projected indicators of increasing occupancy levels and rental rates. Based upon current positive multi-family indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95+ percent occupancy level can be achieved in a 7 to 10 month time frame. (p. IX-5)

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	716 SF	30%	\$188	\$188	\$581	\$188	\$393
1 BR	716 SF	50%	\$369	\$369	\$581	\$369	\$212
1 BR	716 SF	60%	\$460	\$460	\$581	\$460	\$121
2 BR	862 SF	30%	\$225	\$225	\$791	\$225	\$566
2 BR	862 SF	50%	\$442	\$442	\$791	\$442	\$349
2 BR	862 SF	60%	\$551	\$551	\$791	\$551	\$240
2 BR	907 SF	60%	\$551	\$551	\$791	\$551	\$240

Market Impact:

"The primary source for potential resident demand for the subject project will be derived from new household growth and turnover in existing older units. As demonstrated in Parts IV and V of the Market Study, positive employment, population, and household increases will continue to impact rental housing demand through the 2000's. In addition, the continued upward trend in market rents and with vacancy rates in the immediate market area at approximately 2 percent for senior units will facilitate demand for the subject property. (p. IX-7)

Comments:

Despite using an oversized Primary Market Area, the Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 7 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 142 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utilities from the 2008 program rent limits. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Tenants are to pay electrical costs. The Underwriter also used 2008 maximum program rents less tenant paid utilities.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 7/12/2008

The Applicant's total annual operating expense projection of \$3,396 per unit is within 5% of the Underwriter's estimate of \$3,397 derived from the TDHCA database and third party data sources. The Applicant initially provided an annual expense estimate of \$3,578 which would have resulted in an expense to income ratio of 68.46%. These original expenses were also signed off on as being viable by the lender. It should be noted that the lender is allowed to make their own judgment as to the long term viability of a transaction and is not confined to the department's underwriting standards. The Applicant subsequently revised expenses and provided justification and documentation for differences in the initial expense estimates.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR that is within the Department's current guideline of 1.15 to 1.35.

Both the Applicant's and Underwriter's expense to income ratios are quite high at well above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 8.95 acres	<u>\$46,419</u>	Tax Year:	<u>2007</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Nueces CAD</u>
Total Assessed Value:	<u>\$46,419</u>	Tax Rate:	<u>2.546395</u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 8.95

Contract Expiration: 10/15/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$350,000 Other: _____

Seller: Ingrid Langdon & Edmond Ford, Jr. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/5/2008

Acquisition Value:

The site cost of \$39,106 per acre or \$3,500 per unit is assumed to be reasonable since the acquisition is an arm's length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$5,650 per unit are within the Department's guidelines, and therefore, no third party substantiation is required.

Direct Construction Cost:

The Applicant's direct construction cost is \$405K or 9% higher than the Underwriter's Marshall and Swift Residential Cost Handbook-derived estimate. The Applicant explained that most of the potential differences between their costs and other transactions has to do with the tier 2 wind zone and the higher construction costs that result. However, the Underwriter's estimate has included an adjuster to the standard Marshall and Swift cost estimate, provided by Marshall and Swift to account for these differences.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$32,198 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.

Contingency & Fees:

The Applicant's contractor's fees are all within the maximums allowed by TDHCA guidelines, but the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$2,036 and therefore the eligible portion of the Applicant's eligible fees in this area has been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,932,238 supports annual tax credits of \$857,951. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/12/2008

Source: Wells Fargo Bank, N.A. Type: Interim to Permanent Financing

Interim: \$1,780,000 Interest Rate: 5.50% Fixed Term: 24 months
Permanent: \$1,780,000 Interest Rate: 6.55% Fixed Term: 360 months

The original amount of the perm loan was \$1,425,000 but at the same rate of 10 year US Treasury plus 255 bps (underwritten at 6.55%), an amortization term of 30 years, with a repayment term of 18 years. The interim loan was also increased from \$1,425,000 though the rate did not change from its 3 month LIBOR plus 225 bps (estimated at 5.50%).

Source: Corpus Christi CDBG Type: Interim Financing

Principal: \$475,000 Interest Rate: AFR Amort: 24 months

Source: Centerline Capital Group Type: Syndication

Proceeds: \$7,389,000 Syndication Rate: 80% Anticipated HTC: \$ 923,689

Amount: \$164,352 Type: Deferred Developer Fees

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that if the credit price were to decline lower than \$0.70, the deferred developer fee would no longer be repayable within 15 years and the financial viability of the transaction would be jeopardized. Alternatively, should the final credit price increase to more than \$0.81, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$1,780,000 indicates the need for \$6,927,735 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$866,027 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$923,689), the gap-driven amount (\$866,027), and eligible basis-derived estimate (\$857,951), the eligible basis-derived estimate of \$857,951 is recommended resulting in proceeds of \$6,863,131 based on a syndication rate of 80%.

The Underwriter's recommended financing structure indicates the need for \$64,604 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 2 years of stabilized operation.

Underwriter:

_____ *D. Burrell*

Date: July 16, 2008

Director of Real Estate Analysis:

_____ *Tom Gouris*

Date: July 16, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Buena Vida Senior Village, Corpus Christi, HTC 9% #08235

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	1	1	716	\$270	\$188	\$752	\$0.26	\$82.00	\$69.00
TC 50%	15	1	1	716	\$451	\$369	\$5,535	\$0.52	\$82.00	\$69.00
TC 60%	31	1	1	716	\$542	\$460	\$14,260	\$0.64	\$82.00	\$69.00
TC 30%	1	2	1	862	\$325	\$225	\$225	\$0.26	\$100.00	\$75.00
TC 50%	20	2	1	862	\$542	\$442	\$8,840	\$0.51	\$100.00	\$75.00
TC 60%	25	2	1	862	\$651	\$551	\$13,775	\$0.64	\$100.00	\$75.00
TC 60%	4	2	2	907	\$651	\$551	\$2,204	\$0.61	\$100.00	\$75.00
TOTAL:	100		AVERAGE:	791		\$456	\$45,591	\$0.58	\$91.00	\$72.00

INCOME

Total Net Rentable Sq Ft: **79,080**

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

% OF EGI PER UNIT PER SQ FT

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.74%	\$300	0.38	\$29,997	\$37,600	\$0.48	\$376	7.19%
Management	4.00%	209	0.26	20,908	20,908	0.26	209	4.00%
Payroll & Payroll Tax	18.37%	960	1.21	96,019	100,800	1.27	1,008	19.28%
Repairs & Maintenance	4.34%	227	0.29	22,692	23,200	0.29	232	4.44%
Utilities	4.18%	218	0.28	21,840	18,000	0.23	180	3.44%
Water, Sewer, & Trash	7.45%	390	0.49	38,953	32,200	0.41	322	6.16%
Property Insurance	6.89%	360	0.46	36,000	36,000	0.46	360	6.89%
Property Tax 2.546395	7.31%	382	0.48	38,196	37,000	0.47	370	7.08%
Reserve for Replacements	4.78%	250	0.32	25,000	25,000	0.32	250	4.78%
TDHCA Compliance Fees	0.77%	40	0.05	4,000	4,000	0.05	40	0.77%
Other: Supportive Services	0.96%	50	0.06	5,000	5,000	0.06	50	0.96%
TOTAL EXPENSES	64.78%	\$3,386	\$4.28	\$338,605	\$339,708	\$4.30	\$3,397	64.99%
NET OPERATING INC	35.22%	\$1,841	\$2.33	\$184,105	\$183,000	\$2.31	\$1,830	35.01%

DEBT SERVICE

Wells Fargo Bank, N.A.	25.83%	\$1,350	\$1.71	\$135,010	\$135,712	\$1.72	\$1,357	25.96%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	9.39%	\$491	\$0.62	\$49,096	\$47,288	\$0.60	\$473	9.05%
AGGREGATE DEBT COVERAGE RATIO				1.36	1.35			
RECOMMENDED DEBT COVERAGE RATIO					1.35			

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)		4.02%	\$3,500	\$4.43	\$350,000	\$350,000	\$4.43	\$3,500	3.78%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.49%	5,650	7.14	565,000	565,000	7.14	5,650	6.10%
Direct Construction		52.25%	45,500	57.54	4,550,017	4,955,000	62.66	49,550	53.49%
Contingency 5.00%		2.94%	2,558	3.23	255,751	275,000	3.48	2,750	2.97%
Contractor's Fees 14.00%		8.22%	7,161	9.06	716,102	772,800	9.77	7,728	8.34%
Indirect Construction		6.41%	5,580	7.06	558,000	558,000	7.06	5,580	6.02%
Ineligible Costs		3.74%	3,255	4.12	325,498	325,498	4.12	3,255	3.51%
Developer's Fees 15.00%		11.88%	10,346	13.08	1,034,640	1,108,815	14.02	11,088	11.97%
Interim Financing		2.90%	2,527	3.20	252,728	252,728	3.20	2,527	2.73%
Reserves		1.15%	1,000	1.26	100,000	100,000	1.26	1,000	1.08%
TOTAL COST		100.00%	\$87,077	\$110.11	\$8,707,735	\$9,262,840	\$117.13	\$92,628	100.00%
Construction Cost Recap		69.90%	\$60,869	\$76.97	\$6,086,871	\$6,567,800	\$83.05	\$65,678	70.90%

SOURCES OF FUNDS

						RECOMMENDED	
Wells Fargo Bank, N.A.	20.44%	\$17,800	\$22.51	\$1,780,000	\$1,780,000	\$1,780,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,106,779
HTC Syndication Proceeds	84.86%	\$73,890	\$93.44	7,389,000	7,389,000	6,863,131	% of Dev. Fee Deferred
Deferred Developer Fees	1.08%	\$938	\$1.19	93,840	93,840	64,604	6%
Additional (Excess) Funds Req'd	-6.37%	(\$5,551)	(\$7.02)	(\$55,105)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$8,707,735	\$9,262,840	\$8,707,735	\$903,624

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Buena Vida Senior Village, Corpus Christi, HTC 9% #08235

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$57.02	\$4,509,240
Adjustments				
Exterior Wall Finish	5.20%		\$2.97	\$234,480
Elderly	3.00%		1.71	135,277
9-Ft. Ceilings	3.65%		2.08	164,587
Roofing			0.00	0
Subfloor			(2.47)	(195,328)
Floor Cover			2.43	192,164
Breezeways/Balconies	\$39.01	19,629	9.68	765,718
Plumbing Fixtures	\$805	12	0.12	9,660
Rough-ins	\$400	300	1.52	120,000
Built-In Appliances	\$1,850	100	2.34	185,000
Hurricane Wind Adjust	\$0.94	79,080	0.94	74,335
Enclosed Corridors	\$47.10	0	0.00	0
Heating/Cooling			1.90	150,252
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$71.29	3,500	3.16	249,498
Other: fire sprinkler	\$1.95	79,080	1.95	154,206
SUBTOTAL			85.35	6,749,090
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.83		(14.51)	(1,147,345)
TOTAL DIRECT CONSTRUCTION COSTS			\$70.84	\$5,601,745
Plans, specs, survy, bld prmt	3.90%		(\$2.76)	(\$218,468)
Interim Construction Interest	3.38%		(2.39)	(189,059)
Contractor's OH & Profit	11.50%		(8.15)	(644,201)
NET DIRECT CONSTRUCTION COSTS			\$57.54	\$4,550,017

PAYMENT COMPUTATION

Primary	\$1,780,000	Amort	360
Int Rate	6.50%	DCR	1.36

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.36

Additional		Amort	
Int Rate		Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$135,713
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$47,287

Primary	\$1,780,000	Amort	360
Int Rate	6.55%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	\$547,092	\$563,505	\$580,410	\$597,822	\$615,757	\$713,831	\$827,526	\$959,329	\$1,289,258
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	565,092	582,045	599,506	617,491	636,016	737,317	854,752	990,892	1,331,676
Vacancy & Collection Loss	(42,384)	(43,653)	(44,963)	(46,312)	(47,701)	(55,299)	(64,106)	(74,317)	(99,876)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$522,708	\$538,391	\$554,543	\$571,179	\$588,315	\$682,018	\$790,646	\$916,575	\$1,231,801
EXPENSES at 4.00%									
General & Administrative	\$37,600	\$39,104	\$40,668	\$42,295	\$43,987	\$53,517	\$65,111	\$79,218	\$117,261
Management	20,908	21,536	22,182	22,847	23,533	27,281	31,626	36,663	49,272
Payroll & Payroll Tax	100,800	104,832	109,025	113,386	117,922	143,470	174,553	212,370	314,360
Repairs & Maintenance	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	32,200	33,488	34,828	36,221	37,669	45,831	55,760	67,841	100,421
Insurance	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Property Tax	37,000	38,480	40,019	41,620	43,285	52,663	64,072	77,953	115,390
Reserve for Replacements	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Other	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
TOTAL EXPENSES	\$339,708	\$353,088	\$366,996	\$381,454	\$396,484	\$481,033	\$583,684	\$708,327	\$1,043,498
NET OPERATING INCOME	\$183,000	\$185,304	\$187,547	\$189,726	\$191,831	\$200,985	\$206,962	\$208,249	\$188,302
DEBT SERVICE									
First Lien Financing	\$135,713	\$135,713	\$135,713	\$135,713	\$135,713	\$135,713	\$135,713	\$135,713	\$135,713
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$47,287	\$49,591	\$51,834	\$54,013	\$56,118	\$65,273	\$71,249	\$72,536	\$52,589
DEBT COVERAGE RATIO	1.35	1.37	1.38	1.40	1.41	1.48	1.52	1.53	1.39

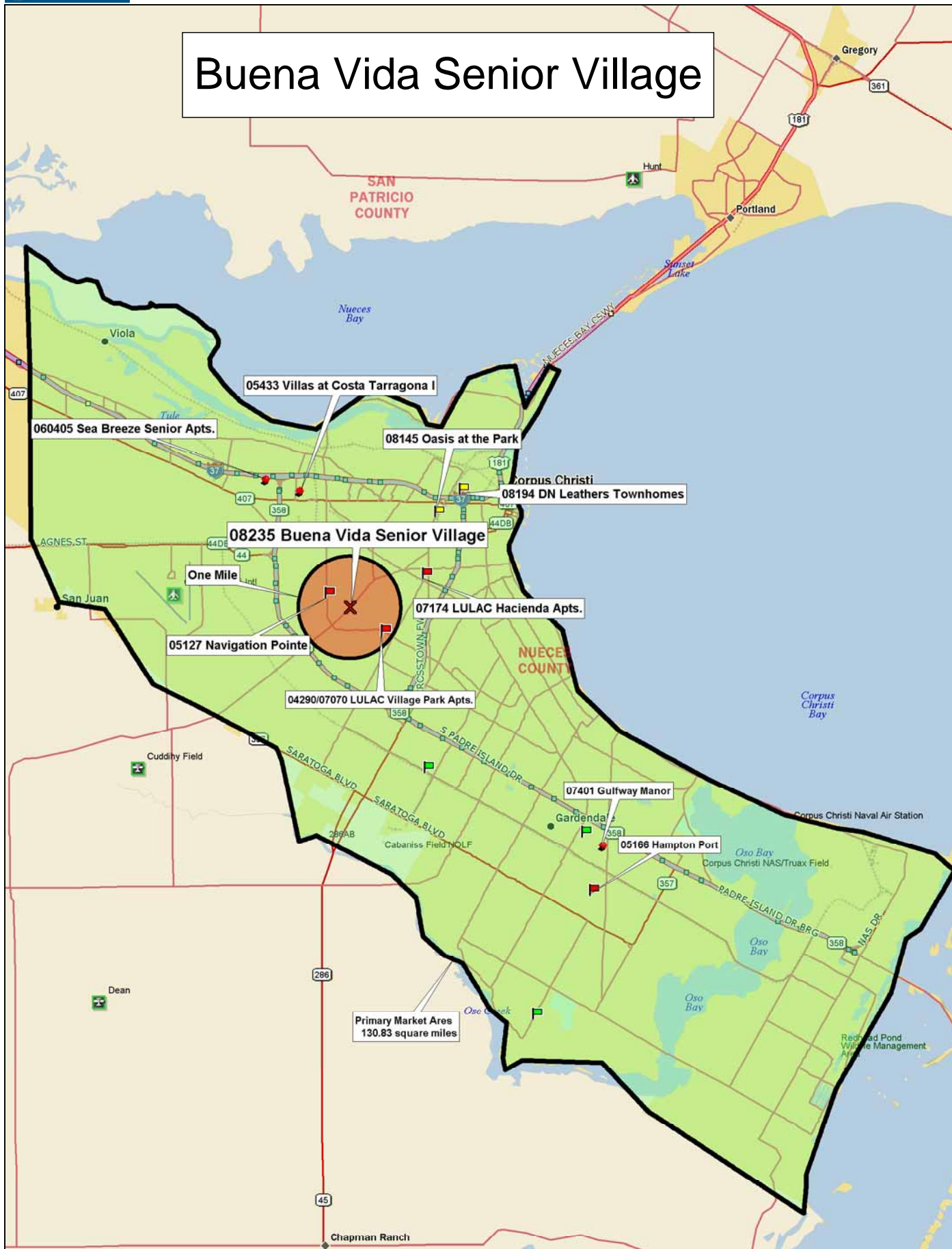
HTC ALLOCATION ANALYSIS -Buena Vida Senior Village, Corpus Christi, HTC 9% #08235

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$350,000	\$350,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$565,000	\$565,000	\$565,000	\$565,000
Construction Hard Costs	\$4,955,000	\$4,550,017	\$4,955,000	\$4,550,017
Contractor Fees	\$772,800	\$716,102	\$772,800	\$716,102
Contingencies	\$275,000	\$255,751	\$275,000	\$255,751
Eligible Indirect Fees	\$558,000	\$558,000	\$558,000	\$558,000
Eligible Financing Fees	\$252,728	\$252,728	\$252,728	\$252,728
All Ineligible Costs	\$325,498	\$325,498		
Developer Fees			\$1,106,779	
Developer Fees	\$1,108,815	\$1,034,640		\$1,034,640
Development Reserves	\$100,000	\$100,000		
TOTAL DEVELOPMENT COSTS	\$9,262,840	\$8,707,735	\$8,485,307	\$7,932,238

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$8,485,307	\$7,932,238
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$11,030,899	\$10,311,909
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$11,030,899	\$10,311,909
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$917,771	\$857,951

Syndication Proceeds	0.7999	\$7,341,657	\$6,863,131
Total Tax Credits (Eligible Basis Method)		\$917,771	\$857,951
Syndication Proceeds		\$7,341,657	\$6,863,131
Requested Tax Credits		\$923,689	
Syndication Proceeds		\$7,389,000	
Gap of Syndication Proceeds Needed			\$6,927,735
Total Tax Credits (Gap Method)			\$866,027

Buena Vida Senior Village



Primary Market Ares
130.83 square miles

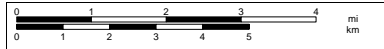
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Scale 1 : 162,500



1" = 2.56 mi

Data Zoom 10-5

Applicant Evaluation

Project ID **08235**

Name **Buena Vida Senior Village**

City: **Corpus Christi**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 5

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 4

Total # of MF awards not yet monitored or pending review: 2

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 5

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 5/21/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5/23/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Green Briar Village Phase II, TDHCA Number 08236

BASIC DEVELOPMENT INFORMATION

Site Address: E. Side of SH 240, S. of Intersection of Airport Dr. Development #: 08236
 City: Wichita Falls Region: 2 Population Served: General
 County: Wichita Zip Code: 76306 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: SWHP Wichita Falls II, LP
 Owner Contact and Phone: Randy Stevenson, (817) 261-5088
 Developer: Rocky Ridge Developer, LP
 Housing General Contractor: TBD
 Architect: Beeler, Guest & Owens Architects, L.P.
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Centerline Capital Group
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	36
	0 0 29 7	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 16 8 0 0	Total Development Units:	36
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	3
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$362,341	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Green Briar Village Phase II, TDHCA Number 08236

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, S

Points: 0

US Representative: Thornberry, District 13, NC

TX Representative: Farabee, District 69, NC

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Woodrow W. "Woody" Gossom, Jr., County Judge

Individuals and Businesses In Support: **0**

In Opposition **0**

Quantifiable Community Participation Input:

East Lynwood Residents Organization, James Esther

Letter Score: 24 S or O: S

This development will create needed additional affordable neighborhood housing opportunities for our area and the new, clean, landscaped project will be a visual benefit.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and from a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Green Briar Village Phase II, TDHCA Number 08236

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **177** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID # **08236**

Name: **Green Briar Village Phase II**

City: **Wichita Falls**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 5

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 4

Total # of MF awards not yet monitored or pending review: 2

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 5

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/30/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Melissa Whitehead

Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /15/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Timber Village Apartments II, TDHCA Number 08240

BASIC DEVELOPMENT INFORMATION

Site Address: 2707 Norwood St. Development #: 08240
 City: Marshall Region: 4 Population Served: General
 County: Harrison Zip Code: 75670 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Timber Village Apartments II, Ltd
 Owner Contact and Phone: Rick J. Deyoe, (512) 306-9206
 Developer: Timber Village Development II, LLC
 Housing General Contractor: Realtex Construction, LLC
 Architect: Northfield Design Associates
 Market Analyst: Apartment Market Data, LLC
 Syndicator: PNC Multifamily Capital
 Supportive Services: Texas Inter-Faith Housing Corporation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	72
	4 0 26 42	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 48 12 0 0	Total Development Units:	72
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	3
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$687,886	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Timber Village Apartments II, TDHCA Number 08240

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, S

Points: 14 US Representative: Gohmert, District 1, NC

TX Representative: Hughes, District 5, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

We Care Community Group, Deedra Hawkins

Letter Score: 24 S or O: S

The improvement to the image of the affected neighborhood with the aesthetics of the proposed development will draw business and future citizens to the neighborhood and inevitably create jobs.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and from a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Timber Village Apartments II, TDHCA Number 08240

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

**Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary**

TownePlace Reserve, TDHCA Number 08244

BASIC DEVELOPMENT INFORMATION

Site Address: W. Side of Cullen Blvd, S. of FM 518 Development #: 08244
 City: Pearland Region: 6 Population Served: Elderly
 County: Brazoria Zip Code: 77584 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: TownPlace Reserve LP
 Owner Contact and Phone: Les Kilday, (713) 914-9400
 Developer: Kilday Partners, LLC
 Housing General Contractor: TBD
 Architect: Jim Gwin Architects, Inc.
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: Hudson Housing Capital, LLC
 Supportive Services: TBD
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	115
	6 0 42 67	Market Rate Units:	5
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 72 48 0 0 0	Total Development Units:	120
Type of Building:		Total Development Cost*:	\$13,656,401
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	2
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,189,754			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

TownePlace Reserve, TDHCA Number 08244

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11, NC

Points: 0

US Representative: Lampson, District 22, NC

TX Representative: O'Day, District 29, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Cross Roads Community Church

S or O: S

Majestic Christian Center

S or O: S

First United Methodist Church, Pearland

S or O: S

Silverlake Church Fellowship

S or O: S

General Summary of Comment:

Support received from elected official(s) and from civic organizations.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by carryover, of documentation that the subject 6 acres is no longer encumbered by Vendor's Lien and Deed of Trust indicated in Schedule C Item 6 of the title commitment
2. Receipt, review, and acceptance, by carryover, of the required offsite cost certification by a third party engineer.
3. Receipt, review, and acceptance, by the 10% test, that construction of the access road has been completed.
4. Receipt, review and acceptance, by commitment, of the approval from the City of Pearland for the requested zoning change.
5. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
6. If the rates and terms of the proposed financing change the transaction should be reevaluated, and changes to the recommended financing may be warranted.
7. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$700,000, or a commitment from a qualifying substitute source in an amount not less than \$682,821, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

TownePlace Reserve, TDHCA Number 08244

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **204** Meeting a Required Set-Aside Credit Amount*: \$1,189,754

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/08

PROGRAM: HTC 9%

FILE NUMBER: 08244

DEVELOPMENT

TownePlace Reserve

Location: West side of Cullen Blvd south of FM 518 Region: 6
 City: Pearland County: Brazoria Zip: 77584 QCT DDA
 Key Attributes: Multifamily, New Construction, Elderly, Urban

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,200,000			\$1,189,754		

CONDITIONS

- 1 Receipt, review, and acceptance, by carryover, of documentation that the subject 6 acres is no longer encumbered by Vendor's Lien and Deed of Trust indicated in Schedule C Item 6 of the title commitment.
- 2 Receipt, review, and acceptance, by carryover, of the required offsite cost certification by a third party engineer.
- 3 Receipt, review, and acceptance, by the 10% test, that construction of the access road has been completed.
- 4 Receipt, review and acceptance, by commitment, of the approval from the City of Pearland for the requested zoning change.
- 5 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 6 If the rates and terms of the proposed financing change the transaction should be reevaluated, and changes to the recommended financing may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	42
60% of AMI	60% of AMI	67

PROS

- The Applicant has extensive experience in the development of tax credit properties.

CONS

- The site does not currently have road access and the original application had no offsite costs identified for such improvements.

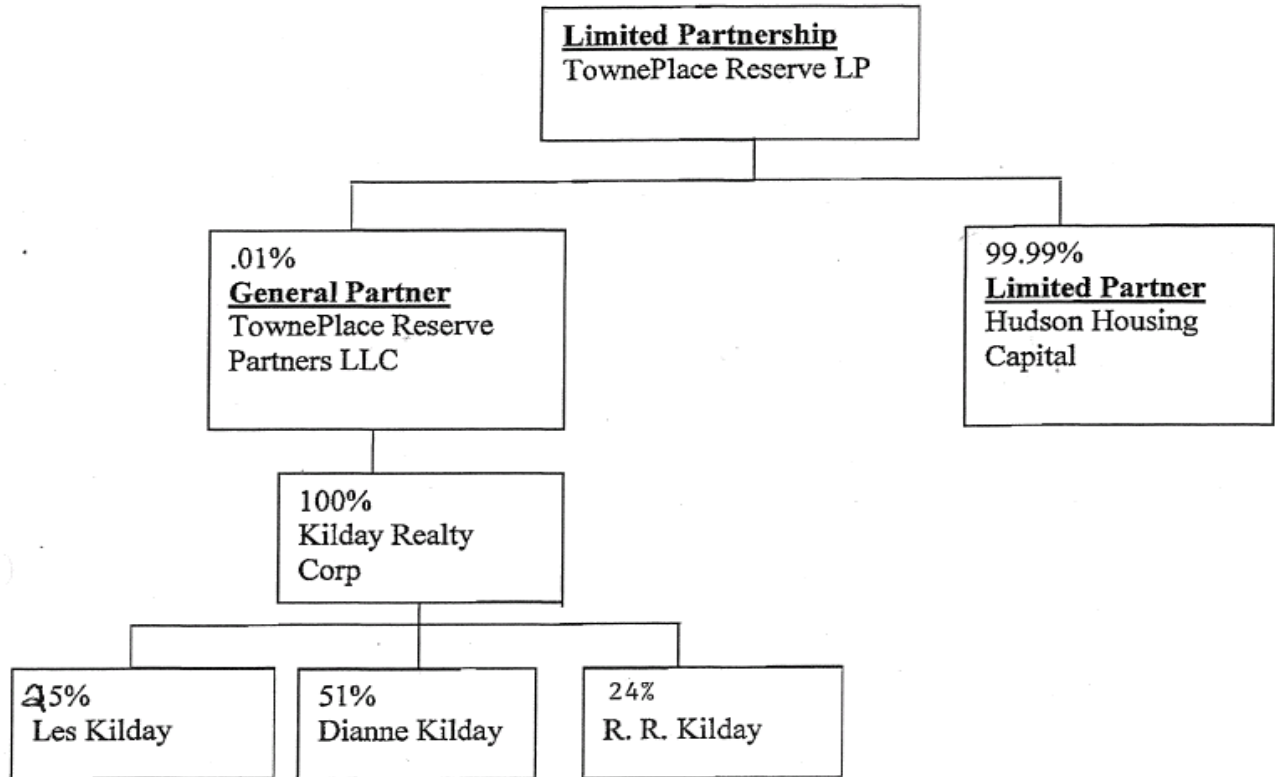
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PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Les Kilday Phone: (713) 914-9400 Fax: (713) 914-9439
 Email: leskilday@earthlink.net

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Kilday Realty Corp.	N/A	3 developments under construction 10 complete
R.R Kilday and Dianne Kilday	N/A	
Les Kilday	N/A	

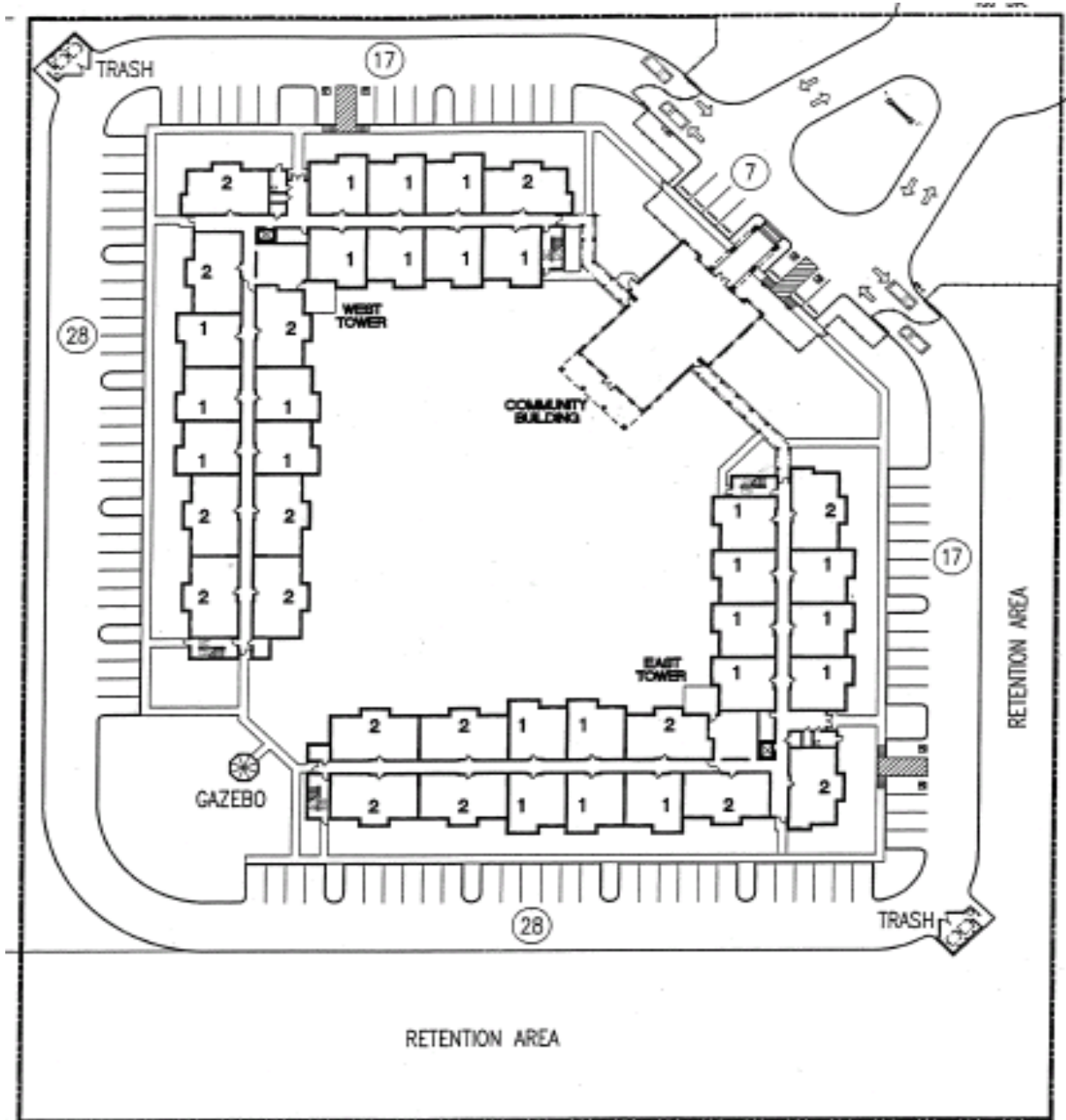
IDENTITIES of INTEREST

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

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A											Total Buildings
Floors/Stories	3											
Number	2											2

BR/BA	SF	Units										Total Units	Total SF
1 / 1	750	36										72	54,000
2 / 2	925	24										48	44,400
Units per Building	60											120	98,400

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SITE ISSUES

Total Size: 6 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: GB and SR12 Needs to be re-zoned? Yes No N/A

Comments:

The Applicant has applied to the City of Pearland to have the site rezoned to Planned Development (PD). Therefore, this report will be conditioned upon receipt, review and acceptance of the approval from the City of Pearland for the requested zoning change.

There is currently no improved access to the site. The contract states under "Special Provisions" that "Plat and ingress/egress design must be approved by the Seller. Buyer shall pay its prorata share of the cost for the dedication of the proposed right-of-way and the construction of the road which shall grant access to the subject property." When questioned on this, the Applicant has provided a contractor's proposal for \$108,900 to construct the access road; the Applicant indicates that the subject site is approximately 25% of the property that will utilize the access road, and therefore the Applicant's cost will be approximately \$27,225. The Applicant has included \$30,000 in offsite development cost in their revised budget for this purpose.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/10/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Pharmacy East: Ranch
 South: residential subdivision West: wooded

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/28/2008
 Comments:
 This assessment has revealed no evidence of recognized environmental conditions in connection with the property.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/26/2008
 Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830
 Number of Revisions: none Date of Last Applicant Revision: N / A
 Primary Market Area (PMA): 136 sq. miles 7 mile radius

The primary market area is contained within the following census tracts:

48039660300	48039660800	48157670700	48201333800	48201350300
48039660400	48157670100	48157670800	48201333900	48201350400
48039660500	48157670200	48157670900	48201334000	48201350500
48039660600	48157670300	48201330700	48201350100	
48039660700	48157670600	48201330800	48201350200	

These boundaries approximately follow Almeda Genoa Road to the north, IH 45 to the east, State Hwy 6 to the south, and Texas Pkwy to the west. The estimated 2007 population of the area was 220,254.

This section intentionally left blank.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS						
PMA				SMA		
Name	File #	Total Units	Comp Units			
none						

INCOME LIMITS						
Brazoria						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,350	\$16,400	\$18,450	\$20,500	\$22,150	\$23,800
50	\$23,900	\$27,300	\$30,750	\$34,150	\$36,900	\$39,600
60	\$28,680	\$32,760	\$36,900	\$40,980	\$44,280	\$47,520

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30%	54	11		65	4	0	6%
1 BR/50%	38	41		79	25	0	32%
1 BR/60%	78	15		93	40	0	43%
2 BR/30%	14	2		16	2	0	13%
2 BR/50%	15	10		25	17	0	68%
2 BR/60%	38	9		47	27	0	57%

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30%	32	37		69	4	0	6%
1 BR/50%	34	40		75	25	0	33%
1 BR/60%	49	58		107	40	0	38%
2 BR/30%	26	29		55	2	0	4%
2 BR/50%	26	30		56	17	0	30%
2 BR/60%	77	91		168	27	0	16%

Demand Analysis

Based on 25,223 senior households in the PMA, the Market Analyst determined demand for 321 units due to household turnover, and demand for 82 units due to household growth. With no unstabilized units in the PMA other than the 115 proposed units, this results in an inclusive capture rate of 29%. By projecting the household population at the time the subject places in service, the underwriting analysis determines a slightly higher demand for 379 units due to turnover, and demand for 83 units due to household growth; this results in an inclusive capture rate of 25%. The subject is well within the limit of 75% for developments targeting seniors.

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p.	25,223	100%	25,223	4%	972	33%	321
Underwriter	17% 29,773	100%	29,773	32% 9,404	12% 1,147	33%	379
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p.			2,129	4%	82	100%	82
Underwriter		100%	2,158	32% 682	12% 83	100%	83

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)		Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 56	115	0		115	403	29%
Underwriter	115	0		115	462	25%

Primary Market Occupancy Rates:

The Market Analyst reports that "the current occupancy of the market area is 91.6% as a result of stable demand." (p. 12)

Absorption Projections:

"Since the 2000 census, there have been 16 major projects built and occupied within the PMA. In total, these projects account for 4,057 new rental units. Currently, there are 6 other projects under construction and/or in planning, totaling 2,214 units. However, none of these projects specifically target seniors, and none are "affordable". Absorption over the previous eight years for all unit types increased to 565 units per year. We expect this to continue as the number of new households continues to grow, and as additional rental units become available." (p. 12)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	750 SF	30%	\$297	\$297	\$805	\$297	\$508
1 BR	750 SF	50%	\$553	\$553	\$805	\$553	\$252
1 BR	750 SF	60%	\$681	\$681	\$805	\$681	\$124
1 BR	750 SF	Mkt	\$695	N / A	\$805	\$695	\$110
2 BR	925 SF	30%	\$343	\$343	\$950	\$343	\$607
2 BR	925 SF	50%	\$650	\$650	\$950	\$650	\$300
2 BR	925 SF	60%	\$804	\$804	\$950	\$804	\$146
2 BR	925 SF	Mkt	\$825	N / A	\$950	\$825	\$125

Market Impact:

"Overall, the Market Analyst feels that this project would be well positioned to meet the needed demand for affordable housing in the sub-market. The determination of the project's position in the PMA is based upon:

The fulfillment of a need for rental housing in the sub-market, and

The proforma rents for the subject do not exceed the rental rates currently being charged in the market." (p. 20)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 16 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 42 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is considered to be in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

This section intentionally left blank.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant's projected operating income is based on maximum program rents adjusted for utility allowances provided by the Brazoria County Housing Authority; projected non-rental income of \$10 per unit per month is consistent with underwriting guidelines. The Applicant has allowed for losses due to vacancy and collection equal to 7.0% of potential gross income; the underwriting analysis uses the standard of 7.5%. As a result, the Applicant's projection of effective gross income is 1% greater than the underwriting estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant's projected annual operating expenses total \$4,391 per unit. This is 2% higher than the underwriting estimate of \$4,299. Specific line items with the most significant variation are general & administrative (the Applicant's projection is \$7K higher than the underwriting estimate); water, sewer, & trash (the Applicant's figure is \$7K lower); property taxes (the Applicant's figure is \$10K lower); and property insurance (the Applicant's figure is \$9K higher).

Conclusion:

The Applicant's projected income, expenses, and net operating income (NOI) are each within 5% of the underwriting estimates; as such, the Applicant's figures will be used to determine feasibility and debt capacity. The Applicant's NOI and proposed financing provide a debt coverage ratio (DCR) of 1.33, within the underwriting guidelines of 1.15 to 1.35.

Feasibility:

The Applicant's projected income and expenses, and proposed financing, are used to generate a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above the 1.15 minimum throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 20 acres	<u>\$498,850</u>	Tax Year:	<u>2008</u>
prorata value per acre	<u>\$25,000</u>	Valuation by:	<u>Brazoria CAD</u>
subject 6 acres	<u>\$150,000</u>	Tax Rate:	<u>2.595041</u>

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 6

Contract Expiration: 10/31/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$1,372,140 Other: _____

Seller: Imani Church Related to Development Team? Yes No

Comments:

There is currently no improved access to the site. The contract states under "Special Provisions" that "Plat and ingress/egress design must be approved by the Seller. Buyer shall pay its prorata share of the cost for the dedication of the proposed right-of-way and the construction of the road which shall grant access to the subject property."

This section intentionally left blank.

TITLE

Comments:

"Schedule C Item 6 of the title commitment indicates a Vendor's Lien retained in Deed dated July 21, 2005 ... securing one promissory note of even date therewith in the principal amount of \$1,742,400 ... said note being additionally secured by Deed of Trust of even Date therewith". The Applicant has indicated that this lien is on an approximate 20 acre portion of a larger tract that includes the subject 6 acres; the portion of the lien covering the subject 6 acres will be released at closing. This report will be conditioned on receipt, review, and acceptance, by carryover, of documentation that the subject 6 acres is no longer encumbered by said Vendor's Lien and Deed of Trust.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/4/2008

Acquisition Value:

The acquisition cost of \$1,372,140, or \$229K per acre, is assumed to be reasonable as the purchase is an arm's length transaction. However at \$11,443 per unit, the acquisition cost for the site stands as one of the most expensive sites on a per unit basis this year.

Off-Site Cost:

The original development cost schedule contained no offsite costs. However, the survey indicated that there is currently no improved access to the site, and the acquisition contract states that the buyer will be responsible for its prorata share of the development cost for an access road. The Applicant subsequently provided a contractor's quote for \$108,900 for construction of the access road. The Applicant indicates that the subject site constitutes approximately 25% of the property that requires use of the access road, and therefore the Applicant's prorata share of the cost should be approximately \$27,225. The Applicant also provided a revised development cost schedule including \$30,000 in offsite cost. Receipt, review, and acceptance, before closing, of the required offsite cost certification by a third party engineer will be a condition of this report.

Sitework Cost:

The projected site work cost totals \$8,977 per unit, less than the underwriting limit of \$9,000 per unit; therefore, no further substantiation is necessary.

Direct Construction Cost:

The Applicant's projected direct construction cost totals \$6 million. This is within 1% of the underwriting estimate, which is based on the *Marshall & Swift Residential Cost Handbook*.

Interim Interest Expense:

The Applicant claimed eligible interim financing interest of \$463,310. However, the Real Estate Analysis Rules and Guidelines limit eligible interest to one year of fully-drawn interest on all construction period financing. The Applicant has provided a commitment from Capital One for \$4 million in construction financing at an underwriting rate of 5.05; and two construction loans from Southeast Texas Housing Finance: \$700K at AFR and \$275K at prime + 1.0%. One year at these rates is calculated to be \$248K. The difference \$215,213, has been excluded from eligible basis and added to ineligible costs.

Contingency & Fees:

As a result of the overstated interest expense, the Applicant's claimed developer fee exceeds the eligible limit by \$31K; this excess amount has been excluded from eligible basis and effectively added to ineligible costs.

Conclusion:

The Applicant's total development cost of \$13.6 million is within 5% of the underwriting estimate. As a result, the Applicant's costs will be used to calculate eligible basis and determine the need for permanent financing. The recalculated eligible basis of \$11,478,205 is increased by 30% due to Brazoria County's designation as a Difficult Development Area. The result is then reduced by the 95.83% Applicable Fraction because 5 of the 120 units will not be subject to rent and income restrictions. The final qualified basis of \$14,299,931 supports a tax credit allocation of \$1,189,754 per year for ten years. This amount will be compared to the Applicant's requested amount and the amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/4/2008

Source: Southeast Texas Housing Finance Corp. Type: Interim Financing

Principal: \$700,000 Interest Rate: AFR Fixed Term: 12 months

Comments:

The Applicant has applied to SETH for a loan with interest rate and terms in accordance with the 2008 Texas QAP.

Source: Southeast Texas Housing Finance Corp. Type: Interim Financing

Principal: \$275,000 Interest Rate: prime + 1 Fixed Amort: 12 months

Comments:

The Applicant has provided a commitment from SETH for a construction loan in the amount of \$275,000 for 12 months at a fixed rate of the Prime Rate + 1% on the date of execution.

Source: Capital One Type: Interim to Permanent Financing

Principal: \$3,650,000 Interest Rate: 6.6% Fixed Amort: 360 months

Comments:

\$4.0 million during construction at one-month LIBOR + 225 bps, or the WSJ Prime; permanent phase fixed at the 10-year U.S. Treasury yield + 290 bps, currently indicated at 6.63%.

Source: Hudson Housing Capital Type: Syndication

Proceeds: \$9,959,004 Syndication Rate: 83% Anticipated HTC: \$ 1,200,000

Comments:

If the syndication price were to fall to 71.5 cents or below, the required deferred developer fee would exceed the available cash flow, and the project would have to be considered infeasible; if the syndication price were to increase to 84 cents or greater, the equity proceeds would exceed the gap in financing, and the allocation should be adjusted accordingly.

Amount: \$47,396 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time. Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$3,650,000 indicates the need for \$10,006,401 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,205,711 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Amount determined by eligible basis:	\$1,189,754
Applicant's requested amount:	\$1,200,000
Amount determined by gap in financing:	\$1,205,711

The amount determined by eligible basis is recommended. A tax credit allocation of \$1,189,754 per year for ten years results in total equity proceeds of \$9,873,973 at a syndication price of \$0.83 per tax credit dollar.

The Underwriter's recommended financing structure indicates the need for \$132,428 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cash flow within two years of stabilized operation.

Underwriter:	_____	Date:	_____
	<i>Thomas Cavanagh</i>		July 15, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 15, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 15, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

TownePlace Reserve, Pearland, HTC 9% #08244

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	1	1	750	\$384	\$297	\$1,188	\$0.40	\$87.00	\$46.00
TC 50%	25	1	1	750	\$640	\$553	\$13,825	\$0.74	\$87.00	\$46.00
TC 60%	40	1	1	750	\$768	\$681	\$27,240	\$0.91	\$87.00	\$46.00
MR	3	1	1	750		\$695	\$2,085	\$0.93	\$87.00	\$46.00
TC 30%	2	2	2	925	\$461	\$343	\$686	\$0.37	\$118.00	\$55.00
TC 50%	17	2	2	925	\$768	\$650	\$11,050	\$0.70	\$118.00	\$55.00
TC 60%	27	2	2	925	\$922	\$804	\$21,708	\$0.87	\$118.00	\$55.00
MR	2	2	2	925		\$825	\$1,650	\$0.89	\$118.00	\$55.00
TOTAL:	120		AVERAGE:	820		\$662	\$79,432	\$0.81	\$99.40	\$49.60

INCOME		Total Net Rentable Sq Ft:	98,400		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					\$953,184	\$953,184	Brazoria	Houston	6
Secondary Income		Per Unit Per Month:	\$10.00		14,400	14,400	\$10.00	Per Unit Per Month	
Other Support Income:					0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					\$967,584	\$967,584			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(72,569)	(67,728)	-7.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					\$895,015	\$899,856			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT		TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.44%	\$331	0.40		\$39,736	\$47,000	\$0.48	\$392	5.22%
Management	5.00%	373	0.45		44,751	44,993	0.46	375	5.00%
Payroll & Payroll Tax	12.39%	924	1.13		110,895	110,000	1.12	917	12.22%
Repairs & Maintenance	6.53%	487	0.59		58,421	55,000	0.56	458	6.11%
Utilities	3.82%	285	0.35		34,210	34,000	0.35	283	3.78%
Water, Sewer, & Trash	4.61%	344	0.42		41,226	48,327	0.49	403	5.37%
Property Insurance	4.41%	329	0.40		39,473	49,000	0.50	408	5.45%
Property Tax	2.60	11.13%	830	1.01	99,650	89,800	0.91	748	9.98%
Reserve for Replacements		3.21%	250	0.29	28,750	30,000	0.30	250	3.33%
TDHCA Compliance Fees		0.54%	40	0.05	4,800	4,800	0.05	40	0.53%
Other: CaTV, supportive svcs		1.56%	117	0.14	14,000	14,000	0.14	117	1.56%
TOTAL EXPENSES	57.64%	\$4,299	\$5.24		\$515,911	\$526,920	\$5.35	\$4,391	58.56%
NET OPERATING INC	42.36%	\$3,159	\$3.85		\$379,104	\$372,936	\$3.79	\$3,108	41.44%

DEBT SERVICE					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Capital One		31.35%	\$2,338	\$2.85	\$280,601	\$276,847	\$2.81	\$2,307	30.77%
Additional Financing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing		0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW		11.01%	\$821	\$1.00	\$98,503	\$96,089	\$0.98	\$801	10.68%

AGGREGATE DEBT COVERAGE RATIO	1.35	1.35
RECOMMENDED DEBT COVERAGE RATIO		1.33

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		10.08%	\$11,443	\$13.95	\$1,373,140	\$1,373,140	\$13.95	\$11,443	10.05%
Off-Sites		0.22%	250	0.30	30,000	30,000	0.30	250	0.22%
Sitework		7.91%	8,977	10.95	1,077,235	1,077,235	10.95	8,977	7.89%
Direct Construction		44.30%	50,277	61.31	6,033,296	6,038,060	61.36	50,317	44.21%
Contingency	5.00%	2.61%	2,963	3.61	355,527	355,765	3.62	2,965	2.61%
Contractor's Fees	14.00%	7.31%	8,296	10.12	995,474	996,141	10.12	8,301	7.29%
Indirect Construction		6.83%	7,756	9.46	930,750	930,750	9.46	7,756	6.82%
Ineligible Costs		3.91%	4,441	5.42	532,903	532,903	5.42	4,441	3.90%
Developer's Fees	15.00%	10.99%	12,469	15.21	1,496,307	1,528,000	15.53	12,733	11.19%
Interim Financing		4.28%	4,859	5.93	583,098	583,098	5.93	4,859	4.27%
Reserves		1.55%	1,761	2.15	211,310	211,310	2.15	1,761	1.55%
TOTAL COST		100.00%	\$113,492	\$138.40	\$13,619,039	\$13,656,401	\$138.78	\$113,803	100.00%
Construction Cost Recap		62.13%	\$70,513	\$85.99	\$8,461,532	\$8,467,201	\$86.05	\$70,560	62.00%

SOURCES OF FUNDS					TDHCA	APPLICANT	RECOMMENDED	
Capital One		26.80%	\$30,417	\$37.09	\$3,650,000	\$3,650,000	\$3,650,000	Developer Fee Available
Additional Financing		0.00%	\$0	\$0.00	0		0	\$1,497,157
HTC: Hudson Housing Capital		73.13%	\$82,992	\$101.21	9,959,004	9,959,004	9,873,973	% of Dev. Fee Deferred
Deferred Developer Fees		0.35%	\$395	\$0.48	47,396	47,396	132,428	9%
Additional (Excess) Funds Req'd		-0.27%	(\$311)	(\$0.38)	(37,361)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$13,619,039	\$13,656,401	\$13,656,401	\$1,928,710

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

TownePlace Reserve, Pearland, HTC 9% #08244

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.88	\$5,399,798
Adjustments				
Exterior Wall Finish	2.40%		\$1.32	\$129,595
Elderly	3.00%		1.65	161,994
9-Ft. Ceilings	3.30%		1.81	178,193
Lounge areas+corridors	\$47.88	21,806	10.61	1,043,960
Subfloor			(0.82)	(81,016)
Floor Cover			2.43	239,112
Hurricane wind adjust	\$0.94	98,400	0.94	92,496
Plumbing Fixtures	\$805	144	1.18	115,920
Rough-ins	\$400	240	0.98	96,000
Built-In Appliances	\$1,850	120	2.26	222,000
Exterior Stairs	\$1,800	12	0.22	21,600
Clubhouse Patios	\$19.81	1,766	0.36	34,984
Heating/Cooling			1.90	186,960
Elevators	\$35,400	2	0.72	70,800
Comm &/or Aux Bldgs	\$71.29	3,390	2.46	241,656
Other: fire sprinkler	\$1.95	98,400	1.95	191,880
SUBTOTAL			84.82	8,345,934
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(9.33)	(918,053)
TOTAL DIRECT CONSTRUCTION COSTS			\$75.49	\$7,427,881
Plans, specs, survy, bld prm	3.90%		(\$2.94)	(\$289,687)
Interim Construction Interest	3.38%		(2.55)	(250,691)
Contractor's OH & Profit	11.50%		(8.68)	(854,206)
NET DIRECT CONSTRUCTION COSTS			\$61.31	\$6,033,296

PAYMENT COMPUTATION

Primary	\$3,650,000	Amort	360
Int Rate	6.63%	DCR	1.35

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.35

Additional		Amort	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE APPLICAN

Primary Debt Service	\$280,601
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$92,335

Primary	\$3,650,000	Amort	360
Int Rate	6.63%	DCR	1.33

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.33

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.33

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

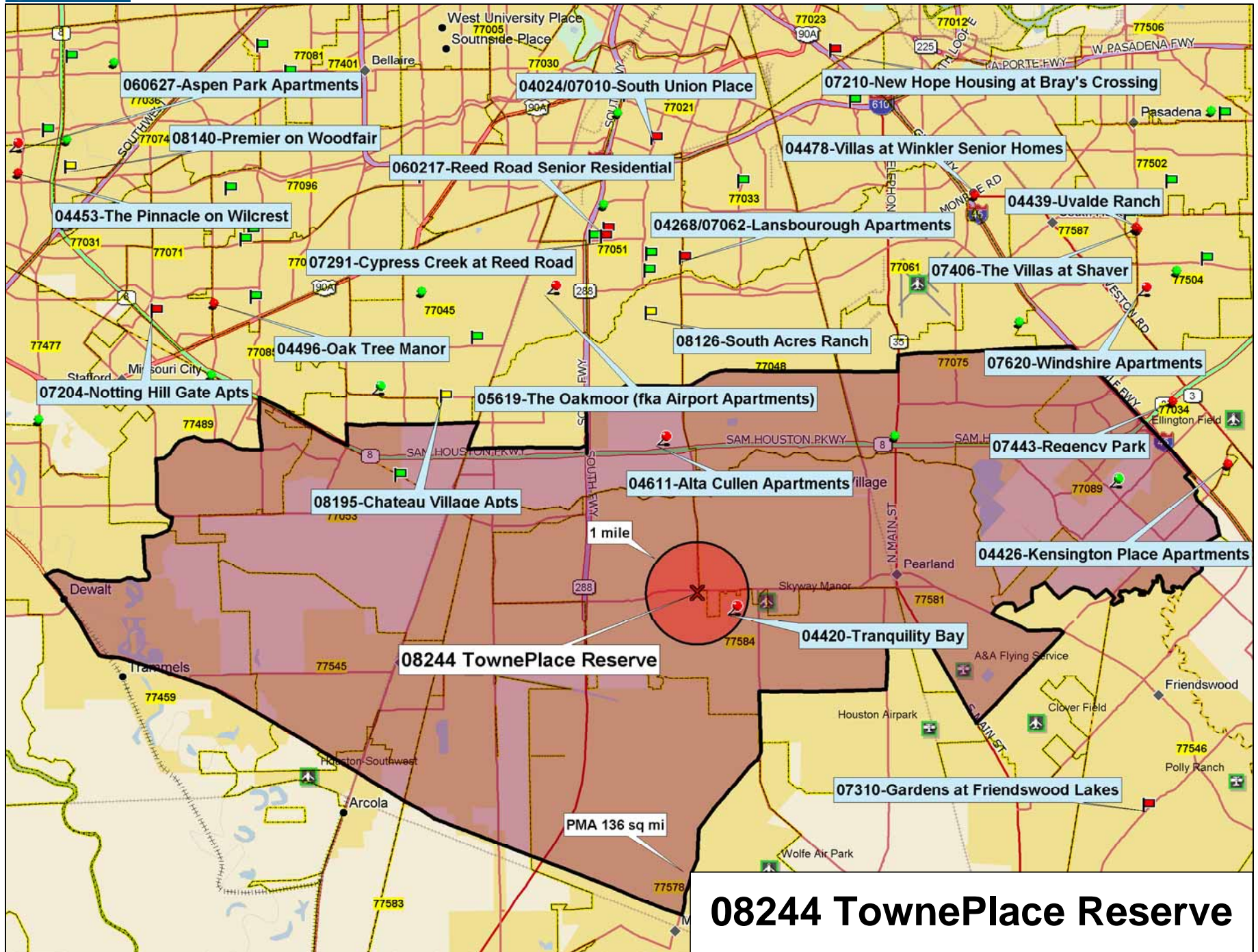
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$953,184	\$981,780	\$1,011,233	\$1,041,570	\$1,072,817	\$1,243,689	\$1,441,776	\$1,671,414	\$2,246,241
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	967,584	996,612	1,026,510	1,057,305	1,089,024	1,262,478	1,463,558	1,696,664	2,280,175
Vacancy & Collection Loss	(67,728)	(74,746)	(76,988)	(79,298)	(81,677)	(94,686)	(109,767)	(127,250)	(171,013)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$899,856	\$921,866	\$949,522	\$978,007	\$1,007,347	\$1,167,792	\$1,353,791	\$1,569,415	\$2,109,162
EXPENSES at 4.00%									
General & Administrative	\$47,000	\$48,880	\$50,835	\$52,869	\$54,983	\$66,896	\$81,389	\$99,022	\$146,577
Management	44,993	46,093	47,476	48,901	50,368	58,390	67,690	78,471	105,459
Payroll & Payroll Tax	110,000	114,400	118,976	123,735	128,684	156,564	190,484	231,753	343,052
Repairs & Maintenance	55,000	57,200	59,488	61,868	64,342	78,282	95,242	115,877	171,526
Utilities	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Water, Sewer & Trash	48,327	50,260	52,270	54,361	56,536	68,784	83,687	101,818	150,715
Insurance	49,000	50,960	52,998	55,118	57,323	69,742	84,852	103,236	152,814
Property Tax	89,800	93,392	97,128	101,013	105,053	127,813	155,505	189,195	280,055
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	18,800	19,552	20,334	21,147	21,993	26,758	32,556	39,609	58,631
TOTAL EXPENSES	\$526,920	\$547,298	\$568,729	\$591,003	\$614,154	\$744,322	\$902,231	\$1,093,819	\$1,608,421
NET OPERATING INCOME	\$372,936	\$374,568	\$380,793	\$387,004	\$393,193	\$423,470	\$451,559	\$475,596	\$500,741
DEBT SERVICE									
First Lien Financing	\$280,601	\$280,601	\$280,601	\$280,601	\$280,601	\$280,601	\$280,601	\$280,601	\$280,601
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$92,335	\$93,967	\$100,192	\$106,403	\$112,592	\$142,869	\$170,958	\$194,995	\$220,140
DEBT COVERAGE RATIO	1.33	1.33	1.36	1.38	1.40	1.51	1.61	1.69	1.78

HTC ALLOCATION ANALYSIS -TownePlace Reserve, Pearland, HTC 9% #08244

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,373,140	\$1,373,140		
Purchase of buildings				
Off-Site Improvements	\$30,000	\$30,000		
Sitework	\$1,077,235	\$1,077,235	\$1,077,235	\$1,077,235
Construction Hard Costs	\$6,038,060	\$6,033,296	\$6,038,060	\$6,033,296
Contractor Fees	\$996,141	\$995,474	\$996,141	\$995,474
Contingencies	\$355,765	\$355,527	\$355,765	\$355,527
Eligible Indirect Fees	\$930,750	\$930,750	\$930,750	\$930,750
Eligible Financing Fees	\$583,098	\$583,098	\$583,098	\$583,098
All Ineligible Costs	\$532,903	\$532,903		
Developer Fees			\$1,497,157	
Developer Fees	\$1,528,000	\$1,496,307		\$1,496,307
Development Reserves	\$211,310	\$211,310		
TOTAL DEVELOPMENT COSTS	\$13,656,401	\$13,619,039	\$11,478,205	\$11,471,687

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$11,478,205	\$11,471,687
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$14,921,667	\$14,913,193
Applicable Fraction		95.83%	95.83%
TOTAL QUALIFIED BASIS		\$14,299,931	\$14,291,810
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,189,754	\$1,189,079

Syndication Proceeds	0.8299	\$9,873,973	\$9,868,365
Total Tax Credits (Eligible Basis Method)		\$1,189,754	\$1,189,079
Syndication Proceeds		\$9,873,973	\$9,868,365
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$9,959,004	
Gap of Syndication Proceeds Needed		\$10,006,401	
Total Tax Credits (Gap Method)		\$1,205,711	



08244 TownePlace Reserve

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www.delorme.com

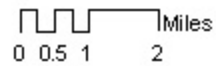
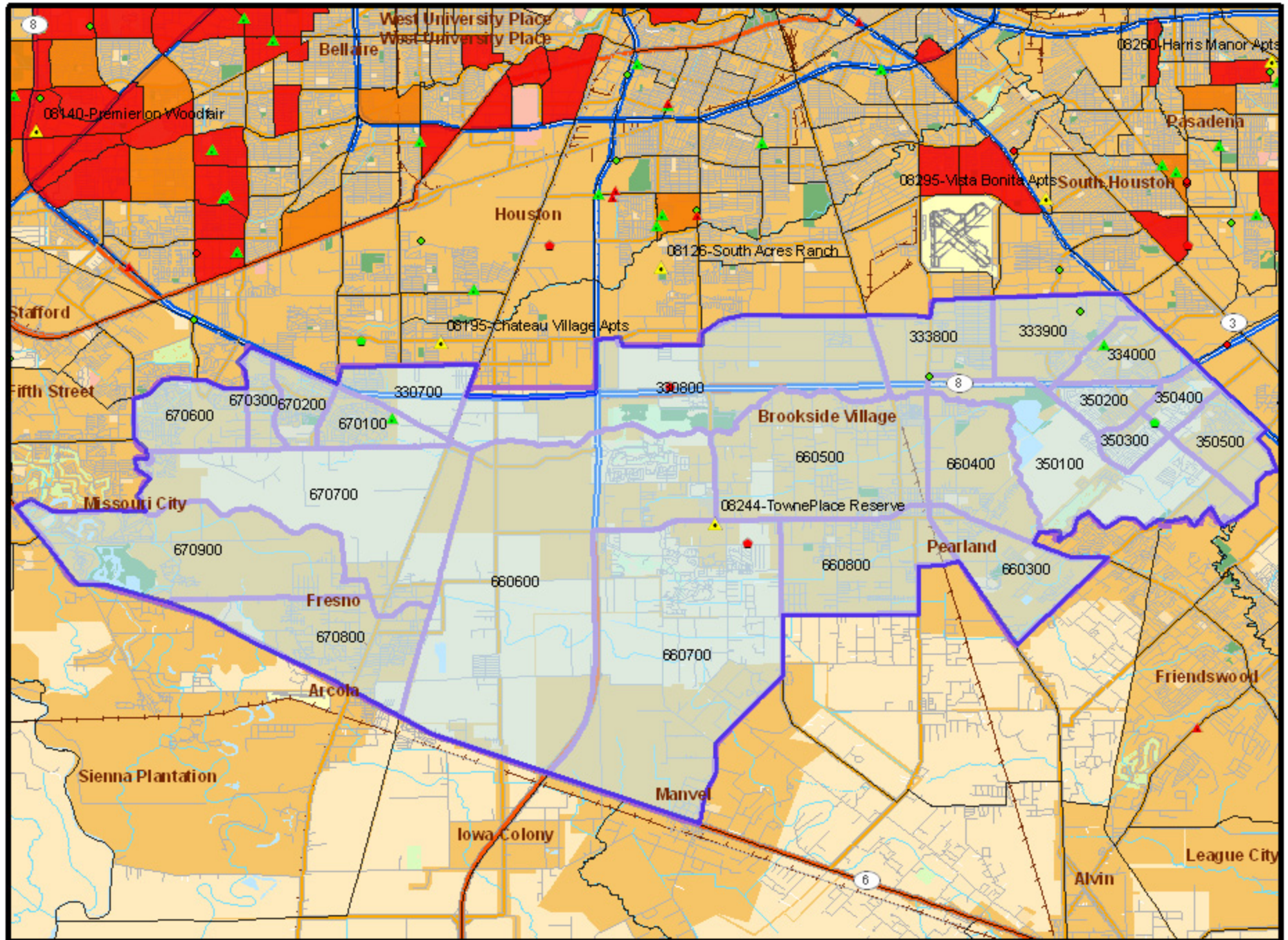
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 Page 14 of 15

Scale 1 : 162,500



1" = 2.56 mi

Data Zoom 10-3



- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
 - Orange Tracts: 1000 to 1432 units/sq.mi.

08244 - TownePlace Reserve

Applicant Evaluation

Project ID **08244**

Name **TownePlace Reserve**

City: **Pearland**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 11

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 3

Projects grouped by score	0-9:	<u>9</u>
	10-19:	<u>2</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 11

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/2/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Melissa Whitehead Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 5 /28/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

HomeTowne on Wayside, TDHCA Number 08251

BASIC DEVELOPMENT INFORMATION

Site Address: SW Corner of Wayside & Ley Rd. Development #: 08251
 City: Houston Region: 6 Population Served: Elderly
 County: Harris Zip Code: 77028 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: HomeTowne on Wayside, LP
 Owner Contact and Phone: Kenneth W. Fambro, (817) 742-1851
 Developer: Integrated Wayside Development, LLC
 Housing General Contractor: Integrated Construction and Development
 Architect: Architettura, Inc.
 Market Analyst: O'Connor & Associates
 Syndicator: Red Capital Markets, Inc.
 Supportive Services: Houston SHIFA Services Foundation, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	123
	7 0 63 53	Market Rate Units:	5
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 56 72 0 0 0	Total Development Units:	128
Type of Building:		Total Development Cost*:	\$13,257,071
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	4
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$950,000	\$950,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

HomeTowne on Wayside, TDHCA Number 08251

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ellis, District 13, NC

Points: 0

US Representative: Jackson Lee, District 18, S

TX Representative: Dutton, District 142, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

East Houston/Settegast Super Neighborhood 49/50, Albert Coleman

Letter Score: 24

S or O: S

The development will provide quality affordable housing for the elderly population of the East Houston/Sattergast community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and from a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, before commencement of construction, of documentation that the pipeline easement identified in Schedule B, Item 10.b. of the Title Commitment will not adversely impact the development
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the rates and terms of the proposed debt or syndication change the transaction should be reevaluated, and adjustments to the recommended allocation may be warranted.
4. Receipt of a commitment of funding from the City of Houston Housing and Community Development Department for funds in the amount of \$700,000, or a commitment from a qualifying substitute source in an amount not less than \$662, 854, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
5. Receipt of a commitment of funding from the City of Houston Housing and Community Development Department for funds in the amount of \$270,000, or a commitment from a qualifying substitute source in an amount not less than \$265,142, as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

HomeTowne on Wayside, TDHCA Number 08251

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$950,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/15/08 PROGRAM: 9% HTC FILE NUMBER: 08251

DEVELOPMENT

HomeTowne on Wayside

Location: Southwest corner of N Wayside Drive and Ley Road Region: 6
 City: Houston County: Harris Zip: 77028 QCT DDA
 Key Attributes: Multifamily, New Construction, Elderly, Urban

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$950,000			\$950,000		

CONDITIONS

- 1 Receipt, review, and acceptance, before commencement of construction, of documentation that the pipeline easement identified in Schedule B, Item 10.b. of the Title Commitment will not adversely impact the development.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 3 Should the rates and terms of the proposed debt or syndication change the transaction should be reevaluated, and adjustments to the recommended allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	7
50% of AMI	50% of AMI	63
60% of AMI	60% of AMI	53

PROS

- The Developers have considerable experience with HTC multifamily projects.

CONS

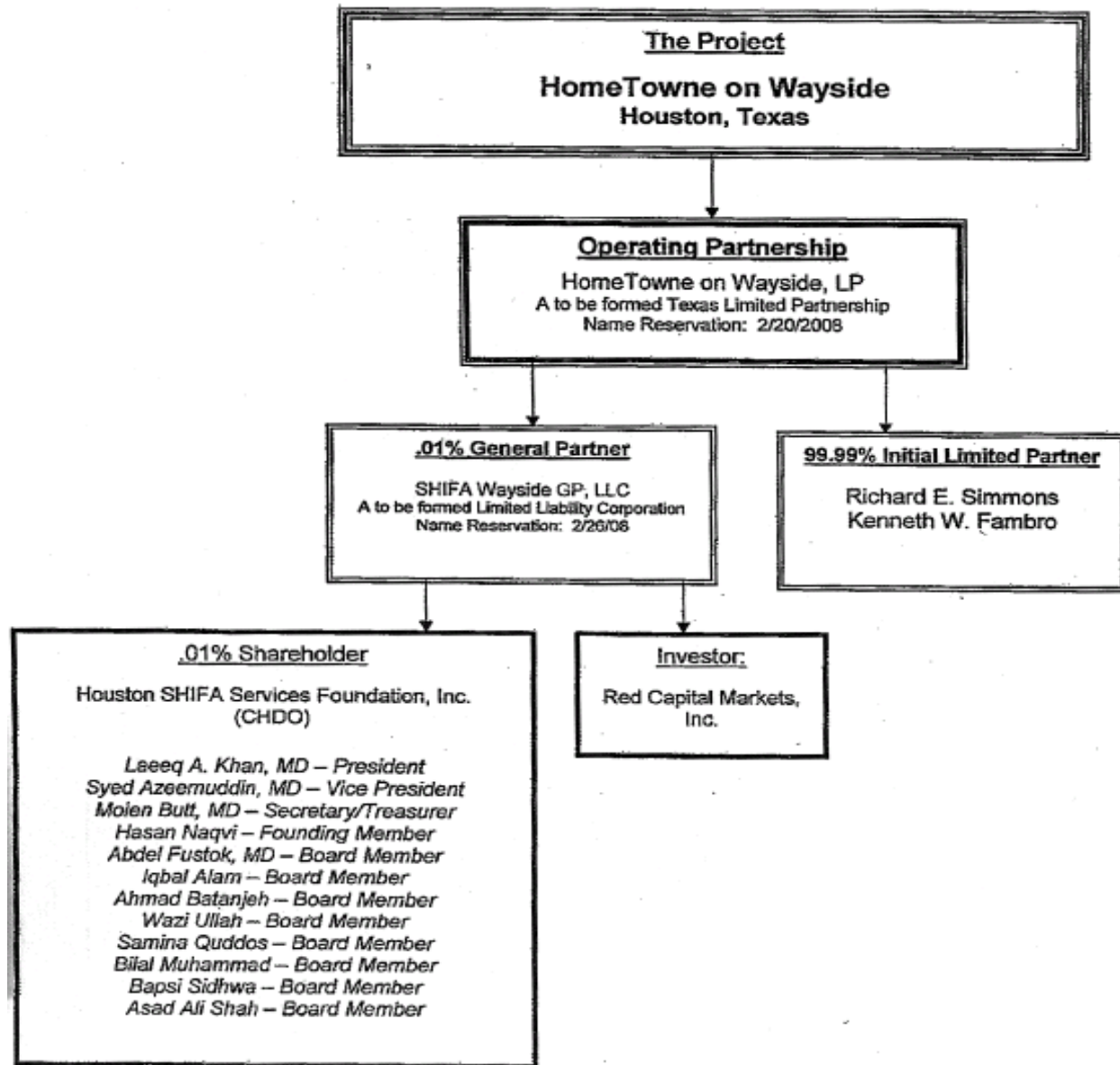
- The proposed number of two-bedroom units targeting 50% and 60% elderly family households may be more than the demand for such units given the high capture rates for these unit types.
- The Applicant's high expense to income ratio only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable.

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Kenneth Fambro Phone: (817) 742-1851 Fax: (817) 742-1852
 Email: kfambro@integratedreg.com

KEY PARTICIPANTS

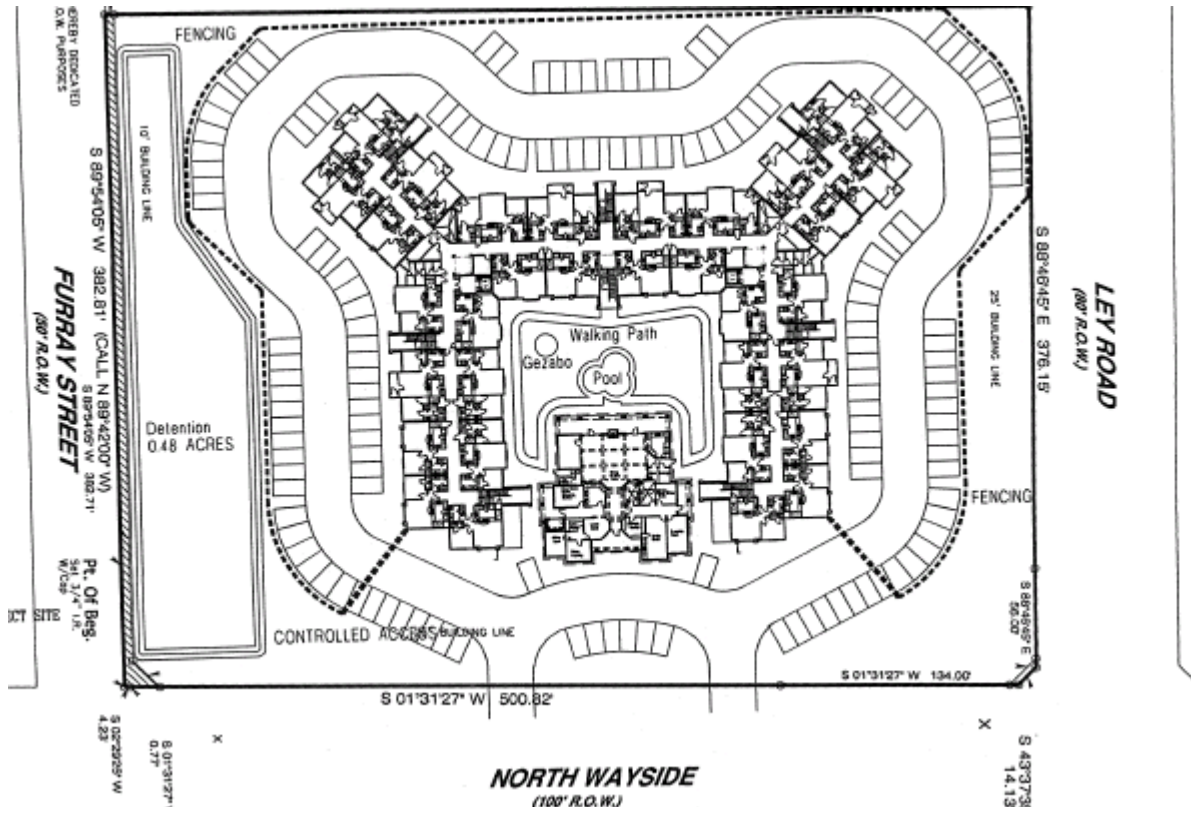
Name	Financial Notes	# Completed Developments
Houston SHIFA Services Foundation	N/A	none
Richard E. Simmons	N/A	8 complete, 3 in development
Kenneth Fambro	N/A	1 complete, 4 in development

IDENTITIES of INTEREST

- o The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2									Total Buildings
Floors/Stories	4	4									
Number	2	2									4

BR/BA	SF	Units								Total Units	Total SF
1 / 1	765	16	12							56	42,840
2 / 2	1,015	24	12							72	73,080
Units per Building		40	24							128	115,920

SITE ISSUES

Total Size: 4.54 acres Scattered site? Yes No

Flood Zone: X Within 100-yr floodplain? Yes No

Zoning: N / A Needs to be re-zoned? Yes No N/A

This section intentionally left blank.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/1/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Commercial East: Wooded
 South: Wooded West: Industrial

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Professional Service Industries, Inc. Date: 3/26/2008
 Recognized Environmental Concerns (RECs) and Other Concerns:
 Comments:
 A Phase 1 Environmental Site Assessment was performed on March 26, 2008, by PSI, Inc. The assessment revealed no evidence of recognized environmental conditions in connection with the property.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 3/14/2008
 Contact: Robert O. Coe Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: none Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 59 sq. miles 4.3 mile radius
 The subject's primary market is defined as that area within all or part of Zip Codes 77016, 77026, 77028, 77044, 77050, 77078, and 77396; rough geographic boundaries are Hirsch Road and Interstate 45 to the west, Beltway 8 to the north, Highway 90 to the east, and Loop 610 to the south. The subject PMA is contained within the following census tracts:

- 48201230100 48201230700 48201231100 48201231500 48201232000
- 48201230200 48201230800 48201231200 48201231600 48201232200
- 48201230300 48201230900 48201231300 48201231800 48201232300
- 48201230400 48201231000 48201231400 48201231900 48201332300
- 48201230600

The Primary Market Area had an estimated 2007 population of 90,538, with 28,587 households.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Commons of Grace Senior	04224	108	86				

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250
50	\$21,350	\$24,400	\$27,450	\$30,500	\$32,950	\$35,400
60	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

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MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	54	10		64	5	0	8%
1 BR/ 50% Rent Limit	128	28		156	28	7	22%
1 BR/ 60% Rent Limit	51	14		65	23	11	52%
2 BR/ 30% Rent Limit	37	2		39	2	0	5%
2 BR/ 50% Rent Limit	48	6		54	35	14	91%
2 BR/ 60% Rent Limit	45	5		50	30	42	144%

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	38	3		41	5	0	12%
1 BR/ 50% Rent Limit	43	4		47	28	7	74%
1 BR/ 60% Rent Limit	39	4		43	23	11	79%
2 BR/ 30% Rent Limit	39	1		40	2	0	5%
2 BR/ 50% Rent Limit	36	1		37	35	14	131%
2 BR/ 60% Rent Limit	53	3		56	30	42	128%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 75	32%	9,254	100%	9,254	14%			1,259	45%	567
Underwriter	30%	8,800	100%	8,800	34%	3,020	38%	1,158	45%	521
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 75		294	32%	95	14%					13
Underwriter			100%	48	34%	16	38%	6	100%	6
DEMAND from OTHER SOURCES										
Market Analyst p. 74										79
Underwriter										43

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 76	123	86		209	659	32%
Underwriter	123	86		209	571	37%

Comment:

The Market Analyst identified demand for 567 units as a result of household turnover, and demand for 13 units from household growth. With an unstabilized supply of 123 proposed restricted units at the subject, and 86 at Commons of Grace, the Market Analyst calculated an inclusive capture rate of 32%. The underwriting analysis is based on a slightly smaller population because households between the maximum 30% income level (\$16,450) and the minimum 50% income level (\$17,130) were excluded. The Underwriter determined demand for 521 units due to turnover and demand for 6 units due to growth, resulting in an inclusive capture rate of 37%. The maximum inclusive capture rate for developments targeting seniors is 75%. Therefore, both are acceptable.

Primary Market Occupancy Rates:

"The rent comparables reported current occupancies ranging from 82% (in initial lease-up) to 100%, with a median occupancy of 96.5% excluding the one comparable in lease-up. Given the physical characteristics of the subject (i.e. location, good curb appeal, new condition, amenities, etc.), the strong occupancies reported at nearby apartments, and that the subject will offer competitive rents at a new property, a stabilized occupancy rate of 92.5% is reasonable and achievable for the proposed subject property." (p. 87)

Absorption Projections:

"As the competing projects in the proposed subject property's primary market area have high occupancy rates, and the nearest existing HTC project also has a high occupancy rate, it appears there is a shortage of affordable housing. The proposed subject property should be highly competitive in this market, and should achieve stabilized occupancy within twelve months after completion." (p. 87)"

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	765 SF	30	\$235	\$235	\$840	\$235	\$605
1 BR	765 SF	50	\$463	\$463	\$840	\$463	\$377
1 BR	765 SF	60	\$578	\$578	\$840	\$578	\$262
2 BR	1,015 SF	30	\$264	\$264	\$995	\$264	\$731
2 BR	1,015 SF	50	\$539	\$539	\$995	\$539	\$456
2 BR	1,015 SF	60	\$676	\$676	\$995	\$676	\$319
2 BR	1,015 SF	MR	\$863	N / A	\$995	\$863	\$132

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 12)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 81 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 39 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant's operating income is based on the maximum HTC program rents, adjusted for utility allowances provided by the Houston Housing Authority. The Applicant has estimated secondary income of \$7 per unit per month from vending, late fees, and forfeited deposits. The Applicant also claims income of \$35 per month for 50 garages and \$10 per month for 20 carports; however, no substantiation was provided that the garage and carport income is achievable. The Underwriter has assumed the maximum secondary income of \$15 per unit per month. The Applicant's allowance for losses due to vacancy and collection are consistent with underwriting guidelines. Overall, the Applicant's projected effective gross income is within 5% of the Underwriter's estimate.

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Expense: Number of Revisions: none Date of Last Applicant Revision: N / A

The Applicant's projected annual operating expenses total \$4,051 per unit. This is within 1% of the underwriting estimate of \$4,086 per unit. Specific line items for which the Applicant's projections vary significantly from the underwriting estimates include utilities (the Applicant's figure is lower by \$21K), water, sewer, and trash (the Applicant's figure is lower by \$15K), and property tax (the Applicant's figure is higher by \$12K).

Conclusion:

The Applicant's projected income and annual expenses are each within 5% of the underwriting estimates; however, the Applicant's net operating income (NOI) estimate is not within 5%. As a result, the Underwriter's projected values will be used to determine debt capacity and financial feasibility. The Underwriter's first year NOI and proposed financing structure provide a debt coverage ratio (DCR) of 1.16, within the underwriting range of 1.15 to 1.35.

The Underwriter's and Applicant's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The Applicant's projections are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above the minimum 1.15 throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 4.50 acres	<u>\$293,958</u>	Tax Year:	<u>2008</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Harris County CAD</u>
Total Assessed Value:	<u>\$293,958</u>	Tax Rate:	<u>2.51628</u>

Comments:

The assessment for 2006 and 2007 indicates improvements on the property valued at \$60K and \$67K, respectively. However, the 2008 assessment indicates no improvements. The ESA provided with the application confirms that historically the northeast corner of the site contained two single family homes, evident in aerial photos as recently as 2006, but that the site is currently vacant with only partial foundations remaining of the structures.

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 4.50

Contract Expiration: 12/30/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$500,000 Other: _____

Seller: Mt. Canaan Missionary Baptist Church Related to Development Team? Yes No

TITLE

Comments:

Schedule B, Item 10.b. of the Title Commitment refers to "A pipeline right-of-way and easement over and across the subject tract, as reflected by the recorded plat." This report will be conditioned on receipt, review, and acceptance, before commencement of construction, of documentation that this easement will not adversely impact the development.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N / A

Acquisition Value:

The Applicant has claimed an acquisition cost of \$500,000, or \$111,025 per acre. This amount is presumed to be reasonable as the purchase is an arm's length transaction.

Sitework Cost:

The Applicant has claimed site work costs equal to \$8,868 per unit. This is less than the underwriting guideline of \$9,000; therefore, no further substantiation is required.

Direct Construction Cost:

The Applicant's projected direct construction cost is \$6.7 million. This is 3% higher than the underwriting estimate of \$6.5 million, derived from the Marshall & Swift Residential Cost Handbook.

Ineligible Costs:

The Applicant included \$210K in ineligible costs for construction of garages and carports. The underwriting estimate of \$161K is also included in ineligible costs.

Interim Interest, Contingency & Fees:

Interim financing, contingency, and developer and contractor fees are all within underwriting guidelines.

Conclusion:

The Applicant's projected total development cost is within 5% of the underwriting estimate; as a result, the Applicant's total will be used to calculate eligible basis and to determine the need for permanent financing. The calculated eligible basis has been reduced by the \$1,500,000 in federal HOME funds being provided by the City of Houston because the Underwriter's analysis reveals that the development will not have sufficient 15-year cash flow to pay this loan if amortized at AFR. As a result, the HOME loan should be treated as a federal below market rate loan or grant and be excluded from eligible basis.

The remaining basis of \$10,405,260 is increased by 30% due to the location in both a Difficult Development Area and a Qualified Census Tract. The basis is then reduced by 4.4% because 5 of the 128 units will not be subject to the rent and income restrictions. The resulting adjusted basis of \$12,934,631 supports an annual tax credit allocation of \$1,076,161. This amount will be compared to the allocation requested by the Applicant and the amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N / A

Source: Comunidad Corporation Type: Interim Financing

Principal: \$270,000 Interest Rate: 1.0% Fixed Term: 36 months

Comments:

Private funding at an amount equal to 2% of the Total Development Costs. Interest will accrue at 1% and is forgivable at the end of the three year term.

Source: Red Capital Group Type: Interim to Permanent Financing

Principal: \$3,000,000 Interest Rate: 7.5% Fixed Amort: 360 months

Comments:

\$5.5M during interim construction at LIBOR plus 250 bps; \$3,000,000 permanent loan for an 18 year term, on a 30 year amortization, at 7.5% interest, minimum 1.25 debt coverage.

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Source: Houston Housing & Community Development Type: Interim to Permanent Financing

Principal: \$1,500,000 Interest Rate: AFR Fixed Amort: 360 months

Comments:

HOME loan payable from available cash flow; underwriting analysis indicates that 15-year cash flow is not sufficient to pay this loan if amortized at AFR, suggesting that this funding should be treated as a federal grant; this amount has therefore been excluded from eligible basis.

Source: Red Capital Group Type: Syndication

Proceeds: \$8,074,193 Syndication Rate: 85% Anticipated HTC: \$ 950,000

Comments:

The syndication price of 85 cents appears to be consistent with current market rates. If the price were to increase above 92 cents, the equity proceeds would exceed the gap in financing, and the allocation should be adjusted accordingly. If the price were to fall to 82 cents or below, the additional funds required would exceed the available cash flow, and the development would have to be characterized as infeasible.

Amount: \$682,878 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

Applicant's total development cost estimate less the permanent loan of \$3,000,000 and the \$1,500,000 in local HOME funds indicates the need for \$8,757,071 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,030,347 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Allocation amount determined by Eligible Basis:	\$1,076,161
Allocation amount requested by Applicant:	\$950,000
Allocation amount determined by Gap in Financing:	\$1,030,347

The amount requested by the Applicant is recommended. An annual allocation of \$950,000 results in total equity proceeds of \$8,074,193 at a syndication price of \$0.85 per tax credit dollar. The Underwriter's recommended financing structure indicates the need for \$682,878 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 15, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 15, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 15, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

HomeTowne on Wayside, Houston, 9% HTC #08251

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	5	1	1	765	\$343	\$235	\$1,175	\$0.31	\$108.00	\$51.00
TC 50%	28	1	1	765	\$571	463	12,964	0.61	108.00	51.00
TC 60%	23	1	1	765	\$686	578	13,294	0.76	108.00	51.00
TC 30%	2	2	2	1,015	\$411	264	528	0.26	147.00	62.00
TC 50%	35	2	2	1,015	\$686	539	18,865	0.53	147.00	62.00
TC 60%	30	2	2	1,015	\$823	676	20,280	0.67	147.00	62.00
MR	5	2	2	1,015		863	4,315	0.85	147.00	62.00
TOTAL:	128		AVERAGE:	906		\$558	\$71,421	\$0.62	\$129.94	\$57.19

INCOME

Total Net Rentable Sq Ft: 115,920

POTENTIAL GROSS RENT

vending, late fees, deposits, etc. Per Unit Per Month: \$15.00
 50 garages @ \$35, 20 carports @ \$10

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	5.46%	\$347	0.38
Management	5.00%	318	0.35
Payroll & Payroll Tax	15.25%	970	1.07
Repairs & Maintenance	6.52%	415	0.46
Utilities	4.71%	300	0.33
Water, Sewer, & Trash	5.67%	360	0.40
Property Insurance	4.98%	317	0.35
Property Tax 2.52	10.09%	642	0.71
Reserve for Replacements	3.93%	250	0.28
TDHCA Compliance Fees	0.60%	38	0.04
supportive services, security	2.03%	129	0.14
TOTAL EXPENSES	64.25%	\$4,086	\$4.51
NET OPERATING INC	35.75%	\$2,274	\$2.51

DEBT SERVICE

Red Mortgage Capital	30.92%	\$1,967	\$2.17
Houston Housing & Community Dev	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	4.83%	\$307	\$0.34

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)		3.79%	\$3,906	\$4.31	\$500,000	\$500,000	\$4.31	\$3,906	3.77%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.61%	8,868	9.79	1,135,050	1,135,050	9.79	8,868	8.56%
Direct Construction		49.15%	50,613	55.89	6,478,473	6,651,810	57.38	51,967	50.18%
Contingency 5.00%		2.89%	2,974	3.28	380,676	389,343	3.36	3,042	2.94%
Contractor's Fees 14.00%		8.09%	8,327	9.20	1,065,893	1,090,161	9.40	8,517	8.22%
Indirect Construction		5.36%	5,521	6.10	706,737	706,737	6.10	5,521	5.33%
Ineligible Costs		6.17%	6,352	7.01	813,074	651,810	5.62	5,092	4.92%
Developer's Fees 15.00%		11.55%	11,890	13.13	1,521,919	1,552,860	13.40	12,132	11.71%
Interim Financing		2.88%	2,963	3.27	379,300	379,300	3.27	2,963	2.86%
Reserves		1.52%	1,563	1.73	200,000	200,000	1.73	1,563	1.51%
TOTAL COST		100.00%	\$102,978	\$113.71	\$13,181,122	\$13,257,071	\$114.36	\$103,571	100.00%
Construction Cost Recap		68.74%	\$70,782	\$78.16	\$9,060,092	\$9,266,364	\$79.94	\$72,393	69.90%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Red Mortgage Capital	22.76%	\$23,438	\$25.88	\$3,000,000	\$3,000,000	\$3,000,000	Developer Fee Available
Houston Housing & Community Dev	11.38%	\$11,719	\$12.94	1,500,000	1,500,000	1,500,000	\$1,552,860
Red Capital Markets	61.26%	\$63,080	\$69.65	8,074,193	8,074,193	8,074,193	% of Dev. Fee Deferred
Deferred Developer Fees	5.18%	\$5,335	\$5.89	682,878	682,878	682,878	44%
Additional (Excess) Funds Req'd	-0.58%	(\$593)	(\$0.66)	(75,949)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$13,181,122	\$13,257,071	\$13,257,071	\$933,057

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

HomeTowne on Wayside, Houston, 9% HTC #08251

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.51	\$6,318,609
Adjustments				
Exterior Wall Finish	2.40%		\$1.31	\$151,647
Elderly	3.00%		1.64	189,558
9-Ft. Ceilings	3.30%		1.80	208,514
fire sprinkler	\$1.95	115,920	1.95	226,044
Subfloor			(0.62)	(71,581)
Floor Cover			2.43	281,686
Breezeways/Balconies	\$22.58	24,216	4.72	546,737
Plumbing Fixtures	\$805	216	1.50	173,880
Rough-ins	\$400	256	0.88	102,400
Built-In Appliances	\$1,850	128	2.04	236,800
Exterior Stairs	\$1,800	18	0.28	32,400
Elevators	\$45,100	2	0.78	90,200
Garages	\$18.00	10,000	1.55	180,000
Carports	\$10.15	4,000	0.35	40,600
Community Bldgs	\$68.60	5,110	3.02	350,520
Comm Bldg patios	\$19.81	1,250	0.21	24,763
SUBTOTAL			78.35	9,082,776
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(7.84)	(908,278)
TOTAL DIRECT CONSTRUCTION COSTS			\$70.52	\$8,174,499
Plans, specs, survy, bld prmt	3.90%		(\$2.75)	(\$318,805)
Interim Construction Interest	3.38%		(2.38)	(275,889)
Contractor's OH & Profit	11.50%		(8.11)	(940,067)
NET DIRECT CONSTRUCTION COSTS			\$57.28	\$6,639,737

PAYMENT COMPUTATION

Primary	\$3,000,000	Amort	360
Int Rate	7.50%	DCR	1.16

Secondary	\$1,500,000	Amort	
Int Rate		Subtotal DCR	1.16

Additional	\$8,074,193	Amort	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$251,717
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$39,358

Primary	\$3,000,000	Amort	360
Int Rate	7.50%	DCR	1.16

Secondary	\$1,500,000	Amort	
Int Rate		Subtotal DCR	1.16

Additional	\$8,074,193	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

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	\$857,052	\$882,764	\$909,246	\$936,524	\$964,620	\$1,118,258	\$1,296,368	\$1,502,846	\$2,019,699
Secondary Income	23,040	23,731	24,443	25,176	25,932	30,062	34,850	40,401	54,295
50 garages @ \$35, 20 carports	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	880,092	906,495	933,690	961,700	990,551	1,148,320	1,331,218	1,543,247	2,073,994
Vacancy & Collection Loss	(66,007)	(67,987)	(70,027)	(72,128)	(74,291)	(86,124)	(99,841)	(115,743)	(155,550)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$814,085	\$838,508	\$863,663	\$889,573	\$916,260	\$1,062,196	\$1,231,377	\$1,427,503	\$1,918,445
EXPENSES at 4.00%									
General & Administrative	\$44,472	\$46,251	\$48,101	\$50,025	\$52,026	\$63,298	\$77,011	\$93,696	\$138,693
Management	40,704	41,925	43,183	44,479	45,813	53,110	61,569	71,375	95,922
Payroll & Payroll Tax	124,118	129,082	134,246	139,616	145,200	176,658	214,932	261,497	387,080
Repairs & Maintenance	53,056	55,178	57,386	59,681	62,068	75,516	91,876	111,781	165,464
Utilities	38,343	39,876	41,471	43,130	44,855	54,574	66,397	80,782	119,577
Water, Sewer & Trash	46,143	47,989	49,909	51,905	53,981	65,676	79,905	97,217	143,905
Insurance	40,572	42,195	43,883	45,638	47,464	57,747	70,258	85,479	126,530
Property Tax	82,131	85,417	88,833	92,387	96,082	116,899	142,225	173,038	256,139
Reserve for Replacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other	21,470	22,329	23,222	24,151	25,117	30,559	37,179	45,234	66,957
TOTAL EXPENSES	\$523,010	\$543,523	\$564,845	\$587,006	\$610,042	\$739,581	\$896,766	\$1,087,520	\$1,600,064
NET OPERATING INCOME	\$291,076	\$294,985	\$298,818	\$302,566	\$306,218	\$322,616	\$334,611	\$339,984	\$318,381
DEBT SERVICE									
First Lien Financing	\$251,717	\$251,717	\$251,717	\$251,717	\$251,717	\$251,717	\$251,717	\$251,717	\$251,717
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$39,358	\$43,268	\$47,101	\$50,849	\$54,501	\$70,899	\$82,894	\$88,266	\$66,663
DEBT COVERAGE RATIO	1.16	1.17	1.19	1.20	1.22	1.28	1.33	1.35	1.26

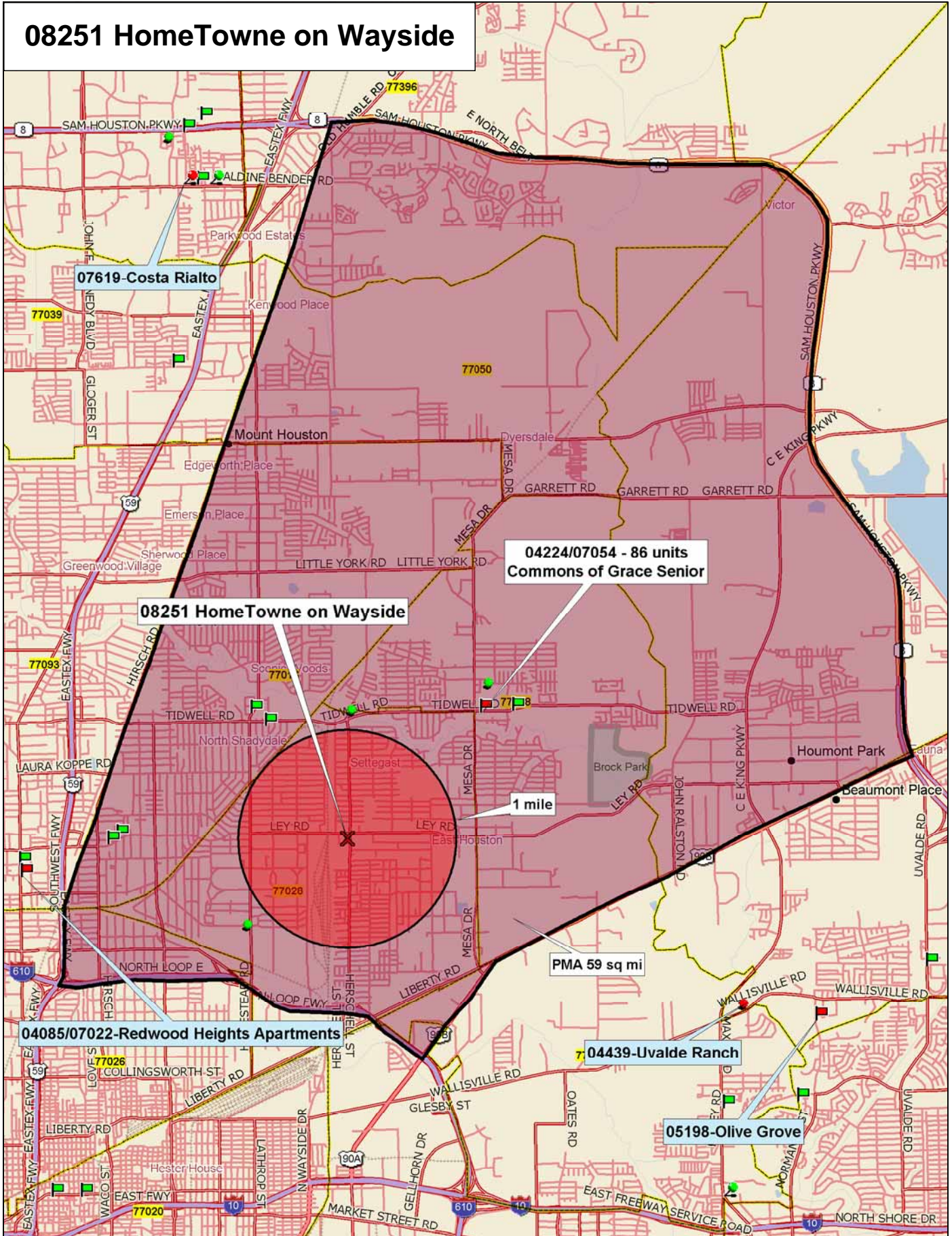
HTC ALLOCATION ANALYSIS -HomeTowne on Wayside, Houston, 9% HTC #08251

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$500,000	\$500,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,135,050	\$1,135,050	\$1,135,050	\$1,135,050
Construction Hard Costs	\$6,651,810	\$6,478,473	\$6,651,810	\$6,478,473
Contractor Fees	\$1,090,161	\$1,065,893	\$1,090,160	\$1,065,893
Contingencies	\$389,343	\$380,676	\$389,343	\$380,676
Eligible Indirect Fees	\$706,737	\$706,737	\$706,737	\$706,737
Eligible Financing Fees	\$379,300	\$379,300	\$379,300	\$379,300
All Ineligible Costs	\$651,810	\$813,074		
Developer Fees				
Developer Fees	\$1,552,860	\$1,521,919	\$1,552,860	\$1,521,919
Development Reserves	\$200,000	\$200,000		
TOTAL DEVELOPMENT COSTS	\$13,257,071	\$13,181,122	\$11,905,260	\$11,668,048

Deduct from Basis:				
All grant proceeds used to finance costs in eligible b	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$10,405,260	\$10,168,048
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$13,526,839	\$13,218,463
Applicable Fraction			95.62%	95.62%
TOTAL QUALIFIED BASIS			\$12,934,631	\$12,639,756
Applicable Percentage			8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$1,076,161	\$1,051,628

Syndication Proceeds	0.8499	\$9,146,457	\$8,937,942
Total Tax Credits (Eligible Basis Method)		\$1,076,161	\$1,051,628
Syndication Proceeds		\$9,146,457	\$8,937,942
Requested Tax Credits		\$950,000	
Syndication Proceeds		\$8,074,193	
Gap of Syndication Proceeds Needed		\$8,757,071	
Total Tax Credits (Gap Method)		\$1,030,347	

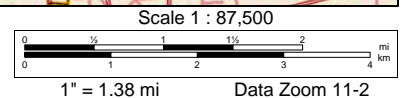
08251 HomeTowne on Wayside



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Applicant Evaluation

Project ID **08251**

Name **HomeTowne on Wayside**

City: **Houston**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 8

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 5

Total # of MF awards not yet monitored or pending review: 5

10-19: 3

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 8

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/30/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5/13/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 6/3/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

LifeNet-Supportive Housing SRO Community, L.P., TDHCA Number 08252

BASIC DEVELOPMENT INFORMATION

Site Address: 2731 Clarence; 3 Acres of Multiple Lots in 2700-2800 Blk Gra Development #: 08252
 City: Dallas Region: 3 Population Served: General
 County: Dallas Zip Code: 75215 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: LifeNet-Supportive Housing SRO Community, L.P.
 Owner Contact and Phone: Liam Mulvaney, (214) 932-1937
 Developer: LifeNet Community Behavioral Healthcare
 Housing General Contractor: ISC Construction, Inc.
 Architect: Cermak Rhoades Architects
 Market Analyst: Integra Realty Resources
 Syndicator: National Equity Fund, Inc.
 Supportive Services: LifeNet Community Behavior Healthcare
 Consultant: Churchill Residential, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	125
	0 0 100 25	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	125 0 0 0 0 0	Total Development Units:	125
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	3
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input checked="" type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$788,415	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

LifeNet-Supportive Housing SRO Community, L.P., TDHCA Number 08252

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: West, District 23, O

Points: 0

US Representative: Johnson, District 30, NC

TX Representative: Hodge, District 100, S

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1

In Opposition 10

Quantifiable Community Participation Input:

Malcolm X Grand Corridor Association, Eric Byrd

Letter Score: 24 S or O: S

The area is destitute and in need of revitalization. This project will be the spark that ignites the flame of change.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and from a qualified Neighborhood Organization. One person spoke in support of the development at the public hearing.

Opposition received from Texas Senator Royce West who cites community concerns as the basis for his opposition. Ten people, including representatives from the South Boulevard/Park Row Historic District, the Southfair Community Development Corporation, and the Fair Park Merchants Association spoke in opposition at the public hearing, citing the location of the development, lack of community support, lack of non-profit support, refusal to consult with existing neighborhood associations and the negative impact the development will have on any future retail development.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

LifeNet-Supportive Housing SRO Community, L.P., TDHCA Number 08252

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **191** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID **08252**

Name **LifeNet-Supportive Housing SRO Co** City: **Dallas**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: <u>7</u>	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></div>	Projects grouped by score
Total # of MF awards not yet monitored or pending review: <u>3</u>	Total # of MF Projects in Material Noncompliance: <u>0</u>	0-9: <u>6</u> 10-19: <u>1</u> 20-29: <u>0</u>
SF Contract Experience <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Total monitored with a score 0-29: <u>7</u>	
Total # of SF Contracts: <u>0</u>		

Completed by: J. Taylor Reviewer: Patricia Murphy

Date 5/1/2008 Date 5/15/2008

Single Audit

Single audit review not applicable Late single audit certification form (see comments)
 Single audit review found no unresolved issues Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found Delinquencies found (see comments)

Reviewer Candace Christiansen Date 5 /7 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found Delinquencies found (See Comments)

Reviewer Monica Guerra Date 5 /16/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Creekside Villas Senior Village, TDHCA Number 08253

BASIC DEVELOPMENT INFORMATION

Site Address: 10.962 Acres on FM 967, On Onion Creek Development #: 08253
 City: Buda Region: 7 Population Served: Elderly
 County: Hays Zip Code: 78610 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: DDC Creekside Villas, Ltd
 Owner Contact and Phone: Colby Denison, (512) 732-1226
 Developer: DDC Investment, Ltd
 Housing General Contractor: TBD
 Architect: Architettura, Inc.
 Market Analyst: O'Connor & Associates
 Syndicator: PNC Multifamily Capital
 Supportive Services: Better Texan
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	144
	8 0 50 86	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 72 72 0 0 0	Total Development Units:	144
Type of Building:		Total Development Cost*:	\$16,606,783
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	3
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	8
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,200,000	\$1,200,000			
HOME Activity Fund Amount:	\$1,200,000	\$1,200,000	35	35	AFR
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Creekside Villas Senior Village, TDHCA Number 08253

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Wentworth, District 25, NC

Points: 0

US Representative: Doggett, District 25, NC

TX Representative: Rose, District 45, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition: 0

Quantifiable Community Participation Input:

967 Gateway Neighborhood Association, Inc, T.J. Higginbotham

Letter Score: 24 S or O: S

There is a need for senior affordable housing in Buda.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

General support received from elected official(s) and from a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance of documentation by cost certification verifying no buildings and/or improvements to include drives are located in the 100-year floodplain. Should buildings or improvements be found to be in the floodplain, a flood hazard mitigation plan must be provided to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.
4. Receipt of a commitment of funding from the Capitol Area Housing Finance Corporation for funds in the amount of \$1,000,000, or a commitment from a qualifying substitute source in an amount not less than \$830,340, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Creekside Villas Senior Village, TDHCA Number 08253

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **209** Meeting a Required Set-Aside Credit Amount*: \$1,200,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$1,200,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/05/08 PROGRAM: 9% HTC/HOME FILE NUMBER: 08253

DEVELOPMENT

Creekside Villas Senior Village

Location: 10.96 acres on FM 967 Region: 7
 City: Buda County: Hays Zip: 78610 OCT DDA
 Key Attributes: Seniors; New Construction, Urban, CHDO

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$1,200,000	AFR	40/40	\$1,200,000	AFR	35/35
Housing Tax Credit (Annual)	\$1,200,000			\$1,200,000		

CONDITIONS

- 1 Receipt, review, and acceptance of documentation by cost certification verifying no buildings and/or improvements to include drives are located in the 100-year floodplain. Should buildings or improvements be found to be in the floodplain, a flood hazard mitigation plan must be provided to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	50
60% of AMI	60% of AMI	86

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30%/ Low Home	8
50% of AMI	Low Home	0
60% to 80% of AMI	High Home*	3

* These High HOME units are designated as 50% units for tax credits

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PROS

- This would be the first seniors only tax credit development in Buda.

CONS

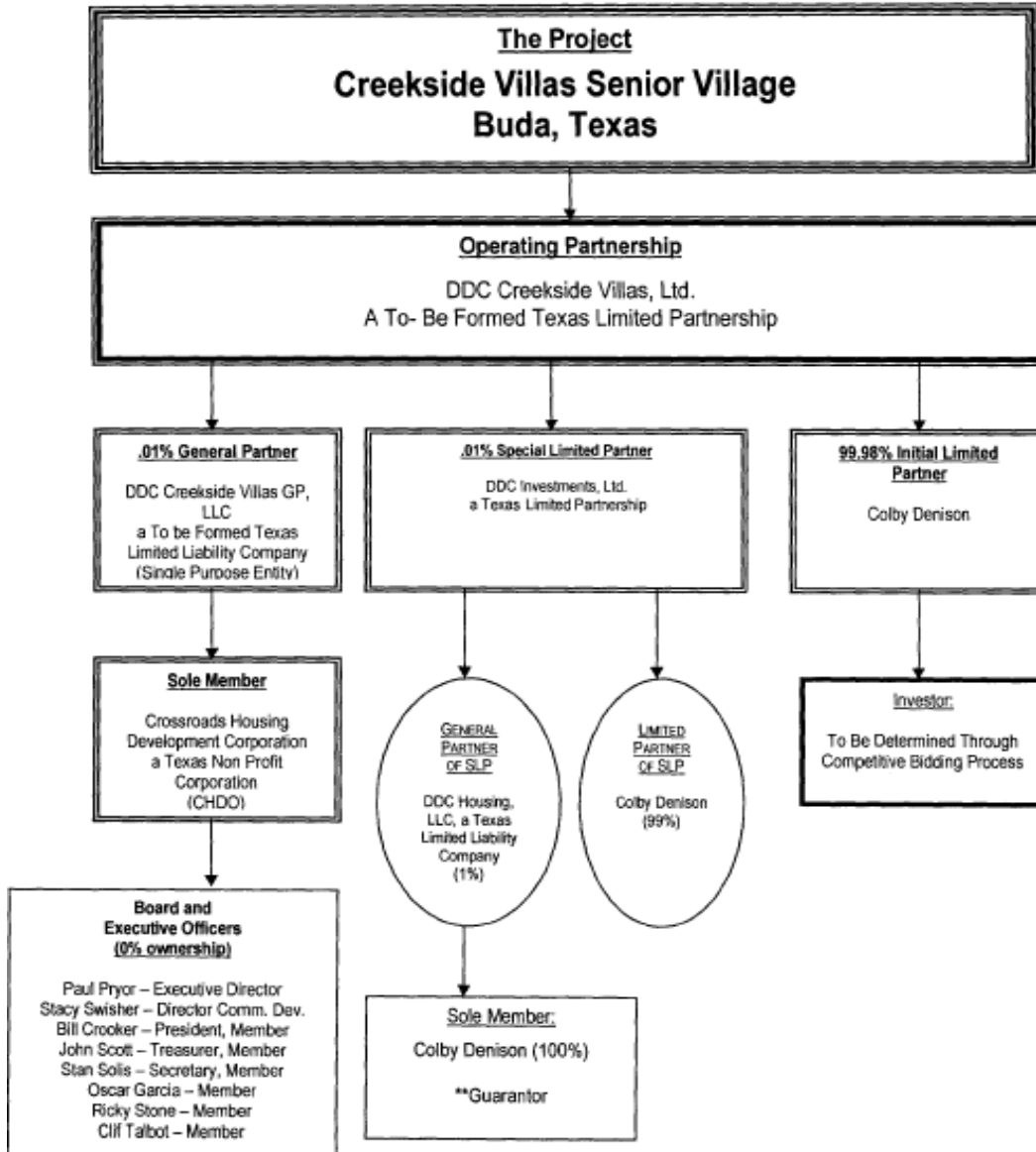
- The Market Analyst's capture rate by unit type suggests that the market for 2 bedroom units targeting 60% households may be saturated; yet almost 1/3 of the units are designed to serve that market.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Colby Denison Phone: (512) 732-1226 Fax: (512) 732-1276
 Email: colby@denison@development.com

KEY PARTICIPANTS

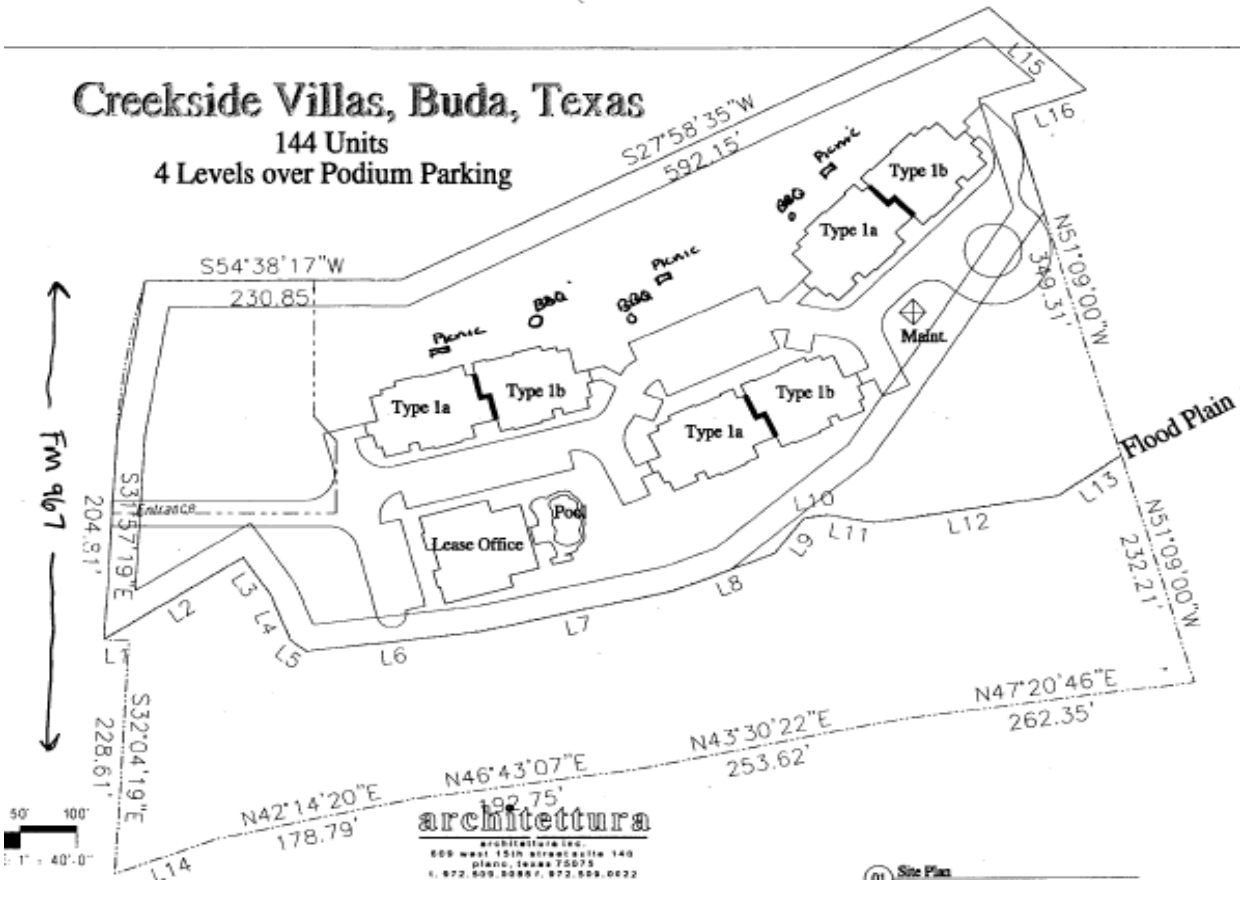
Name	Financial Notes	# Completed Developments
Crossroads Housing Development Co.	N/A	4
Colby & Susanne Denison	N/A	3

IDENTITIES of INTEREST

- The Applicant and the Developer are related entities. This is a common relationship for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B								Total Buildings
Floors/Stories	4	4								
Number	3	3								6

BR/BA	SF	Units								Total Units	Total SF
1/1	727	12	12							72	52,344
2/1	917	3	3							18	16,506
2/2	968	9	9							54	52,272
Units per Building		24	24							144	121,122

SITE ISSUES

Total Size: 10.96 acres Scattered site? Yes No
 Flood Zone: Zones X & AE Within 100-yr floodplain? Yes No
 Zoning: MFR Needs to be re-zoned? Yes No N/A

Comments:

According to the FEMA Flood Insurance Rate Map, the majority of subject site appears to be located Zone X; however, a small portion of the site along Onion Creek appears to be located in Zone AE, which is within the 100-year flood plain.

Receipt, review, and acceptance of documentation by cost certification verifying no buildings and/or improvements to include drives are located in the 100-year floodplain. Should buildings or improvements be found to be in the floodplain, a flood hazard mitigation plan should be provided to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/27/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant land and single family residences.
 South: Onion Creek and an Elementary School.
 East: vacant land
 West: FM 967 and vacant land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: ECS Texas, LLP Date: 1/30/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None.

MARKET HIGHLIGHTS

Provider: O'Connor and Associates Date: 2/28/2008

Contact: Robert Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 354.33 square feet (10.66 miles radius)

"The subject's primary market is defined as that area within the following geographic boundaries:

Census Tracts: 48055960100, 48055960200, 48055960300, 48055960400, 48055960500, 48187210501, 48209010100, 48209010200, 48209010301, 48209010302, 48209010400, 48209010500, 48209010600, 48209010700, 48209010801, 48209010802, 48209010901, 48209010902, 48209010903, 48209010904, 48453001732, 48453002303, 48453002407, 48453002416, 48453002417, 48453002418; Zip Codes 78610, 78619, 78652, 78737, 78739, 78744, 78745, 78747, 78748 and 78749; Highway 71, Fitzhugh Road, and US Highway 290 to the north; Highway 183 and Highway 21 to the east; Blanco River, Halifax Creek, and FM 150 to the south; and Onion Creek, CR 185, and Sawyer Ranch Road to the west." (p. 12) The 2007 estimated population for the PMA was 203,315.

Secondary Market Area (SMA):

None defined.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Southpark Apartments	060418	192	Family	N/A			
Residences at Onion Crk	07621	224	Family				
Saddlecreek Apts @ Buda	05260	144	Family				
Tuscany Park @ Buda	07234	176	Family				
Huntington	08134	120	LP; 116				
Parker Lane Senior Apts	05207	70	Outside PMA				

INCOME LIMITS						
Hays						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,950	\$17,100	\$19,200	\$21,350	\$23,050	\$24,750
50	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250
60	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	46	13		59	4	10	17%
1 BR/50% Rent Limit	60	16		76	25	48	63%
1 BR/60% Rent Limit	77	21		98	43	72	73%
2 BR/30% Rent Limit	16	4		20	4	4	20%
2 BR/50% Rent Limit	43	10		53	4	4	8%
2 BR/60% Rent Limit	49	13		62	43	82	132%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 70	23%	15,477	100%	15,477	9%	1,364	Incl'd in Inc Elig	45%	614	
Underwriter		13%	8,577	100%	8,577	9%	731	100%	731	45%	329
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 70				720	9%	63	Incl'd in Inc Elig	100%	63	
Underwriter				100%	217	9%	18	100%	18	100%	18

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 71	144	116	0	260	677	38.40%
Underwriter		144	0	0	144	348	41.42%
HISTA Data Model		144	0	0	144	416	34.59%

It should be noted, Huntington is a proposed 120-unit 9% HTC development targeting seniors within the defined PMA boundaries; however, it is a lower scoring application as of the date of this underwriting report, and even if it were to be funded, this analysis suggests support for additional units and the inclusion of the 116 LIHTC units still yields a capture rate marginally below the Department maximum of 75% for senior developments.

Primary Market Occupancy Rates:

"The average occupancy for comparable properties in the subject's primary market area was reported at 94.16%. Occupancy rates and rental rates in this market area have remained stable over the past few years, with gradual increases in rent" (p. 10)

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 to stabilized occupancy within six to eight months following completion of the construction." (p.85)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 727 SF 30%	\$348	\$348	\$725	\$348	\$377		
1 BR 727 SF 50%	\$614	\$614	\$725	\$614	\$111		
1 BR 727 SF 50%	\$614	\$614	\$725	\$614	\$111		
1 BR 727 SF 60%	\$718	\$748	\$725	\$725	\$0		
2 BR 917 SF 30%	\$411	\$411	\$840	\$411	\$429		
2 BR 917 SF 50%	\$731	\$731	\$840	\$731	\$109		
2 BR 917 SF 50%	\$731	\$731	\$840	\$731	\$109		
2 BR 917 SF 60%	\$830	\$891	\$840	\$840	\$0		
2 BR 968 SF 30%	\$411	\$411	\$865	\$411	\$454		
2 BR 968 SF 50%	\$731	\$731	\$865	\$731	\$134		
2 BR 968 SF 50%	\$731	\$731	\$865	\$731	\$134		
2 BR 968 SF 60%	\$855	\$891	\$865	\$865	\$0		

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p.12)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of less than 1 unit per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 9.7 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the projected rents collected per unit calculated by subtracting tenant-paid utility allowances as of January 1, 2007, maintained by the Kyle Housing Authority, from the 2008 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant chose not to anticipate the rents quoted by the Market Analyst as achievable but rather utilized rents that are \$7 to \$10 less than the underwritten rent for the units targeting 60% households.

This section intentionally left blank.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and despite the Applicant's use of slightly lower rents for the 60% units, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,847 per unit is within 5% of the Underwriter's estimate of \$3,937, derived from the TDHCA database, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative (\$17K lower), Repairs & Maintenance (\$20K lower), and Water, Sewer & Trash (\$32K higher).

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.35, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	11.9 acres	<u>\$167,200</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>N/A</u>	Valuation by:	<u>Hays CAD</u>
Total Assessed Value:		<u>\$167,200</u>	Tax Rate:	<u>2.0487</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Unimproved Commercial Property</u>	Acreage:	<u>10.962</u>
Contract Expiration:	<u>9/30/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$1,100,000</u>	Other:	<u>Acquired in October of 2007 from John Trube with \$670K in existing financing transferring</u>
Seller:	<u>Rueben Investments, LLC</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$100,347 per acre or \$7,639 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

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Sitework Cost:

The Applicant claimed sitework costs over the Departments maximum guideline of \$9,000 per unit and provided sufficient third party certification through a detailed certified cost estimate by an engineer to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Thomas Stephen & Company, LLP, to preliminarily opine that all \$2.2M will be considered eligible. The CPA has not indicated that this opinion of eligibility has taken into account the effect of the recent IRS Technical Advisory Memorandums on the eligibility of sitework costs.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$635K or 8% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$12,600 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.

Contingency & Fees:

The Applicant's contractor and developer fees exceed the maximums allowed by HTC guidelines by a total of \$1,891 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:

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 \$14,794,652 supports annual tax credits of \$1,230,915. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/4/2008

Source: PNC Multifamily Capital Type: Interim to Permanent Financing

Interim: \$8,400,000 Interest Rate: 6.0% Fixed Term: 24 months
Permanent: \$5,300,000 Interest Rate: 6.77% Fixed Amort: 420 months

Comments:

Interim Rate: floating at LIBOR plus 200 bps; Permanent Rate will be estimated at close of construction based 10 year treasury plus 200 bps, underwritten at 6.77%

Source: TDHCA HOME Type: Loan

Principal: \$1,200,000 Interest Rate: 4.2% AFR Fixed Amort: 420 months

Comments:

Original request was for 40 year amortization but latest info suggests Applicant is willing to have parity amortization with conventional lender at 35 years. Must maintain AFR interest rate or significant rent restructure or HOME funds removed from basis.

This section intentionally left blank.

Source: PNC Multifamily Capital Type: Syndication

Proceeds: \$10,077,984 Syndication Rate: 84% Anticipated HTC: \$ 1,200,000

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer fee. A decrease below \$0.68 per dollar of credit may increase the amount of deferred developer fee such that 100% of the fee would be utilized and the need to defer contractor fee may be warranted; additionally, a decrease below \$0.52 per credit dollar may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.842, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$28,797 Type: **Deferred Developer Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$5,300,000 and the \$1.2M HOME loan indicates the need for \$10,106,783 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,203,429 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1.2M), the gap-driven amount (\$1,203,429), and eligible basis-derived estimate (\$1,230,915), the Applicant's request of \$1.2M is recommended resulting in proceeds of \$10,077,984 based on a syndication rate of 84%.

The Underwriter's recommended financing structure indicates the need for \$28,799 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of just over 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on only deferred developer fee based upon first year income is relatively high but this is less meaningful because it neglects to consider the tax credit induced equity. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter: _____ Date: July 5, 2008
Diamond Unique Thompson

Director of Real Estate Analysis: _____ Date: July 5, 2008
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Creekside Villas Senior Village, Buda, 9% HTC/HOME #08253

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	LH	4	1	1	727	\$400	\$348	\$1,391	\$0.48	\$52.25	\$58.01
TC 50%	HH	1	1	1	727	\$666	\$614	\$614	\$0.84	\$52.25	\$58.01
TC 50%		24	1	1	727	\$666	\$614	\$14,730	\$0.84	\$52.25	\$58.01
TC 60%		43	1	1	727	\$800	\$725	\$31,175	\$1.00	\$52.25	\$58.01
TC 30%	LH	1	2	1	917	\$480	\$411	\$411	\$0.45	\$69.39	\$77.49
TC 50%	HH	1	2	1	917	\$800	\$731	\$731	\$0.80	\$69.39	\$77.49
TC 50%		5	2	1	917	\$800	\$731	\$3,653	\$0.80	\$69.39	\$77.49
TC 60%		11	2	1	917	\$960	\$840	\$9,240	\$0.92	\$69.39	\$77.49
TC 30%	LH	3	2	2	968	\$480	\$411	\$1,232	\$0.42	\$69.39	\$77.49
TC 50%	HH	1	2	2	968	\$800	\$731	\$731	\$0.75	\$69.39	\$77.49
TC 50%		18	2	2	968	\$800	\$731	\$13,151	\$0.75	\$69.39	\$77.49
TC 60%		32	2	2	968	\$960	\$865	\$27,680	\$0.89	\$69.39	\$77.49
TOTAL:		144		AVERAGE:	841		\$727	\$104,737	\$0.86	\$60.82	\$67.75

INCOME

Total Net Rentable Sq Ft: 121,122

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$12.00

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	4.81%	\$395	0.47
Management	5.00%	410	0.49
Payroll & Payroll Tax	12.05%	989	1.18
Repairs & Maintenance	5.92%	486	0.58
Utilities	2.22%	182	0.22
Water, Sewer, & Trash	4.52%	371	0.44
Property Insurance	2.57%	211	0.25
Property Tax	4.99%	410	0.49
Reserve for Replacements	3.05%	250	0.30
TDHCA Compliance Fees	0.49%	40	0.05
Other: cable, sup. Servs	2.35%	193	0.23
TOTAL EXPENSES	47.97%	\$3,937	\$4.68
NET OPERATING INC	52.03%	\$4,270	\$5.08

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$1,256,849	\$1,248,408
Secondary Income	20,736	20,736
Other Support Income	0	
POTENTIAL GROSS INCOME	\$1,277,585	\$1,269,144
Vacancy & Collection Loss	(95,819)	(95,184)
Employee or Other Non-Rental Units or Concessions	0	
EFFECTIVE GROSS INCOME	\$1,181,766	\$1,173,960
EXPENSES		
General & Administrative	\$56,861	\$40,000
Management	59,088	58,698
Payroll & Payroll Tax	142,385	140,318
Repairs & Maintenance	69,985	50,364
Utilities	26,274	24,000
Water, Sewer, & Trash	53,418	85,680
Property Insurance	30,376	26,640
Property Tax	59,003	58,750
Reserve for Replacements	36,000	36,000
TDHCA Compliance Fees	5,760	5,760
Other: cable, sup. Servs	27,792	27,792
TOTAL EXPENSES	\$566,942	\$554,002
NET OPERATING INC	\$614,824	\$619,958
DEBT SERVICE		
PNC Multifamily Capital	\$396,104	\$396,104
TDHCA HOME	61,896	66,112
Additional Financing	0	
NET CASH FLOW	\$156,824	\$157,742
AGGREGATE DEBT COVERAGE RATIO	1.34	1.34
RECOMMENDED DEBT COVERAGE RATIO		1.34

COUNTY	IREM REGION	COMPT. REGION
Hays		7
\$12.00	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.81%	\$395	0.47
Management	5.00%	410	0.49
Payroll & Payroll Tax	12.05%	989	1.18
Repairs & Maintenance	5.92%	486	0.58
Utilities	2.22%	182	0.22
Water, Sewer, & Trash	4.52%	371	0.44
Property Insurance	2.57%	211	0.25
Property Tax	4.99%	410	0.49
Reserve for Replacements	3.05%	250	0.30
TDHCA Compliance Fees	0.49%	40	0.05
Other: cable, sup. Servs	2.35%	193	0.23
TOTAL EXPENSES	47.97%	\$3,937	\$4.68
NET OPERATING INC	52.03%	\$4,270	\$5.08

	% OF EGI	PER UNIT	PER SQ FT
PNC Multifamily Capital	33.52%	\$2,751	\$3.27
TDHCA HOME	5.24%	\$430	\$0.51
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	13.27%	\$1,089	\$1.29
AGGREGATE DEBT COVERAGE RATIO			1.34
RECOMMENDED DEBT COVERAGE RATIO			1.34

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)		6.42%	\$7,691	\$9.14	\$1,107,500	\$1,107,500	\$9.14	\$7,691	6.67%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		12.77%	15,286	18.17	2,201,130	2,201,130	18.17	15,286	13.25%
Direct Construction		46.84%	56,086	66.68	8,076,437	7,441,000	61.43	51,674	44.81%
Contingency	4.69%	2.80%	3,348	3.98	482,107	482,107	3.98	3,348	2.90%
Contractor's Fees	13.13%	7.83%	9,374	11.14	1,349,899	1,349,899	11.14	9,374	8.13%
Indirect Construction		3.21%	3,847	4.57	554,000	554,000	4.57	3,847	3.34%
Ineligible Costs		2.63%	3,144	3.74	452,740	452,740	3.74	3,144	2.73%
Developer's Fees	14.31%	11.20%	13,414	15.95	1,931,627	1,931,627	15.95	13,414	11.63%
Interim Financing		4.85%	5,811	6.91	836,780	836,780	6.91	5,811	5.04%
Reserves		1.45%	1,736	2.06	250,000	250,000	2.06	1,736	1.51%
TOTAL COST	100.00%	\$119,738	\$142.35	\$17,242,220	\$16,606,783	\$137.11	\$115,325	100.00%	
Construction Cost Recap	70.23%	\$84,094	\$99.98	\$12,109,573	\$11,474,136	\$94.73	\$79,682	69.09%	

SOURCES OF FUNDS

				RECOMMENDED	
PNC Multifamily Capital	30.74%	\$36,806	\$43.76	\$5,300,000	\$5,300,000
TDHCA HOME	6.96%	\$8,333	\$9.91	1,200,000	1,200,000
PNC Multifamily Capital	58.45%	\$69,986	\$83.21	10,077,984	10,077,984
Deferred Developer Fees	0.17%	\$200	\$0.24	28,797	28,797
Additional (Excess) Funds Req'd	3.69%	\$4,413	\$5.25	635,439	2
TOTAL SOURCES				\$17,242,220	\$16,606,783
					\$5,300,000
					\$1,929,737
					10,077,984
					28,799
					0
					\$3,829,120

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Creekside Villas Senior Village, Buda, 9% HTC/HOME #08253

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$55.47	\$6,718,557
Adjustments				
Exterior Wall Finish	2.40%		\$1.33	\$161,245
Elderly	3.00%		1.66	201,557
9-Ft. Ceilings	3.70%		2.05	248,587
Elevators	\$63,600	3	1.58	190,800
Subfloor			(0.62)	(74,793)
Floor Cover			2.43	294,326
Balconies	\$17.75	11,178	1.64	198,437
Plumbing Fixtures	\$805	162	1.08	130,410
Rough-ins	\$400	288	0.95	115,200
Built-In Appliances	\$1,850	144	2.20	266,400
Exterior Stairs	\$1,800	27	0.40	48,600
Interior Corridors	\$45.55	26,508	9.97	1,207,422
Heating/Cooling			1.90	230,132
Parking Garage	\$24.00	38,259	7.58	918,201
Comm &/or Aux Bldgs	\$69.27	4,527	2.59	313,574
Other: fire sprinkler	\$2.15	121,122	2.15	260,412
SUBTOTAL			94.36	11,429,068
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(12.27)	(1,485,779)
TOTAL DIRECT CONSTRUCTION COSTS			\$82.09	\$9,943,289
Plans, specs, survy, bid prmts	3.90%		(\$3.20)	(\$387,788)
Interim Construction Interest	3.38%		(2.77)	(335,586)
Contractor's OH & Profit	11.50%		(9.44)	(1,143,478)
NET DIRECT CONSTRUCTION COSTS			\$66.68	\$8,076,437

PAYMENT COMPUTATION

Primary	\$5,300,000	Amort	420
Int Rate	6.77%	DCR	1.55

Secondary	\$1,200,000	Amort	480
Int Rate	4.19%	Subtotal DCR	1.34

Additional		Amort	
Int Rate		Aggregate DCR	1.34

RECOMMENDED FINANCING STRUCTURE APPLICAN

Primary Debt Service	\$396,104
Secondary Debt Service	65,411
Additional Debt Service	0
NET CASH FLOW	\$158,443

Primary	\$5,300,000	Amort	420
Int Rate	6.77%	DCR	1.57

Secondary	\$1,200,000	Amort	420
Int Rate	4.19%	Subtotal DCR	1.34

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.34

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	\$1,248,408	\$1,285,860	\$1,324,436	\$1,364,169	\$1,405,094	\$1,628,889	\$1,888,329	\$2,189,091	\$2,941,955
Secondary Income	20,736	21,358	21,999	22,659	23,339	27,056	31,365	36,361	48,866
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,269,144	1,307,218	1,346,435	1,386,828	1,428,433	1,655,945	1,919,694	2,225,452	2,990,821
Vacancy & Collection Loss	(95,184)	(98,041)	(100,983)	(104,012)	(107,132)	(124,196)	(143,977)	(166,909)	(224,312)
Employee or Other Non-Rental Units or Concr	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,173,960	\$1,209,177	\$1,245,452	\$1,282,816	\$1,321,300	\$1,531,749	\$1,775,717	\$2,058,543	\$2,766,509
EXPENSES at 4.00%									
General & Administrative	\$40,000	\$41,600	\$43,264	\$44,995	\$46,794	\$56,932	\$69,267	\$84,274	\$124,746
Management	58,698	60,459	62,273	64,141	66,065	76,587	88,786	102,927	138,325
Payroll & Payroll Tax	140,318	145,931	151,768	157,839	164,153	199,717	242,986	295,630	437,604
Repairs & Maintenance	50,364	52,379	54,474	56,653	58,919	71,684	87,214	106,109	157,068
Utilities	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Water, Sewer & Trash	85,680	89,107	92,671	96,378	100,233	121,949	148,370	180,515	267,206
Insurance	26,640	27,706	28,814	29,966	31,165	37,917	46,132	56,126	83,081
Property Tax	58,750	61,100	63,544	66,086	68,729	83,620	101,736	123,777	183,221
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	33,552	34,894	36,290	37,741	39,251	47,755	58,101	70,689	104,637
TOTAL EXPENSES	\$554,002	\$575,575	\$597,994	\$621,291	\$645,501	\$781,560	\$946,493	\$1,146,459	\$1,683,007
NET OPERATING INCOME	\$619,958	\$633,602	\$647,458	\$661,525	\$675,799	\$750,189	\$829,224	\$912,084	\$1,083,502
DEBT SERVICE									
First Lien Financing	\$396,104	\$396,104	\$396,104	\$396,104	\$396,104	\$396,104	\$396,104	\$396,104	\$396,104
Second Lien	65,411	65,411	65,411	65,411	65,411	65,411	65,411	65,411	65,411
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$158,443	\$172,086	\$185,943	\$200,010	\$214,284	\$288,674	\$367,709	\$450,569	\$621,987
DEBT COVERAGE RATIO	1.34	1.37	1.40	1.43	1.46	1.63	1.80	1.98	2.35

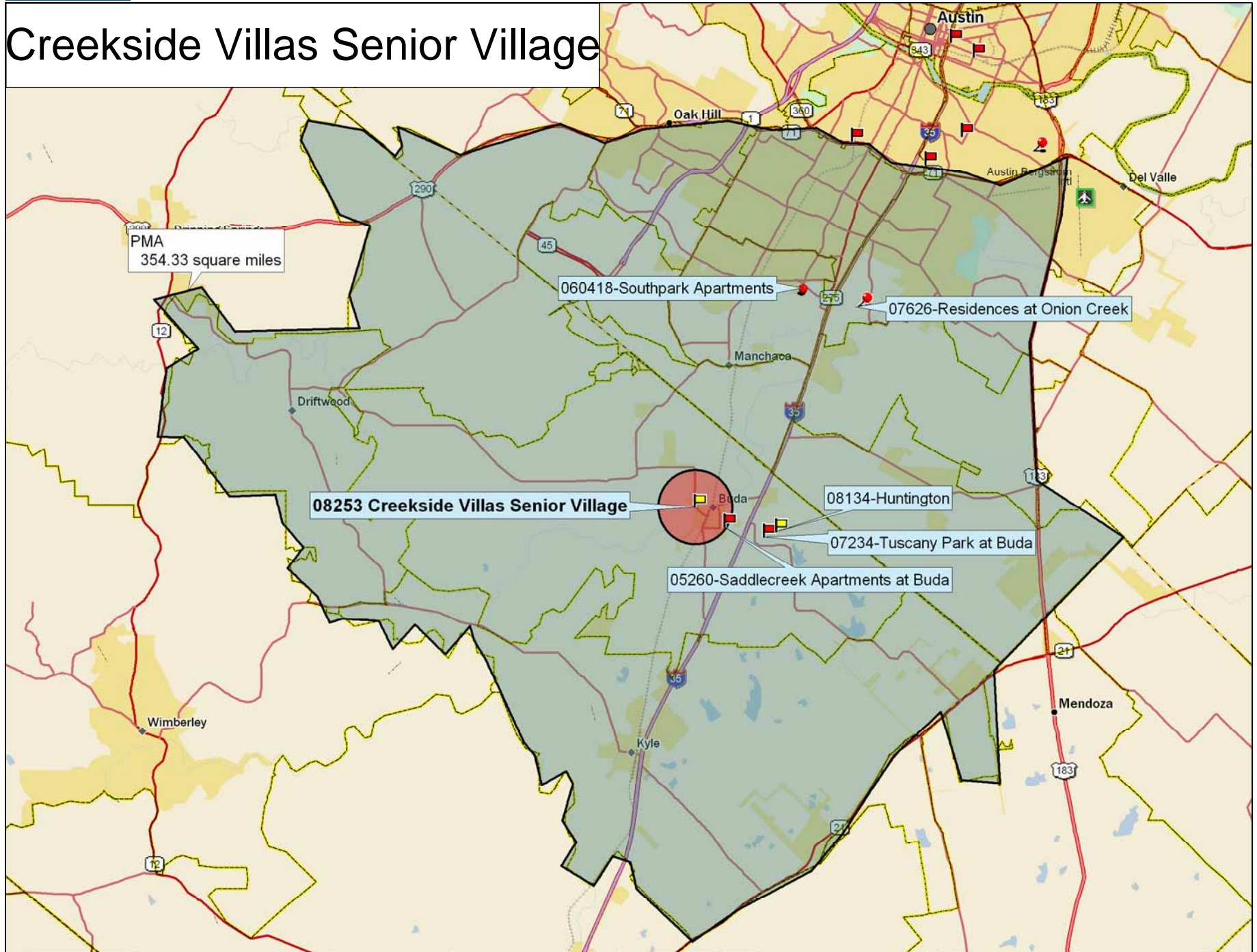
HTC ALLOCATION ANALYSIS -Creeside Villas Senior Village, Buda, 9% HTC/HOME #08253

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$1,107,500	\$1,107,500		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$2,201,130	\$2,201,130	\$2,201,130	\$2,201,130
Construction Hard Costs	\$7,441,000	\$8,076,437	\$7,441,000	\$8,076,437
Contractor Fees	\$1,349,899	\$1,349,899	\$1,349,898	\$1,349,899
Contingencies	\$482,107	\$482,107	\$482,107	\$482,107
Eligible Indirect Fees	\$554,000	\$554,000	\$554,000	\$554,000
Eligible Financing Fees	\$836,780	\$836,780	\$836,780	\$836,780
All Ineligible Costs	\$452,740	\$452,740		
Developer Fees			\$1,929,737	
Developer Fees	\$1,931,627	\$1,931,627		\$1,931,627
Development Reserves	\$250,000	\$250,000		
TOTAL DEVELOPMENT COSTS	\$16,606,783	\$17,242,220	\$14,794,652	\$15,431,980

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,794,652	\$15,431,980
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$14,794,652	\$15,431,980
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$14,794,652	\$15,431,980
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,230,915	\$1,283,941

Syndication Proceeds	0.8398	\$10,337,618	\$10,782,945
Total Tax Credits (Eligible Basis Method)		\$1,230,915	\$1,283,941
Syndication Proceeds		\$10,337,618	\$10,782,945
Requested Tax Credits		\$1,200,000	
Syndication Proceeds		\$10,077,984	
Gap of Syndication Proceeds Needed		\$10,106,783	
Total Tax Credits (Gap Method)		\$1,203,429	

Creekside Villas Senior Village



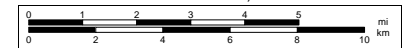
Data use subject to license.

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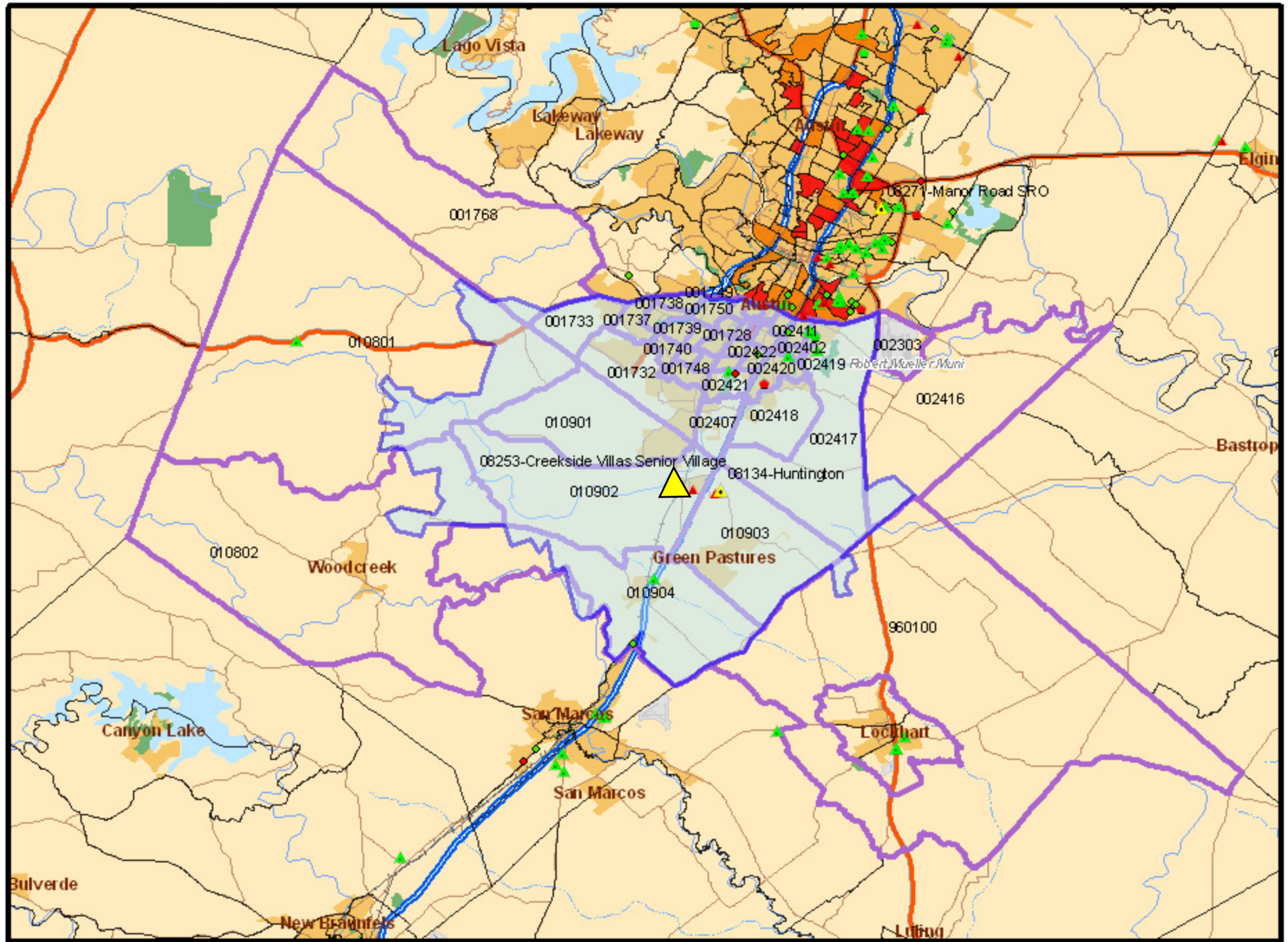
TN
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MN (5.0°E)
Page 13 of 14

Scale 1 : 225,000



1" = 3.55 mi

Data Zoom 9-7



0 1 2 4 Miles
Concentration Key
Red Tracts: > 1432 units/sq.mi.
Orange Tracts: 1000 to 1432 units/sq.mi.

08253 - Creekside Villas Senior Village

Applicant Evaluation

Project ID # **08253**

Name: **Creekside Villas Senior Village**

City: **Buda**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 3

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 2

Total # of MF awards not yet monitored or pending review: 5

10-19: 1

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 3

Total # of SF Contracts: 3

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/1/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Melissa Whitehead

Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /15/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Montgomery Meadows Phase II, TDHCA Number 08254

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, S

Points: 14 US Representative: Brady, District 8, NC

TX Representative: Kolkhorst, District 13, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 3

Quantifiable Community Participation Input:

Montgomery Road Property Owners Organization, Jimmie O. Anderson Letter Score: 24 S or O: S

The addition of more senior housing will be a benefit to the aging population of Huntsville.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0

Huntsville-Walker County Chamber of Commerce

S or O:

General Summary of Comment:

General support received from elected official(s), a civic organization, and a qualified Neighborhood Organization.

Opposition received from members of the community who indicated that a previous development, by the same developer, has caused significant flooding in the area.

CONDITIONS OF COMMITMENT

1. An annual tax credit allocation not exceed \$498,997.
2. Receipt, review, and acceptance, before closing, of an updated title commitment containing a confirmed legal description of the subject property, as well as releases of lien or other resolution of the deeds of trust indicated in Items 7 and 13 of Schedule C.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms, amounts or rates of the proposed financing change the transaction should be reevaluated, and an adjustment to the allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Montgomery Meadows Phase II, TDHCA Number 08254

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **194** Meeting a Required Set-Aside Credit Amount*: \$498,997

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when Rural tax credits are collapsed.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report Addendum

REPORT DATE: 07/24/08 PROGRAM: HTC 9% FILE NUMBER: 08254

DEVELOPMENT

Montgomery Meadows Phase II

Location: Corner of Old Montgomery Road and Cline Region: 6
 City: Huntsville County: Walker Zip: 77340 QCT DDA
 Key Attributes: Multifamily, New Construction, Rural, Elderly

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$508,352			\$498,997		

CONDITIONS

- 1 An annual tax credit allocation not exceed \$498,997.
- 2 Receipt, review, and acceptance, before closing, of an updated title commitment containing a confirmed legal description of the subject property, as well as releases of lien or other resolution of the deeds of trust indicated in Items 7 and 13 of Schedule C.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 If the terms and rates of the proposed financing change the transaction should be reevaluated, and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	17

PROS

- Montgomery Meadows, the adjacent 56-unit phase I property, is 100% occupied.

CONS

- The proposed number of one bedroom units targeting 50% and 60% elderly households may be more than the demand for such units given the Underwriter's capture rates at well over 100% for these units.

This section intentionally left blank.

- The Applicant's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However, the Applicant's ratio is below the Department's 65% maximum and therefore no other mitigation is required.

PREVIOUS UNDERWRITING REPORTS

This addendum recharacterizes the underwriting recommendation for the subject application based on the letter of July 11, 2008 from the TDHCA Executive Director granting the Applicant's appeal. Specifically, the original underwriting report recommended against an allocation of tax credits pursuant to Section 1.32(i)(2) of the Texas Administrative Code based on a census tract multifamily unit concentration of 1,466 units per square mile, which exceeds the 1,432 units per square mile limit.

The Applicant appealed based on the provision in the Code for waiver of the rule by the Executive Director when documentation is presented to support unique circumstances to provide mitigation. The Applicant submitted letters from the Walker County Housing Authority and the Huntsville Walker County Chamber of Commerce, recognizing the concentration in the area but strongly supporting the development of the subject property. The Executive Director granted the appeal. The underwriting recommendation has been amended accordingly. An annual allocation of \$498,997 is recommended, subject to the conditions itemized above.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 24, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 24, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 24, 2008</u>



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

July 11, 2008

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

Mr. Emanuel H. Glockzin, Jr.
Homestead Development Group, Ltd
4500 Carter Creek Parkway, Suite 101
Bryan, Texas 78705
Telephone: (979) 846-8878
Telecopier: (979) 846-0783

Re: Underwriting Appeal for Montgomery Meadows Phase II, HTC #08254

Dear Mr. Glockzin:

Appeal Review

I have reviewed your appeal that was received on July 17, 2008 regarding the underwriting recommendation which was sent to you on July 14, 2008. Your appeal provides strong letters of support from the Walker County Housing Authority and the Huntsville Walker County Chamber of Commerce, who have recognized the high concentration of apartments in the area but ask that the concentration limitations be waived. The Department's rules in 10 TAC§1.32(i)(2) describe the concentration limits that were correctly applied by staff in the underwriting report and also provide for a waiver of this rule by the Executive Director where documentation is submitted to support unique circumstances that would provide mitigation. These letters support the community's desire to develop and maintain elderly units despite their being in an area of higher concentration of student housing and I find them to be unique circumstances to support the development.

Appeal Determination

Your appeal is granted.

If you have questions or comments, please call me or Tom Gouris, Director of our Real Estate Analysis Division at (512) 475-1470.

Sincerely,

A handwritten signature in black ink, appearing to read "M Gerber".

Michael Gerber
Executive Director

MGG : TJG



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/11/08 PROGRAM: HTC 9% FILE NUMBER: 08254

DEVELOPMENT

Montgomery Meadows Phase II

Location: Corner of Old Montgomery Road and Cline Region: 6
 City: Huntsville County: Walker Zip: 77340 QCT DDA
 Key Attributes: Multifamily, New Construction, Rural, Elderly

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$508,352			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:

Pursuant to Section 1.32(i)(2) of the Texas Administrative Code, the Underwriter has concluded a census tract multifamily unit concentration of 1,466 units per square mile, which exceeds the 1,432 units per square mile limit. Therefore, the proposed development is in an area which has an excessive level of apartment dispersion based upon the Department's standard criteria.

CONDITIONS

SHOULD THE BOARD WAIVE THE ABOVE ISSUES AND APPROVE THIS APPLICATION, SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 An annual tax credit allocation not exceed \$498,997
- 2 Receipt, review, and acceptance, before closing, of an updated title commitment containing a confirmed legal description of the subject property, as well as releases of lien or other resolution of the deeds of trust indicated in Items 7 and 13 of Schedule C.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 4 If the terms and rates of the proposed financing change the transaction should be reevaluated, and an adjustment to the allocation amount may be warranted.

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TDHCA SET-ASIDES for LURA		
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50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	17

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PROS

- Montgomery Meadows, the adjacent 56-unit phase I property, is 100% occupied.

CONS

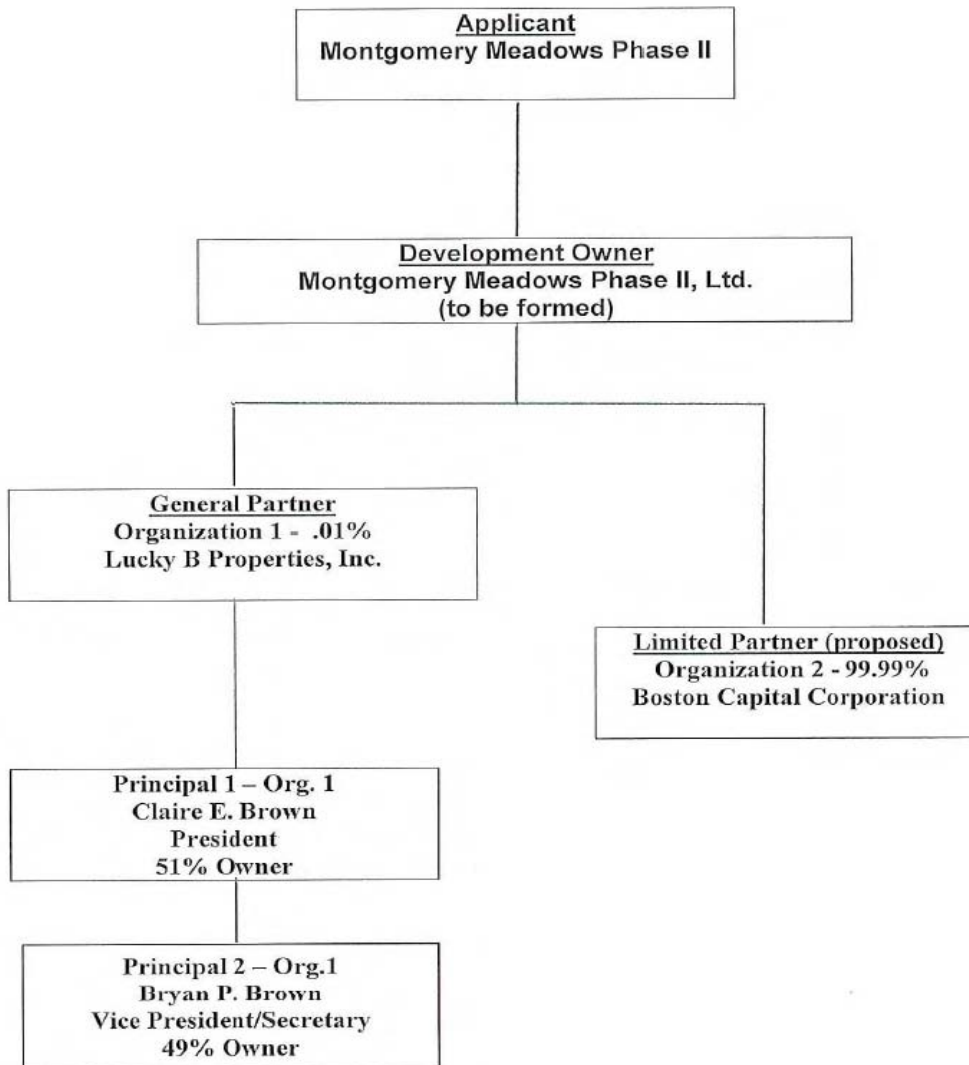
- The proposed number of one bedroom units targeting 50% and 60% elderly households may be more than the demand for such units given the Underwriter's capture rates at well over 100% for these units.
- The Applicant's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However, the Applicant's ratio is below the Department's 65% maximum and therefore no other mitigation is required.

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Emanuel Glockzin Phone: (979) 846-8878 Fax: (979) 846-0783
 Email: emanuel@edgproperties.net

KEY PARTICIPANTS

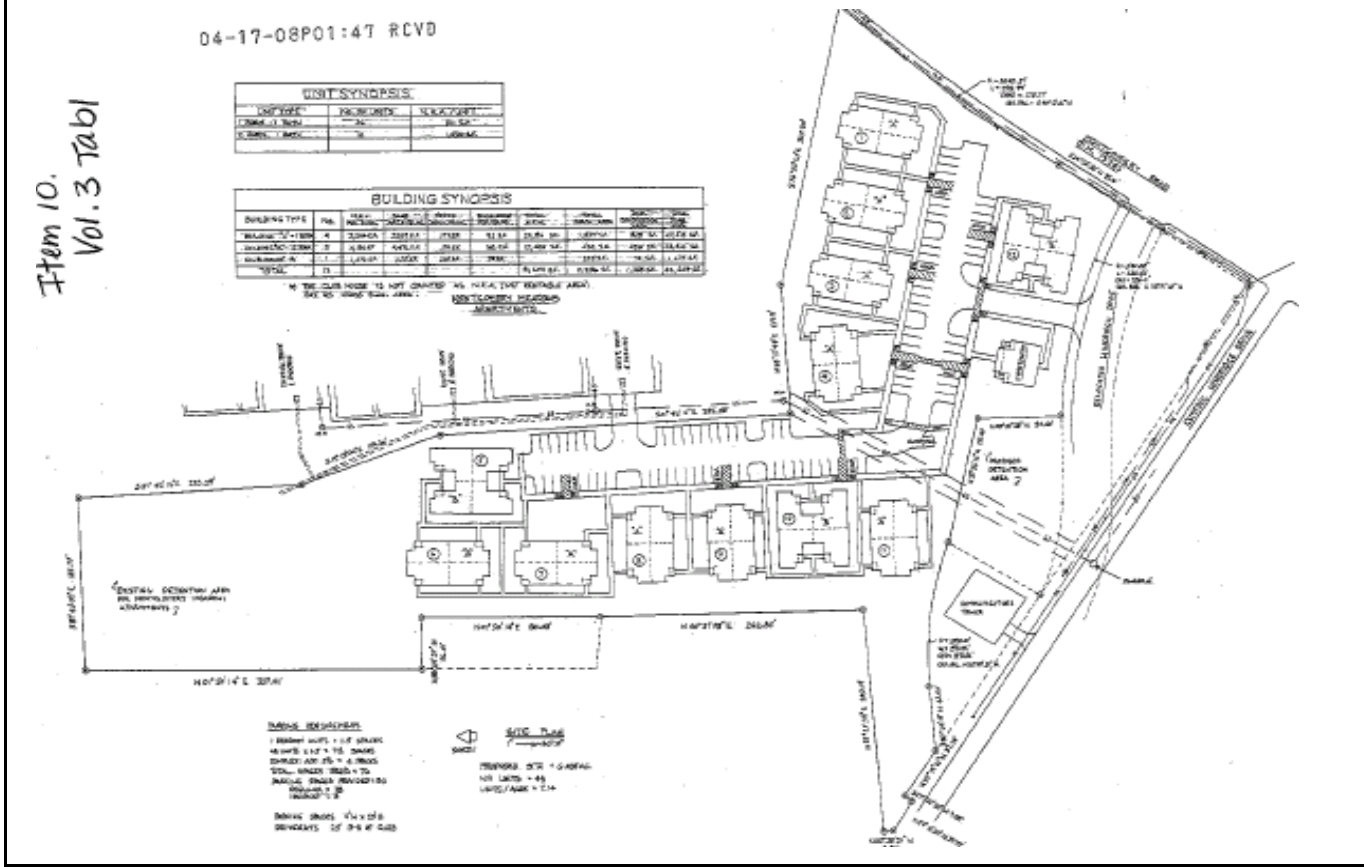
Name	Financial Notes	# Completed Developments
Lucky B Properties, Inc.	N/A	--
Homestead Development Group	N/A	--
Ponderosa Plaza Management	N/A	--
Emanuel Glockzin	N/A	24
Elaina Glockzin	N/A	24
Claire Brown	N/A	1
Bryan Brown	N/A	1

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, Architect, Property Manager, and Supportive Services Provider are related entities. These are common relationships for HTC-funded developments.
- The Principals of the Developer, General Contractor, Property Manager, and Supportive Services Provider are also Principals of the Seller of the property.

PROPOSED SITE

SITE PLAN



This section intentionally left blank.

BUILDING CONFIGURATION

Building Type	A	B										Total Buildings
Floors/Stories	1	1										
Number	3	9										12

BR/BA	SF	Units										Total Units	Total SF
1 / 1	811		4									36	29,196
2 / 1	1,034	4										12	12,408
Units per Building		4	4									48	41,604

SITE ISSUES

Total Size: 6.435 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: Management Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/21/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Montgomery Rd. East: Montgomery Rd.
 South: Phase I property West: Montgomery Rd / Phase I
 Comments:
 Montgomery Road is busy in regards to vehicle use.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Inc. Date: 2/25/2008
 Comments:
 The environmental engineer found no issues of environmental concern.

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 3/12/2008
 Contact: Jeffrey B. Carroll Phone: (704) 905-2276 Fax: (704) 708-4261
 Number of Revisions: none Date of Last Applicant Revision: N / A
 Primary Market Area (PMA): 801 sq. miles 16 mile radius
 "We defined the primary market area by generating a drive-time zone around the subject property and analyzing median rents and average household income levels in the area. We also considered population densities, existing concentrations of multifamily properties and the nearest census tract boundaries in our analysis. Based on our evaluation of the local market, we concluded that the primary market area includes the following 2000 census tracts:
 48471790200 48471790300 48471790500 48471790700
 48471790100 48471790400 48471790600 48471790800 (pp. 48-49)
 The stated census tracts are coincident with the boundaries of Walker County which has an estimated 2006 population of 63,055.

This section intentionally left blank.

Secondary Market Area (SMA):

The Market Analyst did not explicitly define a secondary market area; however, secondary market demand was considered. Based on "research that indicates as much as 25% of multifamily demand comes from outside the primary market area", the Market Analyst simply "grossed up" the primary market demand. Department underwriting guidelines allow for secondary market demand which is calculated based on the demographics of a defined market area, and the analysis must also take into account the supply in that area; lacking such analysis, secondary market demand will not be considered in the underwriting analysis.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
The Villages at Huntsville	05179	76	Family				

INCOME LIMITS						
Walker						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,650	\$12,150	\$13,700	\$15,200	\$16,400	\$17,650
50	\$17,750	\$20,300	\$22,800	\$25,350	\$27,400	\$29,400
60	\$21,300	\$24,360	\$27,360	\$30,420	\$32,880	\$35,280

Demand Analysis

The Market Analyst employs three separate methodologies to determine demand, explaining that various underwriting agencies prefer different metrics, and interpret them separately with appropriate capture rate limits. The three techniques are demand based on total income-qualified renter households, demand based on overburdened renter households, and demand based on growth and movership of income-qualified renter households. The third method is essentially equivalent to the turnover and growth calculations employed by the Department. But the Market Analyst applies this method individually to each unit type without correcting for households that qualify for more than one unit type.

The market study identifies the number of units to be rent restricted at 30% of AMI, 50% of AMI, and 60% of AMI; however, the Market Analyst inaccurately states that "all units are proposed to be income restricted to 60% of AMI." As a result, the analysis of demand by unit type included in the market study is limited to two segments: one-bedroom units and two-bedroom units, each with income limited to 60% of AMI.

The underwriting analysis of demand by unit type considers only the specific income range and household sizes that qualify for each unit; no secondary market demand was identified. The Real Estate Analysis Rules and Guidelines do not consider unit-specific demand as a criterion for feasibility; nevertheless, the very high capture rates calculated for the 50% and 60% one-bedroom units should be noted as cause for concern.

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Movership	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR 30% AMI							
1 BR 50% AMI							
1 BR 60% AMI	41	9	17	67	36	0	54%
2 BR 30% AMI							
2 BR 50% AMI							
2 BR 60% AMI	37	6	14	57	12	0	21%

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR 30% AMI	8	0		8	1	0	13%
1 BR 50% AMI	7	0		7	23	0	329%
1 BR 60% AMI	9	0		9	12	0	133%
2 BR 30% AMI	7	0		7	2	0	29%
2 BR 50% AMI	7	0		7	5	0	71%
2 BR 60% AMI	13	1		14	5	0	36%

The one bedroom units targeting 50% and 60% elderly households are already over 100% capture, which suggests there may be limited demand for additional units at this unit size and income level.

OVERALL DEMAND							
	Target Households	Household Size	Income Eligible	Tenure	Demand		
PMA DEMAND from TURNOVER							
Market Analyst p. 137							78
Underwriter	18% 6,192	100% 6,192	42% 2,589	15% 388	20%		77
PMA DEMAND from HOUSEHOLD GROWTH							
Market Analyst p. 137							15
Underwriter		100% 108	42% 45	15% 7	100%		7
SECONDARY MARKET DEMAND							
Market Analyst p. 137							31
Underwriter							0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 144	48	0	0	48	124	39%
Underwriter	48	0	0	48	84	57%

Inclusive Capture Rate

The Market Analyst determines overall demand for the project by simply summing the demand for the two identified unit segments; many households are included in the qualified demand for both, resulting in overstated demand. Total demand is further inflated by the unsubstantiated assumption that 25% of demand will come from outside the PMA. On the other hand, the Market Analyst employed very conservative estimates for movership rates. The American Housing Survey data cited indicates the national average for annual movership among elderly renter households is less than 8%. This data is not specific to the PMA and is not segmented by income. The Underwriter believes that senior households in the target income ranges are more likely to move at a higher rate than the overall national average. To validate this the Underwriter checked census data for the PMA and determined the annual turnover rate for senior renter households to be 19.89%.

This section intentionally left blank.

Based on generally overstated demand, the Market Analyst concluded an inclusive capture rate of 39%. The underwriting analysis concluded an inclusive capture rate of 57% which is still within the Department's 75% maximum guideline for senior developments. However, the subject PMA is an example where an alternative data provider, HISTA Data, offers a significantly different result. HISTA Data provides a custom tabulation of census data by household, income, household size, tenure, and age. This allows a more detailed perspective on parameters critical to our analysis, and often yields results somewhat different than the more traditional data sources. In this case, HISTA suggests a much higher inclusive capture rate of 91%.

While the revised capture rate using the HISTA-based data alternative exceeds the Department's guideline of 75% for senior targeted developments, the traditional method is acceptable and, therefore, this development can be considered feasible based upon this method of calculating demand.

Primary Market Occupancy Rates:

"Our research suggests an overall occupancy rate of 99% for the 99 confirmed and stabilized elderly units included in this report; and 95% occupancy for the 3,427 confirmed and stabilized family units included in this report." (p. 17)

Absorption Projections:

Our analysis suggests that the subject property will stabilize at 97% occupancy. We estimate an 8 month absorption period and an average absorption rate of 5.82 units per month for this project. In our opinion, the absorption period suggests an appropriate number and mix of units for the subject property." (p. 20)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	811 SF	30%	\$199	\$199	\$680	\$199	\$481
1 BR	811 SF	50%	\$388	\$389	\$680	\$389	\$291
1 BR	811 SF	60%	\$483	\$484	\$680	\$484	\$196
2 BR	1,034 SF	30%	\$229	\$229	\$750	\$229	\$521
2 BR	1,034 SF	50%	\$455	\$457	\$750	\$457	\$293
2 BR	1,034 SF	60%	\$569	\$571	\$750	\$571	\$179

Market Impact:

"Our analysis also shows that the subject property appears to be priced appropriately (38.8% unrestricted market rent advantage / 0% achievable rent advantage) ... We believe this property is feasible from a market standpoint. In our opinion, the subject property will draw residents from other properties in the immediate area. Most of these properties are market rate and will experience a modest adverse impact (1 to 2 percent occupancy decline) from this development." (p. 6)

Comments:

Despite the Market Analyst's overstated demand calculations, the market study provided sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. These rules require the Underwriter to independently verify the number of rental units in multi-unit buildings based on the most recent Census data and the completion of Department funded or other known rental Developments in the area. The most recent Census data available and used by the Underwriter is the 2000 Census data which identifies the census tract as being just over one square mile in size. Based on this information alone, the proposed development's census tract concentration is 1,410 units per square mile which is just below the Department's 1,432 requirement.

This section intentionally left blank.

However, developments built after 2000 are not considered in this concentration. The Underwriter is able to verify that an additional 56 units have been added since 2000 with the development of the first phase of the proposed development, Montgomery Meadows (TDHCA #03231). Montgomery Meadows was approved during the 2003 9% HTC cycle and placed in service beginning in September 2004. Adding these 56 units from phase one puts the census tract concentration over the 1,432 per square mile limit.

The Underwriter has concluded a census tract concentration of 1,466 units per square mile which is more than the 1,432 units per square mile limit and a Primary Market Area concentration of 4.9 units per square mile which is less than the 1,000 units per square mile limit. Therefore, based on the census tract concentration, the proposed development is in an area which has an excessive level of apartment dispersion based upon the Department's standard criteria and cannot be recommended for funding.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/17/2008

The Applicant's projected income is based on maximum HTC rents adjusted for utility allowances provided by the Walker County Housing Authority. Tenants are responsible for all electricity utilities as well as water, sewer, and trash collection. The Applicant's adjustments for non-rental income and losses due to vacancy and collection are consistent with underwriting guidelines. Overall, the Applicant's projected effective gross income is within 5% of the underwriting estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/22/2008

The Applicant's projected annual operating expenses total \$3,076 per unit. This is 3% higher than the underwriting estimate of \$2,863 per unit, based primarily on the actual expenses of the adjacent Montgomery Meadows Phase I Development. Further savings may be possible in the combined administrative activities if this second phase is brought on line. The expense items with the most significant variation are payroll and payroll tax (the Applicant's figure is higher by \$11K), and repairs and maintenance (the Applicant's figure is lower by \$4K).

Conclusion:

Although the Applicant's projected income is within 5% of the underwriting estimates, operating expenses and net operating income (NOI) differ by more than 5%; therefore, the underwriter's year one proforma will be used to determine debt capacity and feasibility. The underwriting estimate for NOI combined with the Applicant's proposed financing structure produces a debt coverage ratio (DCR) of 1.50, exceeding the maximum debt coverage of 1.35. As a result, the underwriting analysis will assume an increase in the permanent debt amount. This will be discussed further in the financing conclusions below.

The Applicant's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. However, the Applicant's ratio is below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting estimates for income and expenses are used to create a 30-year operating proforma. This analysis combined with the recommended financing structure result in continued positive cash flow and a debt coverage ratio that remains above the minimum 1.15 throughout the proforma period. The project can therefore be considered financially feasible.

This section intentionally left blank.

ACQUISITION INFORMATION**APPRAISED VALUE**

Provider: Allen & Associates Consulting Date: 2/22/2008
 Number of Revisions: none Date of Last Applicant Revision: N / A
 Land Only: acres \$168,000 As of: 2/22/2008

Comments:

The appraisal report never identifies the actual acreage of the site. "Our highest and best use conclusion was for affordable multifamily development. Therefore, we analyzed several affordable housing land transactions in the region that were recently allocated tax credits and/or below market debt by the state housing finance agency. We evaluated these transactions based on their per unit price." The six comparable sales chosen by the appraiser all occurred in either 2004 or 2005. One is located several miles from the subject (The Villas at Huntsville); the remaining five are located between 80 and 160 miles away. Based on a range of sales prices from \$2,333 to \$6,000 per unit, the Appraiser concluded a value of \$3,500 per unit, or \$168,000, for the subject.

ASSESSED VALUE

Land Only: 13.7 acres \$596,290 Tax Year: 2008
 prorata value per acre \$43,560 Valuation by: Walker County CAD
 subject property 6.44 acres \$280,307 Tax Rate: 2.3285

Comments:

The assessed value provided by the Applicant for tax year 2007 for the 13.689 acre tract containing the subject six acres was \$136,890. (This amount was equivalent to \$10,000 per acre.) The Walker County CAD website now indicates the 2008 assessed value for the same tract to be \$596,290. (This amount equates to \$1.00 per square foot.)

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Commercial Contract Acreage: 6.435
 Contract Expiration: 10/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$145,000 Other: _____
 Seller: College Main Apartments, Ltd. Related to Development Team? Yes No

Comments:

The Seller, College Main Apartments, Ltd., is controlled by Elaina and Emanuel Glockzin, Jr. The Glockzin's also control the Developer, General Contractor, and Property Manager for the proposed development. These same relationships also existed with regard to Montgomery Meadows Phase I, the adjacent development that received a tax credit allocation in 2003. College Main Apartments acquired both sites as part of a much larger tract in December 1999 at a prorated cost of \$0.50 per square foot, or \$140,154 for the subject 6.435 acres. The Applicant provided documentation for holding costs in excess of \$5,000; therefore the acquisition price of \$145,000 is acceptable.

TITLE

Comments:

The title commitment indicates the legal description of the site as "Being 6.36 acres of land"; this value is inconsistent with the acreage indicated by the Applicant. The title commitment includes a requirement for a metes and bounds description of the subject property, and the title company "reserves the right to make additional exceptions or requirements after examination of same".

This section intentionally left blank.

Schedule C, Item 7 of the title commitment is a requirement for a release of vendor's lien retained in deed dated December 15, 1999 ... securing the payment of one note in the principal sum of \$3,266,400, payable to The First National Bank of Bryan, and additionally secured by deed of trust of even date therewith".

Schedule C, Item 13 of the title commitment refers to a deed of trust dated November 8, 2005 ... securing the payment of one note of even date therewith payable to Morgan Stanley Asset Funding, Inc. ... THIS DEED OF TRUST IS A LEASEHOLD INTEREST AND DOES NOT SHOW AN AMOUNT".

This report will be conditioned on receipt, review, and acceptance, before closing, of an updated title commitment containing a confirmed legal description of the subject property, as well as releases of lien or other resolution of the deeds of trust indicated in Items 7 and 13 of Schedule C.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/21/2008

Acquisition Value:

The acquisition price of \$22,533 appears to be reasonable based on the information provided by the Applicant. As stated previously, the Applicant acquired the site as part of a larger 21.929 acre parcel in December 1999 at a cost of \$477,615. This amounts to a prorated cost of \$140,154 for the subject 6.435 acres. The Applicant provided documentation of holding costs or improvements made to the site that would provide justification for a higher non-arm's-length sale, therefore the acquisition/transfer price included is accepted.

Off-Site Cost:

The Applicant's development cost schedule indicates offsite costs totaling \$305,454 for water, sewer, and street extension improvements; these costs have been certified by a third party engineer.

Sitework Cost:

The application itemizes site work costs equal to \$7,500 per unit; this amount is less than the \$9,000 limit, therefore no further certification is required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$49K or 2% lower than the Underwriter's estimate derived from the *Marshall & Swift Residential Cost Handbook*.

Interim Interest Expense:

The Applicant has claimed \$38,900 as construction financing interest, as well as \$100,000 as the interest that "could be" incurred, "if a predevelopment or bridge loan were to be provided by Boston Capital prior to closing or during construction." There is no indication that a bridge loan actually will be extended, and no commitment was provided for a bridge loan. Therefore, eligible interim interest is limited to one year of fully drawn interest on the \$725,000 construction financing at the committed rate of 8.0% from the primary lender, as well as one year of interest on the committed pre-development loan of \$106,100 from the Callaway Lumber Company (although the Callaway commitment is only for 30 days with one 30-day extension). Total eligible interest is \$66,488, with the overage reflected by the Applicant of \$72,412 moved to ineligible costs.

Contingency & Fees:

As a result of the limit on eligible interest, the Applicant's projected developer fee exceeds the eligible limit by \$14K; this amount has been excluded from eligible basis and effectively included with ineligible costs.

Conclusion:

The Applicant's total development cost is within 1% of the underwriting estimate; as a result, the Applicant's total will be used to determine eligible basis as adjusted above and to determine the need for permanent financing. The recalculated eligible basis of \$4,613,506 supports a tax credit allocation of \$498,997. This amount will be compared to the Applicant's requested amount, as well as the amount determined by the gap in financing, to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N / A

Source: Callaway Lumber Company Type: Interim Financing

Principal: \$106,100 Interest Rate: 8.0% Fixed Term: 1 month

Comments:

Private loan for pre-development expenses for 30 days, with one 30-day extension, at an annual rate of 8%, with a personal guarantee by Emanuel Glockzin, Jr.

Source: First Victoria National Bank Type: Interim to Permanent Financing

Principal: \$725,000 Interest Rate: 8.0% Fixed Amort: 360 months

Comments:

Interest payable quarterly for the first 12 months ("Construction phase"); monthly principal and interest payments based on a 30-year amortization commencing with the 13th month ("Term phase").

Source: City of Huntsville Type: Grant

Principal: \$305,454 Conditions: _____

Comments:

An in-kind contribution in the form of a waiver of the costs for water, sewer, and street extension requirements.

Source: Boston Capital Type: Syndication

Proceeds: \$4,168,070 Syndication Rate: 82% Anticipated HTC: \$ 508,352

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.74. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the \$0.82, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$101,930 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. As a result, the underwriting analysis assumes an increase in the permanent loan amount to \$813,048 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the permanent loan of \$813,048 and the in-kind contribution of \$305,454 from the City of Huntsville indicates the need for \$4,181,952 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$510,045 annually would be required to fill this gap in financing. Of the three possible tax credit allocation amounts:

Allocation determined by eligible basis:	\$498,997
Applicant's Requested Allocation:	\$508,352
Allocation determined by Gap in Financing:	\$510,045

The Applicant's eligible basis amount of \$498,997 is recommended resulting in total equity proceeds of \$4,091,365 at a syndication rate of \$0.82 per tax credit dollar.

However, as stated previously, this development cannot be recommended for funding due to the fact that the development does not meet Section 1.32(i)(2) of the Texas Administrative Code, with a census tract multifamily unit concentration of 1,466 units per square mile, which exceeds the 1,432 units per square mile limit.

Should the Board waive this rule, the Underwriter recommends an annual tax credit allocation not to exceed \$498,997. Based on the recommended financing structure an additional \$90,588 would be required. Deferred developer fees in this amount appear to be repayable from development cashflow within less than ten years of stabilized operation.

Underwriter:	_____	Date:	_____
	<i>Thomas Cavanagh</i>		<i>July 11, 2008</i>
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		<i>July 11, 2008</i>
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		<i>July 11, 2008</i>

MULTIFAMILY COMPARATIVE ANALYSIS

Montgomery Meadows Phase II, Huntsville, HTC 9% #08254

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	W,S,T
TC 30%	1	1	1	811	\$285	\$199	\$199	\$0.25	\$52.00	\$34.00
TC 50%	23	1	1	811	\$475	\$389	\$8,947		\$52.00	\$34.00
TC 60%	12	1	1	811	\$570	\$484	\$5,808		\$52.00	\$34.00
TC 30%	2	2	1	1,034	\$342	\$229	\$458		\$71.00	\$42.00
TC 50%	5	2	1	1,034	\$570	\$457	\$2,285		\$71.00	\$42.00
TC 60%	5	2	1	1,034	\$684	\$571	\$2,855		\$71.00	\$42.00
TOTAL:	48		AVERAGE:	867		\$428	\$20,552	\$0.49	\$56.75	\$36.00

INCOME				Total Net Rentable Sq Ft:	41,604	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$246,624	\$245,964	Walker		6
Secondary Income		Per Unit Per Month:	\$10.00			5,760	5,760	\$10.00	Per Unit Per Month	
Other Support Income:						0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$252,384	\$251,724			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(18,929)	(18,876)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$233,455	\$232,848			

EXPENSES				PER SQ FT	PER SQ FT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	6.31%	\$307	0.35	\$14,737	\$16,500	\$0.40	\$344	7.09%	
Management	5.76%	280	0.32	13,451	14,000	0.34	292	6.01%	
Payroll & Payroll Tax	10.50%	511	0.59	24,520	35,481	0.85	739	15.24%	
Repairs & Maintenance	12.82%	624	0.72	29,932	26,000	0.62	542	11.17%	
Utilities	1.92%	94	0.11	4,491	5,000	0.12	104	2.15%	
Water, Sewer, & Trash	1.99%	97	0.11	4,635	5,050	0.12	105	2.17%	
Property Insurance	4.54%	221	0.25	10,598	11,000	0.26	229	4.72%	
Property Tax	2.33	7.05%	343	0.40	16,461	16,000	0.38	333	6.87%
Reserve for Replacements	5.14%	250	0.29	12,000	12,000	0.29	250	5.15%	
TDHCA Compliance Fees	0.82%	40	0.05	1,920	1,920	0.05	40	0.82%	
CableTV, Sup svcs, syndicator	2.01%	98	0.11	4,700	4,700	0.11	98	2.02%	
TOTAL EXPENSES	58.87%	\$2,863	\$3.30	\$137,443	\$147,651	\$3.55	\$3,076	63.41%	
NET OPERATING INC	41.13%	\$2,000	\$2.31	\$96,012	\$85,197	\$2.05	\$1,775	36.59%	

DEBT SERVICE				PER SQ FT	PER UNIT	% OF EGI		
First Victoria National Bank	27.34%	\$1,330	\$1.53	\$63,838	\$64,408	\$1.55	\$1,342	27.66%
City of Huntsville - in-kind contr	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	13.78%	\$670	\$0.77	\$32,175	\$20,789	\$0.50	\$433	8.93%

AGGREGATE DEBT COVERAGE RATIO	1.50	1.32
RECOMMENDED DEBT COVERAGE RATIO	1.34	

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	2.71%	\$3,021	\$3.49	\$145,000	\$145,000	\$3.49	\$3,021	2.74%	
Off-Sites	5.71%	6,364	7.34	305,454	305,454	7.34	6,364	5.76%	
Sitework	6.73%	7,500	8.65	360,000	360,000	8.65	7,500	6.79%	
Direct Construction	46.38%	51,653	59.59	2,479,343	2,430,000	58.41	50,625	45.85%	
Contingency	4.90%	2,896	3.34	139,000	139,000	3.34	2,896	2.62%	
Contractor's Fees	13.76%	7.31%	8,138	9.39	390,600	390,600	9.39	8,138	7.37%
Indirect Construction	7.96%	8,865	10.23	425,500	425,500	10.23	8,865	8.03%	
Ineligible Costs	2.85%	3,175	3.66	152,412	152,412	3.66	3,175	2.88%	
Developer's Fees	20.00%	14.57%	16,225	18.72	778,786	783,000	18.82	16,313	14.77%
Interim Financing	1.86%	2,073	2.39	99,488	99,488	2.39	2,073	1.88%	
Reserves	1.31%	1,458	1.68	70,000	70,000	1.68	1,458	1.32%	
TOTAL COST	100.00%	\$111,366	\$128.49	\$5,345,583	\$5,300,454	\$127.40	\$110,426	100.00%	
Construction Cost Recap	63.02%	\$70,186	\$80.98	\$3,368,943	\$3,319,600	\$79.79	\$69,158	62.63%	

SOURCES OF FUNDS				RECOMMENDED			
First Victoria National Bank	13.56%	\$15,104	\$17.43	\$725,000	\$725,000	\$813,048	Developer Fee Available
City of Huntsville - in-kind contr	5.71%	\$6,364	\$7.34	305,454	305,454	305,454	\$768,918
HTC: Boston Capital	77.97%	\$86,835	\$100.18	4,168,070	4,168,070	4,091,365	% of Dev. Fee Deferred
Deferred Developer Fees	1.91%	\$2,124	\$2.45	101,930	101,930	90,588	12%
Additional (Excess) Funds Req'd	0.84%	\$940	\$1.08	45,129	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$5,345,583	\$5,300,454	\$5,300,454	\$527,040

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Montgomery Meadows Phase II, Huntsville, HTC 9% #08254

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$64.50	\$2,683,366
Adjustments				
Exterior Wall Finish	6.65%		\$4.29	\$178,444
Elderly	3.00%		1.93	80,501
9-Ft. Ceilings	3.95%		2.55	105,993
Roofing			0.00	0
Subfloor			(1.85)	(76,967)
Floor Cover			3.08	128,140
Porches	\$21.65	2,158	1.12	46,721
Plumbing Fixtures	\$965	(84)	(1.95)	(81,060)
Rough-ins	\$425	0	0.00	0
Built-In Appliances	\$2,425	48	2.80	116,400
Exterior Stairs	\$1,800	0	0.00	0
Enclosed Corridors	\$54.58	0	0.00	0
Heating/Cooling			2.43	101,098
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$82.74	1,317	2.62	108,962
Other: fire sprinkler	\$1.95	0	0.00	0
SUBTOTAL			81.52	3,391,598
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(8.15)	(339,160)
TOTAL DIRECT CONSTRUCTION COSTS			\$73.37	\$3,052,438
Plans, specs, survy, bld prm	3.90%		(2.86)	(119,045)
Interim Construction Interest	3.38%		(2.48)	(103,020)
Contractor's OH & Profit	11.50%		(8.44)	(351,030)
NET DIRECT CONSTRUCTION COSTS			\$59.59	\$2,479,343

PAYMENT COMPUTATION

Primary	\$725,000	Amort	360
Int Rate	8.00%	DCR	1.50
Secondary	\$305,454	Amort	
Int Rate		Subtotal DCR	1.50
Additional	\$4,168,070	Amort	
Int Rate		Aggregate DCR	1.50

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$71,590
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$24,422

Primary	\$813,048	Amort	360
Int Rate	8.00%	DCR	1.34
Secondary	\$305,454	Amort	0
Int Rate	0.00%	Subtotal DCR	1.34
Additional	\$4,168,070	Amort	0
Int Rate	0.00%	Aggregate DCR	1.34

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	\$246,624	\$254,023	\$261,643	\$269,493	\$277,577	\$321,788	\$373,041	\$432,457	\$581,186
Secondary Income	5,760	5,933	6,111	6,294	6,483	7,515	8,713	10,100	13,574
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	252,384	259,956	267,754	275,787	284,060	329,304	381,753	442,557	594,759
Vacancy & Collection Loss	(18,929)	(19,497)	(20,082)	(20,684)	(21,305)	(24,698)	(28,632)	(33,192)	(44,607)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$233,455	\$240,459	\$247,673	\$255,103	\$262,756	\$304,606	\$353,122	\$409,365	\$550,152
EXPENSES at 4.00%									
General & Administrative	\$14,737	\$15,327	\$15,940	\$16,577	\$17,241	\$20,976	\$25,520	\$31,049	\$45,960
Management	13,451	13,855	14,270	14,698	15,139	17,551	20,346	23,587	31,698
Payroll & Payroll Tax	24,520	25,500	26,520	27,581	28,684	34,899	42,460	51,659	76,468
Repairs & Maintenance	29,932	31,129	32,374	33,669	35,016	42,602	51,832	63,062	93,347
Utilities	4,491	4,670	4,857	5,051	5,253	6,391	7,776	9,461	14,005
Water, Sewer & Trash	4,635	4,820	5,013	5,213	5,422	6,596	8,026	9,764	14,454
Insurance	10,598	11,022	11,462	11,921	12,398	15,084	18,352	22,328	33,051
Property Tax	16,461	17,119	17,804	18,516	19,257	23,429	28,504	34,680	51,335
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	6,620	6,885	7,160	7,447	7,744	9,422	11,464	13,947	20,645
TOTAL EXPENSES	\$137,443	\$142,806	\$148,380	\$154,173	\$160,192	\$194,030	\$235,060	\$284,819	\$418,386
NET OPERATING INCOME	\$96,012	\$97,652	\$99,293	\$100,930	\$102,563	\$110,576	\$118,062	\$124,546	\$131,766
DEBT SERVICE									
First Lien Financing	\$71,590	\$71,590	\$71,590	\$71,590	\$71,590	\$71,590	\$71,590	\$71,590	\$71,590
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$24,422	\$26,062	\$27,702	\$29,340	\$30,973	\$38,986	\$46,472	\$52,956	\$60,176
DEBT COVERAGE RATIO	1.34	1.36	1.39	1.41	1.43	1.54	1.65	1.74	1.84

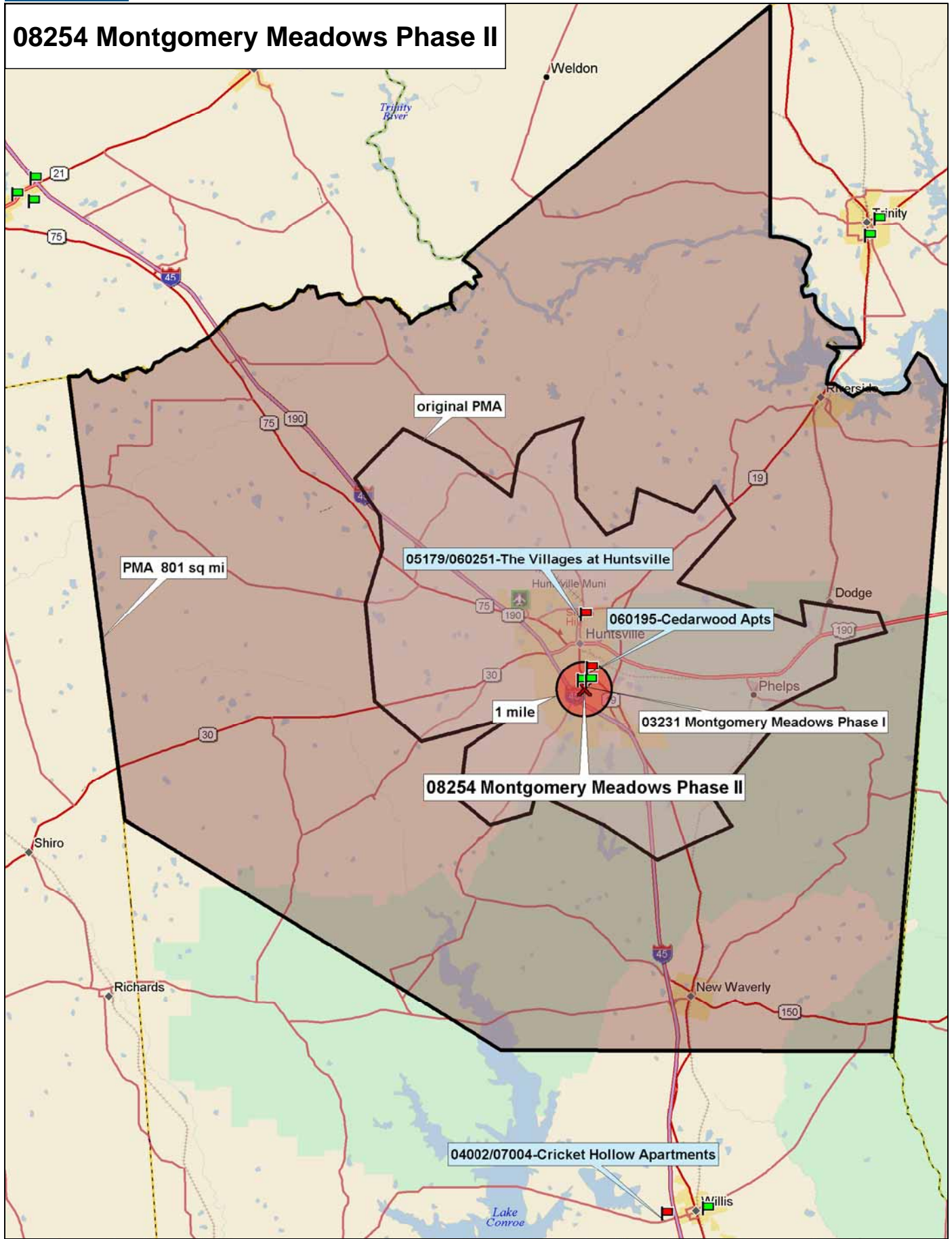
HTC ALLOCATION ANALYSIS -Montgomery Meadows Phase II, Huntsville, HTC 9% #08254

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$145,000	\$145,000		
Purchase of buildings				
Off-Site Improvements	\$305,454	\$305,454		
Sitework	\$360,000	\$360,000	\$360,000	\$360,000
Construction Hard Costs	\$2,430,000	\$2,479,343	\$2,430,000	\$2,479,343
Contractor Fees	\$390,600	\$390,600	\$390,600	\$390,600
Contingencies	\$139,000	\$139,000	\$139,000	\$139,000
Eligible Indirect Fees	\$425,500	\$425,500	\$425,500	\$425,500
Eligible Financing Fees	\$99,488	\$99,488	\$99,488	\$99,488
All Ineligible Costs	\$152,412	\$152,412		
Developer Fees			\$768,918	
Developer Fees	\$783,000	\$778,786		\$778,786
Development Reserves	\$70,000	\$70,000		
TOTAL DEVELOPMENT COSTS	\$5,300,454	\$5,345,583	\$4,613,506	\$4,672,717

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$4,613,506	\$4,672,717
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$5,997,557	\$6,074,532
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$5,997,557	\$6,074,532
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$498,997	\$505,401

Syndication Proceeds	0.8199	\$4,091,365	\$4,143,875
Total Tax Credits (Eligible Basis Method)		\$498,997	\$505,401
Syndication Proceeds		\$4,091,365	\$4,143,875
Requested Tax Credits		\$508,352	
Syndication Proceeds		\$4,168,070	
Gap of Syndication Proceeds Needed		\$4,181,952	
Total Tax Credits (Gap Method)		\$510,045	

08254 Montgomery Meadows Phase II



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TN
 MN (3.7°E)

Scale 1 : 300,000

1" = 4.73 mi Data Zoom 9-4

Applicant Evaluation

Project ID # **08254**

Name: **Montgomery Meadows Phase II**

City: **Huntsville**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 30

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 7

Projects grouped by score	0-9: <u>28</u>
	10-19: <u>2</u>
	20-29: <u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 30

Total # of SF Contracts: 1

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/23/2008

Date: 5/15/2008

Single Audit

- | | |
|--|--|
| <input type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input checked="" type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/29/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/29/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West Park Senior Housing, TDHCA Number 08255

BASIC DEVELOPMENT INFORMATION

Site Address: W. Park Row & 44th St. Development #: 08255
 City: Corsicana Region: 3 Population Served: Elderly
 County: Navarro Zip Code: 75110 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: West Park Senior Housing, Ltd.
 Owner Contact and Phone: Emanuel H. Glockzin, Jr., (979) 846-8878
 Developer: Homestead Development Group, Ltd.
 Housing General Contractor: Brazos Valley Construction, Inc.
 Architect: Myriad Designs, Ltd.
 Market Analyst: Allen & Associates Consulting
 Syndicator: Boston Capital Corporation
 Supportive Services: Cambridge Interests, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	48
	3 0 22 23	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 40 8 0 0 0	Total Development Units:	48
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	12
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	25
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$507,268	\$0			
HOME Activity Fund Amount:	\$400,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West Park Senior Housing, TDHCA Number 08255

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S

Points: 14 US Representative: Barton, District 6, NC

TX Representative: Cook, District 8, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition: 0

Quantifiable Community Participation Input:

West Park Property Owner's Association, Frank S. Wheelock

Letter Score: 24 S or O: S

This type of development is badly needed to help the elderly population in the City of Corsicana to have housing in a beautifully maintained and safe area in a good area of town.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0

Kaufman County Senior Citizens Services Inc.

S or O: S

Lakes Regional Mental Health and Mental Retardation Center

S or O: S

Family Service Association

S or O: S

Corsicana Chamber of Commerce

S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

West Park Senior Housing, TDHCA Number 08255

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **205** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID # **08255**

Name: **West Park Senior Housing**

City: **Corsicana**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 30

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 7

Projects grouped by score	0-9:	<u>27</u>
	10-19:	<u>3</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 30

Total # of SF Contracts: 1

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/24/2008

Date: 5/15/2008

Single Audit

- | | |
|--|--|
| <input type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input checked="" type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/29/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/29/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Westway Place, TDHCA Number 08256

BASIC DEVELOPMENT INFORMATION

Site Address: 44th St. off West Park Row Development #: 08256
 City: Corsicana Region: 3 Population Served: General
 County: Navarro Zip Code: 75110 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Westway Place, Ltd.
 Owner Contact and Phone: Emanuel H. Glockzin, Jr., (979) 846-8878
 Developer: Homestead Development Group, Ltd.
 Housing General Contractor: Brazos Valley Construction, Inc.
 Architect: Myriad Designs, Ltd.
 Market Analyst: Allen & Associates Consulting
 Syndicator: Boston Capital Corporation
 Supportive Services: Cambridge Interests, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	40
	2	0	14	24	Market Rate Units:	0
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>
	0	12	24	4	0	0
Type of Building:					Total Development Units:	40
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building				Total Development Cost*:	\$0
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence				Number of Residential Buildings:	4
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy				HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional				HOME Low Total Units:	16

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$478,392	\$0			
HOME Activity Fund Amount:	\$500,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Westway Place, TDHCA Number 08256

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S Points: 14 US Representative: Barton, District 6, NC
TX Representative: Cook, District 8, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

West Park Property Owner's Association, Frank S. Wheelock Letter Score: 24 S or O: S
Corsicana needs additional affordable housing.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
House of Refuge S or O: S
Kaufman County Senior Citizens Services Inc. S or O: S
Corsicana Chamber of Commerce S or O: S
Lakes Regional Mental Health and Mental Retardation Center S or O: S
Family Service Association S or O: S

General Summary of Comment:

Support received from elected official(s), a qualified Neighborhood Organization, and civic organizations.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Westway Place, TDHCA Number 08256

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **195** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Constitution Court, TDHCA Number 08257

BASIC DEVELOPMENT INFORMATION

Site Address: Constitution Dr. off US Hwy 190 Development #: 08257
City: Copperas Cove Region: 8 Population Served: General
County: Coryell Zip Code: 76522 Allocation: Urban
HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Constitution Court, Ltd.
Owner Contact and Phone: Emanuel H. Glockzin, Jr., (979) 846-8878
Developer: Homestead Development Group, Ltd.
Housing General Contractor: Brazos Valley Construction, Inc.
Architect: Myriad Designs, Ltd.
Market Analyst: Allen & Associates Consulting
Syndicator: Boston Capital Corporation
Supportive Services: Cambridge Interests, Inc.
Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown: 30% 40% 50% 60% Total Restricted Units: 108
6 0 39 63 Market Rate Units: 0
Eff 1 BR 2 BR 3 BR 4 BR 5 BR Owner/Employee Units: 0
0 24 52 32 0 0 Total Development Units: 108
Type of Building: Total Development Cost*: \$12,389,000
Number of Residential Buildings: 9
HOME High Total Units: 0
HOME Low Total Units: 45

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

Applicant Department
Request Analysis* Amort Term Rate
Competitive Housing Tax Credit Amount: \$962,957 \$947,423
HOME Activity Fund Amount: \$2,900,000 \$2,900,000 35 35 0.00%
HOME CHDO Operating Grant Amount: \$0 \$0

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Constitution Court, TDHCA Number 08257

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S Points: 14 US Representative: Carter, District 31, NC
TX Representative: Miller, District 59, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Roger P. O'Dwyer, Mayor Resolution of Support from Local Government [checked]
S, Robert L. Reeves, Mayor Pro Tem

Individuals and Businesses In Support: 6 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
Cove House Emergency Homeless Shelter, Inc. S or O: S
Grace United Methodist Church S or O: S
Families in Crisis, Inc. S or O: S
The Refuge Corporation S or O: S
Copperas Cove Chamber of Commerce S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations. Though it did not qualify for Quantifiable Community Participation, the Constitution Court Property Owners Association submitted a letter stating that the organization supports the proposed development because there is a need for affordable housing to be developed in Copperas Cove.

CONDITIONS OF COMMITMENT

- 1. Receipt, review and acceptance by carryover of evidence that the construction of the proposed road...
2. Receipt, review, and acceptance by cost certification of documentation verifying that the subject property will have access to the dedicated roadway...
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old and confirmation that the largest TDHCA loan will have a first lien at conversion to permanent.
4. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
5. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$2,000,000, or a commitment from a qualifying substitute source in an amount not less than \$619,450, as required by §50.9(i)(5) of the 2008 QAP.
6. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$900,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$247,780 as required by §50.9(i)(27) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Constitution Court, TDHCA Number 08257

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **206** Meeting a Required Set-Aside Credit Amount*: \$947,423

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$2,900,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/19/08 PROGRAM: HOME 9% HTC FILE NUMBER: 08257

DEVELOPMENT

Constitution Court

Location: Constitution Drive, off U.S. Highway 190 Region: 8
 City: Copperas Cove County: Coryell Zip: 76522 OCT DDA
 Key Attributes: Family, New Construction, Urban, and Multifamily

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$2,900,000	0.00%	35/35	\$2,900,000	0.00%	35/35
Housing Tax Credit (Annual)	\$962,957			\$947,423		

CONDITIONS

- 1 Receipt, review and acceptance by carryover of evidence that the construction of the proposed road (Constitution Drive extension/US 190 Reliever bypass) and water and sewer improvements will be completed in conjunction with the proposed development, and evidence that the associated costs are not a part of the eligible basis costs claimed by the Applicant at carryover or cost certification.
- 2 Receipt, review, and acceptance by cost certification of documentation verifying that the subject property will have access to the dedicated roadway as indicated in the Commitment for Title Insurance Schedule B item 10a dated January 18, 2008. Also, documentation that all requirements indicated in Schedule C item 5 have been met, including the submission of a survey plat, with correct description of the property, showing all easements, and access to the dedicated roadway, all requirements to obtain and place of record, payment of all taxes including 2006, and issuance of a waiver of inspection.
- 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old and confirmation that the largest TDHCA loan will have a first lien at conversion to permanent.
- 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI/Low HOME	6
50% of AMI	50% of AMI/Low HOME	39
60% of AMI	60% of AMI	63

This section intentionally left blank.

PROS

- The developer has a considerable amount of experience in affordable housing development and the capacity to support a transaction if necessary.

CONS

- The anticipated expense to income ratio is high at above 60% but both the Applicant and Underwriter's estimates are below the maximum 65% guideline.
- But for the significant below market rate HOME funds concurrently recommended for approval, the Development would not be financially feasible.

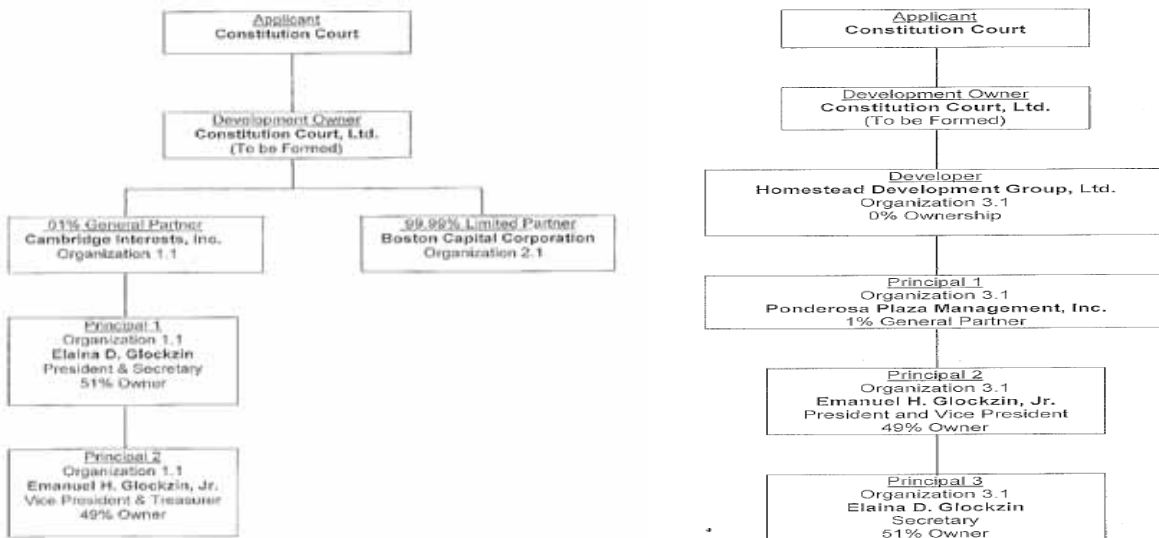
PREVIOUS UNDERWRITING REPORTS

Constitution Court was submitted during the 2007 competitive tax credit cycle but not recommended due to the termination of the HOME fund application which totaled \$2,900,000. Without these funds the transaction was rendered financially infeasible. The termination of the HOME funds occurred because the HOME application failed to achieve the minimum threshold score after it was confirmed that the Department had funded other developments in the area (the absence of which would have allowed the Applicant to keep the 10 points claimed for this item and exceed the minimum threshold score). The developer appealed the termination of the HOME funds to the board on June 14, 2007 and the board denied the appeal.

The threshold and scoring criteria for HOME awards for this year has been revised and the cycle was reconstituted as an open application round with minimum threshold activities but not a minimum score. Generally the application is similar to last year's application except it targets fewer 50% and below households replacing them with 60% households and therefore can service more conventional debt. In addition the Applicant's direct construction and total development costs have declined somewhat while the Underwriter's costs have increased slightly such that total and direct construction costs are more comparable to the underwritten estimates than last year. The property has also been properly rezoned and the proposed development conforms to the new zoning according to the documentation provided by the Applicant.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Emanuel H. Gloekzin, Jr. Phone: (979) 846-8878 Fax: (979) 846-0783
 Email: emanuel@edgproperties.net

KEY PARTICIPANTS

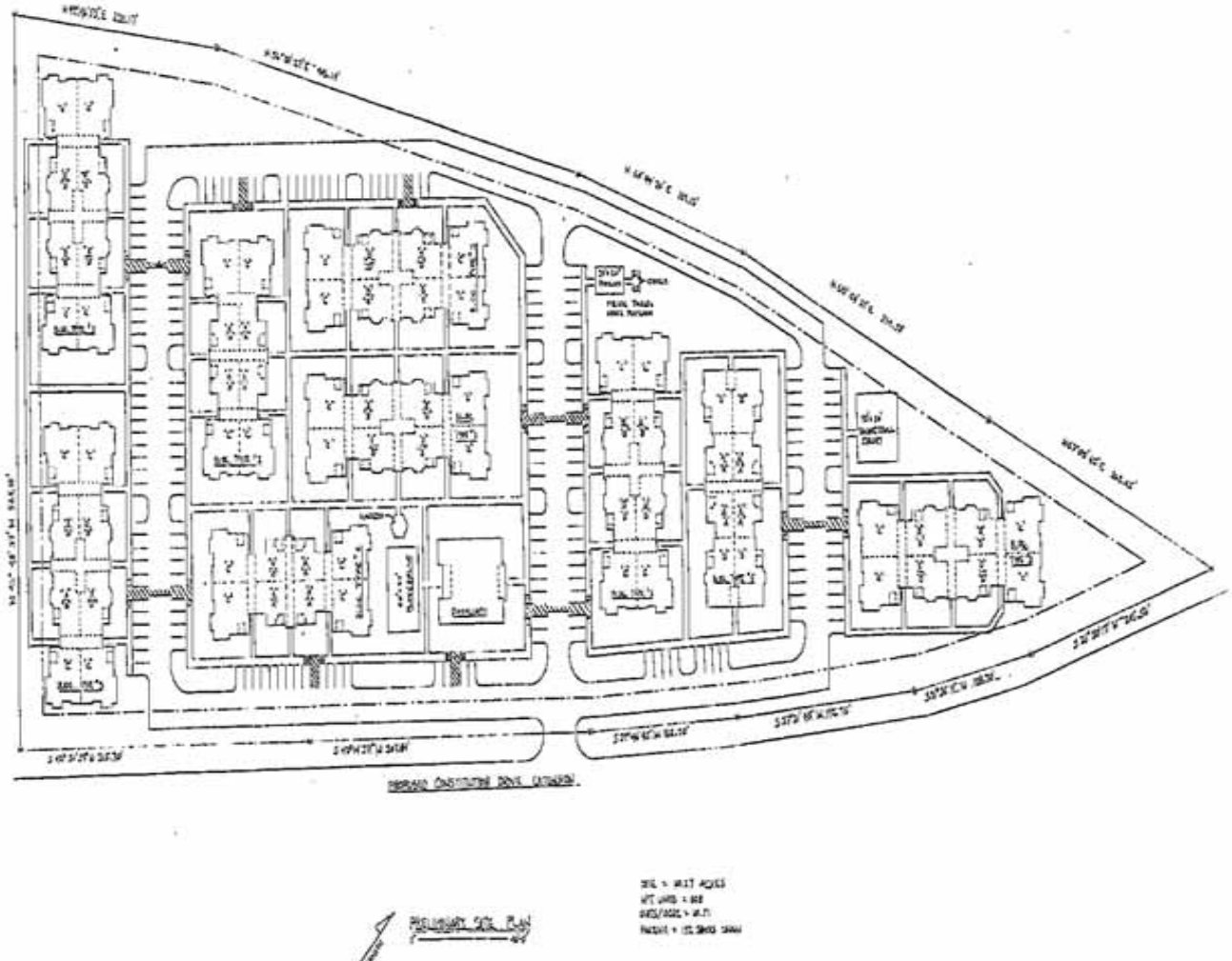
Name	Financial Notes	# Completed Developments
Cambridge Interests, Inc.	N/A	1
Homestead Development Group Ltd	N/A	4
Emanuel H. Glockzin, Jr.	N/A	24

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	2	3	5								Total Buildings
Floors/Stories	2	2	2								
Number	2	6	1								9

BR/BA	SF	Units									Total Units	Total SF
1/1	834	8		8							24	20,016
2/2	1,192		8	4							52	61,984
3/2	1,359	4	4								32	43,488
Units per Building		12	12	12							108	125,488

SITE ISSUES

Total Size: 10.3 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: R-3 Multifamily Needs to be re-zoned? Yes No N/A

Comments:

It appears that a road will be constructed adjacent to the site to provide access from Constitution Drive to US Highway 190, along with water and sewer infrastructure. The seller Copperas Cove Economic Development Corporation has made application for a Federal Economic Development Administration grant to fund infrastructure improvements totaling \$570,560 and this amount of these improvements were included in the sale price of the land to the developer as an in-kind contribution. Receipt, review and acceptance of evidence that the construction of the proposed road (Constitution Drive extension/US 190 Reliever bypass) and water and sewer improvements will be completed in conjunction with the proposed development, and evidence that the associated costs are not a part of the eligible basis costs claimed by the Applicant are a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/27/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Vacant land East: Ft. Hood
 South: Ft. Hood West: Vacant land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Incorporated Date: 4/2/2008
 Recognized Environmental Concerns (RECs) and Other Concerns:
 • None

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 2/23/2008
 Contact: Jeffery Carroll Phone: (704) 905-2276 Fax: (704) 708-4261
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 196.02 square miles (7.9 miles radius)
 "Based on our evaluation of the local market, we concluded that the primary market area includes the following 2000 Census Tracts: 231.02, 231.04, 105, 106.01, 106.02, 107.01, 107.02, 108.01, 108.02, and 9503." (p. 46) The estimated 2010 population for the PMA is 75,021 according to the Market Analyst.

Secondary Market Area (SMA):
 "Because we cannot define a more precise secondary market area for this project, it will be disregarded from this analysis." (p. 46)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Coryell						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,900	\$12,500	\$14,050	\$15,600	\$16,850	\$18,100
50	\$18,200	\$20,800	\$23,400	\$26,000	\$28,100	\$30,150
60	\$21,840	\$24,960	\$28,080	\$31,200	\$33,720	\$36,180

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit		28		28	2	0	7%
1BR/50% Rent Limit		51		51	9	0	18%
1BR/60% Rent Limit		76		76	13	0	17%
2BR/30% Rent Limit		54		54	2	0	4%
2BR/50% Rent Limit		109		109	20	0	18%
2BR/60% Rent Limit		139		139	30	0	22%
3BR/30% Rent Limit		43		43	2	0	5%
3BR/50% Rent Limit		94		94	10	0	11%
3BR/60% Rent Limit		118		118	20	0	17%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 110	The Market Analyst only identified project-specific demand for each unit/income type									
Underwriter	100%	12,624	100%	12,624	37%	4,670	42%	1,961	50%	981
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 110	The Market Analyst only identified project-specific demand for each unit/income type									
Underwriter			100%	550	37%	204	42%	86	100%	86

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 110	108	0	0	108	711	15.2%
Underwriter	108	0	0	108	1,066	10.1%

The Market Analyst used a more innovative method for determining demand than what is typical of market studies for Texas tax credit developments. The Market Analyst calculated the demand for each unit type and income level and then summed these individual demand amounts. Unfortunately, the Market Analyst did not provide the raw data detail for all of the calculations with this approach. It would seem obvious that some units would have overlapping demand from the same household size. The Underwriter used less specific data that was available in the market study to conclude ample demand to support an acceptable inclusive capture rate.

The Underwriter also calculated the inclusive capture rate using a demand model based on HISTA Data and determined that the capture rate would be an acceptable 13.8%.

Primary Market Occupancy Rates:

"Occupancies by rent type for stabilized family properties follow: Market rate, 92.7% (1334 units in sample); restricted rents, 90.0% (30 units in sample); and subsidized rents, 100.0% (50 units in sample). Overall market occupancies for all properties stand at 93.0% (1463 units in sample). Overall market occupancies for stabilized properties currently stand at 93.0% (1463 units in sample)." (p. 77)

Absorption Projections:

"We estimate a 10-month absorption period and an average absorption rate of 10.04 units per month to stabilization for the subject property. The absorption period breaks down by unit type and income level as follows: 3 month(s) for 1BR units at 30% of AMI; 8 month(s) for 1BR units at 50% of AMI; 10 month(s) for 1BR units at 60% of AMI; 1 month(s) for 2BR units at 30% of AMI; 7 month(s) for 2BR units at 50% of AMI; 10 month(s) for 2BR units at 60% of AMI; 1 month(s) for 3BR units at 30% of AMI; 3 month(s) for 3BR units at 50% of AMI; and 6 month(s) for 3BR units at 60% of AMI." (p.124)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	834 SF	30%	\$200	\$200	\$615	\$200	\$415
1 BR	834 SF	50%	\$395	\$395	\$615	\$395	\$220
1 BR	834 SF	60%	\$493	\$493	\$615	\$493	\$122
2 BR	1,192 SF	30%	\$225	\$225	\$715	\$225	\$490
2 BR	1,192 SF	50%	\$459	\$459	\$715	\$459	\$256
2 BR	1,192 SF	60%	\$576	\$576	\$715	\$576	\$139
3 BR	1,359 SF	30%	\$261	\$261	\$775	\$261	\$514
3 BR	1,359 SF	50%	\$532	\$532	\$775	\$532	\$243
3 BR	1,359 SF	60%	\$667	\$667	\$775	\$667	\$108

Market Impact:

"While we believe that this property is feasible from a market standpoint as proposed, in our opinion it will draw residents from other properties in the immediate area. Most of these properties are market rate and will experience a modest adverse impact (1 to 2 percent occupancy decline) from this development." (p. 13)

Comments:

While the Market Analyst did not provide data in the form that would allow the market study to be considered a fully self contained study from the Department's perspective, it provided sufficient information on which to potentially base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 3.3 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 6.1 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting "All Electric" tenant-paid utility allowances as of April 1, 2007, maintained by The City of Copperas Cove, from the 2008 program gross rent limits. The Applicant is proposing that all the HOME units be low HOME or units targeting households earning 50% or less of the area median income. Since the fair market rent is well above the calculated 50% rent the HOME rents at 50% and the HTC rents at 50% are the same. Tenants will be required to pay electric utility costs only.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/1/2008

The Applicant's total annual operating expense projection at \$3,620 per unit is within 5% of the Underwriter's estimate of \$3,784, derived from the TDHCA database, and third-party data sources.

Conclusion:

While the Applicant's income and expenses are within 5% of the Underwriter's estimates, the Applicant's net operating income is not within 5%. Therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio of 1.26, which falls within the Department's guidelines.

The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	<u>7.8 acres</u>	<u>\$703,640</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>\$0</u>	Valuation by:	<u>Coryell CAD</u>
Total Assessed Value:		<u>\$703,640</u>	Tax Rate:	<u>2.46207</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Unimproved Property Commercial Contract</u>	Acreage:	<u>10.3</u>
Contract Expiration:	<u>11/30/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$550,000</u>	Other:	<u></u>
Seller:	<u>Copperas Cove Economic Development Corporation</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:

Schedule B, item 10a of the title commitment indicates that the subject property does not have access to a dedicated roadway. Also, Schedule C, item 5 lists several items of concern that may not currently be resolved. The Underwriter has asked the Applicant for clarification on these items. The Applicant is working to address them, though these are items that were a concern last year as well. Receipt, review, and acceptance of documentation verifying these title items have been resolved is a condition of this report.

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/14/2008

Acquisition Value:

The site cost of \$55,825 per acre or \$5,324 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,500 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$75K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$172,000 to bring the eligible interest expense down to one year of fully drawn interest expense including both the First Victoria National Bank loan at 8% and the short term lumberyard credit at 8%. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & 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, but after the reduction in eligible interest, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$14,700 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

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 with the adjustments discussed above for excess interim interest and developer fee. An eligible basis of \$11,387,300 supports annual tax credits of \$947,423. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/14/2008

Source: Callaway Lumber Company Type: Interim Financing

Principal: \$300,000 Interest Rate: 8.0% Fixed Term: 12 months

Comments:

In the form of a pre-development loan for the purchase of lumber; 1 month term, with one 30 day extension. It should be noted that this loan is ultimately more costly than the existing construction loan or alternative financing that may be available. Encouraging local private loans in this case as part of the local public support is inconsistent with the general concept of an efficient allocation of funds.

Source: First Victoria National Bank Type: Permanent Financing

Principal: \$1,300,000 Interest Rate: 7.0% Fixed Amort: 420 months

Comments:

Initial 12 months of the loan (Construction phase) interest payable quarterly at 8%. Commencing with the 13th month (Term phase): Monthly principal and interest payments based on a 35 year amortization.

Source: Boston Capital Corporation Type: Syndication

Proceeds: \$7,896,247 Syndication Rate: 82% Anticipated HTC: \$ 962,957

Comments:

The committed credit price dropped from \$0.86 per credit a year ago but this appears to be consistent with recent trends in pricing. The Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.76, all else held equal, before the financial viability of the transaction is jeopardized. Alternatively, should the final credit price increase to above \$0.87 all deferred developer fees would be eliminated and a gap based adjustment to the credit amount may be warranted.

Amount: \$267,753 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,300,000 and the HOME Funds of \$2,900,000 indicates the need for \$8,189,000 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$998,659 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$962,957), the gap-driven amount (\$998,659), and eligible basis-derived estimate (\$947,423), the Applicant's eligible basis-derived estimate of \$947,423 is recommended resulting in proceeds of \$7,768,871 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$420,129 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation. If the HOME award is ultimately not awarded, the gap in financing would increase to an amount greater than the developer fee available and the transaction would not be financially viable unless another source of funds was received.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

The proposed HOME loan is anticipated to be more than twice as large as the proposed conventional debt and as such it would be prudent to require that the HOME loan have a priority lien to the conventional debt so that any future foreclosure does not wipe away the Department's LURA and ability to recover and repay its obligation to provide affordable units to HUD. Therefore, the Underwriter has conditioned this report upon the receipt, review and acceptance of revised lender and syndicator commitments reflecting a first lien for the Department's proposed HOME loan.

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Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on only deferred developer fee based upon first year income is relatively high but this is less meaningful because it neglects to consider the tax credit induced equity. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter: _____ Date: June 19, 2008
Carl Hoover

Reviewing Underwriter: _____ Date: June 19, 2008
Raquel Morales

Director of Real Estate Analysis: _____ Date: June 19, 2008
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Constitution Court, Copperas Cove, HOME 9% HTC #08257

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% LH	2	1	1	834	\$292	\$200	\$400	\$0.24	\$92.00	\$43.50
TC 50% LH	9	1	1	834	\$487	\$395	\$3,555		\$92.00	\$43.50
TC 60%	13	1	1	834	\$585	\$493	\$6,409		\$92.00	\$43.50
TC 30% LH	2	2	2	1,192	\$351	\$225	\$450		\$126.00	\$47.50
TC 50% LH	20	2	2	1,192	\$585	\$459	\$9,180		\$126.00	\$47.50
TC 60%	30	2	2	1,192	\$702	\$576	\$17,280		\$126.00	\$47.50
TC 30% LH	2	3	2	1,359	\$405	\$261	\$522		\$144.00	\$54.20
TC 50% LH	10	3	2	1,359	\$676	\$532	\$5,320		\$144.00	\$54.20
TC 60%	20	3	2	1,359	\$811	\$667	\$13,340		\$144.00	\$54.20
TOTAL:	108		AVERAGE:	1,162		\$523	\$56,456	\$0.45	\$123.78	\$48.60

INCOME		Total Net Rentable Sq Ft:	125,488	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				\$677,472	\$677,472	Coryell		8
Secondary Income	Per Unit Per Month:	\$10.00		12,960	12,960	\$10.00	Per Unit Per Month	
Other Support Income:				0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				\$690,432	\$690,432			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(51,782)	(51,780)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				\$638,650	\$638,652			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	5.29%	\$313	0.27	\$33,775	\$28,986	\$0.23	\$268	4.54%	
Management	3.88%	230	0.20	24,791	30,000	0.24	278	4.70%	
Payroll & Payroll Tax	14.80%	875	0.75	94,500	92,000	0.73	852	14.41%	
Repairs & Maintenance	7.89%	467	0.40	50,414	43,979	0.35	407	6.89%	
Utilities	5.32%	314	0.27	33,956	30,564	0.24	283	4.79%	
Water, Sewer, & Trash	7.52%	445	0.38	48,032	47,725	0.38	442	7.47%	
Property Insurance	4.70%	278	0.24	29,995	26,281	0.21	243	4.12%	
Property Tax	2.46207	8.74%	517	0.44	55,840	54,145	0.43	501	8.48%
Reserve for Replacements	4.23%	250	0.22	27,000	27,000	0.22	250	4.23%	
TDHCA Compliance Fees	0.68%	40	0.03	4,320	4,320	0.03	40	0.68%	
Other: Supp. Serv., Security	0.94%	56	0.05	6,000	6,000	0.05	56	0.94%	
TOTAL EXPENSES	63.98%	\$3,784	\$3.26	\$408,623	\$391,000	\$3.12	\$3,620	61.22%	
NET OPERATING INC	36.02%	\$2,130	\$1.83	\$230,026	\$247,652	\$1.97	\$2,293	38.78%	

DEBT SERVICE				TDHCA	APPLICANT			
First Victoria National Bank	15.61%	\$923	\$0.79	\$99,662	\$100,399	\$0.80	\$930	15.72%
TDHCA HOME	12.97%	\$767	\$0.66	82,857	82,857	\$0.66	\$767	12.97%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	7.44%	\$440	\$0.38	\$47,507	\$64,396	\$0.51	\$596	10.08%

AGGREGATE DEBT COVERAGE RATIO	1.26	1.35
RECOMMENDED DEBT COVERAGE RATIO	1.26	

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)		4.68%	\$5,324	\$4.58	\$575,000	\$575,000	\$4.58	\$5,324	4.64%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.60%	7,500	6.45	810,000	810,000	6.45	7,500	6.54%
Direct Construction		52.82%	60,044	51.68	6,484,782	6,560,000	52.28	60,741	52.95%
Contingency	4.94%	2.93%	3,333	2.87	360,000	360,000	2.87	3,333	2.91%
Contractor's Fees	14.00%	8.32%	9,456	8.14	1,021,270	1,031,000	8.22	9,546	8.32%
Indirect Construction		7.36%	8,361	7.20	903,000	903,000	7.20	8,361	7.29%
Ineligible Costs		2.17%	2,472	2.13	267,000	267,000	2.13	2,472	2.16%
Developer's Fees	15.00%	11.99%	13,635	11.73	1,472,558	1,500,000	11.95	13,889	12.11%
Interim Financing		1.94%	2,204	1.90	238,000	238,000	1.90	2,204	1.92%
Reserves		1.18%	1,343	1.16	145,000	145,000	1.16	1,343	1.17%
TOTAL COST		100.00%	\$113,672	\$97.83	\$12,276,610	\$12,389,000	\$98.73	\$114,713	100.00%
Construction Cost Recap		70.67%	\$80,334	\$69.14	\$8,676,052	\$8,761,000	\$69.82	\$81,120	70.72%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Victoria National Bank	10.59%	\$12,037	\$10.36	\$1,300,000	\$1,300,000	\$1,300,000	Developer Fee Available
TDHCA HOME	23.62%	\$26,852	\$23.11	2,900,000	2,900,000	2,900,000	\$1,485,300
HTC Syndication Proceeds	64.32%	\$73,113	\$62.92	7,896,247	7,896,247	7,768,871	% of Dev. Fee Deferred
Deferred Developer Fees	2.38%	\$2,711	\$2.33	292,753	292,753	420,129	28%
Additional (Excess) Funds Req'd	-0.92%	(\$1,041)	(\$0.90)	(112,390)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$12,276,610	\$12,389,000	\$12,389,000	\$979,774

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Constitution Court, Copperas Cove, HOME 9% HTC #08257

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.22	\$6,678,991
Adjustments				
Exterior Wall Finish	6.00%		\$3.19	\$400,739
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.00	250,462
Roofing			0.00	0
Subfloor			(2.47)	(309,955)
Floor Cover			2.43	304,936
Breezeways/Balconies	\$21.66	26,703	4.61	578,253
Plumbing Fixtures	\$805	252	1.62	202,860
Rough-ins	\$400	216	0.69	86,400
Built-In Appliances	\$1,850	108	1.59	199,800
Exterior Stairs	\$1,800	18	0.26	32,400
Enclosed Corridors	\$43.30		0.00	0
Heating/Cooling			1.90	238,427
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$70.95	3,787	2.14	268,683
Other: fire sprinkler	\$1.95	125,488	1.95	244,702
SUBTOTAL			73.13	9,176,698
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(9.51)	(1,192,971)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.62	\$7,983,727
Plans, specs, survy, bld prm	3.90%		(2.48)	(311,365)
Interim Construction Interest	3.38%		(2.15)	(269,451)
Contractor's OH & Profit	11.50%		(7.32)	(918,129)
NET DIRECT CONSTRUCTION COSTS			\$51.68	\$6,484,782

PAYMENT COMPUTATION

Primary	\$1,300,000	Amort	420
Int Rate	7.00%	DCR	2.31

Secondary	\$2,900,000	Amort	420
Int Rate	0.00%	Subtotal DCR	1.26

Additional	\$7,896,247	Amort	
Int Rate		Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$99,662
Secondary Debt Service	82,857
Additional Debt Service	0
NET CASH FLOW	\$47,507

Primary	\$1,300,000	Amort	420
Int Rate	7.00%	DCR	2.31

Secondary	\$2,900,000	Amort	420
Int Rate	0.00%	Subtotal DCR	1.26

Additional	\$7,896,247	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

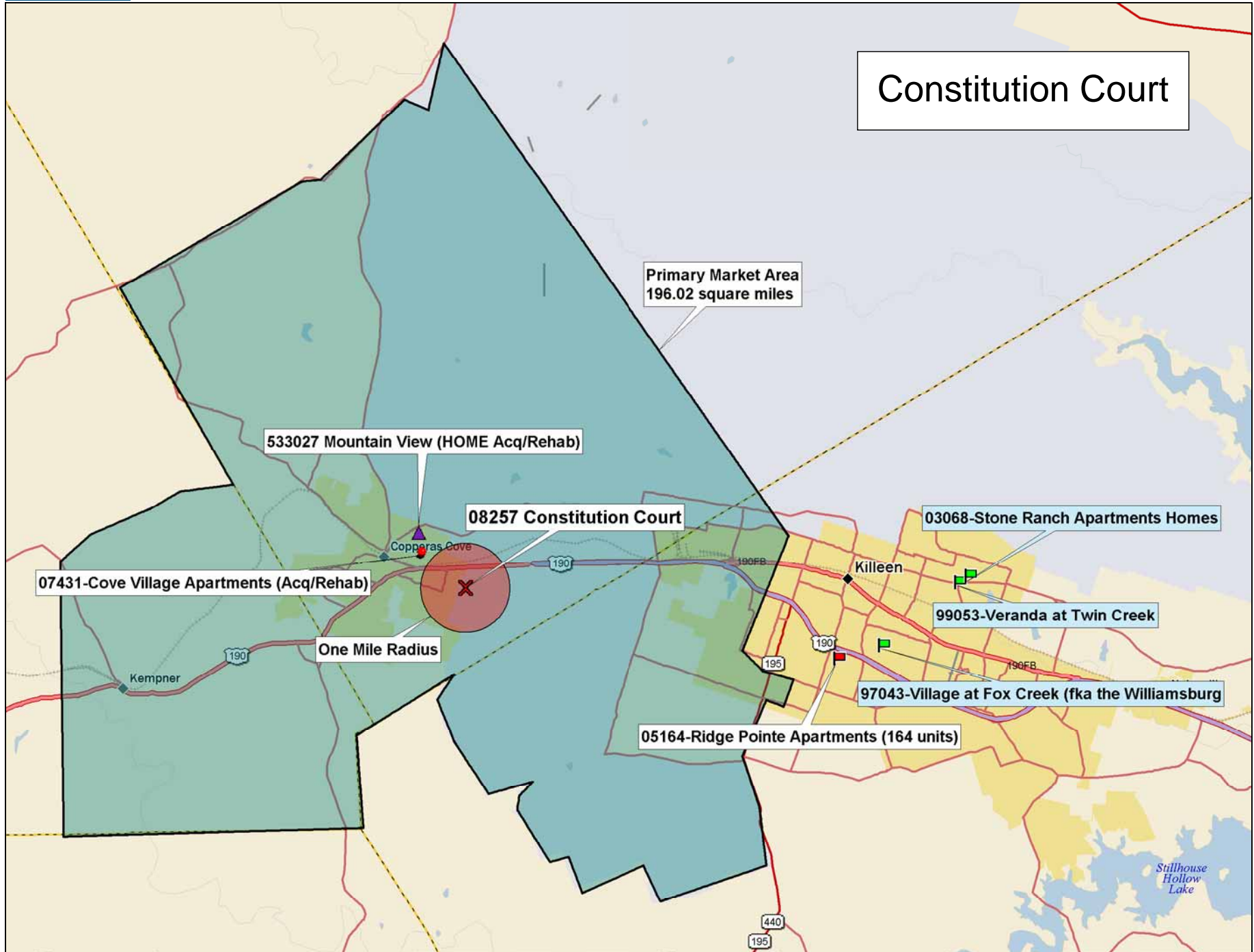
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$677,472	\$697,796	\$718,730	\$740,292	\$762,501	\$883,947	\$1,024,737	\$1,187,951	\$1,596,507
Secondary Income	12,960	13,349	13,749	14,162	14,587	16,910	19,603	22,725	30,541
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	690,432	711,145	732,479	754,454	777,087	900,857	1,044,340	1,210,677	1,627,048
Vacancy & Collection Loss	(51,782)	(53,336)	(54,936)	(56,584)	(58,282)	(67,564)	(78,326)	(90,801)	(122,029)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$638,650	\$657,809	\$677,543	\$697,870	\$718,806	\$833,293	\$966,015	\$1,119,876	\$1,505,020
EXPENSES at 4.00%									
General & Administrative	\$33,775	\$35,126	\$36,531	\$37,993	\$39,512	\$48,073	\$58,488	\$71,159	\$105,333
Management	24,791	25,535	26,301	27,090	27,902	32,346	37,498	43,471	58,421
Payroll & Payroll Tax	94,500	98,280	102,211	106,300	110,552	134,503	163,643	199,097	294,713
Repairs & Maintenance	50,414	52,431	54,528	56,709	58,977	71,755	87,301	106,215	157,224
Utilities	33,956	35,314	36,727	38,196	39,724	48,330	58,801	71,540	105,897
Water, Sewer & Trash	48,032	49,954	51,952	54,030	56,191	68,365	83,176	101,197	149,796
Insurance	29,995	31,195	32,443	33,740	35,090	42,692	51,942	63,195	93,544
Property Tax	55,840	58,073	60,396	62,812	65,325	79,477	96,696	117,646	174,145
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	10,320	10,733	11,162	11,609	12,073	14,689	17,871	21,743	32,184
TOTAL EXPENSES	\$408,623	\$424,720	\$441,454	\$458,849	\$476,932	\$578,660	\$702,172	\$852,148	\$1,255,461
NET OPERATING INCOME	\$230,026	\$233,089	\$236,089	\$239,021	\$241,874	\$254,633	\$263,843	\$267,728	\$249,558
DEBT SERVICE									
First Lien Financing	\$99,662	\$99,662	\$99,662	\$99,662	\$99,662	\$99,662	\$99,662	\$99,662	\$99,662
Second Lien	82,857	82,857	82,857	82,857	82,857	82,857	82,857	82,857	82,857
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$47,507	\$50,570	\$53,571	\$56,502	\$59,355	\$72,114	\$81,324	\$85,209	\$67,040
DEBT COVERAGE RATIO	1.26	1.28	1.29	1.31	1.33	1.40	1.45	1.47	1.37

HTC ALLOCATION ANALYSIS -Constitution Court, Copperas Cove, HOME 9% HTC #08257

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$575,000	\$575,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$810,000	\$810,000	\$810,000	\$810,000
Construction Hard Costs	\$6,560,000	\$6,484,782	\$6,560,000	\$6,484,782
Contractor Fees	\$1,031,000	\$1,021,270	\$1,031,000	\$1,021,270
Contingencies	\$360,000	\$360,000	\$360,000	\$360,000
Eligible Indirect Fees	\$903,000	\$903,000	\$903,000	\$903,000
Eligible Financing Fees	\$238,000	\$238,000	\$238,000	\$238,000
All Ineligible Costs	\$267,000	\$267,000		
Developer Fees			\$1,485,300	
Developer Fees	\$1,500,000	\$1,472,558		\$1,472,558
Development Reserves				
	\$145,000	\$145,000		
TOTAL DEVELOPMENT COSTS	\$12,389,000	\$12,276,610	\$11,387,300	\$11,289,610

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$11,387,300	\$11,289,610
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$11,387,300	\$11,289,610
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$11,387,300	\$11,289,610
Applicable Percentage			8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$947,423	\$939,296

Syndication Proceeds	0.8200	\$7,768,871	\$7,702,223
Total Tax Credits (Eligible Basis Method)		\$947,423	\$939,296
Syndication Proceeds		\$7,768,871	\$7,702,223
Requested Tax Credits		\$962,957	
Syndication Proceeds		\$7,896,247	
Gap of Syndication Proceeds Needed		\$8,189,000	
Total Tax Credits (Gap Method)		\$998,659	



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Scale 1 : 187,500



1" = 2.96 mi

Data Zoom 10-1

Applicant Evaluation

Project ID **08257**

Name **Constitution Court**

City: **Copperas Cove**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 30

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 27

Total # of MF awards not yet monitored or pending review: 7

10-19: 3

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 30

Total # of SF Contracts: 1

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 5/21/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5/23/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lexington Court Phase II, TDHCA Number 08258

BASIC DEVELOPMENT INFORMATION

Site Address: 3509 US Hwy 259 N. Development #: 08258
 City: Kilgore Region: 4 Population Served: General
 County: Gregg Zip Code: 75662 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Lexington Court Phase II, Ltd.
 Owner Contact and Phone: Emanuel H. Glockzin, Jr., (979) 846-8878
 Developer: Homestead Development Group, Ltd.
 Housing General Contractor: Brazos Valley Construction, Inc.
 Architect: Myriad Designs, Ltd.
 Market Analyst: Allen & Associates Consulting
 Syndicator: Boston Capital Corporation
 Supportive Services: Cambridge Interests, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	76
	4 0 30 42	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 20 36 20 0 0	Total Development Units:	76
Type of Building:		Total Development Cost*:	\$8,808,491
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	7
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	34
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$694,422	\$693,584			
HOME Activity Fund Amount:	\$2,600,000	\$2,600,000	30	30	0.00%
HOME CHDO Operating Grant Amount:	\$50,000	\$50,000			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lexington Court Phase II, TDHCA Number 08258

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, NC Points: 0 US Representative: Gohmert, District 1, NC
TX Representative: Merritt, District 7, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government [checked]

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Highway 259 Neighborhood Organization, Rose L. Deere Letter Score: 24 S or O: S

There seems to be a real shortage of affordable housing units available to the influx of people moving to Kilgore.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0
East Texas Child Advocates, Inc. S or O: S
United Way of Greater Longview S or O: S
Kilgore Chamber of Commerce S or O: S

General Summary of Comment:

General support received from elected official(s), a qualified Neighborhood Organization, and civic organizations.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance by carryover that a radon contractor has determined what construction techniques are required to reduce the radon levels on the subject site.
2. Receipt, review, and acceptance, by commitment of binding certification by Applicant that no property tax exemption will be pursued or an increase in the HOME loan interest rate to at least 1%.
3. Receipt, review and acceptance of revised lender and syndicator commitments reflecting a first lien for the Department's proposed HOME loan.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old and confirmation that the largest TDHCA loan will have a first lien at conversion to permanent.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
6. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$2,000,000, or a commitment from a qualifying substitute source in an amount not less than \$440,425, as required by §50.9(i)(5) of the 2008 QAP.
7. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$600,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$176,170 as required by §50.9(i)(27) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lexington Court Phase II, TDHCA Number 08258

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$693,584

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when Rural tax credits are collapsed.

HOME Activity Funds:

Loan Amount: \$2,600,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$50,000

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/03/08 PROGRAM: 9% HTC / HOME FILE NUMBER: 08258

DEVELOPMENT

Lexington Court Phase II

Location: 3509 US Highway 259 North Region: 4
 City: Kilgore County: Gregg Zip: 75662 OCT DDA
 Key Attributes: Multifamily, Family, Rural, New Construction, Non Profit

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$2,600,000	0.00%	30/30	\$2,600,000	0.00%	30/30
HOME CHDO Operating Expenses	\$50,000			\$50,000		
Housing Tax Credit (Annual)	\$694,422			\$693,584		

CONDITIONS

- 1 Receipt, review, and acceptance by carryover that a radon contractor has determined what construction techniques are required to reduce the radon levels on the subject site.
- 2 Receipt, review, and acceptance, by commitment of binding certification by Applicant that no property tax exemption will be pursued or an increase in the HOME loan interest rate to at least 1%.
- 3 Receipt, review and acceptance of revised lender and syndicator commitments reflecting a first lien for the Department's proposed HOME loan.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old and confirmation that the largest TDHCA loan will have a first lien at conversion to permanent.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LIHTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	30
60% of AMI	60% of AMI	42

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Unit Mix
50% of AMI	Low HOME	4
50% of AMI	Low HOME	30
60% to 80% of AMI	High HOME	0

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

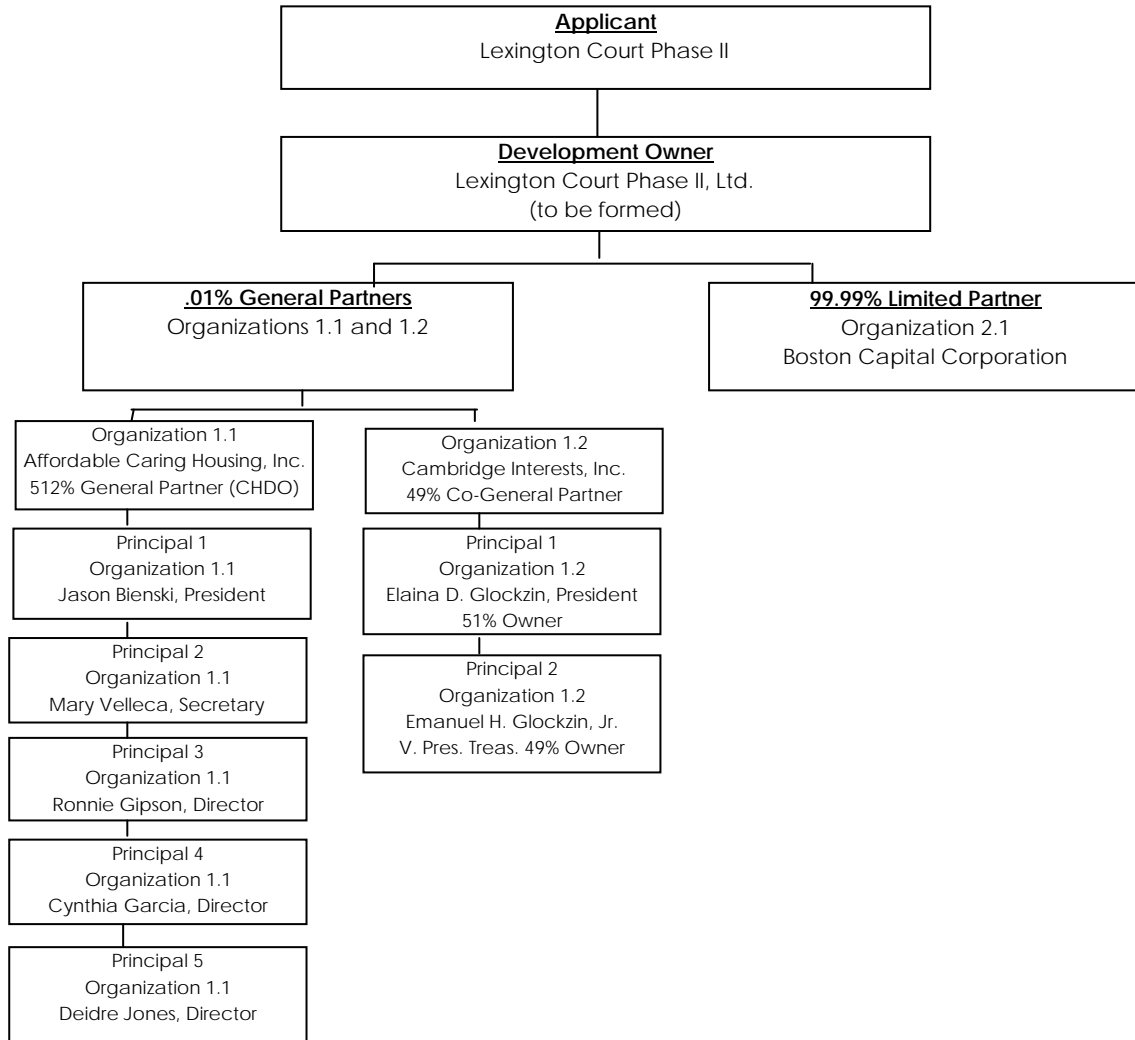
- The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, both are below the Department's 65% maximum and therefore no other mitigation is required.
- But for the significant below market rate HOME funds concurrently recommended for approval, the Development would not be financially feasible.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Emanuel H. Glockzin, Jr. Phone: (979) 846-8878 Fax: (979) 846-0783
 Email: emanuel@edgproperties.net

KEY PARTICIPANTS

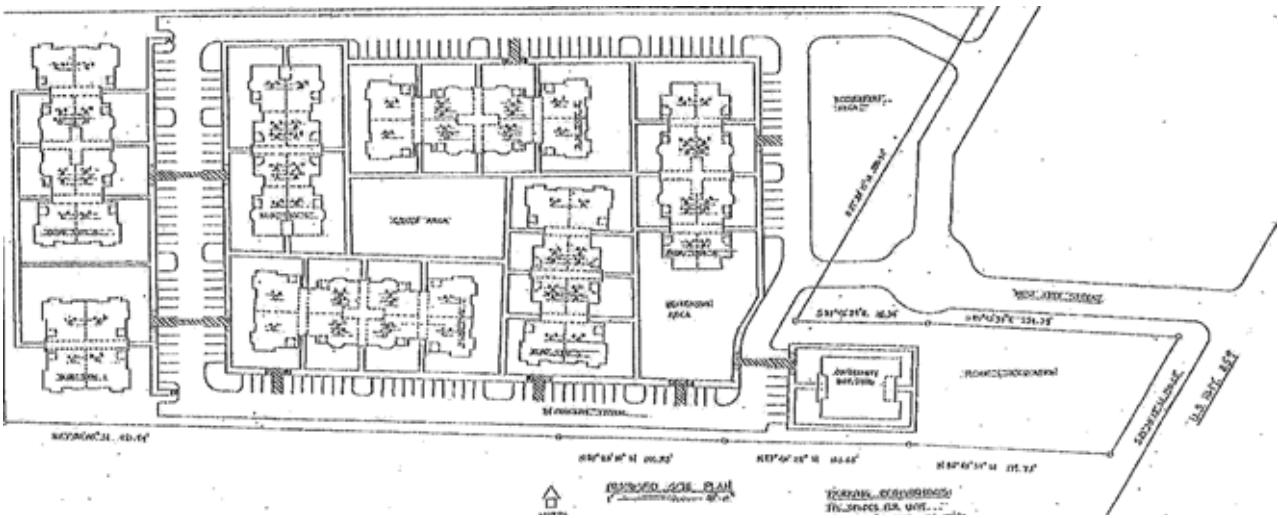
Name	Financial Notes	# Completed Developments
Affordable Caring Housing, Inc.	N/A	4
Cambridge Interests, Inc.	N/A	1
Homestead Development Group	N/A	3
Ponderosa Plaza Management	N/A	N/A
Emanuel Glockzin	N/A	24
Elaina Glockzin	N/A	24

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, Architect, and property manager are related entities. These are common relationships for HTC-funded developments.
- The Seller is related to the Owners of the GP and the transfer of the property is therefore regarded as a related party transaction.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5						Total Buildings
Floors/Stories	1	2	2	2	2						
Number	1	1	3	1	1						7

BR/BA	SF	Units									Total Units	Total SF
1/1	834		8		4	8					20	16,680
2/2	1,192			8	8	4					36	42,912
3/2	1,359	4	4	4							20	27,180
Units per Building		4	12	12	12	12					76	86,772

SITE ISSUES

Total Size: 8.15 acres Scattered site? [] Yes [x] No
Flood Zone: C Within 100-yr floodplain? [] Yes [x] No
Zoning: C-Commercial Needs to be re-zoned? [] Yes [x] No [] N/A

Comments:

The seller of the property, Edward and Rose Deere, would only sell the property located at 3509 US Highway 259 North, as one tract and under one Real Estate Contract. The amount of the purchase contract for the entire acreage was \$210,000. The tract is composed of 17.272 acres, and the back of the property has no utilities and parts of it are in the flood plain. The development only needed 8.15 acres; therefore, the buyer Glockzin Family Partners sold the prime 8.15 tract which has road frontage and utilities to the development for \$150,000.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/10/2008

Overall Assessment:

[] Excellent [X] Acceptable [] Questionable [] Poor [] Unacceptable

Surrounding Uses:

North: Residential house and vacant land beyond
East: Highway 259 and residential homes beyond
South: Days Inn hotel and Lexington Court beyond
West: Wooded area and pond beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Inc. Date: 2/27/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The radon sample results are abnormally high for this area of Texas. Additional testing should resolve this dilemma." (9.0 Opinion)
- "Hodges Engineering Incorporated recommends that you delineate and evaluate the presence of radon on the proposed site and use EPA recommended construction techniques by a radon contractor to reduce the radon to an acceptable level." (Letter dated June 9, 2008) A condition of this report will be made that by carryover a radon contractor determine what construction techniques are required to reduce the radon levels.

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 2/26/2008

Contact: Jeffrey B Carroll Phone: 704.905.2276 Fax: 704.708.4261

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 326.12 square miles (10.2 mile radius)

The Primary Market Area includes 27 census tracts that make up parts of Gregg, Harrison, and Rusk counties. The Analyst notes, "We defined the primary market area by generating a drive time zone around the subject property and analyzing median rents and average household income levels in the area. We also considered population densities, existing multifamily properties and the nearest census tracts boundaries in our analysis" (p. 50). The estimated population for the PMA in 2006 is 96,502.

Secondary Market Area (SMA):

The Market Analyst did not explicitly define an SMA.

This section intentionally left blank.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
North Eastman Residential	08284	80	80	N/A			

Comments:

The Market Analyst failed to identify North Eastman Residential which is located in northeast Longview which is in the defined PMA.

INCOME LIMITS						
Gregg						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,550	\$12,050	\$13,550	\$15,050	\$16,250	\$17,450
50	\$17,550	\$20,100	\$22,600	\$25,100	\$27,100	\$29,100
60	\$21,060	\$24,120	\$27,120	\$30,120	\$32,520	\$34,920

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	33	2	0	35	1	0	3%
1 BR/50% Rent Limit	51	2	0	53	5	0	9%
1 BR/60% Rent Limit	64	3	0	67	14	0	21%
2 BR/30% Rent Limit	57	1	0	58	1	0	2%
2 BR/50% Rent Limit	93	2	0	95	14	0	15%
2 BR/60% Rent Limit	107	1	0	108	21	0	19%
3 BR/30% Rent Limit	34	0	0	34	2	0	6%
3 BR/50% Rent Limit	47	1	0	48	11	0	23%
3 BR/60% Rent Limit	56	0	0	56	7	0	13%

Comments:

The Market Analyst's demand by unit type calculations result in significantly understated inclusive capture rates due to several issues. First, the Analyst included households that are too large for the proposed unit types. Second, the Market Analyst included demand from the secondary market by concluding that the secondary market would result in an additional 25% of the demand from the primary market. The Department's rules allow demand from a secondary market area but the demand must be derived from that area, rather than just increasing primary market demand. The Market Analyst indicated that this percentage was determine by a general survey of property managers.

The result of the Market Analyst's methodology potentially overstated demand figures yielding an understated inclusive capture rate by unit type.

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 144					723				
Underwriter	100% 35,112	100% 35,112	30% 10,524	34% 3,610	35% 1,256				
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 144					12				
Underwriter		100% 233	30% 70	34% 24	100% 24				

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 144	76	0	0	76	735	10.34%
Underwriter	76	80	0	156	1,280	12.19%
HISTA-Based Data Alternate	76	80	0	156	784	19.90%

Comment:

The Underwriter also calculated the capture rate using the HISTA-based data alternative that resulted in a capture rate of 19.9%, which falls within the Department's guidelines.

Primary Market Occupancy Rates:

"Our research suggests an overall occupancy rate of 97 percent for the 3,873 confirmed and stabilized family units included in this report." (p. 96)

Absorption Projections:

"Our analysis suggests that the subject property will stabilize at 97 percent occupancy. We estimate a 7 month absorption period and an average absorption rate of 10.53 units per month for this project. In our opinion, the absorption period suggests an appropriate number and mix of units for the subject property." (p. 147)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 834 SF 30%	\$203	\$203	\$480	\$203	\$277	
1 BR 834 SF 50%	\$391	\$391	\$480	\$391	\$89	
1 BR 834 SF 60%	\$480	\$485	\$480	\$480	\$0	
2 BR 1,192 SF 30%	\$237	\$237	\$570	\$237	\$333	
2 BR 1,192 SF 50%	\$464	\$464	\$570	\$464	\$106	
2 BR 1,192 SF 60%	\$570	\$577	\$570	\$570	\$0	
3 BR 1,359 SF 30%	\$272	\$272	\$655	\$272	\$383	
3 BR 1,359 SF 50%	\$533	\$533	\$655	\$533	\$122	
3 BR 1,359 SF 60%	\$655	\$664	\$655	\$655	\$0	

Market Impact:

The Market Analyst does not explicitly discuss the market impact.

Comments:

The Market Analyst's demand calculations differ from the Underwriter's in several ways as discussed above. However, the Underwriter was able to derive an acceptable inclusive capture rate from the information presented in the study. Therefore, the Underwriter's inclusive capture rate is sufficient on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 1.7 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 9 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting the tenant-paid utility allowances as of January 2007, maintained by The Tatum Housing Authority from the 2008 program gross rent limits. The Applicant is proposing that all the HOME units be Low HOME or units targeting households earning 50% or less of the area median income. Since the fair market rent is well above the calculated 50% rent the HOME rents at 50% and the HTC rents at 50% are the same. Tenants will be required to pay electric utility costs and water and sewer.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,625 per unit is within 5% of the Underwriter's estimate of \$3,612, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, specifically: payroll and payroll tax (\$9K lower and water, sewer, & trash (\$8 higher).

The Applicant's majority general partner is a CHDO Non Profit and will likely make the development eligible for a 50% property tax exemption however no consideration of this appears to have been made by the Applicant for the purposes of this application. Should a standard exemption be achieved, an additional \$15K in NOI can be realized and the projected DCR would be well above the Department maximum thereby requiring the terms on the HOME debt to be modified. The mitigation to this potential additional NOI will be discussed further in the financing section below.

Conclusion:

The Applicant's estimated income, expenses and net operating income are all each within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. When using the Applicant's proforma, the estimated debt service results in a debt coverage ratio (DCR) which is within the current underwriting guideline of 1.15 to 1.35.

The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Allen & Associates Date: 2/26/2008
 Number of Revisions: none Date of Last Applicant Revision: N/A
 Land Only: 8.15 acres \$209,000 As of: 2/26/2006

ASSESSED VALUE

Land Only: 1 acres \$6,550 Tax Year: 2007
 Prorated 8.15 acres: \$53,383 Valuation by: Gregg CAD
 Total Assessed Value: \$53,383 Tax Rate: 2.0271

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 8.15
 Contract Expiration: 10/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$150,000 Other: _____
 Seller: Glockzin Family Partners, Ltd. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/10/2008

Acquisition Value:

The property is currently owned by Glockzin Family Partners, Ltd. a related party to the Applicant and principals of the Developer and General Partner. The 8.15 acre subject site is part of the total site of 17.272 acres that was purchased in January 2008 for \$210,000. The Applicant is proposing a value of \$150,000 for the subject 8.15 acres. The Underwriter has prorated the subject site containing 8.15 acres value to be \$99,091 based on the total purchase price of \$210,000. The appraised value of \$209,000 supports this prorated price.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,500 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$143.2K or 3.0% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & 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, but the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$50 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

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 \$8,336,350 supports annual tax credits of \$693,584. 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. It should be noted that the Applicant utilized a applicable percentage of 8.33% rather than the 8.32% underwriting rate for applications submitted in February 2008. This accounts for an \$838 adjustment to the requested tax credit.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: Callaway Lumber Company Type: Interim Financing

Principal: \$180,000 Interest Rate: 8.0% Fixed Term: 2 months

Comments:

A pre-development loan for 30 days with one 30 day extension.

Source: First Victoria National Bank Type: Interim to Permanent Financing

Principal: \$400,000 Interest Rate: 8.0% Fixed Amort: 360 months

Source: Boston Capital Corporation Type: Syndication

Proceeds: \$5,693,692 Syndication Rate: 82% Anticipated HTC: \$ 694,422

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.72. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the \$0.84, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$165,708 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$400,000 and the HOME Loan of \$2,600,000 indicates the need for \$5,859,400 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$714,632 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$694,422), the gap-driven amount (\$714,632), and eligible basis-derived estimate (\$693,584), the Applicant's eligible basis-derived estimate of \$693,584 is recommended resulting in proceeds of \$5,686,824 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$121,667 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within three years of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

The proposed HOME loan is anticipated to be more than six times as large as the proposed conventional debt and as such it would be prudent to require that the HOME loan have a priority lien to the conventional debt so that any future foreclosure does not wipe away the Department's LURA and ability to recover and repay its obligation to provide affordable units to HUD. Therefore, the Underwriter has conditioned this report upon the receipt, review and acceptance of revised lender and syndicator commitments reflecting a first lien for the Department's proposed HOME loan.

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MULTIFAMILY COMPARATIVE ANALYSIS

Lexington Court Phase II, Kilgore, 9% HTC / HOME #08258

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 30%	LH	1	1	1	834	\$282	\$203	\$203	\$0.24	\$79.00	\$13.00
TC 50%	LH	5	1	1	834	\$470	\$391	\$1,955	\$0.47	\$79.00	\$13.00
TC 60%		14	1	1	834	\$564	\$480	\$6,720	\$0.58	\$79.00	\$13.00
TC 30%	LH	1	2	2	1,192	\$338	\$237	\$237	\$0.20	\$101.00	\$13.00
TC 50%	LH	14	2	2	1,192	\$565	\$464	\$6,496	\$0.39	\$101.00	\$13.00
TC 60%		21	2	2	1,192	\$678	\$570	\$11,970	\$0.48	\$101.00	\$13.00
TC 30%	LH	2	3	2	1,359	\$391	\$272	\$544	\$0.20	\$119.00	\$13.00
TC 50%	LH	11	3	2	1,359	\$652	\$533	\$5,863	\$0.39	\$119.00	\$13.00
TC 60%		7	3	2	1,359	\$783	\$655	\$4,585	\$0.48	\$119.00	\$13.00
TOTAL:		76		AVERAGE:	1,142		\$508	\$38,573	\$0.44	\$99.95	\$13.00

INCOME

Total Net Rentable Sq Ft: **86,772**

POTENTIAL GROSS RENT

Secondary Income

Per Unit Per Month: \$10.00

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

5.92% \$340 0.30

Management

5.00% 287 0.25

Payroll & Payroll Tax

15.35% 882 0.77

Repairs & Maintenance

7.94% 456 0.40

Utilities

4.58% 263 0.23

Water, Sewer, & Trash

4.80% 276 0.24

Property Insurance

4.72% 271 0.24

Property Tax

2.0271 7.23% 416 0.36

Reserve for Replacements

4.35% 250 0.22

TDHCA Compliance Fees

0.70% 40 0.04

Other: Supp. Serv., Security

2.29% 132 0.12

TOTAL EXPENSES

62.88% \$3,612 \$3.16

NET OPERATING INC

37.12% \$2,132 \$1.87

DEBT SERVICE

First Victoria National Bank

8.07% \$463 \$0.41

TDHCA-HOME

19.85% \$1,140 \$1.00

Additional Financing

0.00% \$0 \$0.00

NET CASH FLOW

9.20% \$529 \$0.46

AGGREGATE DEBT COVERAGE RATIO

1.33

RECOMMENDED DEBT COVERAGE RATIO

1.32

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)		1.11%	\$1,304	\$1.14	\$99,091	\$150,000	\$1.73	\$1,974	1.69%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.39%	7,500	6.57	570,000	570,000	6.57	7,500	6.43%
Direct Construction		54.15%	63,539	55.65	4,828,931	4,685,688	54.00	61,654	52.89%
Contingency	4.82%	2.92%	3,421	3.00	260,000	260,000	3.00	3,421	2.93%
Contractor's Fees	13.61%	8.24%	9,671	8.47	735,000	735,000	8.47	9,671	8.30%
Indirect Construction		7.92%	9,289	8.14	706,000	706,000	8.14	9,289	7.97%
Ineligible Costs		1.88%	2,211	1.94	168,000	168,000	1.94	2,211	1.90%
Developer's Fees	14.71%	12.19%	14,308	12.53	1,087,400	1,087,400	12.53	14,308	12.27%
Interim Financing		3.28%	3,846	3.37	292,312	292,312	3.37	3,846	3.30%
Reserves		1.92%	2,254	1.97	171,274	205,000	2.36	2,697	2.31%
TOTAL COST		100.00%	\$117,342	\$102.78	\$8,918,008	\$8,859,400	\$102.10	\$116,571	100.00%
Construction Cost Recap		71.70%	\$84,131	\$73.69	\$6,393,931	\$6,250,688	\$72.04	\$82,246	70.55%

SOURCES OF FUNDS

RECOMMENDED

First Victoria National Bank	4.49%	\$5,263	\$4.61	\$400,000	\$400,000	\$400,000	Developer Fee Available
TDHCA-HOME	29.15%	\$34,211	\$29.96	2,600,000	2,600,000	2,600,000	\$1,087,350
HTC Syndication Proceeds	63.84%	\$74,917	\$65.62	5,693,692	5,693,692	5,686,824	% of Dev. Fee Deferred
Deferred Developer Fees	1.86%	\$2,180	\$1.91	165,708	165,708	121,667	11%
Additional (Excess) Funds Req'd	0.66%	\$771	\$0.68	58,608	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$8,918,008	\$8,859,400	\$8,808,491	\$796,730

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Lexington Court Phase II, Kilgore, 9% HTC / HOME #08258

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.39	\$4,632,915
Adjustments				
Exterior Wall Finish	6.00%		\$3.20	\$277,975
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.00	173,734
Roofing			0.00	0
Subfloor			(1.24)	(107,163)
Floor Cover			2.43	210,856
Breezeways/Balconies	\$21.66	20,597	5.14	446,027
Plumbing Fixtures	\$805	168	1.56	135,240
Rough-ins	\$400	76	0.35	30,400
Built-In Appliances	\$1,850	76	1.62	140,600
Exterior Stairs	\$1,800	12	0.25	21,600
Enclosed Corridors	\$43.47		0.00	0
Heating/Cooling			1.90	164,867
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$70.95	3,743	3.06	265,561
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			73.67	6,392,612
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.93		(5.16)	(447,483)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.51	\$5,945,129
Plans, specs, survy, bld prmts	3.90%		(\$2.67)	(\$231,860)
Interim Construction Interest	3.38%		(2.31)	(200,648)
Contractor's OH & Profit	11.50%		(7.88)	(683,690)
NET DIRECT CONSTRUCTION COSTS			\$55.65	\$4,828,931

Primary	\$400,000	Amort	360
Int Rate	8.00%	DCR	4.60

Secondary	\$2,600,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.33

Additional	\$5,693,692	Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$35,221
Secondary Debt Service	86,667
Additional Debt Service	0
NET CASH FLOW	\$39,189

Primary	\$400,000	Amort	360
Int Rate	8.00%	DCR	4.57

Secondary	\$2,600,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.32

Additional	\$5,693,692	Amort	0
Int Rate	0.00%	Aggregate DCR	1.32

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	\$462,876	\$476,762	\$491,065	\$505,797	\$520,971	\$603,948	\$700,141	\$811,656	\$1,090,798
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	471,996	486,156	500,741	515,763	531,236	615,848	713,936	827,648	1,112,289
Vacancy & Collection Loss	(35,400)	(36,462)	(37,556)	(38,682)	(39,843)	(46,189)	(53,545)	(62,074)	(83,422)
Employee or Other Non-Rental Units or Conce	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$436,596	\$449,694	\$463,185	\$477,081	\$491,393	\$569,659	\$660,391	\$765,574	\$1,028,868
EXPENSES at 4.00%									
General & Administrative	\$29,500	\$30,680	\$31,907	\$33,183	\$34,511	\$41,988	\$51,084	\$62,152	\$92,000
Management	22,800	23,484	24,189	24,914	25,662	29,749	34,487	39,980	53,730
Payroll & Payroll Tax	58,164	60,491	62,910	65,427	68,044	82,786	100,721	122,543	181,393
Repairs & Maintenance	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Utilities	16,188	16,836	17,509	18,209	18,938	23,041	28,032	34,106	50,485
Water, Sewer & Trash	29,200	30,368	31,583	32,846	34,160	41,561	50,565	61,520	91,065
Insurance	21,912	22,788	23,700	24,648	25,634	31,188	37,944	46,165	68,336
Property Tax	30,856	32,090	33,374	34,709	36,097	43,918	53,433	65,009	96,229
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	11,900	12,376	12,871	13,386	13,921	16,937	20,607	25,072	37,112
TOTAL EXPENSES	\$275,520	\$286,313	\$297,530	\$309,190	\$321,308	\$389,448	\$472,116	\$572,423	\$841,875
NET OPERATING INCOME	\$161,076	\$163,381	\$165,655	\$167,891	\$170,085	\$180,211	\$188,275	\$193,151	\$186,992
DEBT SERVICE									
First Lien Financing	\$35,221	\$35,221	\$35,221	\$35,221	\$35,221	\$35,221	\$35,221	\$35,221	\$35,221
Second Lien	86,667	86,667	86,667	86,667	86,667	86,667	86,667	86,667	86,667
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$39,189	\$41,494	\$43,767	\$46,003	\$48,197	\$58,324	\$66,387	\$71,264	\$65,105
DEBT COVERAGE RATIO	1.32	1.34	1.36	1.38	1.40	1.48	1.54	1.58	1.53

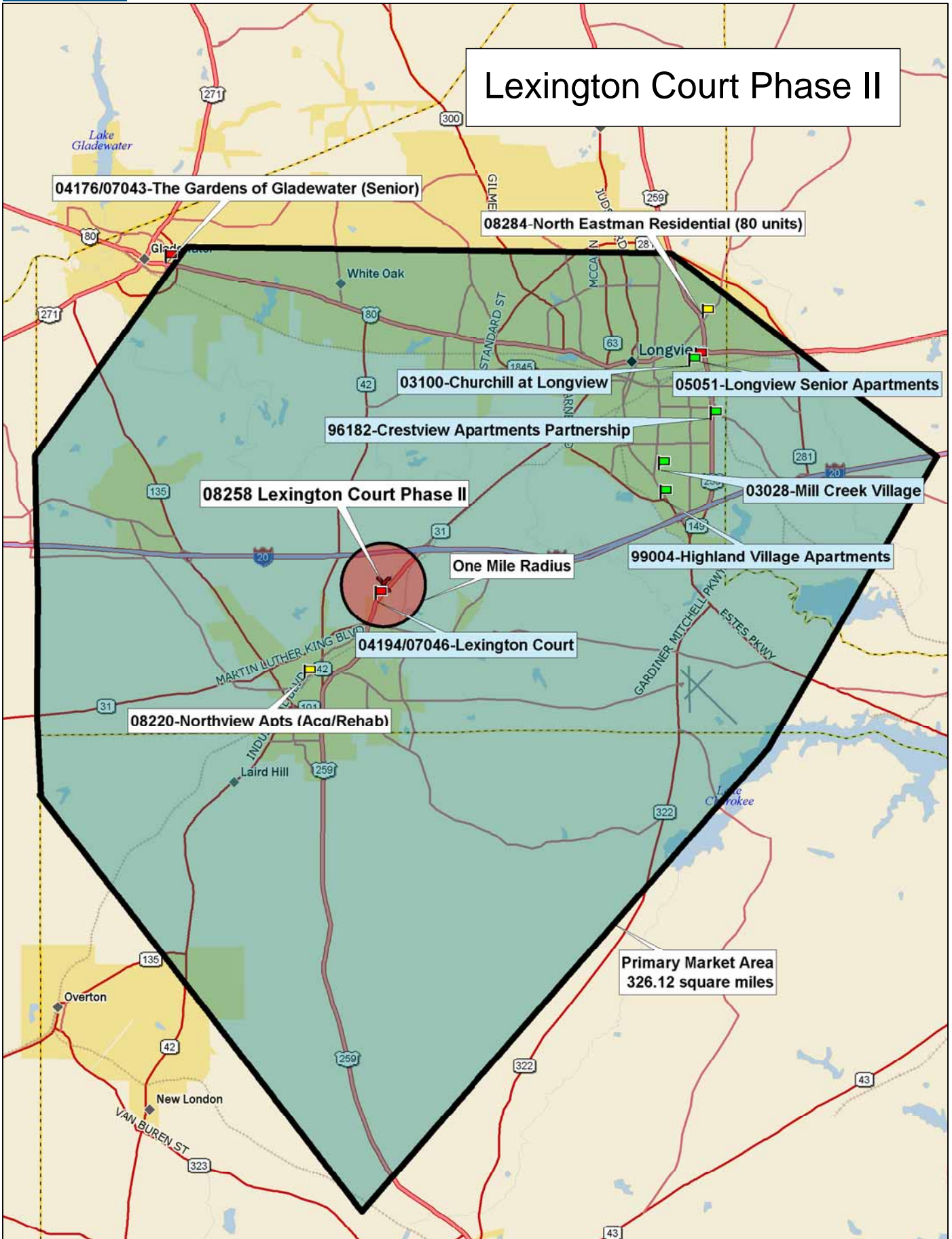
HTC ALLOCATION ANALYSIS -Lexington Court Phase II, Kilgore, 9% HTC / HOME #08258

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$150,000	\$99,091		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$570,000	\$570,000	\$570,000	\$570,000
Construction Hard Costs	\$4,685,688	\$4,828,931	\$4,685,688	\$4,828,931
Contractor Fees	\$735,000	\$735,000	\$735,000	\$735,000
Contingencies	\$260,000	\$260,000	\$260,000	\$260,000
Eligible Indirect Fees	\$706,000	\$706,000	\$706,000	\$706,000
Eligible Financing Fees	\$292,312	\$292,312	\$292,312	\$292,312
All Ineligible Costs	\$168,000	\$168,000		
Developer Fees			\$1,087,350	
Developer Fees	\$1,087,400	\$1,087,400		\$1,087,400
Development Reserves	\$205,000	\$171,274		
TOTAL DEVELOPMENT COSTS	\$8,859,400	\$8,918,008	\$8,336,350	\$8,479,643

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$8,336,350	\$8,479,643
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$8,336,350	\$8,479,643
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$8,336,350	\$8,479,643
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$693,584	\$705,506

Syndication Proceeds	0.8199	\$5,686,824	\$5,784,574
Total Tax Credits (Eligible Basis Method)		\$693,584	\$705,506
Syndication Proceeds		\$5,686,824	\$5,784,574
Requested Tax Credits		\$694,422	
Syndication Proceeds		\$5,693,692	
Gap of Syndication Proceeds Needed		\$5,859,400	
Total Tax Credits (Gap Method)		\$714,632	

Lexington Court Phase II



Primary Market Area
326.12 square miles

Applicant Evaluation

Project ID # **08258**

Name: **Lexington Court Phase II**

City: **Kilgore**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 30

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 27

Total # of MF awards not yet monitored or pending review: 7

10-19: 3

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 30

Total # of SF Contracts: 1

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/2/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 5 /7 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /7 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Harris Manor Apartments, TDHCA Number 08260

BASIC DEVELOPMENT INFORMATION

Site Address: 2216 E. Harris Rd. Development #: 08260
 City: Pasadena Region: 6 Population Served: General
 County: Harris Zip Code: 77506 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: 2216 Harris Investors LLC
 Owner Contact and Phone: Daniel Betsalel, (201) 531-9100
 Developer: 2216 Manager LLC
 Housing General Contractor: Rickwell Management Corp
 Architect: N/A
 Market Analyst: Novogradac & Company, LLP
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: TBD
 Consultant: Novogradac & Company

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	193
	11 0 167 15	Market Rate Units:	8
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 58 116 27 0 0	Total Development Units:	201
Type of Building:		Total Development Cost*:	\$10,871,285
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	17
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$725,011	\$725,011			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Harris Manor Apartments, TDHCA Number 08260

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Gallegos, District 6, NC Points: 0 US Representative: Green, District 29, NC
TX Representative: Hernández, District 143, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

O, Kirk Lewis, Superintendent; The school district does not have the capacity to support this Development.

Individuals and Businesses In Support: 3 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6
YMCA of Greater Houston S or O: S
Pasadena Chamber of Commerce S or O: S
North Pasadena Community Outreach S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

Opposition received from the school Superintendent citing the disproportionate number of low income housing units in the area compared to wealthier districts.

CONDITIONS OF COMMITMENT

1. The rent and income levels for all one- and two-bedroom units should be restricted to no more than 50% of AMI.
2. Receipt, review, and acceptance, prior to any planned remodeling or demolition, of documentation that a comprehensive survey for asbestos-containing materials has been completed, and any subsequent recommendations have been fully executed.
3. Receipt, review, and acceptance, prior to any planned remodeling or demolition, of documentation that a comprehensive survey for lead-based paint has been completed, and any subsequent recommendations have been fully executed.
4. Receipt, review, and acceptance, prior to carryover, of documentation that a program has been initiated to visually inspect the property-owned transformers at regular intervals for stains and leaks that could indicate discharge of PCB's.
5. Receipt, review, and acceptance, prior to carryover, of documentation that a noise study has been completed, and any subsequent recommendations have been fully executed.
6. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
7. Receipt of a commitment of funding from the City of Houston for funds in the amount of \$525,721, or a commitment from a qualifying substitute source in an amount not less than \$543,565, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
8. If the rates or terms of the proposed financing change the transaction should be reevaluated, and adjustments to the credit allocation may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Harris Manor Apartments, TDHCA Number 08260

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **190** Meeting a Required Set-Aside Credit Amount*: \$725,011

Recommendation: Competitive in At-Risk Set-Aside

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/23/08 PROGRAM: HTC 9% FILE NUMBER: 08260

DEVELOPMENT		
Harris Manor		
Location: <u>2216 Harris Ave</u>	Region: <u>6</u>	
City: <u>Pasadena</u>	County: <u>Harris</u>	Zip: <u>77506</u> <input checked="" type="checkbox"/> OCT <input checked="" type="checkbox"/> DDA
Key Attributes: <u>Multifamily, acquisition / rehabilitation, family, urban</u>		

ALLOCATION						
	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$725,011			\$725,011		

- | CONDITIONS |
|---|
| <ol style="list-style-type: none"> 1 The rent and income levels for all one- and two-bedroom units should be restricted to no more than 50% of AMI. 2 Receipt, review, and acceptance, prior to any planned remodeling or demolition, of documentation that a comprehensive survey for asbestos-containing materials has been completed, and any subsequent recommendations have been fully executed. 3 Receipt, review, and acceptance, prior to any planned remodeling or demolition, of documentation that a comprehensive survey for lead-based paint has been completed, and any subsequent recommendations have been fully executed. 4 Receipt, review, and acceptance, prior to carryover, of documentation that a program has been initiated to visually inspect the property-owned transformers at regular intervals for stains and leaks that could indicate discharge of PCB's. 5 Receipt, review, and acceptance, prior to carryover, of documentation that a noise study has been completed, and any subsequent recommendations have been fully executed. 6 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old. 7 If the rates or terms of the proposed financing change the transaction should be reevaluated, and adjustments to the credit allocation may be warranted. |

SALIENT ISSUES		
TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	11
50% of AMI	50% of AMI	167
60% of AMI	60% of AMI	15

PROS

- The proposed rehabilitation will preserve the affordability and extend the useful life for a 37-year-old property with 201 existing units.

CONS

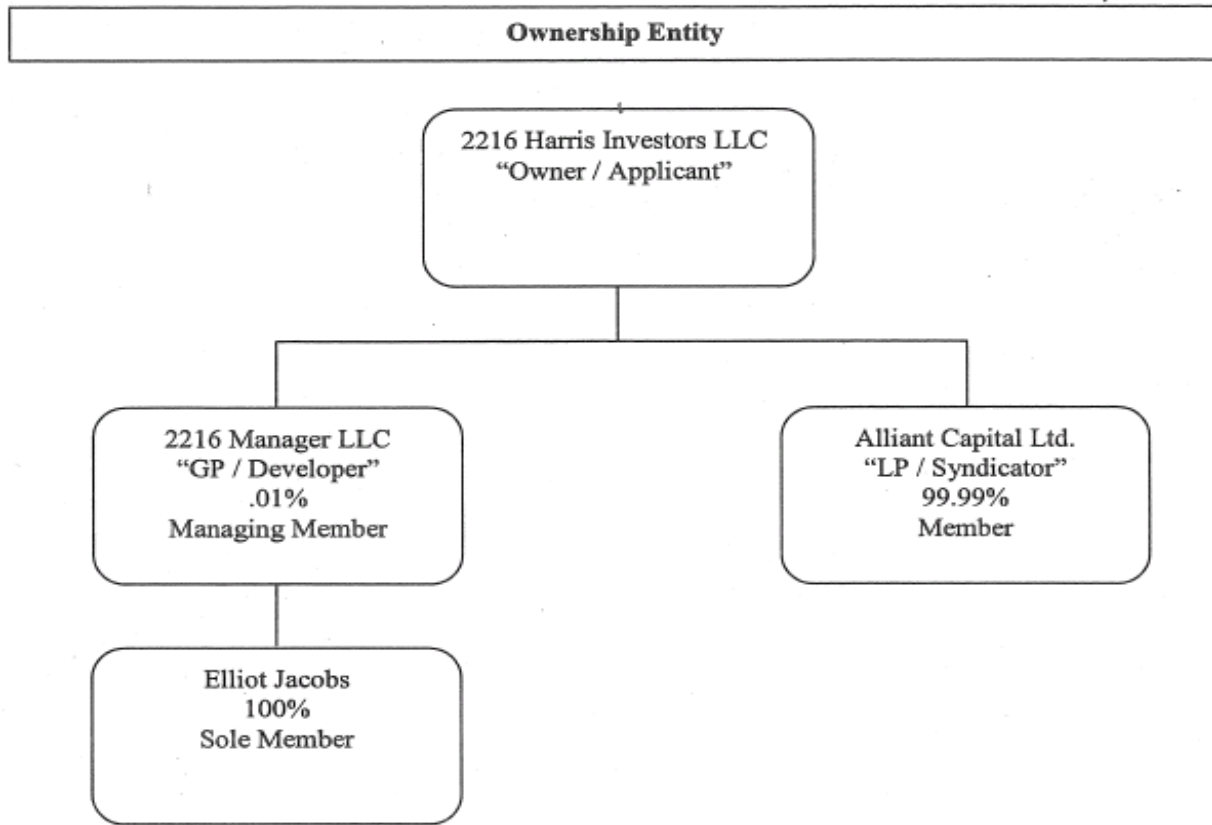
- If the ultimate source of funds for the loan from Southeast Texas Housing Finance Corp. is federal, e.g. local HOME funds, the rate would have to be at or above AFR to avoid jeopardizing the 30% boost to eligible basis.
- Both the Market Analyst's and Underwriter's inclusive capture rate are well over 25% however this is an existing development which is predominantly leased and therefore exempt from the capture rate requirement.

PREVIOUS UNDERWRITING REPORTS

The subject received an allocation of 9% tax credits in 1992. No underwriting report from that transaction is available.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Daniel Betsale Phone: (201) 531-9100 Fax: (201) 935-5272
 Email: dbtexman@aol.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Elliot Jacobs	N/A	2 Developments in 1992

IDENTITIES of INTEREST

- o The Applicant, Developer, and Property Manager are related entities. These are common relationships for HTC-funded developments.
- o The Principal of the Applicant is also the Principal of the Seller.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	8	11							Total Buildings
Floors/Stories	3	3	3	3							
Number	1	10	3	3							17

BR/BA	SF	Units									Total Units	Total SF
1 / 1	700		4		6						58	40,600
2 / 1.5	876		8		12						116	101,616
3 / 1.5	1,275	9		6							27	34,425
Units per Building		9	12	6	18						201	176,641

This section intentionally left blank.

Comments:

A Property Condition Assessment (PCA) was provided by Commercial Building Consultants, LLC. "The subject property consists of 201 apartments and 2 ancillary buildings, a leasing/office/mailroom and a laundry/boiler room. The apartments are divided as 17 three story wood framed structures with two story brick exterior veneers and wood accent panels mansard roofs ... the buildings were built in (1971), making the units (37 years old) ... In general, the entire complex has reached a mature operations point where all major systems will need to be renewed. The entire building complex is approximately 35 years old, which places most components at the end of their economic useful life. Galvanized piping, electrical services, unit cabinets, appliances, and finishes should be budgeted for renovation on a rotational basis, with 5% of units being renovated per year over the next 20 years.

Some units have been rehabbed as of this report, but in 20 years they will be due again. Those components which are fully depreciated may be placed in immediate needs or as part of a replacement reserve program. ADA required accessibility should be grandfathered although parking and public area access should be addressed during renovations."

The PCA itemized \$5 million in immediate renovations, and \$3.7 million in capital requirements over a 30 year period.

SITE ISSUES

Total Size:	<u>4.9388 acres</u>	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>non-conforming</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/1/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
North: Apartments East: Apartments
South: Industrial West: Vacant

Comments:

The TDHCA staff member that inspected the site marked "questionable" in the rehab portion of the inspection report with the following comments: "Site is in a good location for low income tenants. Police were at the location when I arrived. The rep stated that there was some drug activity in the complex. The security gates were inoperative. No accessible units and it appears it would be difficult to make accessible."

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: LandAmerica Assessment Corporation Date: 3/14/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

The inspector concluded that "This assessment has revealed no evidence of Recognized Environmental Conditions in connection with the Property." However the inspector also noted the following:

- Based on the age of the Property (early 1970's), there is the potential that vinyl floor tile and mastic, joint compound and wall and ceiling texture contain asbestos. The presumed ACM's appeared non-friable in their current state and were observed to be in good condition with a low potential for disturbance ... An Operations and Maintenance program should be developed to manage the presumed asbestos-containing materials in place at the subject property.

- Prior to any planned remodeling or demolition, a comprehensive survey for asbestos-containing materials should be conducted. Removal of identified ACM's, including the preparation of specifications, should be conducted ... according to applicable regulations.
- Based on the age of the Property (early 1970's), there is the potential that lead-based paint is present on the Property. In general, the painted surfaces appeared in good condition, as no chalking, peeling, or flaking paint was observed ... Prior to any planned remodeling or demolition, a comprehensive survey for lead-based paint should be conducted. Removal of identified lead-based paint, including the preparation of specifications, should be conducted ... according to applicable regulations.
- The pad-mounted electrical transformers are owned by the Property. No information is available as to the repair or replacement history of the transformers. Based on the date of original construction (early 1970's), the transformers should be treated as PCB-containing transformers ... A program should be initiated to visually inspect the property-owned transformers at regular intervals for stains and leaks.
- The Property is located within 1,000 feet of a busy road. Red Bluff Road, a busy, four-lane divided road, is located approximately 400 feet northeast of the Property. The Property is located within 15 miles of a military airport. Ellington Field is located approximately six miles southeast of the Property ... In accordance with HUD guidelines, a noise study is recommended for the Property.

Comments:

This report will be conditioned on receipt, review, and acceptance, by carryover, of evidence that all ESA recommendations have been carried out, and any subsequent recommendations have been followed.

MARKET HIGHLIGHTS

Provider: Novogradac & Company LLP Date: 3/14/2008
 Contact: Davonne Lewis Phone: (512) 340-0420 Fax: (512) 340-0421
 Number of Revisions: none Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 19 sq. miles 2 mile radius

The Subject's Primary Market Area is comprised by the following census tracts:

48201321200	48201322800	48201323200	48201323500	48201323800
48201322100	48201322900	48201323300	48201323600	48201323900
48201322600	48201323000	48201323400	48201323700	48201324000
48201322700	48201323100			

This area comprises a large portion of the City of Pasadena ... it is assumed 100 percent of the income qualified demand for the Subject will be generated from within the PMA ... The estimated population of the PMA in 2007 was 93,845, with 31,351 households. The population is projected to grow to 97,600 by 2012, an increase of 4%. The projected population increase is a positive indicator of the need for affordable housing like the Subject ... As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing such as the Subject.

Secondary Market Area (SMA):

The Market Analyst defined a Secondary Market Area as a portion of Pasadena, which is bound by SR 225 / Pasadena Freeway and Loop 610 to the north, Sam Houston Tollway to the east, and IH 45 to the north and west.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Villas at Shaver	07406	240	240				
Windshire Apartments	07620	252	252				
Primrose at Pasadena	04428	248	senior				

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR 30%	78			78	3	0	4%
1BR 50%	153			153	20	0	13%
1BR 60%	238			238	32	12	18%
2BR 30%	89			89	6	0	7%
2BR 50%	195			195	42	0	22%
2BR 60%	355			355	65	132	55%
3BR 30%	79			79	2	0	3%
3BR 50%	129			129	8	0	6%
3BR 60%	252			252	15	96	44%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 70			31,334	33%	10,246	45%	4,580	35%	1,603	
Underwriter	100%	31,595	92%	29,099	33%	9,710	45%	4,340	35%	1,519
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p.			280	33%	92	45%	41	100%	41	
Underwriter			92%	247	33%	76	45%	34	100%	34

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 70	193	240		433	1,644	26%
Underwriter	193	492		685	1,553	44%

Supply and Demand Analysis

The Market Analyst identified two unstabilized LIHTC properties in the PMA. Primrose at Pasadena is a 2004 senior development, and would therefore not be considered comparable. The Villas on Shaver is a family development approved in 2007 with 240 units all at 60% of AMI. The Market Analyst included the Villas at Shaver in the unstabilized supply when determining an inclusive capture rate for the subject. The Market Analyst failed to identify a third development, Windshire Apartments, another 2007 family project in the PMA with 252 units at 60% of AMI. The underwriting analysis will include the Windshire units as well as the Villas at Shaver units in the supply.

The Market Analyst determined demand for 1,603 units due to household turnover, and demand for 41 units due to household growth; however, the Market Analyst did not adjust the household population for household size. The underwriting analysis only considered households of 5 persons or less, and determined demand for 1,519 units due to turnover and 34 units due to household growth.

Including the LIHTC units at the subject as well as the 240 units at the Villas at Shaver, the Market Analyst determined an inclusive capture rate of 26%. Factoring in the units at Windshire as well, the underwriting analysis determined an inclusive capture rate of 44%. The limit for family developments in urban areas is 25%; however, this limit does not apply to existing developments which are at least 80% occupied and give displaced existing tenants a leasing preference. The subject is currently 85% occupied and the Applicant does not anticipate the need for any tenants to be relocated.

Primary Market Occupancy Rates:

"Vacancy rates reported at the comparable properties ranged from 0.4 to 12.9 percent, with an average vacancy rate of 6.2 percent. The LIHTC properties average vacancy rate is 8.8 percent, which is higher than the comparable market properties' average of 4.9 percent ... The Subject currently maintains an occupancy rate of approximately 85 percent. According to current management, the Subject has been exhibiting high turnover rates and vacancy rates due to issues with previous management. Additionally, the Subject is also one of the only properties of its vintage in the neighborhood that has not undergone a significant renovation in the last five years and is showing signs of deferred maintenance ... Due to the prevalence of similarly priced or lower priced market rate multi-family offerings near the Subject, Novogradac anticipates that some tenant loss is likely, despite the added value of the renovated units. Therefore, we anticipate some turnover as a result of the new rental rate scheme post renovation." (pp. 51-52)

Rent Analysis

The Applicant's proposed rent schedule designated one-, two-, and three-bedroom units each at 30%, 50%, and 60% of AMI restrictions. However, the achievable market rents for the one- and two-bedroom units determined by the Market Analyst are below the maximum net LIHTC rents at 50% of AMGI; additionally, the Applicant's proposed rents for the one- and two-bedrooms at 50% and the two-bedroom at 60% were below the market rent, while the proposed rent for the 60% two-bedroom units was equal to the market rent (which is below the max 50% program rent). This rent structure conflicts with §1.32(i) of the 2008 Real Estate Analysis Rules which states: "A development will be characterized as infeasible if ... The Restricted Market Rent for units with rents restricted at 60% of the AMGI is less than both the Net Program Rent and the Market Rent for units with rents restricted at or below 50% of AMGI unless the development proposes all restricted units with rents restricted at or below the 50% of AMGI level."

"The Subject is surrounded by market rate properties offering rental rates similar to or lower than the Subject's proposed 50 percent and 60 percent of AMI rents. Additionally, all of these properties are of similar vintage to the Subject and have undergone recent renovations ... Three of the four market rate properties also offer a two-bedroom two-bath option as compared to the Subject and all of the market rate comparables offer at least two bathrooms in the three bedroom units. The Subject is currently offering the lowest rental rates in the market and has the highest vacancy rate at 15 percent"

"The Subject will be in direct competition with the four surveyed market rate properties and LIHTC rents will have to be set at comparable levels in order to compete with the immediate market ..." In order to show a rental advantage when comparing the Subject's proposed one and two-bedroom LIHTC rents to the achievable market rents and the rents at the surveyed most comparable properties, Novogradac recommends lowering the one and two-bedroom 60 percent of AMI rental rates to \$475 and \$570 respectively. "

"No change is recommended to the three bedroom rents at 60 percent of AMI, as the rent is well below the achievable market rent and the surveyed LIHTC properties." (p. 58)

The Applicant did not follow these recommendations of the Market Analyst. The Market Analyst's proposed changes would further conflict with the Restricted Market Rent rule discussed above, but they also serve to confirm the conditions the rule is intended to address. Specifically, if a development is being funded to operate with rents no greater than the 50% of AMI level, the Department policy requires those units to be restricted to that same level.

After being notified of this issue, the Applicant provided a revised rent schedule; no rent amounts were changed, but the one- and two-bedroom units which had been designated 60 percent were now designated "Rents @ 50%, Incomes @ 60%". This proposed structure conflicts with the 2008 QAP § 50.9(i)(3): "The Development Owner ... will set aside Units at the levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA. These income levels require corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g), Internal Revenue Code."

The Department would be missing the opportunity to target more units specifically toward the harder to reach 50% income level without negatively impacting the income potential for the development. The rental income for the development would be the same either way but the benefit to households earning 50% or less of the area median income would be more units available. For these reasons the underwriting report will recommend that the one- and two-bedroom units be restricted at corresponding rent and income limits no greater than 50% of AMGI.

The subject property also proposes eight market rate units. The Market Analyst points out that "the Subject's proposed market rate rents for the one- and two-bedroom units are substantially higher than the achievable market rents. Novogradac recommends lowering the Subject's proposed market rate rents to \$490 and \$590 respectively for the one- and two-bedroom units." The Applicant did not follow the Market Analyst's recommendations; the underwriting analysis will presume that the market rate units will not achieve rents any higher than the achievable market rent as determined by the Market Analyst.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	700 SF	30%	\$284	\$285	\$490	\$285	\$205
1 BR	700 SF	50%	\$465	\$514	\$490	\$490	\$0
1 BR	700 SF	50%	\$490	\$514	\$490	\$490	\$0
1 BR	700 SF	Mrkt	\$550	N / A	\$490	\$490	\$0
2 BR	876 SF	30%	\$330	\$331	\$590	\$331	\$259
2 BR	876 SF	50%	\$560	\$606	\$590	\$590	\$0
2 BR	876 SF	50%	\$585	\$606	\$590	\$590	\$0
2 BR	876 SF	Mrkt	\$650	N / A	\$590	\$590	\$0
3 BR	1,275 SF	30%	\$368	\$369	\$775	\$369	\$406
3 BR	1,275 SF	50%	\$680	\$687	\$775	\$687	\$88
3 BR	1,275 SF	60%	\$705	\$846	\$775	\$775	\$0
3 BR	1,275 SF	Mrkt	\$750	N / A	\$775	\$775	\$0

Market Impact:

"There are two existing family oriented LIHTC properties in the PMA. Typically, we would note that the Subject would compete with these properties for tenants. However, the Subject is located a significant distance from these two comparables in a different submarket. The Subject is more likely to compete with the surrounding market rate properties than the two LIHTC properties, as the market rate properties are offering similar or lower rents on average than the LIHTC properties. Further, the Villas at Shaver, as a new construction, will likely offer higher rental rates than the potential tenants in the Subject neighborhood can afford, due to the fact that all of the existing LIHTC comparables are renovated properties offering rents at well below the maximum allowable. Based on these factors we anticipate the potential impact on the existing affordable housing stock to be minimal."

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Concentration:

Section 1.32(i)(2) of the Texas Administrative Code approved in 2007 prohibits the Department from funding multifamily developments in areas that exceed certain limits of concentration of multifamily units. These limits do not apply to existing housing that is at least 80% occupied and gives a leasing preference to any displaced tenants; the limits therefore do not apply to the subject. Nevertheless, the Underwriter has concluded a census tract concentration of 938 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 518 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/27/2008

As discussed above, the Applicant's projected income is based on rents which are for the most part below the achievable market rents determined by the Market Analyst (with the exception of the market rate units, which have proposed rents significantly higher than the market). The underwriting analysis uses the lesser of the maximum program rent or the market rent as indicated in the market study. The Applicant has included \$22.70 per unit per month in secondary non-rental income; the underwriting analysis has applied the maximum \$15. The Applicant's projected losses due to vacancy and collection are consistent with underwriting guidelines at 7.5% of potential gross income.

The Applicant has also included a \$4,000 per month charge against potential income for rental concessions. The Market Analyst reported that "Concessions are prevalent in the market ... The Subject is currently offering a concession of \$299 and \$399 for the first month's rent, respectively, for the two- and three-bedroom garden style units. As the majority of the Subject's neighboring comparables are of similar vintage, have undergone recent renovations, and are currently offering some form of concession, we anticipate that the Subject will also need to offer concessions post renovation, based on the proposed rents. However, if the rents are reduced to the recommended amounts ... we do not anticipate that the Subject will need to offer concessions." (p. 51) The Underwriter, therefore, has not included any charge for concessions. Overall, the Applicant's projected effective gross income is within 5% of the underwriting estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/27/2008

The Applicant's projected annual operating expenses total \$3,929 per unit. This is within 2% of the underwriting estimate of \$4,055 per unit. The most significant category of variation is utilities. The Applicant's projected expenses for utilities and water, sewer, and trash total \$1,312 per unit; the underwriting estimate, based on the TDHCA database, and other sources, totals \$1,002 per unit. The actual expense in 2007 for total utilities is an extraordinary \$1,660 per unit. The Appraisal noted that utility expenses had been steadily increasing for several years and were a definite disadvantage to the subject. "It is assumed that part of the deferred maintenance correction is an energy audit which should significantly reduce the subject's utility expenses, along with a tenant program to encourage the reporting of leaks, etc." The Appraiser used \$1,055 in the income valuation of the property, "although further reductions should be experienced." (p. 40)

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Other line items in which the Applicant's projection differs significantly from the underwriting estimate include general and administrative (the Applicant's figure is \$28K lower), repairs and maintenance (the Applicant's figure is \$21K lower), property insurance (the Applicant's figure is \$18K lower), and property tax (the Applicant's figure is \$19K lower). The Applicant's projected property tax is based on actual costs; the underwriting estimate is based on the same tax rate, but applied to the Appraisal District's increased assessed value of the property for 2008. It should be noted that affordable housing is supposed to be taxed based on a capitalization of the property's net operating income. If HCAD were to apply this method the subject's tax bill would likely increase; the property is currently assessed at approximately \$14K per unit, but the underwriting analysis indicates an NOI-derived value of \$24K per unit.

The Applicant included \$300 per unit per year as reserve for replacements; this is the underwriting minimum for rehabilitation projects. However, the Capital Replacement and Reserve Expenditure analysis provided in the PCA combined with the underwriting proforma analysis indicates \$332 per unit per year is required to maintain a positive reserve balance through year 30; \$332 has therefore been included in the underwriting budget.

Conclusion:

The Applicant's projected effective gross income and annual operating expenses are each within 5% of the underwriting estimates, but the net operating income (NOI) differs by more than 5%; therefore, the underwriting estimates will be used to determine debt capacity and financial feasibility. The underwriting estimate of NOI and the Applicant's proposed financing structure result in a debt coverage ratio (DCR) of 1.36. However, the Applicant's financing includes a Seller note at an unnecessarily high interest rate. This will be discussed further under Financing Structure. The underwriting report will recommend the rate on the Seller note be reduced to that of the primary mortgage; this results in an increased DCR of 1.48, well above the maximum 1.35, indicating the development has the capacity to service additional debt. The recommended financing structure will therefore include an increase in the total amount of debt.

Feasibility:

The underwriting estimates and recommended financing are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above the minimum 1.15 throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Cheryl D. Person</u>	Date:	<u>7/26/2007</u>
Number of Revisions:	<u>none</u>	Date of Last Applicant Revision:	<u>N / A</u>
Land Only:	4.94 acres	<u>\$220,000</u>	As of: <u>7/26/2007</u>
Existing Buildings: (as-is)		<u>\$3,580,000</u>	As of: <u>7/26/2007</u>
Total Development: (as-is)		<u>\$3,800,000</u>	As of: <u>7/26/2007</u>

ASSESSED VALUE

Land Only:	5.0 acres	<u>\$381,150</u>	Tax Year:	<u>2008</u>
Existing Buildings:		<u>\$2,425,464</u>	Valuation by:	<u>Harris County CAD</u>
Total Assessed Value:		<u>\$2,806,614</u>	Tax Rate:	<u>2.698198</u>

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EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed Acreage: 5.0
Deed Date: 3/4/1992 Valid Through Board Date? Yes No
Acquisition Cost: \$2,215,881 Other: current transfer price is \$3.8M
Seller: Harris Manor Associates Related to Development Team? Yes No

Comments:
The Principal of the Seller is also the Principal of the Applicant / Buyer. The Seller received a tax credit allocation for the subject property in 1992.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/18/2008

Acquisition Value:

The application initially proposed a total acquisition cost of \$3,850,000, consisting of \$570,000 for the land, \$3,230,000 for the buildings, and \$50,000 in closing costs. The \$3.8 million purchase price is equal to the as-is appraised value of the property. Since this is an identity of interest acquisition, the eligible acquisition value is limited to the lesser of the original acquisition cost plus verifiable costs of owning, holding, or improving the property, or the as-is appraised value. The Seller acquired the property in an arm's length transaction in 1992 for \$2,215,881. The Seller has provided Forms 8609 related to a 1992 allocation of rehabilitation tax credits evidencing an eligible basis of \$1,151,350; this was a simple eligible basis without any boost, so it clearly represents eligible costs of improving the property.

The Applicant also included a return on equity calculation based on an annual 6% return on the \$507,474 equity contribution of the Limited Partner. This calculation, however, disregards the fact that the Limited Partner received \$957,498 in total tax credits over ten years, as well as the tax benefits related to those credits and ownership of the property. The underwriting determination of acquisition value, therefore, did not consider the proposed return on equity; the original cost and the eligible basis of the 1992 rehabilitation were added to determine an acquisition value of \$3,367,231. The Applicant's claimed land value of \$570,000 was deducted from the total, resulting in an eligible building acquisition basis of \$2,797,231. The \$50,000 in acquisition closing costs were also added back to the Underwriter's total acquisition costs, but like in the Applicant's cost, was not added to eligible basis.

Sitework Cost:

The development cost schedule submitted with the application indicated \$1.88 million in site work. The Applicant was notified that this total exceeded the \$9,000 per unit safe harbor limit, and subsequently provided certification of these costs by a third party engineer. The Applicant was also requested to reconcile the significant differences between the development cost schedule and the capital requirements identified in the Property Condition Assessment provided with the application. The Applicant then submitted a revised development cost schedule with a site work total of \$692,300, exactly matching the site work category in the PCA. The underwriting development cost schedule indicates higher sitework of \$712K because a number of items were shifted between site work and direct construction for consistency between the PCA and the application.

Direct Construction Cost:

The revised development cost schedule also included an increase in direct construction costs from \$2,170,000 to \$4,241,416. Site work and direct construction costs combined were increased by \$883,716, to a total of \$4,933,716. This is 2% less than the total of \$5,037,566 provided by the PCA.

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Ineligible Costs:

The development cost schedule indicates \$97K in ineligible costs as well as \$621K in ineligible developer fees. The Applicant claimed \$761K in eligible developer fees; however, the underwriting analysis indicates that total eligible fees would equal \$913K. Department practice for developer fees on ineligible costs follow the 15% proportionate cost limit and thus fees above the 15% of eligible cost limit are limited to 15% of all ineligible costs, including land and funding for reserves. The underwriting analysis has therefore accepted ineligible developer fees of \$286K (\$335K less than claimed by the Applicant) consisting of the \$152K in unclaimed eligible fees, as well as 15% of \$892,025 (the total of \$97K in ineligible costs plus \$570K land cost plus \$225K in reserve funding). Limiting the ineligible developer fee in this way reduces the risk of the gap funds needed being overstated and the use of tax credits to fund such ineligible activities.

Interim Interest Expense:

The Applicant has claimed \$80,000 in construction loan interest and \$39,500 in bridge loan interest; this total is within the underwriting guidelines of one year of fully drawn interest on construction period financing.

Contingency & Fees:

Again the Applicant has claimed eligible developer fees of \$760,000, and ineligible developer fees of \$621,234. It is unusual for an Applicant to claim ineligible developer fee; the effect of this would be to increase the gap in required financing and potentially increase the tax credit award. As explained above, the underwriting analysis has restricted the developer fee to 15% of costs and allowed the excess eligible fee that was not claimed plus 15% of all ineligible costs. The initial application also included \$450K in developer fee on the acquisition cost. The Applicant was reminded that an identity of interest acquisition is not eligible for any developer fee on acquisition cost. This fee was deleted on the revised development cost schedule.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. Thus, the Underwriter's development cost schedule, as derived from the PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis. The rehabilitation cost basis of \$6,845,913 is increased by 30% as a result of Harris County's status as a Difficult Development Area; the adjusted basis of \$8,899,687 is further adjusted by the Applicable Fraction of 95.88% because eight of the 201 units will not be covered by the rent and income restrictions; the resulting basis of \$8,533,000 supports an annual allocation of \$709,946 in 9% credits. The acquisition basis of \$2,797,231 is adjusted by the Applicable Fraction to \$2,681,979; this basis supports an annual allocation of \$95,210 in 4% credits. The total credit amount of \$805,156 will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 6/27/2008

Source: Greystone Servicing Corp. Type: Interim to Permanent Financing

Principal: \$1,450,000 Interest Rate: 6.43% Fixed Amort 360 months

Comments:

A fifteen year term amortized over thirty years, at the higher of 6.43% or 265 basis points over the 15-year Treasury.

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Source: Harris Manor Associates, LP Type: Interim to Permanent Financing

Principal: \$2,350,000 Interest Rate: 8.0% Fixed Amort: 360 months

Comments:

The Applicant has proposed a 30 year note to the related party Seller at 8.0%. The Underwriter sees no reason why these funds cannot be financed at a more conventional rate. The underwriting analysis will therefore assume that these funds are financed at a rate equivalent to the primary mortgage, resulting in an increased debt coverage ratio. This will be discussed further under the Conclusions section of this report.

Source: Southeast Texas Housing Finance Corp. Type: Interim to Permanent Financing

Principal: \$580,000 Interest Rate: AFR Fixed Amort: 180 months

Comments:

The Applicant provided a Certification of an Intent to Apply for Funding from a Local Political Subdivision; the initial commitment indicated that the loan would be fully amortized over 15 years at 1.0%. The Applicant was informed that the Real Estate Analysis Rules generally require permanent debt to be amortized over not less than 30 years; the Applicant was also informed that if this source of funds is considered to be federally financed (e.g. local HOME funds) the rate would have to be at or above AFR to avoid jeopardizing the 30% boost to eligible basis. The Applicant responded that the source of funds would not be federal, however, the revised Certification of Intent indicates a rate "at or below AFR". The stipulation "at or below AFR" is required to earn application points for Funding from a Local Political Subdivision. The amortization period was not changed by the Applicant but has been adjusted by the Underwriter to meet the 30 year minimum TDHCA requirement.

Source: Alliant Capital, Ltd. Type: Syndication

Proceeds: \$5,939,146 Syndication Rate: 82% Anticipated HTC: \$ 725,011

Comments:

The syndication rate of \$0.82 appears to be within the current range of market prices. In order to determine the sensitivity of the financing structure to the syndication price, the ineligible developer fee of \$621K was excluded, but \$152K in unclaimed eligible fee plus 15% of ineligible costs were added to the eligible developer fee of \$760K. The analysis indicates that if the syndication price increases to 82.5 cents or higher, the equity proceeds would exceed the gap in financing, and the allocation should be limited accordingly. The syndication price can fall as far as 48 cents; below that point, the excess funds required would exceed the deferrable developer fees, and the transaction would have to be characterized as infeasible.

Amount: \$1,216,177 Type: Deferred Developer Fees

Comments:

The most recent Sources and Uses document submitted by the Applicant proposes \$400,000 in deferred developer fee amortized over 15 years, and \$816,177 payable from available cash flow.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

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Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant has proposed a \$2.35 million note to the related party Seller at an above-market interest rate. The underwriting analysis is based on the assumption that these funds are financed at terms equivalent to the primary mortgage. The Applicant has also proposed a permanent loan from Southeast Texas Housing Finance Corp fully amortized over fifteen years at or below AFR. The 2008 Real Estate Analysis Rules §1.32(d)(4)(B) states: *The Department generally requires an amortization period of not less than 30 years and not more than 50 years, or an adjustment to the amortization structure is evaluated and recommended.* Accordingly, the underwriting analysis will assume that these funds are amortized over 30 years.

With a reduced rate on the Seller Note, and an extended amortization on the SETH loan, the proforma analysis indicates a debt coverage ratio above the maximum 1.35. The underwriting analysis assumes an increase in the Seller Note amount to \$2,857,871, at the reduced rate of 6.43% (equivalent to the primary mortgage). The SETH loan is assumed to be amortized at 4.39% (AFR in June 2008) over 30 years. These changes result in a debt coverage ratio of 1.35%.

The Underwriter's total development cost estimate less the adjusted permanent debt of \$4,887,871 (a Primary mortgage for \$1.45M, a Seller Note for \$2.9M, and a SETH loan for \$580K), indicates the need for \$5,983,413 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$730,415 annually would be required to fill this gap in financing. The three possible tax credit allocation amounts are:

Allocation Determined by Eligible Basis:	\$805,156
Allocation Requested by the Applicant:	\$725,011
Allocation Determined by Gap in Financing:	\$730,415

The requested allocation amount is recommended. An annual allocation of \$725,011 results in total equity proceeds of \$5,939,146 at a syndication price of \$0.82 per tax credit dollar. The Underwriter's recommended financing structure indicates the need for a nominal additional permanent funds of \$44,267 which is repayable in the first year of stabilized occupancy.

Underwriter:	<i>Thomas Cavanagh</i>	Date:	July 23, 2008
Reviewing Underwriter:	<i>Raquel Morales</i>	Date:	July 23, 2008
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Harris Manor, Pasadena, HTC 9% #08260

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	NWS&T
TC 30%	3	1	1	700	\$344	\$285	\$855	\$0.41	\$59.00	\$52.00
TC 50%	20	1	1	700	\$573	\$490	\$9,800	\$0.70	\$59.00	\$52.00
TC 50%	32	1	1	700	\$573	\$490	\$15,680	\$0.70	\$59.00	\$52.00
MR	3	1	1	700		\$490	\$1,470	\$0.70	\$59.00	\$52.00
TC 30%	6	2	1.5	876	\$412	\$331	\$1,986	\$0.38	\$81.00	\$66.00
TC 50%	42	2	1.5	876	\$687	\$590	\$24,780	\$0.67	\$81.00	\$66.00
TC 50%	65	2	1.5	876	\$687	\$590	\$38,350	\$0.67	\$81.00	\$66.00
MR	3	2	1.5	876		\$590	\$1,770	\$0.67	\$81.00	\$66.00
TC 30%	2	3	1.5	1,275	\$476	\$369	\$738	\$0.29	\$107.00	\$81.00
TC 50%	8	3	1.5	1,275	\$794	\$687	\$5,496	\$0.54	\$107.00	\$81.00
TC 60%	15	3	1.5	1,275	\$953	\$775	\$11,625	\$0.61	\$107.00	\$81.00
MR	2	3	1.5	1,275		\$775	\$1,550	\$0.61	\$107.00	\$81.00
TOTAL:	201		AVERAGE:	879		\$568	\$114,100	\$0.65	\$78.14	\$63.98

INCOME

Total Net Rentable Sq Ft: 176,641

POTENTIAL GROSS RENT

late fees, app fees, laundry, vending 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

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.29%	\$342	0.39
Management	3.60%	233	0.27
Payroll & Payroll Tax	14.77%	955	1.09
Repairs & Maintenance	6.31%	408	0.46
Utilities	6.58%	426	0.48
Water, Sewer, & Trash	8.91%	576	0.66
Property Insurance	4.76%	308	0.35
Property Tax 2.70	5.83%	377	0.43
Reserve for Replacements	5.13%	332	0.38
TDHCA Compliance Fees	0.59%	38	0.04
Other: Security	0.92%	60	0.07
TOTAL EXPENSES	62.70%	\$4,055	\$4.61
NET OPERATING INC	37.30%	\$2,413	\$2.75

DEBT SERVICE

Greystone	8.40%	\$543	\$0.62
Seller Note	15.92%	\$1,029	\$1.17
SETH Loan	3.20%	\$207	\$0.24
NET CASH FLOW	9.78%	\$633	\$0.72

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		31.43%	\$17,001	\$19.35
Off-Sites		0.00%	0	0.00
Sitework		6.55%	3,542	4.03
Direct Construction		39.79%	21,521	24.49
Contingency 3.85%		1.78%	965	1.10
Contractor's Fees 12.46%		5.77%	3,122	3.55
Indirect Construction		0.89%	482	0.55
Ineligible Costs		3.52%	1,906	2.17
Developer's Fees 8.56%		7.00%	3,784	4.31
Interim Financing		1.19%	644	0.73
Reserves		2.07%	1,119	1.27
TOTAL COST		100.00%	\$54,086	\$61.54
Construction Cost Recap		53.89%	\$29,150	\$33.17

SOURCES OF FUNDS

Greystone	13.34%	\$7,214	\$8.21
Seller Note	21.62%	\$11,692	\$13.30
SETH Loan			
HTC Syndication Proceeds	54.63%	\$29,548	\$33.62
Deferred Developer Fees	11.19%	\$6,051	\$6.89
Additional (Excess) Funds Req'd	-6.11%	(\$3,304)	(\$3.76)
TOTAL SOURCES			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$1,369,200	\$1,334,496
late fees, app fees, laundry, vending	36,180	54,744
Other Support Income:	0	
POTENTIAL GROSS INCOME	\$1,405,380	\$1,389,240
Vacancy & Collection Loss	(105,404)	(104,196)
Employee or Other Non-Rental Units or Concessions		(48,000)
EFFECTIVE GROSS INCOME	\$1,299,977	\$1,237,044
General & Administrative	\$68,809	\$40,752
Management	46,816	49,482
Payroll & Payroll Tax	192,037	193,700
Repairs & Maintenance	82,019	61,522
Utilities	85,569	118,200
Water, Sewer, & Trash	115,860	145,467
Property Insurance	61,824	44,000
Property Tax 2.70	75,728	56,609
Reserve for Replacements	66,659	60,300
TDHCA Compliance Fees	7,720	7,720
Other: Security	12,000	12,000
TOTAL EXPENSES	\$815,040	\$789,752
NET OPERATING INC	\$484,936	\$447,292
Greystone	\$109,180	\$109,176
Seller Note	206,922	207,274
SETH Loan	41,655	41,655
NET CASH FLOW	\$127,179	\$89,187
AGGREGATE DEBT COVERAGE RATIO	1.36	1.25
RECOMMENDED DEBT COVERAGE RATIO	1.35	

COUNTY	IREM REGION	COMPT. REGION
Harris	Houston	6
\$22.70	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.50%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.23	\$203	3.29%
0.28	246	4.00%
1.10	964	15.66%
0.35	306	4.97%
0.67	588	9.56%
0.82	724	11.76%
0.25	219	3.56%
0.32	282	4.58%
0.34	300	4.87%
0.04	38	0.62%
0.07	60	0.97%
\$4.47	\$3,929	63.84%
\$2.53	\$2,225	36.16%
\$0.62	\$543	8.83%
\$1.17	\$1,031	16.76%
\$0.24	\$207	3.37%
\$0.50	\$444	7.21%

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$3,417,231	\$3,850,000	\$21.80	\$19,154	33.38%
Off-Sites	0	0	0.00	0	0.00%
Sitework	711,900	692,300	3.92	3,444	6.00%
Direct Construction	4,325,666	4,241,416	24.01	21,102	36.77%
Contingency 3.85%	194,000	194,000	1.10	965	1.68%
Contractor's Fees 12.46%	627,497	627,497	3.55	3,122	5.44%
Indirect Construction	96,850	96,850	0.55	482	0.84%
Ineligible Costs	383,141	718,259	4.07	3,573	6.23%
Developer's Fees 8.56%	760,500	760,500	4.31	3,784	6.59%
Interim Financing	129,500	129,500	0.73	644	1.12%
Reserves	225,000	225,000	1.27	1,119	1.95%
TOTAL COST	\$10,871,285	\$11,535,322	\$65.30	\$57,390	100.00%
Construction Cost Recap	\$5,859,063	\$5,755,213	\$32.58	\$28,633	49.89%
Greystone	\$1,450,000	\$1,450,000	\$1,450,000		Developer Fee Available
Seller Note	2,350,000	2,350,000	2,857,871		\$1,046,616
SETH Loan	580,000	580,000	580,000		
HTC Syndication Proceeds	5,939,146	5,939,146	5,939,146		% of Dev. Fee Deferred
Deferred Developer Fees	1,216,177	1,216,177	44,267		4%
Additional (Excess) Funds Req'd	(664,038)	(1)	0		15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$10,871,285	\$11,535,322	\$10,871,285		\$2,505,218

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Harris Manor, Pasadena, HTC 9% #08260

PAYMENT COMPUTATION

Primary	\$1,450,000	Amort	360
Int Rate	6.43%	DCR	4.44

Secondary	\$2,350,000	Amort	360
Int Rate	8.00%	Subtotal DCR	1.53

Additional	\$580,000	Amort	180
Int Rate	1.00%	Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$109,180
Secondary Debt Service	215,188
Additional Debt Service	34,812
NET CASH FLOW	\$125,756

Primary	\$1,450,000	Amort	360
Int Rate	6.43%	DCR	4.44

Secondary	\$2,857,871	Amort	360
Int Rate	6.43%	Subtotal DCR	1.50

Additional	\$580,000	Amort	360
Int Rate	4.39%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

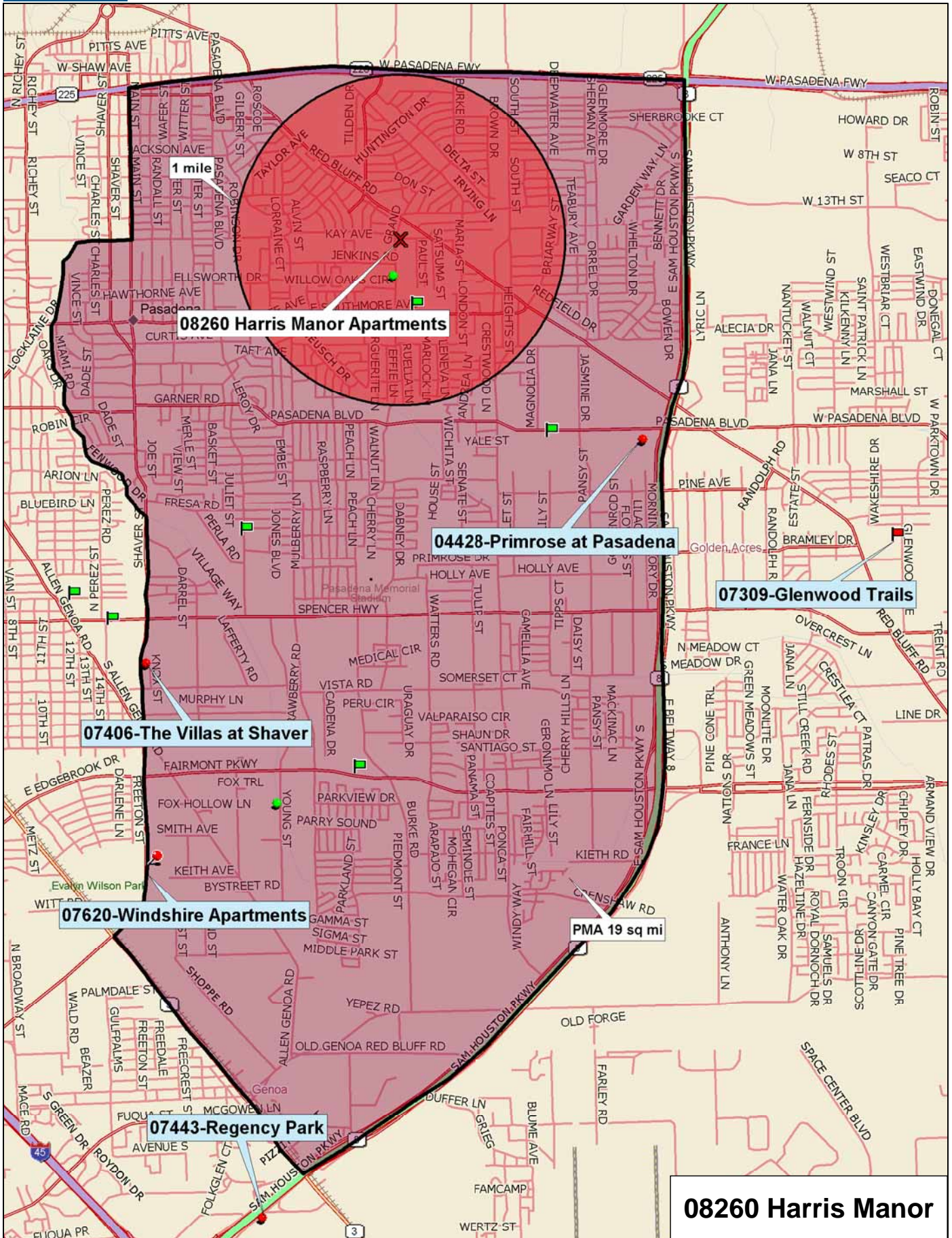
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,369,200	\$1,410,276	\$1,452,584	\$1,496,162	\$1,541,047	\$1,786,495	\$2,071,038	\$2,400,900	\$3,226,609
Secondary Income	36,180	37,265	38,383	39,535	40,721	47,207	54,725	63,442	85,261
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,405,380	1,447,541	1,490,968	1,535,697	1,581,768	1,833,702	2,125,763	2,464,342	3,311,870
Vacancy & Collection Loss	(105,404)	(108,566)	(111,823)	(115,177)	(118,633)	(137,528)	(159,432)	(184,826)	(248,390)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,299,977	\$1,338,976	\$1,379,145	\$1,420,519	\$1,463,135	\$1,696,174	\$1,966,331	\$2,279,517	\$3,063,480
EXPENSES at 4.00%									
General & Administrative	\$68,809	\$71,561	\$74,424	\$77,401	\$80,497	\$97,936	\$119,155	\$144,970	\$214,591
Management	46,816	48,220	49,667	51,157	52,692	61,084	70,813	82,092	110,324
Payroll & Payroll Tax	192,037	199,718	207,707	216,015	224,656	273,328	332,546	404,593	598,896
Repairs & Maintenance	82,019	85,300	88,712	92,260	95,950	116,738	142,030	172,801	255,788
Utilities	85,569	88,992	92,551	96,253	100,104	121,791	148,178	180,281	266,860
Water, Sewer & Trash	115,860	120,494	125,314	130,327	135,540	164,905	200,632	244,100	361,327
Insurance	61,824	64,297	66,869	69,544	72,326	87,995	107,060	130,255	192,809
Property Tax	75,728	78,757	81,907	85,184	88,591	107,785	131,136	159,547	236,169
Reserve for Replacements	66,659	69,325	72,098	74,982	77,981	94,876	115,431	140,440	207,885
Other	19,720	20,509	21,329	22,182	23,070	28,068	34,149	41,547	61,500
TOTAL EXPENSES	\$815,040	\$847,174	\$880,578	\$915,305	\$951,405	\$1,154,507	\$1,401,129	\$1,700,625	\$2,506,149
NET OPERATING INCOME	\$484,936	\$491,802	\$498,567	\$505,215	\$511,730	\$541,668	\$565,202	\$578,892	\$557,331
DEBT SERVICE									
First Lien Financing	\$109,180	\$109,180	\$109,180	\$109,180	\$109,180	\$109,180	\$109,180	\$109,180	\$109,180
Second Lien	215,188	215,188	215,188	215,188	215,188	215,188	215,188	215,188	215,188
Other Financing	34,812	34,812	34,812	34,812	34,812	34,812	34,812	34,812	34,812
NET CASH FLOW	\$125,756	\$132,622	\$139,387	\$146,035	\$152,550	\$182,488	\$206,022	\$219,712	\$198,151
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.42	1.51	1.57	1.61	1.55

HTC ALLOCATION ANALYSIS -Harris Manor, Pasadena, HTC 9% #08260

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$620,000	\$620,000				
Purchase of buildings	\$3,230,000	\$2,797,231	\$3,230,000	\$2,797,231		
Off-Site Improvements						
Sitework	\$692,300	\$711,900			\$692,300	\$711,900
Construction Hard Costs	\$4,241,416	\$4,325,666			\$4,241,416	\$4,325,666
Contractor Fees	\$627,497	\$627,497			\$627,497	\$627,497
Contingencies	\$194,000	\$194,000			\$194,000	\$194,000
Eligible Indirect Fees	\$96,850	\$96,850			\$96,850	\$96,850
Eligible Financing Fees	\$129,500	\$129,500			\$129,500	\$129,500
All Ineligible Costs	\$718,259	\$383,141				
Developer Fees						
Developer Fees	\$760,500	\$760,500			\$760,500	\$760,500
Development Reserves	\$225,000	\$225,000				
TOTAL DEVELOPMENT COSTS	\$11,535,322	\$10,871,285	\$3,230,000	\$2,797,231	\$6,742,063	\$6,845,913

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$3,230,000	\$2,797,231	\$6,742,063	\$6,845,913
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$3,230,000	\$2,797,231	\$8,764,682	\$8,899,687
Applicable Fraction			96%	96%	96%	96%
TOTAL QUALIFIED BASIS			\$3,096,917	\$2,681,979	\$8,403,558	\$8,533,000
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$109,941	\$95,210	\$699,176	\$709,946

Syndication Proceeds	0.8192	\$900,611	\$779,943	\$5,727,511	\$5,815,733
Total Tax Credits (Eligible Basis Method)				\$809,117	\$805,156
Syndication Proceeds				\$6,628,122	\$6,595,677
Requested Tax Credits				\$725,011	
Syndication Proceeds				\$5,939,146	
Gap of Syndication Proceeds Needed					\$5,983,413
Total Tax Credits (Gap Method)					\$730,415

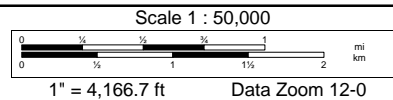
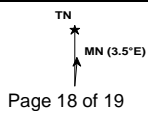


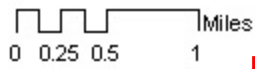
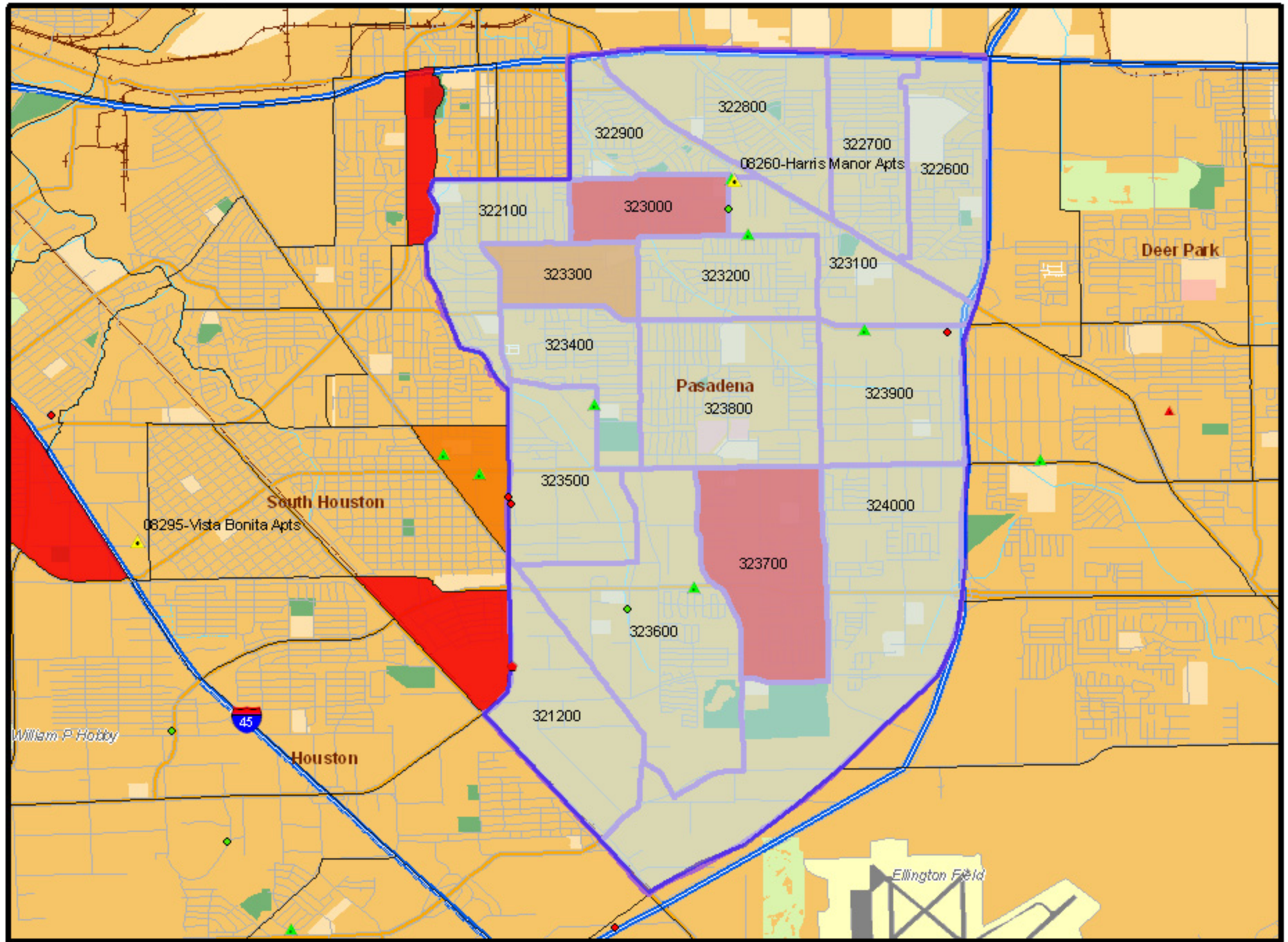
08260 Harris Manor

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Concentration Key
Red Tracts: > 1432 units/sq.mi.
Orange Tracts: 1000 to 1432 units/sq.mi.

08260 - Harris Manor Apartments

Applicant Evaluation

Project ID **08260**

Name **Harris Manor Apartments**

City: **Pasadena**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 2

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

 10-19: 1

 20-29: 1

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 2

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date 5/21/2008

Date 6/2/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer Candace Christiansen

Date 6 /2 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer Monica Guerra

Date 5 /27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Towne Center Apartments Homes, TDHCA Number 08261

BASIC DEVELOPMENT INFORMATION

Site Address: 1301 Prairie Dr. Development #: 08261
 City: Bryan Region: 8 Population Served: Elderly
 County: Brazos Zip Code: 77803 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Bryan Towne Center Apartment Homes, L.P.
 Owner Contact and Phone: Michael Lankford, (713) 626-9655
 Developer: Lankford Interests, LLC
 Housing General Contractor: Lankford Construction, LLC
 Architect: Hill & Frank Architects
 Market Analyst: O'Connor & Associates
 Syndicator: Red Capital group
 Supportive Services: Texas Post Oak Residential Resources, LLC
 Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	141
	8 0 60 73	Market Rate Units:	7
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 48 100 0 0 0	Total Development Units:	148
Type of Building:		Total Development Cost*:	\$15,193,739
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	37
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,099,702	\$935,850			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Towne Center Apartments Homes, TDHCA Number 08261

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Ogden, District 5, NC

Points: 0

US Representative: Edwards, District 17, NC

TX Representative: Brown, District 14, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, David F. Watkins, City Manager

Individuals and Businesses In Support: 3

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4

Amigos del Valle de Brazos

S or O: S

Project Unity

S or O: S

General Summary of Comment:

Support received from elected official(s). Although it did not qualify for Quantifiable Community Participation, the Windham Acres neighborhood association submitted a letter stating that the organization supports the proposed development because senior housing is needed in the community.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City.
2. Receipt, review and acceptance, by carryover, of a firm commitment from the City of Bryan for the permanent loan of \$760K with terms reflected.
3. Receipt, review and acceptance of documentation clarifying the \$22K difference in acquisition price between the commercial contract and development cost schedule.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.
6. Receipt of a commitment of funding from the Meadows Foundation for funds in the amount of \$110,910, or a commitment from a qualifying substitute source in an amount not less than \$110,910, as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
7. Receipt of a commitment of funding from the Amegy Bank for funds in the amount of \$303,874, or a commitment from a qualifying substitute source in an amount not less than \$303,874, as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Towne Center Apartments Homes, TDHCA Number 08261

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$935,850

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/23/08 PROGRAM: 9% HTC FILE NUMBER: 08261

DEVELOPMENT

Towne Center Apartment Homes

Location: 1301 Prairie Drive Region: 8
 City: Bryan County: Brazos Zip: 77803 OCT DDA
 Key Attributes: Multifamily, Elderly, New Construction, Urban

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$1,099,702			\$1,099,702		

CONDITIONS

- 1 Receipt, review, and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City.
- 2 Receipt, review and acceptance, by carryover, of a firm commitment from the City of Bryan for the permanent loan of \$760K with terms reflected.
- 3 Receipt, review and acceptance of documentation clarifying the \$22K difference in acquisition price between the commercial contract and development cost schedule.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	60
60% of AMI	60% of AMI	73

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

- The development will need to defer a significant portion of the developer fee which can only marginally be estimated to be repayable in the first 15 years of operations

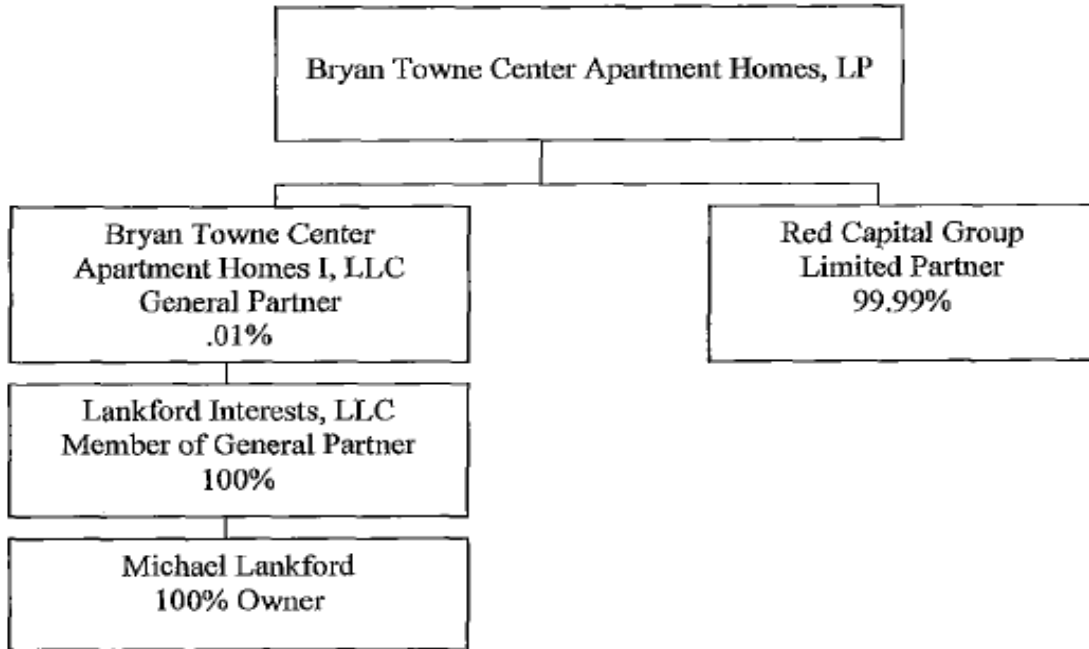
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

Ownership Chart



CONTACT

Contact: Michael Lankford Phone: 713-626-9655 Fax: 713-621-4947
Email: mlankford@lankfordinterests.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Lankford Interests, LLC	N/A	14
Michael Lankford	N/A	14

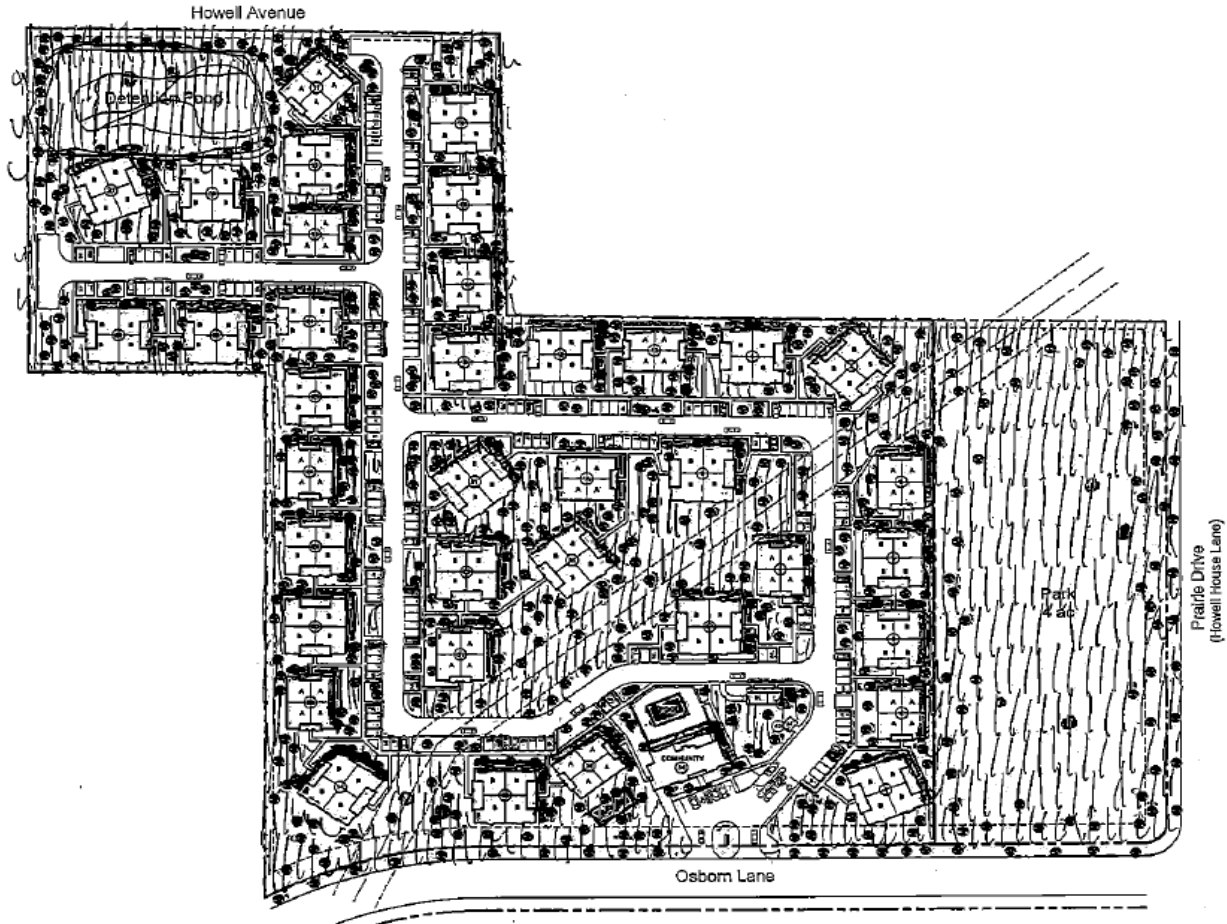
IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C															Total Buildings
Floors/Stories	1	1																
Number	12	25																37

BR/BA	SF	Units											Total Units	Total SF		
1/1	840	4													48	40,320
2/2	1,045		4												100	104,500
															0	0
Units per Building		4	4												148	144,820

SITE ISSUES

Total Size: 20.634 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: C-3 Commercial Needs to be re-zoned? Yes No N/A

Comments:
 Application has been made to the City of Bryan for zoning change. The approved zoning change will be made a condition of the report

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/2/2008

Overall Assessment:

- Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Residential, Vacant Land East: Vacant Land, Trucking Co. (UPS)
 South: Vacant Land, Residential West: Business, Residential

Comments:

None

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: LFC, INC. Date: 3/00/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The evidence of the aerial photographs of the property and the current use and condition of the site , as confirmed by our physical reconnaissance, support our opinion that there are no recognized environmental conditions identified." (p. 1)
- "Based on the information sources reviewed for this assessment, the above-listed oil well location is not believed to be the source of an existing release, a past release, or the material threat of a release of any petroleum products onto the ground, or into ground water of the subject property. However, historical subsurface effects to the subject property cannot be rules out as a result of the operation of this site." (p. 2)

Comments:

The report states the property sits entirely within Zone X which is outside the 500-year floodplain, a noise study doesn't appear warranted and the county is a "Low Radon Potential area" .

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 1/29/2008

Contact: Robert O. Coe, II Phone: 713-686-9955 Fax: 713-686-8336

Number of Revisions: none Date of Last Applicant Revision: n/a

Primary Market Area (PMA): 536.25 square miles (13.1 mile radius)

"The subject's primary market is defined as that area within Brazos County." The primary market area for the proposed subject had an estimated population of 161,179 in 2007.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Terrace Pines	04018	100	0	N/A			

INCOME LIMITS						
Brazos						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$11,750	\$13,400	\$15,100	\$16,750	\$18,100	\$19,450
50	\$19,550	\$22,300	\$25,100	\$27,900	\$30,150	\$32,350
60	\$23,460	\$26,760	\$30,120	\$33,480	\$36,180	\$38,820

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	85	11	0	96	2	0	2.1%
1BR/50% Rent Limit	118	17	0	136	18	0	13.2%
1BR/60% Rent Limit	85	19	0	104	25	0	24.0%
2BR/30% Rent Limit	50	7	0	57	6	0	10.5%
2BR/50% Rent Limit	73	10	0	83	42	0	50.6%
2BR/60% Rent Limit	77	12	0	89	48	0	53.9%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 67	17%	10,548	100%	10,548	Included in tenure %	21%	2,238	45%	1,007	
Underwriter		17%	10,550	100%	10,550	30%	3,112	33%	1,024	19%	199
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 67			100%	287	Included in tenure %	21%	61	100%	61	
Underwriter				100%	125	30%	37	33%	12	100%	12
DEMAND from OTHER SOURCES											
Market Analyst	p. 67									119	
Underwriter										29	

INCLUSIVE CAPTURE RATE							
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst	p. 67	141	0	0	141	1,187	11.88%
Underwriter		141	0	0	141	240	58.87%
HISTA-Based Data Alternative		141	0	0	141	156	90.38%

Comments:

The Market Analyst concluded an inclusive capture rate of 11.88%, while the Underwriter calculated an inclusive capture rate of 58.87% using the Department's traditional method. One of the primary differences in calculations resulted because the Underwriter used a turnover rate of 19.4% which is based upon historical data obtained from information on existing seniors properties in the Department's portfolio, whereby the Market Analyst used a turnover rate of 45%. The Underwriter also calculated a capture rate using HISTA data which resulted in a rate of 90.38%. Although the HISTA data method is above the Department's maximum 75% capture rate for seniors developments, the development is still considered to be acceptable because the Market Analyst's calculation and the Underwriter's independent calculation using the Department's traditional method will be used for this evaluation.

The Terrace Pines Apartments #04018/07009 mentioned under the "Proposed & Under Construction" section above is a 100 unit seniors development located in College Station that received an allocation in 2004; however, these units were not considered unstabilized because the property reportedly had a 98% occupancy rate in 2007 and continues to be 98% occupied this year.

This section intentionally left blank.

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 87% (in initial lease-up) to 100%, with a median occupancy of 95.00%, or 97.00% excluding the complex in its initial lease-up. The average occupancy for apartments in the subject's primary market area was reported at 95.21% in the most recent O'Connor & Associates Apartment Survey (December 2006). According to the survey, occupancy in the primary market area in December 2006 has increased from the prior quarter. Average occupancy in the primary market area has remained relatively stable since September 1999. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 35)

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 15-25 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within seven to twelve months following completion." (p. 81)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	840 SF	30%	\$228	\$228	\$780	\$228	\$552
1 BR	840 SF	50%	\$437	\$437	\$780	\$437	\$343
1 BR	840 SF	60%	\$541	\$541	\$780	\$541	\$239
2 BR	1,045 SF	30%	\$271	\$271	\$925	\$271	\$654
2 BR	1,045 SF	50%	\$521	\$521	\$925	\$521	\$404
2 BR	1,045 SF	60%	\$647	\$647	\$925	\$647	\$278

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have a minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 90)

Comments:

The market study was performed in accordance with the Department's guidelines and provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 75 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 31 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents are equal to the program rent limits less current utility allowances approved by the Brazos Valley Council of Governments. These rent levels are achievable according to the Market Analyst's market rent determination. The Applicant has estimated secondary income of \$15.00 per unit per month and vacancy and collection loss of 7.50%, which are in line with Department standards. The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

This section intentionally left blank.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,636 per unit is not within 5% of the Underwriter's estimate of \$3,894, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: utilities (\$32K lower), property tax (\$18K higher) and reserve for replacements (\$7K lower)

Conclusion:

The Applicant's estimate of net operating income is not within 5% of the Underwriter's estimate, therefore, the Underwriter's NOI will be used to determine the development's feasibility and debt service capacity. The underwriting estimates for effective gross income, operating expenses, and NOI, combined with the Applicant's requested financing structure, provide a debt coverage ratio (DCR) of 1.05. This falls below the acceptable underwriting range of 1.15 to 1.35. Therefore, the Underwriter's recommended financing structure will include a decrease in the permanent loan amount in order to achieve a 1.15 DCR and will be discussed in more detail in the Conclusions section of the report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a DCR below the Department's guidelines. As a result, the Underwriter's recommended financing structure will include a reduced permanent loan amount in order to achieve a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ASSESSED VALUE

Land Only: 20.7 acres	<u>\$129,420</u>	Tax Year:	<u>2007</u>
Existing Buildings:	<u>\$0</u>	Valuation by:	<u>Brazos CAD</u>
Total Assessed Value:	<u>\$129,420</u>	Tax Rate:	<u>2.3914</u>

EVIDENCE of PROPERTY CONTROL

Type: <u>Commercial Contract - Unimproved Property</u>	Acreage: <u>20.7</u>
Contract Expiration: <u>9/30/2008</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$545,000</u>	Other: _____
Seller: <u>Jerry Windham</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TITLE

Comments:

Commonwealth Land Title Insurance Company effective January 9, 2008 (issued January 11, 2008). No specific issues were noted in the commitment

This section intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/12/2008

Acquisition Value:

The site cost of \$26,413 per acre or \$3,682 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant's development cost schedule claims \$22K less than the full contract price reflected in the commercial contract. Therefore, this report will be conditioned upon receipt, review and acceptance of documentation clarifying this \$22K difference.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,095 per unit is within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$68K or 1% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Applicant's estimated eligible interim interest expense is within the Department's allowance of one-year's fully drawn interest on the construction financing.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost 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 \$14,368,239 supports annual tax credits of \$1,138,897. 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

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 6/12/2008

Source: Amegy Bank Type: Interim Financing

Principal: \$305,000 Interest Rate: _____ Fixed Term: _____ months

Comments:

All terms TBD

Source: Robinson Capital & Investment, Inc. Type: Interim Financing

Principal: \$305,000 Interest Rate: 12.0% Fixed Term: 6 months

Comments:

Origination fee of 800 Basis Points or 8% of loan amount.

Source: Red Capital Group Type: Interim Financing

Principal: \$5,767,063 Interest Rate: _____ Fixed Term: 24 months

Comments:

Total is two loans. Note A \$4,658,160 Fannie Mae Pass-through rate (fixed) estimated 7%, Note B \$1,108,903 Thirty-day LIBOR plus 2.50%, adjusted monthly estimated 5.625%.

Source: Red Capital Group Type: Permanent Financing

Principal: \$4,658,160 Interest Rate: 7.0% Fixed Amort: 360 months

Comments:

Term 18 yrs, Amortization 30 yrs, Fannie Mae Pass-through rate (fixed)

Source: City of Bryan Type: Interim to Permanent Financing
 Principal: \$760,000 Interest Rate: _____ Fixed Amort: _____ months
 Comments:
 All terms TBD

Source: Red Capital Group Type: Syndication
 Proceeds: \$8,906,696 Syndication Rate: 81% Anticipated HTC: \$ 1,099,702
 Comments:

The syndication price appears to be consistent with current market prices. A decrease below \$0.80 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.93, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: \$868,884 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated previously, the Underwriter's NOI of 1.05 falls below the Department's minimum guideline of 1.15. Therefore, the Underwriter's recommended financing structure includes a decrease in the permanent loan amount to \$4,235,194 in order to achieve a 1.15 DCR.

The Applicant's total development cost estimate less the adjusted permanent loan of \$4,235,194 and the City of Bryan loan of \$760,000 indicates the need for \$10,198,545 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,259,205 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,099,702), the gap-driven amount (\$1,259,205), and eligible basis-derived estimate (\$1,138,897), the Applicant's request of \$1,099,702 would be recommended resulting in proceeds of \$8,906,696 based on a syndication rate of 81%.

The Underwriter's recommended financing structure indicates the need for \$1,291,849 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within fifteen years of stabilized operation.

Underwriter:	_____	Date:	_____
	<i>Thomas Kincaid</i>		July 23, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 23, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Towne Center Apartment Homes, Bryan, 9% HTC #08261

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T&WH
TC 30%	2	1	1	840	\$314	\$246	\$492	\$0.29	\$68.00	\$80.00
TC 50%	18	1	1	840	\$523	\$455	\$8,190	\$0.54	\$68.00	\$80.00
TC 60%	25	1	1	840	\$627	\$559	\$13,975	\$0.67	\$68.00	\$80.00
MR	3	1	1	840		\$675	\$2,025	\$0.80	\$68.00	\$80.00
TC 30%	6	2	2	1,045	\$377	\$294	\$1,764	\$0.28	\$83.00	\$90.00
TC 50%	42	2	2	1,045	\$627	\$544	\$22,848	\$0.52	\$83.00	\$90.00
TC 60%	48	2	2	1,045	\$753	\$670	\$32,160	\$0.64	\$83.00	\$90.00
MR	4	2	2	1,045		\$825	\$3,300	\$0.79	\$83.00	\$90.00
TOTAL:	148		AVERAGE:	979		\$573	\$84,754	\$0.59	\$78.14	\$86.76

INCOME

Total Net Rentable Sq Ft: **144,820**

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

	% OF EQI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EQI	
General & Administrative	4.79%	\$313	0.32	\$46,285	\$48,100	\$0.33	\$325	4.98%	
Management	4.65%	303	0.31	44,889	48,308	0.33	326	5.00%	
Payroll & Payroll Tax	13.41%	875	0.89	129,500	118,400	0.82	800	12.26%	
Repairs & Maintenance	5.80%	378	0.39	55,965	66,600	0.46	450	6.90%	
Utilities	7.53%	491	0.50	72,660	40,700	0.28	275	4.22%	
Water, Sewer, & Trash	5.44%	355	0.36	52,540	40,700	0.28	275	4.22%	
Property Insurance	3.87%	252	0.26	37,319	29,600	0.20	200	3.07%	
Property Tax	2.3914	7.33%	478	0.49	70,785	88,800	0.61	600	9.20%
Reserve for Replacements	3.83%	250	0.26	37,000	29,600	0.20	200	3.07%	
TDHCA Compliance Fees	0.58%	38	0.04	5,640	3,700	0.03	25	0.38%	
Other:	2.45%	160	0.16	23,680	23,680	0.16	160	2.45%	
TOTAL EXPENSES	59.69%	\$3,894	\$3.98	\$576,264	\$538,188	\$3.72	\$3,636	55.75%	
NET OPERATING INC	40.31%	\$2,629	\$2.69	\$389,148	\$427,223	\$2.95	\$2,887	44.25%	

DEBT SERVICE

Red Capital Group	38.52%	\$2,513	\$2.57	\$371,890	\$371,721	\$2.57	\$2,512	38.50%
City of Bryan	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
NET CASH FLOW	1.79%	\$117	\$0.12	\$17,257	\$55,502	\$0.38	\$375	5.75%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

1.05	1.15
1.15	

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)		3.49%	\$3,601	\$3.68	\$533,000	\$533,000	\$3.68	\$3,601	3.51%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		6.88%	7,095	7.25	1,050,000	1,050,000	7.25	7,095	6.91%
Direct Construction		54.70%	56,404	57.64	8,347,816	8,280,156	57.18	55,947	54.50%
Contingency	4.96%	3.06%	3,152	3.22	466,508	466,508	3.22	3,152	3.07%
Contractor's Fees	13.90%	8.56%	8,826	9.02	1,306,221	1,306,221	9.02	8,826	8.60%
Indirect Construction		5.72%	5,899	6.03	873,000	873,000	6.03	5,899	5.75%
Ineligible Costs		0.77%	794	0.81	117,500	117,500	0.81	794	0.77%
Developer's Fees	14.80%	12.19%	12,573	12.85	1,860,854	1,860,854	12.85	12,573	12.25%
Interim Financing		3.48%	3,591	3.67	531,500	531,500	3.67	3,591	3.50%
Reserves		1.15%	1,182	1.21	175,000	175,000	1.21	1,182	1.15%
TOTAL COST		100.00%	\$103,118	\$105.38	\$15,261,399	\$15,193,739	\$104.91	\$102,660	100.00%
Construction Cost Recap		73.19%	\$75,477	\$77.13	\$11,170,545	\$11,102,885	\$76.67	\$75,019	73.08%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Red Capital Group	30.52%	\$31,474	\$32.17	\$4,658,160	\$4,658,160	\$4,235,194	Developer Fee Available
City of Bryan	4.98%	\$5,135	\$5.25	760,000	760,000	760,000	\$1,860,854
HTC Syndication Proceeds	58.36%	\$60,180	\$61.50	8,906,696	8,906,696	8,906,696	% of Dev. Fee Deferred
Deferred Developer Fees	5.69%	\$5,871	\$6.00	868,884	868,884	1,291,849	69%
Additional (Excess) Funds Req'd	0.44%	\$457	\$0.47	67,659	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$15,261,399	\$15,193,739	\$15,193,739	\$1,377,616

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Towne Center Apartment Homes, Bryan, 9% HTC #08261

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality TOWN HOME Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$62.83	\$9,099,015
Adjustments				
Exterior Wall Finish	1.75%		\$1.10	\$159,233
Elderly	3.00%		1.88	272,970
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(267,917)
Floor Cover			3.08	446,046
Single Story Patios	\$19.81	20,843	2.85	412,907
Plumbing Fixtures	\$965	4	0.03	3,860
Rough-ins	\$425	148	0.43	62,900
Built-In Appliances	\$2,425	148	2.48	358,900
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$52.91		0.00	0
Heating/Cooling			2.43	351,913
Garages/Carports	\$8.78	27,972	1.70	245,594
Comm &/or Aux Bldgs	\$67.25	4,073	1.89	273,909
Other: fire sprinkler	\$0.00	144,820	0.00	0
SUBTOTAL			78.85	11,419,330
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(7.89)	(1,141,933)
TOTAL DIRECT CONSTRUCTION COSTS			\$70.97	\$10,277,397
Plans, specs, survy, bld prm	3.90%		(\$2.77)	(\$400,818)
Interim Construction Interes	3.38%		(2.40)	(346,862)
Contractor's OH & Profit	11.50%		(8.16)	(1,181,901)
NET DIRECT CONSTRUCTION COSTS			\$57.64	\$8,347,816

PAYMENT COMPUTATION

Primary	\$4,658,160	Amort	360
Int Rate	7.00%	DCR	1.05

Secondary	\$760,000	Amort	
Int Rate		Subtotal DCR	1.05

Additional	\$8,906,696	Amort	
Int Rate		Aggregate DCR	1.05

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$338,122
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$51,025

Primary	\$4,235,194	Amort	360
Int Rate	7.00%	DCR	1.15

Secondary	\$760,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$8,906,696	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	\$1,017,048	\$1,047,559	\$1,078,986	\$1,111,356	\$1,144,696	\$1,327,017	\$1,538,376	\$1,783,400	\$2,396,740
Secondary Income	26,640	27,439	28,262	29,110	29,984	34,759	40,295	46,713	62,779
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,043,688	1,074,999	1,107,249	1,140,466	1,174,680	1,361,776	1,578,672	1,830,113	2,459,519
Vacancy & Collection Loss	(78,277)	(80,625)	(83,044)	(85,535)	(88,101)	(102,133)	(118,400)	(137,258)	(184,464)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$965,411	\$994,374	\$1,024,205	\$1,054,931	\$1,086,579	\$1,259,643	\$1,460,271	\$1,692,855	\$2,275,055
EXPENSES at 4.00%									
General & Administrative	\$46,285	\$48,136	\$50,061	\$52,064	\$54,146	\$65,877	\$80,150	\$97,515	\$144,346
Management	44,889	46,236	47,623	49,052	50,523	58,571	67,899	78,714	105,785
Payroll & Payroll Tax	129,500	134,680	140,067	145,670	151,497	184,319	224,252	272,837	403,865
Repairs & Maintenance	55,965	58,204	60,532	62,953	65,472	79,656	96,914	117,911	174,537
Utilities	72,660	75,566	78,589	81,733	85,002	103,418	125,824	153,084	226,601
Water, Sewer & Trash	52,540	54,642	56,827	59,100	61,464	74,781	90,982	110,694	163,854
Insurance	37,319	38,812	40,364	41,979	43,658	53,117	64,624	78,626	116,385
Property Tax	70,785	73,617	76,562	79,624	82,809	100,750	122,577	149,134	220,755
Reserve for Replacements	37,000	38,480	40,019	41,620	43,285	52,663	64,072	77,953	115,390
Other	29,320	30,493	31,713	32,981	34,300	41,732	50,773	61,773	91,439
TOTAL EXPENSES	\$576,264	\$598,866	\$622,358	\$646,776	\$672,156	\$814,882	\$988,068	\$1,198,240	\$1,762,957
NET OPERATING INCOME	\$389,148	\$395,508	\$401,847	\$408,155	\$414,423	\$444,761	\$472,203	\$494,615	\$512,099
DEBT SERVICE									
First Lien Financing	\$338,122	\$338,122	\$338,122	\$338,122	\$338,122	\$338,122	\$338,122	\$338,122	\$338,122
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$51,025	\$57,386	\$63,725	\$70,033	\$76,300	\$106,639	\$134,081	\$156,493	\$173,976
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.21	1.23	1.32	1.40	1.46	1.51

HTC ALLOCATION ANALYSIS -Towne Center Apartment Homes, Bryan, 9% HTC #08261				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$533,000	\$533,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,050,000	\$1,050,000	\$1,050,000	\$1,050,000
Construction Hard Costs	\$8,280,156	\$8,347,816	\$8,280,156	\$8,347,816
Contractor Fees	\$1,306,221	\$1,306,221	\$1,306,221	\$1,306,221
Contingencies	\$466,508	\$466,508	\$466,508	\$466,508
Eligible Indirect Fees	\$873,000	\$873,000	\$873,000	\$873,000
Eligible Financing Fees	\$531,500	\$531,500	\$531,500	\$531,500
All Ineligible Costs	\$117,500	\$117,500		
Developer Fees				
Developer Fees	\$1,860,854	\$1,860,854	\$1,860,854	\$1,860,854
Development Reserves	\$175,000	\$175,000		
TOTAL DEVELOPMENT COSTS	\$15,193,739	\$15,261,399	\$14,368,239	\$14,435,899

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,368,239	\$14,435,899
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$14,368,239	\$14,435,899
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		\$13,688,660	\$13,753,120
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$1,138,897	\$1,144,260

Syndication Proceeds	0.8099	\$9,224,140	\$9,267,576
Total Tax Credits (Eligible Basis Method)		\$1,138,897	\$1,144,260
Syndication Proceeds		\$9,224,140	\$9,267,576
Requested Tax Credits		\$1,099,702	
Syndication Proceeds		\$8,906,696	
Gap of Syndication Proceeds Needed		\$10,198,545	
Total Tax Credits (Gap Method)		\$1,259,205	

Towne Center Apt Homes

Primary Market Area
536.25 square miles

99140-Rose Maria Arms Apartments

Wheelock

Hearne

Mumford

Kurten

08261 Towne Center Apt Homes

03009-Forest Park Apartments

One Mile Radius

93157-Emerald Park Apartments

94185-Saddlewood

00114-Haven, The

College Sta

94164-Windsor Pointe Townhomes

04018/07009-Terrace Pines (Elderly)

01405-Southgate Village Apartments

94114-Villas Of Rock Prairie

07262-Santour Court (Family)

Wellborn

Snook

Millican

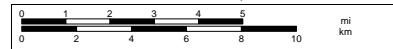
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Scale 1 : 275,000



1" = 4.34 mi

Data Zoom 9-5



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lake View Apartment Homes, TDHCA Number 08262

BASIC DEVELOPMENT INFORMATION

Site Address: N. Broadway at Loop 323 Development #: 08262
 City: Tyler Region: 4 Population Served: Elderly
 County: Smith Zip Code: 75706 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Tyler Lake View Apartment Homes, L.P.
 Owner Contact and Phone: Michael Lankford, (713) 626-9655
 Developer: Lankford Interests, LLC
 Housing General Contractor: Lankford Construction, LLC
 Architect: Hill & Frank Architects
 Market Analyst: O'Connor & Associates
 Syndicator: Red Capital group
 Supportive Services: Texas Post Oak Residential Resources, LLC
 Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	134
	7 0 49 78	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 44 96 0 0 0	Total Development Units:	140
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	35
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,150,000	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lake View Apartment Homes, TDHCA Number 08262

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, S

Points: 14 US Representative: Gohmert, District 1, NC

TX Representative: Berman, District 6, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 3

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 4

Tyler Chamber of Commerce

S or O: S

Meals on Wheels

S or O: S

General Summary of Comment:

Support received from elected official(s) and a civic organization. Although it did not qualify for Quantifiable Community Participation, the Northchase Development submitted a letter stating that the organization supports the proposed development because there is a need for senior housing in our community and this project will help fulfill a portion of that need.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Lake View Apartment Homes, TDHCA Number 08262

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **203** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID **08262**

Name **Lake View Apartment Homes**

City: **Tyler**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 12

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 7

Total # of MF awards not yet monitored or pending review: 4

10-19: 4

20-29: 1

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 12

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 7/1/2008

Date: 7/7/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 7/3/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 7 /3 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 7 /9 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Villas at Lost Pines, TDHCA Number 08263

BASIC DEVELOPMENT INFORMATION

Site Address: 1000' N. of Hwy 71 & Hwy 95 Intersection Development #: 08263
 City: Bastrop Region: 7 Population Served: Elderly
 County: Bastrop Zip Code: 78602 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Bastrop DMA Housing, L.P.
 Owner Contact and Phone: Diana McIver, (512) 328-3232
 Developer: DMA Development Company, LLC
 Housing General Contractor: Comanche Contractors, L.P.
 Architect: Chiles Architects, Inc.
 Market Analyst: Integra Realty Resources
 Syndicator: PNC Multifamily Capital
 Supportive Services: DMA Properties, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	64
	4 0 23 37	Market Rate Units:	2
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 53 13 0 0 0	Total Development Units:	66
Type of Building:		Total Development Cost*:	\$6,852,900
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	7
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	13
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$497,168	\$0			
HOME Activity Fund Amount:	\$1,100,000	\$0	0	0	AFR
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Villas at Lost Pines, TDHCA Number 08263

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Hegar, District 18, S

Points: 14 US Representative: Doggett, District 25, NC

TX Representative: Cook, District 17, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Kiwanis Club of Bastrop

S or O: S

Bastrop County Emergency Food Pantry

S or O: S

The American Legion

S or O: S

Bastrop Chamber of Commerce

S or O: S

General Summary of Comment:

General support received from elected official(s) and civic organizations.

CONDITIONS OF COMMITMENT

- 1. This development is only recommended for a Housing Tax Credit amount of \$497,168 and a HOME amount of \$1,100,000 to the extent that a competing development, Fairwood Commons Seniors #08229 is not allocated tax credits with priority over the subject this year.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.
4. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$345,000, or a commitment from a qualifying substitute source in an amount not less than \$342,645, as required by §50.9(i)(5) of the 2008 QAP.
5. Receipt of a commitment of funding for TDHCA HOME funds in the amount of \$138,000, or a commitment from a qualifying substitute source(s) in an amount not less than \$137,058, as required by §50.9(i)(27) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Villas at Lost Pines, TDHCA Number 08263

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: This development is only recommended to the extent that a competing development, Fairwood Commons Seniors #08229 is not allocated tax credits with priority over the subject this year.

HOME Activity Funds: Loan Amount: \$0

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/05/08 PROGRAM: 9% HTC/HOME FILE NUMBER: 08263

DEVELOPMENT

The Villas at Lost Pines

Location: Hwy 95, 1000' N. of Hwy 71 Region: 7
 City: Bastrop County: Bastrop Zip: 78602 OCT DDA
 Key Attributes: Seniors; New Construction, Rural

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$1,100,000	AFR	40/40	\$1,100,000	AFR	30/30
Housing Tax Credit (Annual)	\$499,159			\$497,168		

CONDITIONS

- 1 This development is only recommended to the extent that a competing development, Fairwood Commons Seniors #08229 is not allocated tax credits with priority over the subject this year.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 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.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	23
60% of AMI	60% of AMI	37

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30%/ Low Home	4
50% of AMI	Low Home	9

* Per NOFA, 20% of the total proposed units must be designated as HOME.

PROS

- While the HOME funds are substantial they can be repaid at AFR and it appears that they could easily be replaced by conventional debt and deferred developer fee if necessary.

CONS

- The Market Analyst's analysis suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

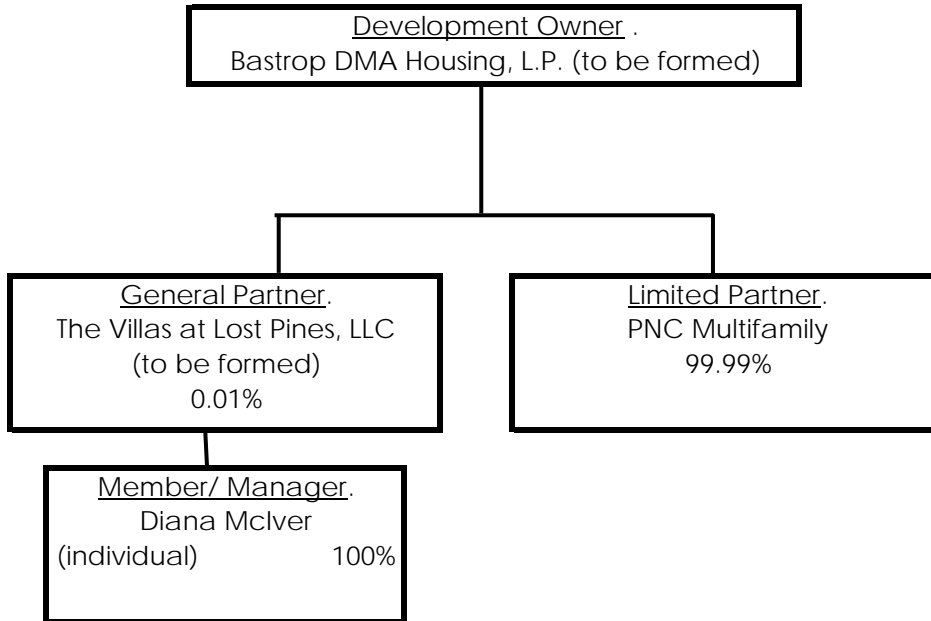
- The capture rate based on the alternate method to calculate inclusive capture rate using the HISTA data source indicates the development would need to capture 84.13% which exceeds the current Department maximum of 75% for this type of development.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Diana McIver Phone: (512) 328-3232 Fax: (512) 328-4584
 Email: dianam@mciver.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Diana McIver	N/A	18

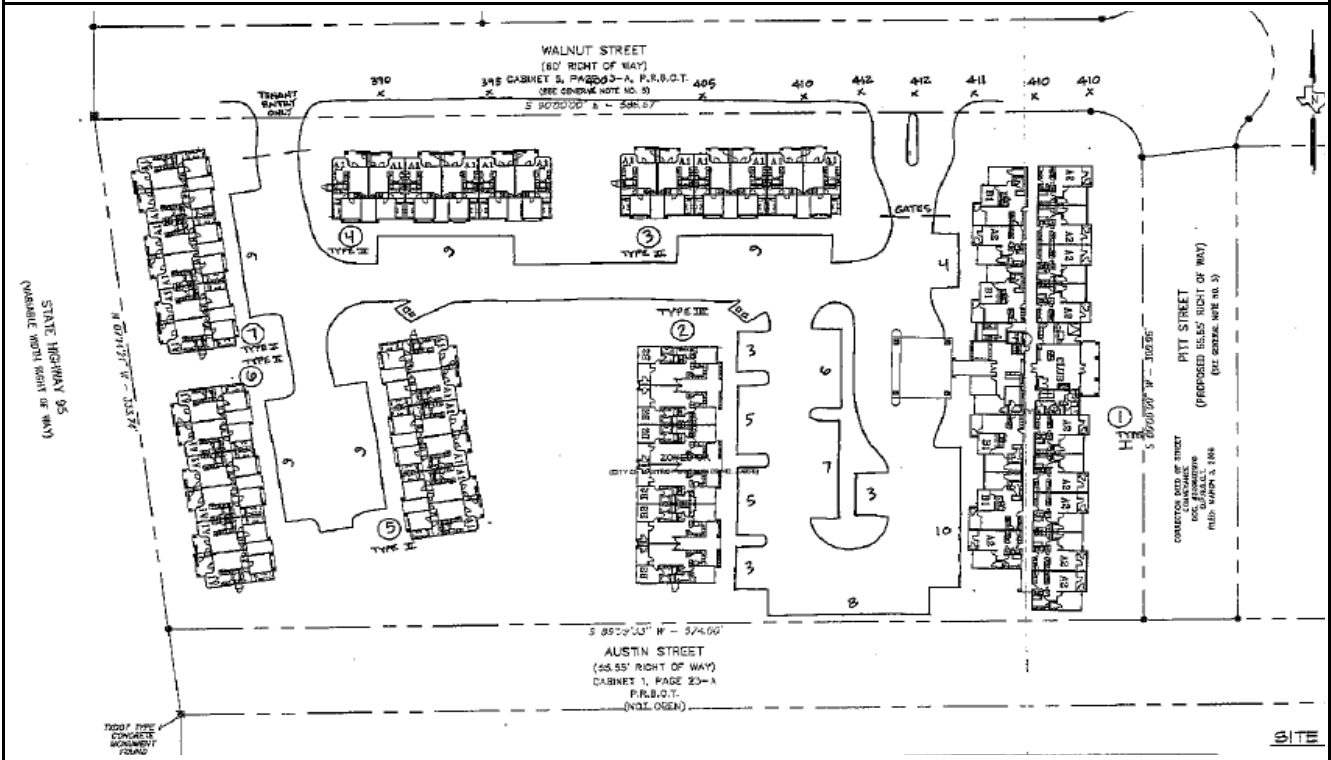
IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	1BR	2BR													Total Buildings
Floors/Stories	2	1	1													
Number	1	5	1													7

BR/BA	SF	Units										Total Units	Total SF	
1/1	713	23											23	16,399
1/1	750		6										30	22,500
2/1	951	7											7	6,657
2/2	964			6									6	5,784
Units per Building		30	6	6									66	51,340

SITE ISSUES

Total Size: 4.523 acres Scattered site? Yes No

Flood Zone: Zone X Within 100-yr floodplain? Yes No

Zoning: GR- General Retail Needs to be re-zoned? Yes No N/A

Comments:

The property is presently zoned General Retail (GR). A letter dated February 25, 2008 from the City of Bastrop indicates the subject development is a permitted use in the zoning district.

This section intentionally left blank.

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/1/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: Walnut Street, multifamily residential construction.
 South: Austin Street, vacant/undeveloped land.
 East: Pitt Street, vacant/undeveloped land.
 West: Highway 95, soccer field, residential uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: DCH Environmental Consultants, LP Date: 2/19/2008

Recognized Environmental Concerns (RECs) and Other Concerns:
 • None.

MARKET HIGHLIGHTS

Provider: Integra Realty Date: 3/29/2008

Contact: Jon Cruse Phone: (972) 960-1222 Fax: (972) 960-2922

Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 897.46 square feet (16.97 miles radius)
 "Based upon our analysis, we conclude the subject's primary market area (PMA) to be Bastrop County." (p.17)

The estimated 2007 population of the PMA was 73,140 and is expected to increase by 15% to approximately 84,140 by 2012. Within the primary market area there were estimated to be 8,978 senior households in 2007.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Crescent Village II Apts	060181	76	Family	N/A			
Fairwood Commons Senior Apts	08229	66	LP;63				

Fairwood Commons Seniors is a proposed 64-unit 9% HTC development targeting seniors within the defined PMA boundaries; however, it is a lower scoring application as of the date of this underwriting report.

INCOME LIMITS						
Bastrop						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$14,950	\$17,100	\$19,200	\$21,350	\$23,050	\$24,750
50	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250
60	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

This section intentionally left blank.

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	31	6		37	4	4	22%
1 BR/50% Rent Limit	47	8		55	19	19	69%
1 BR/60% Rent Limit	59	11		70	30	30	86%
2 BR/50% Rent Limit	15	3		18	4	4	44%
2 BR/60% Rent Limit	26	5		31	7	7	45%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 55							178			
Underwriter	21%	9,008	100%	9,008	28%	2,551	20%	508	24%	122
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 55							32			
Underwriter			100%	549	28%	155	20%	31	100%	31

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 57	64	63	0	127	210	60.48%
Underwriter	64	0	0	64	153	41.87%
HISTA Data Alternate	64	0	0	64	76	84.13%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject and found the revised inclusive capture rate excluding the proposed but lower scoring Fairwood Commons to be acceptable at 41.87%.

It should be noted, based on the alternate method to calculate inclusive capture rate using the HISTA provided data which identifies separate income bands for each household size, making this more appropriate calculation available, the development would need to capture 84.13% of the projected market area demand. Essentially, the capture rate exceeds the current Department maximum of 75% for this type of development based on this alternate data source.

Primary Market Occupancy Rates:

"The average occupancy rate of the existing LIHTC properties within the PMA is 99%." (p.35)

Absorption Projections:

"No new multifamily projects have been recently constructed within the Bastrop area. Thus, we are unable to analyze absorption trends specific to the PMA. Based on our Demand Analysis, found later in this study, a new project, the size of the subject as proposed with 66 "seniors only" units, is likely to be absorbed within 10 to 12 months of opening, equating to an absorption pace of approximately 6 units per month." (p.72)

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	713 SF	30%	\$338	\$338	\$680	\$338	\$342
1 BR	713 SF	50%	\$604	\$604	\$680	\$604	\$76
1 BR	713 SF	50%	\$604	\$604	\$680	\$604	\$76
1 BR	750 SF	60%	\$650	\$738	\$750	\$738	\$12
2 BR	951 SF	50%	\$722	\$722	\$770	\$722	\$48
2 BR	951 SF	50%	\$722	\$722	\$770	\$722	\$48
2 BR	951 SF	60%	\$745	\$882	\$770	\$770	\$0
2 BR	964 SF	60%	\$755	\$882	\$775	\$775	\$0
2 BR	964 SF	MR	\$775	N/A	\$775	\$775	\$0

Market Impact:

The Market Analyst does not explicitly comment on the impact the subject development will have on the market area.

Comments:

If Fairwood Commons Seniors were to be funded, this analysis suggests there may be limited support for additional units as the inclusion of the 63 additional HTC units yields a capture above the current Department maximum of 75% for senior developments, therefore this report is conditioned upon Fairwood Commons Seniors not being funded in the 2008 allocation.

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 14.5 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of less than one unit per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the projected rents collected per unit calculated by subtracting tenant-paid utility allowances effective as of November 1, 2007, maintained by the Bastrop Housing Authority, from the 2008 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant chose not to anticipate the rents quoted by the Market Analyst as achievable but rather utilized rents that are \$88 to \$137 less than the underwritten rent for the units targeting 60% households.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. However, due to the Applicant's use of lower rents for the 60% units, effective gross income is not within 5% of the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$4,024 per unit is within 5% of the Underwriter's estimate of \$4,070, derived from the TDHCA database, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative (\$6K lower), Payroll (\$5K higher), Utilities (\$5K higher), Water Sewer & Trash (\$5K lower), Property Insurance (\$5K higher) and Property Tax (\$12K lower).

Conclusion:

The Applicant's effective gross income and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.33, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	7.42 acres	\$278,400	Tax Year:	2008
1 acre:		\$37,500	Valuation by:	Bastrop CAD
Total Prorated Value:		\$169,613	Tax Rate:	2.6552

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option Acreage: 4.523

Contract Expiration: 8/31/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$500,000 Other: _____

Seller: E'Lan Development, LP Related to Development Team? Yes No

A principal of the Seller was initially related to the general Contractor but the Applicant has since switched contractors.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/28/2008

Acquisition Value:

The site cost of \$110,546 per acre or \$7,576 per unit though high on a per unit basis for a rural location is assumed to be reasonable since the acquisition is now an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of \$9K per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$130K or 4% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost 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 \$6,208,740 supports annual tax credits of \$497,168. It should be noted, the Applicant utilized a slightly higher applicable fraction of approximately 96.63%; however, the Underwriter has utilized a lower applicable fraction of 96.24% based on the lower of the HTC to market unit ratio and HTC to market net rentable area ratio. 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

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: PNC Multifamily Type: Interim to Permanent Financing

Interim: \$3,285,329 Interest Rate: 6.00% Fixed Amort: 24 months

Permanent: \$1,500,000 Interest Rate: 7.05% Fixed Amort: 360 months

Comments:

Interim Rate Index: Prime floating; Permanent Rate Index: will be estimated at construction closing, underwritten at 7.05%

Source: PNC Multifamily Type: Syndication

Proceeds: \$4,092,694 Syndication Rate: 82% Anticipated HTC: \$ 499,159

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer fee. A decrease below \$0.69 per dollar of credit may increase the amount of deferred developer fee such that 100% of the fee would be utilized and the need to defer contractor fee may be warranted; additionally, a decrease below \$0.60 per credit dollar may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than \$0.85, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: \$160,206 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1.5M and \$1.1M in HOME funds indicate the need for \$4,252,900 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$518,698 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$499,159), the gap-driven amount (\$518,698), and eligible basis-derived estimate (\$497,168), the eligible basis-derived estimate of \$497,168 is recommended resulting in proceeds of \$4,076,371 based on a syndication rate of 82%.

The Underwriter recommends a HOME award of \$1.1M fully repayable at the greater of 4.19% as underwritten or AFR at the time the funds are drawn down and an amortization of 30 years. The HOME loan should have the same amortization and maturity term as the conventional loan though a parity in lien position is not required as long as the conventional loan remains larger than the HOME loan.

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MULTIFAMILY COMPARATIVE ANALYSIS

The Villas at Lost Pines, Bastrop, 9% HTC/HOME #08263

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	LH	4	1	1	713	\$400	\$338	\$1,352	\$0.47	\$62.00	\$47.00
TC 50%	LH	7	1	1	713	\$666	\$604	\$4,228	\$0.85	\$62.00	\$47.00
TC 50%		12	1	1	713	\$666	\$604	\$7,248	\$0.85	\$62.00	\$47.00
TC 60%		30	1	1	750	\$800	\$738	\$22,140	\$0.98	\$62.00	\$47.00
TC 50%	LH	2	2	1	951	\$800	\$722	\$1,444	\$0.76	\$78.00	\$47.00
TC 50%		2	2	1	951	\$800	\$722	\$1,444	\$0.76	\$78.00	\$47.00
TC 60%		3	2	1	951	\$960	\$770	\$2,310	\$0.81	\$78.00	\$47.00
TC 60%		4	2	2	964	\$960	\$775	\$3,100	\$0.80	\$78.00	\$47.00
MR		2	2	2	964		\$775	\$1,550	\$0.80	\$78.00	\$47.00
TOTAL:		66		AVERAGE:	778		\$679	\$44,816	\$0.87	\$65.15	\$47.00

INCOME

Total Net Rentable Sq Ft: **51,340**

POTENTIAL GROSS RENT

Secondary Income

Per Unit Per Month: \$10.00

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

4.84% \$370 0.48

Management

5.00% 382 0.49

Payroll & Payroll Tax

11.84% 906 1.16

Repairs & Maintenance

4.85% 371 0.48

Utilities

2.56% 195 0.25

Water, Sewer, & Trash

6.21% 475 0.61

Property Insurance

3.53% 270 0.35

Property Tax

2.6552 10.41% 797 1.02

Reserve for Replacements

3.27% 250 0.32

TDHCA Compliance Fees

0.51% 39 0.05

Other: cable

0.20% 15 0.02

TOTAL EXPENSES

53.22% \$4,070 \$5.23

NET OPERATING INC

46.78% \$3,578 \$4.60

DEBT SERVICE

PNC Multifamily

23.84% \$1,824 \$2.34

TDHCA HOME

11.24% \$860 \$1.11

Additional Financing

0.00% \$0 \$0.00

NET CASH FLOW

11.70% \$895 \$1.15

AGGREGATE DEBT COVERAGE RATIO

1.33 1.17

RECOMMENDED DEBT COVERAGE RATIO

1.28

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)		7.20%	\$7,622	\$9.80	\$503,050	\$503,050	\$9.80	\$7,622	7.34%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.51%	9,000	11.57	594,000	594,000	11.57	9,000	8.67%
Direct Construction		47.69%	50,453	64.86	3,329,885	3,200,000	62.33	48,485	46.70%
Contingency	3.57%	2.00%	2,121	2.73	140,000	140,000	2.73	2,121	2.04%
Contractor's Fees	13.54%	7.61%	8,048	10.35	531,160	531,160	10.35	8,048	7.75%
Indirect Construction		8.49%	8,977	11.54	592,500	592,500	11.54	8,977	8.65%
Ineligible Costs		0.62%	659	0.85	43,480	43,480	0.85	659	0.63%
Developer's Fees	14.55%	11.53%	12,197	15.68	805,000	805,000	15.68	12,197	11.75%
Interim Financing		4.96%	5,244	6.74	346,080	346,080	6.74	5,244	5.05%
Reserves		1.40%	1,479	1.90	97,630	97,630	1.90	1,479	1.42%
TOTAL COST		100.00%	\$105,800	\$136.01	\$6,982,785	\$6,852,900	\$133.48	\$103,832	100.00%
Construction Cost Recap		65.81%	\$69,622	\$89.50	\$4,595,045	\$4,465,160	\$86.97	\$67,654	65.16%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
PNC Multifamily	21.48%	\$22,727	\$29.22	\$1,500,000	\$1,500,000	\$1,500,000	Developer Fee Available
TDHCA HOME	15.75%	\$16,667	\$21.43	1,100,000	1,100,000	1,100,000	\$805,000
PNC Multifamily	58.61%	\$62,011	\$79.72	4,092,694	4,092,694	4,076,371	% of Dev. Fee Deferred
Deferred Developer Fees	2.29%	\$2,427	\$3.12	160,206	160,206	176,529	22%
Additional (Excess) Funds Req'd	1.86%	\$1,968	\$2.53	129,885	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$6,982,785	\$6,852,900	\$6,852,900	\$1,248,688

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Villas at Lost Pines, Bastrop, 9% HTC/HOME #08263

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$66.15	\$3,396,040
Adjustments				
Exterior Wall Finish	0.80%		\$0.53	\$27,168
Elderly	3.00%		1.98	101,881
9-Ft. Ceilings	3.10%		2.05	105,277
Roofing			0.00	0
Subfloor			(2.16)	(110,959)
Floor Cover			2.43	124,756
Balconies	\$51.63	4,955	4.98	255,861
Plumbing Fixtures	\$805	18	0.28	14,490
Rough-ins	\$400	66	0.51	26,400
Built-In Appliances	\$1,850	66	2.38	122,100
Exterior Stairs	\$1,800	3	0.11	5,400
Enclosed Corridors	\$45.45	3929	3.48	178,567
Heating/Cooling			1.90	97,546
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$69.27	4,678	6.31	324,033
Other: Elevator	\$43,600	1	0.85	43,600
SUBTOTAL			91.78	4,712,163
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(11.93)	(612,581)
TOTAL DIRECT CONSTRUCTION COSTS			\$79.85	\$4,099,581
Plans, specs, survy, bld prmts	3.90%		(\$3.11)	(\$159,884)
Interim Construction Interest	3.38%		(2.69)	(138,361)
Contractor's OH & Profit	11.50%		(9.18)	(471,452)
NET DIRECT CONSTRUCTION COSTS			\$64.86	\$3,329,885

Primary	\$1,500,000	Amort	360
Int Rate	7.05%	DCR	1.96

Secondary	\$1,100,000	Amort	480
Int Rate	4.19%	Subtotal DCR	1.33

Additional		Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$120,359
Secondary Debt Service	64,473
Additional Debt Service	0
NET CASH FLOW	\$51,317

Primary	\$1,500,000	Amort	360
Int Rate	7.05%	DCR	1.96

Secondary	\$1,100,000	Amort	360
Int Rate	4.19%	Subtotal DCR	1.28

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.28

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

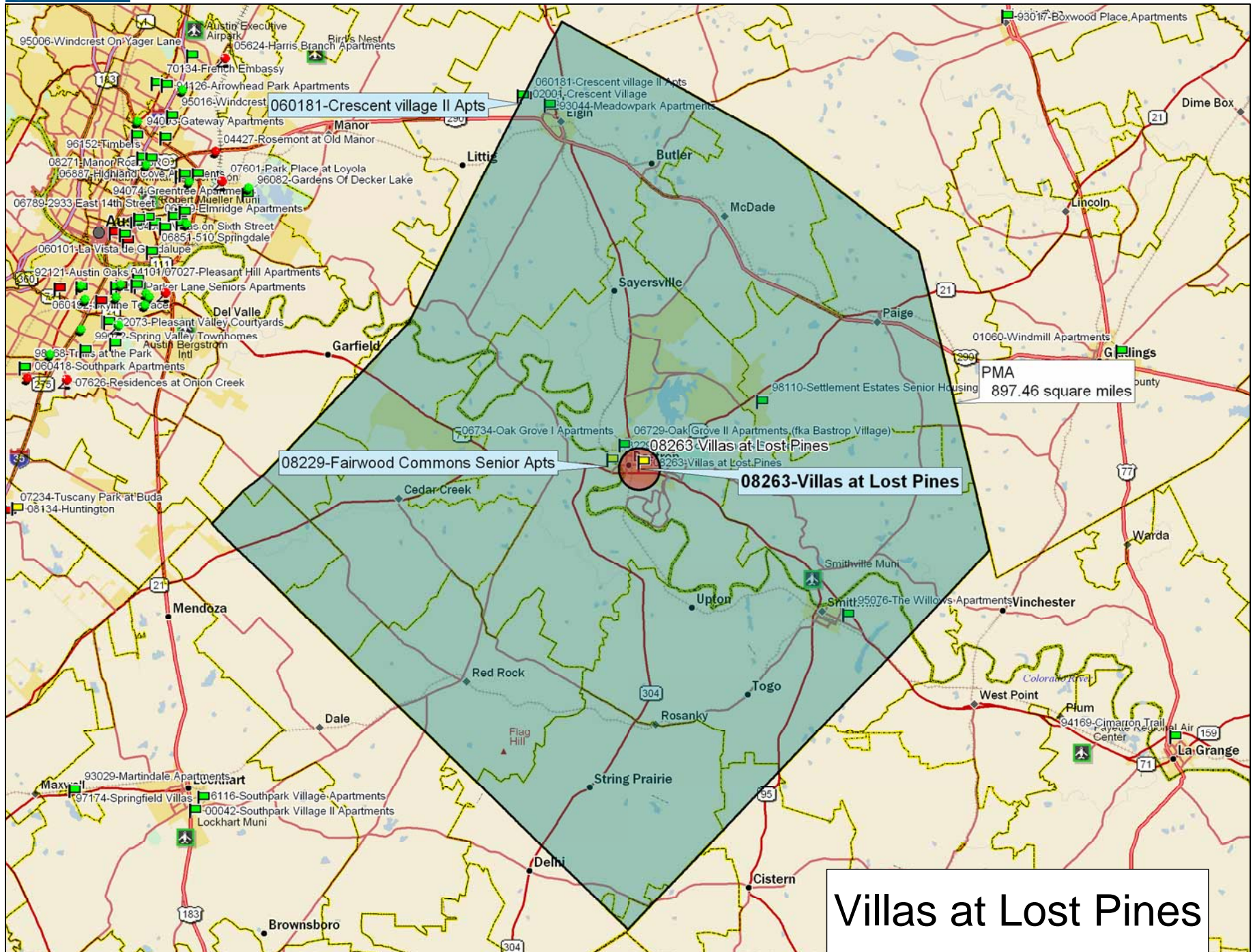
INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$537,792	\$553,926	\$570,544	\$587,660	\$605,290	\$701,697	\$813,459	\$943,022	\$1,267,342
Secondary Income		7,920	8,158	8,402	8,654	8,914	10,334	11,980	13,888	18,664
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		545,712	562,083	578,946	596,314	614,204	712,030	825,438	956,909	1,286,006
Vacancy & Collection Loss		(40,928)	(42,156)	(43,421)	(44,724)	(46,065)	(53,402)	(61,908)	(71,768)	(96,450)
Employee or Other Non-Rental Units or Concess		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$504,784	\$519,927	\$535,525	\$551,591	\$568,138	\$658,628	\$763,530	\$885,141	\$1,189,556
EXPENSES at	4.00%									
General & Administrative		\$24,428	\$25,405	\$26,422	\$27,478	\$28,578	\$34,769	\$42,302	\$51,467	\$76,183
Management		25,239	25,996	26,776	27,580	28,407	32,931	38,177	44,257	59,478
Payroll & Payroll Tax		59,770	62,161	64,648	67,234	69,923	85,072	103,503	125,927	186,403
Repairs & Maintenance		24,481	25,460	26,478	27,538	28,639	34,844	42,393	51,577	76,347
Utilities		12,900	13,416	13,953	14,511	15,091	18,361	22,339	27,178	40,231
Water, Sewer & Trash		31,346	32,600	33,904	35,260	36,671	44,615	54,281	66,042	97,758
Insurance		17,836	18,550	19,292	20,063	20,866	25,387	30,887	37,578	55,625
Property Tax		52,573	54,676	56,863	59,137	61,503	74,828	91,039	110,763	163,957
Reserve for Replacements		16,500	17,160	17,846	18,560	19,303	23,485	28,573	34,763	51,458
Other		3,560	3,702	3,850	4,005	4,165	5,067	6,165	7,500	11,102
TOTAL EXPENSES		\$268,634	\$279,127	\$290,032	\$301,366	\$313,144	\$379,358	\$459,658	\$557,053	\$818,541
NET OPERATING INCOME		\$236,150	\$240,800	\$245,493	\$250,225	\$254,994	\$279,270	\$303,873	\$328,088	\$371,014
DEBT SERVICE										
First Lien Financing		\$120,359	\$120,359	\$120,359	\$120,359	\$120,359	\$120,359	\$120,359	\$120,359	\$120,359
Second Lien		64,473	64,473	64,473	64,473	64,473	64,473	64,473	64,473	64,473
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$51,317	\$55,967	\$60,660	\$65,392	\$70,161	\$94,437	\$119,040	\$143,255	\$186,182
DEBT COVERAGE RATIO		1.28	1.30	1.33	1.35	1.38	1.51	1.64	1.78	2.01

HTC ALLOCATION ANALYSIS -The Villas at Lost Pines, Bastrop, 9% HTC/HOME #08263

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$503,050	\$503,050		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$594,000	\$594,000	\$594,000	\$594,000
Construction Hard Costs	\$3,200,000	\$3,329,885	\$3,200,000	\$3,329,885
Contractor Fees	\$531,160	\$531,160	\$531,160	\$531,160
Contingencies	\$140,000	\$140,000	\$140,000	\$140,000
Eligible Indirect Fees	\$592,500	\$592,500	\$592,500	\$592,500
Eligible Financing Fees	\$346,080	\$346,080	\$346,080	\$346,080
All Ineligible Costs	\$43,480	\$43,480		
Developer Fees				
Developer Fees	\$805,000	\$805,000	\$805,000	\$805,000
Development Reserves	\$97,630	\$97,630		
TOTAL DEVELOPMENT COSTS	\$6,852,900	\$6,982,785	\$6,208,740	\$6,338,625

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$6,208,740	\$6,338,625
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$6,208,740	\$6,338,625
Applicable Fraction			96.24%	96.24%
TOTAL QUALIFIED BASIS			\$5,975,580	\$6,100,587
Applicable Percentage			8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$497,168	\$507,569

Syndication Proceeds	0.8199	\$4,076,371	\$4,161,648
Total Tax Credits (Eligible Basis Method)		\$497,168	\$507,569
Syndication Proceeds		\$4,076,371	\$4,161,648
Requested Tax Credits		\$499,159	
Syndication Proceeds		\$4,092,694	
Gap of Syndication Proceeds Needed		\$4,252,900	
Total Tax Credits (Gap Method)		\$518,698	

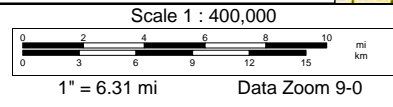
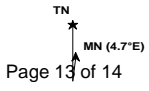


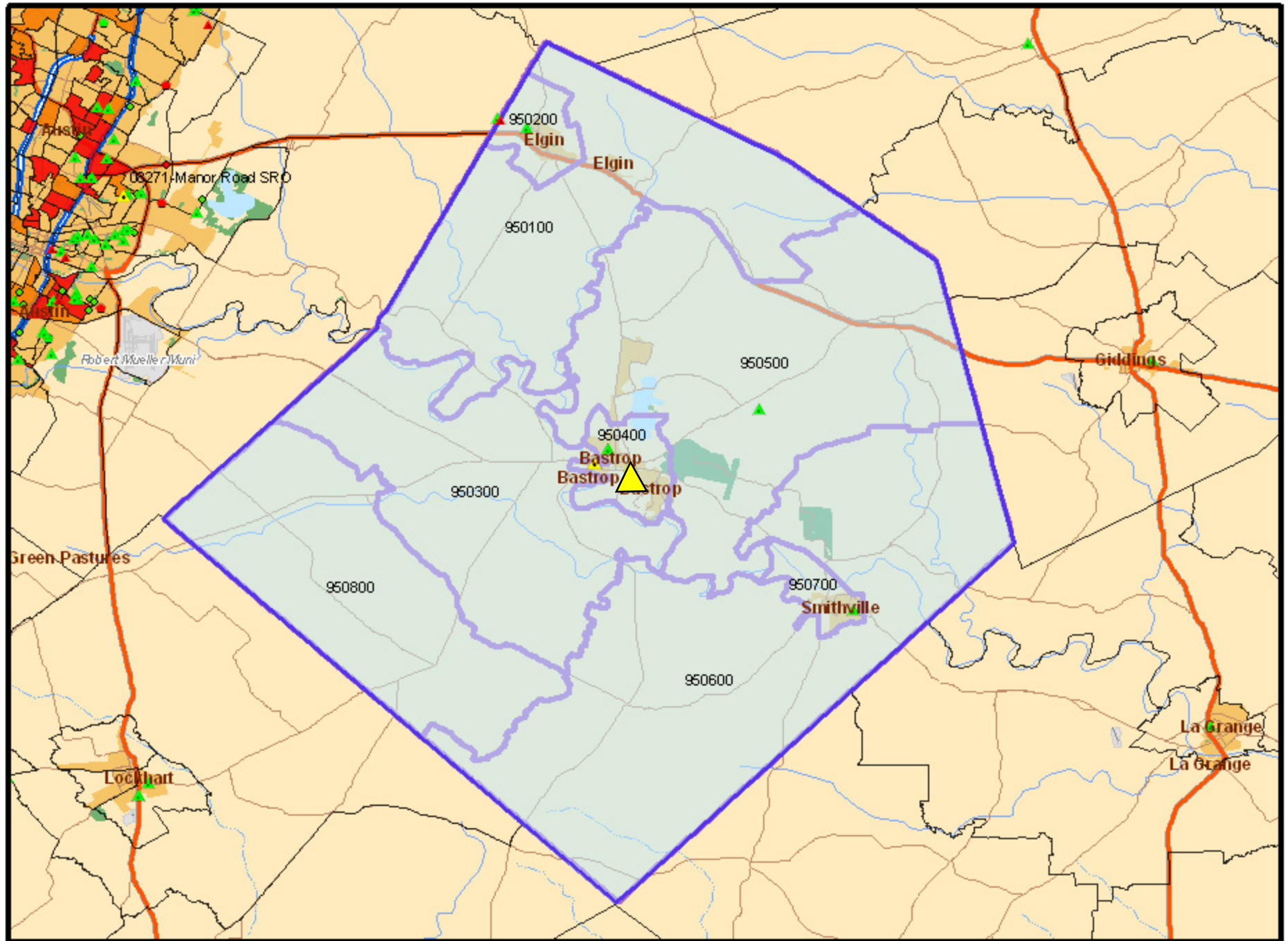
Villas at Lost Pines

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0 1 2 4 Miles

- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
 - Orange Tracts: 1000 to 1432 units/sq.mi.

08263 - Villas at Lost Pines

Applicant Evaluation

Project ID **08263**

Name **Villas at Lost Pines**

City: **Bastrop**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 17

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 12

Total # of MF awards not yet monitored or pending review: 7

10-19: 3

20-29: 2

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 17

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/23/2008

Date: 6/2/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 6/2/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Cambridge Crossing, TDHCA Number 08264

BASIC DEVELOPMENT INFORMATION

Site Address: Bragg Ave. & Cambridge St. Development #: 08264
 City: Corsicana Region: 3 Population Served: Elderly
 County: Navarro Zip Code: 75110 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Corsicana DMA Housing, L.P.
 Owner Contact and Phone: Diana McIver, (512) 328-3232
 Developer: DMA Development Company, LLC
 Housing General Contractor: White Oaks Builders-USA, Ltd.
 Architect: Hailey/ Johnson Architects
 Market Analyst: Integra Realty Resources
 Syndicator: Centerline Capital Group
 Supportive Services: DMA Properties, LLC
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	58
	3 0 21 34	Market Rate Units:	2
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 46 14 0 0 0	Total Development Units:	60
Type of Building:		Total Development Cost*:	\$5,935,052
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	9
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	12
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$578,144	\$578,144			
HOME Activity Fund Amount:	\$420,000	\$420,000	30	18	AFR
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Cambridge Crossing, TDHCA Number 08264

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S Points: 14 US Representative: Barton, District 6, NC
TX Representative: Cook, District 8, S Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 2 In Opposition: 0

Quantifiable Community Participation Input:

Cambridge-Bonner Neighborhood Association, Leslie McCluney Letter Score: 24 S or O: S

There is a need for affordable housing.

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 0

Voice, Inc. S or O: S

Corsicana Lions Club S or O: S

General Summary of Comment:

Support received from elected official(s), civic organizations, and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. An award for the subject application is subject to West Park Senior Housing (TDHCA #08255) not receiving an award of housing tax credits with priority over the subject during the 2008 competitive cycle.
2. Receipt, review, and acceptance, by carryover, of a revised survey to include the base flood elevations for the site or flood plain language certifying to the flood status of the site and confirmation that the buildings and improvements will conform to the Department's flood prevention requirements in the QAP which call for the finished floors of all buildings to be at least one foot above the base flood elevation and that all drives and other improved areas be not more than six inches below the base flood elevation.
3. Receipt, review, and acceptance, by commitment, of evidence that the site has been rezoned or a variance granted for the proposed use.
4. Receipt, review, and acceptance, by 10% test, of a noise study for the subject site performed in accordance with HUD guidelines, and by cost certification, of evidence that any recommendations of said study and any subsequent environmental reports were carried out.
5. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Cambridge Crossing, TDHCA Number 08264

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **205** Meeting a Required Set-Aside Credit Amount*: \$578,144

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds: Loan Amount: \$420,000

HOME CHDO Operating Expense Grant: Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/22/08 PROGRAM: 9% HTC/HOME FILE NUMBER: 08264

DEVELOPMENT

Cambridge Crossing

Location: Bragg Ave and Cambridge St Region: 3
 City: Corsicana County: Navarro Zip: 75110 OCT DDA
 Key Attributes: Multifamily, Elderly, Rural, New Construction

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$420,000	AFR	40/40	\$420,000	AFR*	30/18*
Housing Tax Credit (Annual)	\$578,144			\$578,144		

* AFR underwritten at 4.37%; Parity of term with the first lien.

CONDITIONS

- 1 An award for the subject application is subject to West Park Senior Housing (TDHCA #08255) not receiving an award of housing tax credits with priority over the subject during the 2008 competitive cycle.
- 2 Receipt, review, and acceptance, by carryover, of a revised survey to include the base flood elevations for the site or flood plain language certifying to the flood status of the site and confirmation that the buildings and improvements will conform to the Department's flood prevention requirements in the QAP which call for the finished floors of all buildings to be at least one foot above the base flood elevation and that all drives and other improved areas be not more than six inches below the base flood elevation.
- 3 Receipt, review, and acceptance, by commitment, of evidence that the site has been rezoned or a variance granted for the proposed use.
- 4 Receipt, review, and acceptance, by 10% test, of a noise study for the subject site performed in accordance with HUD guidelines, and by cost certification, of evidence that any recommendations of said study and any subsequent environmental reports were carried out.
- 5 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 6 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LIHTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	21
60% of AMI	60% of AMI	34

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI/Low HOME	3
50% of AMI	Low HOME	9

PROS

- The development team has extensive experience with development of rural multifamily properties funded with Housing Tax Credits

CONS

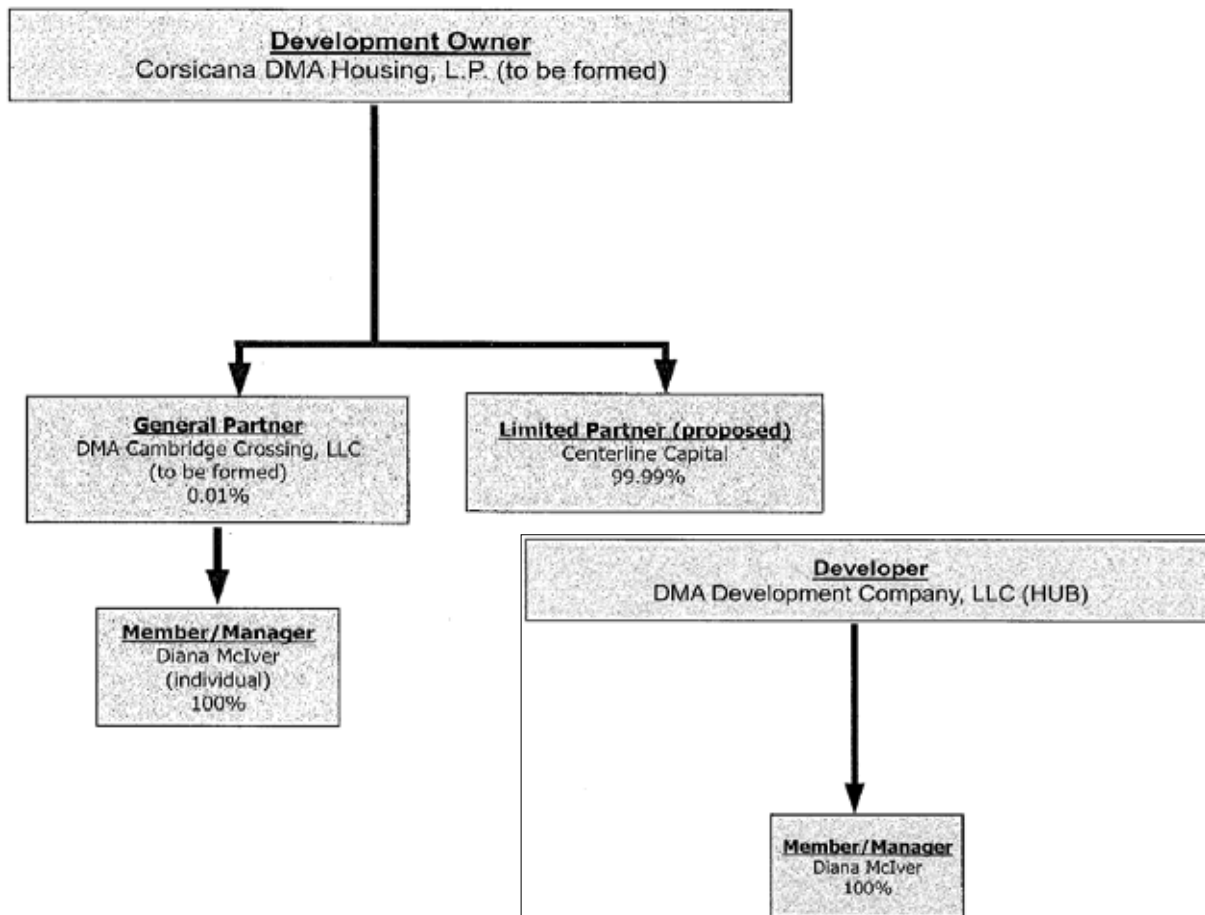
- The Applicant's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.
- The Underwriter's inclusive capture rate exceeds 50%, which implies that the subject must capture a majority of the demand in this market.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Diana Mclver Phone: 512.328.3232 Fax: 512.328.4584
 Email: dianam@mciver.com

KEY PARTICIPANTS

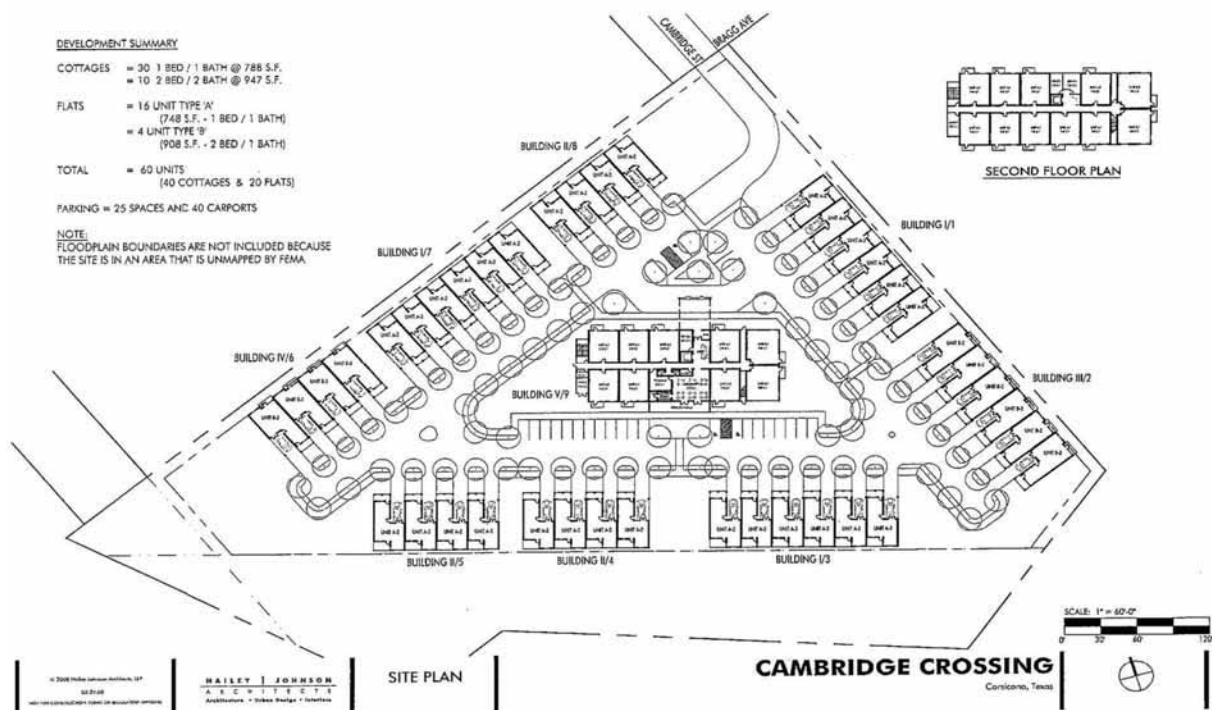
Name	Financial Notes	# Completed Developments
DMA Development Company, LLC	N/A	16 Developments
Diana Mclver	N/A	16 Developments

IDENTITIES of INTEREST

- o The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV	V						Total Buildings
Floors/Stories	1	1	1	1	2						
Number	3	3	1	1	1						9

BR/BA	SF	Units									Total Units	Total SF
1/1	748					16					16	11,968
1/1	788	6	4								30	23,640
2/1	908					4					4	3,632
2/2	947			6	4						10	9,470
Units per Building		6	4	6	4	20					60	48,710

SITE ISSUES

Total Size: 6.25 acres Scattered site? Yes No
 Flood Zone: Unknown* Within 100-yr floodplain? Yes No
 Zoning: R-3 Needs to be re-zoned? Yes No N/A

Comments:

*The FEMA Flood Insurance Rate Map for the City of Corsicana Map No. 480490005B, revised July 19, 2005, was reviewed by the ESA provider and a copy of the FEMA map was provided in the ESA. It appears that the subject site has not been mapped, but the area mapped to the west of the site is within the 100 year floodplain, suggesting that part of the subject site may also be in the floodplain. The ESA provider recommended that a surveyor determine the base flood elevations for the subject site and receipt, review and acceptance of same is a condition of this report. Alternatively, the surveyor could include flood plain language certifying to the flood status of the site. The Applicant must also certify and confirm that the buildings and improvements will conform to the Department's flood prevention requirements in the QAP which call for the finished floors of all buildings to be at least one foot above the base flood elevation and that all drives and other improved areas be not more than six inches below the base flood elevation.

The Applicant has submitted evidence that application has been made to the City of Corsicana in order to rezone the site from a single family district (R-3) to multifamily (District MF-3). Receipt, review, and acceptance, by commitment, of evidence that the site has been rezoned or a variance granted for the proposed use is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/24/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: single family residential East: vacant land / gas station / church
 South: vacant land / railroad / power line West: vacant land / single family

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Property Assessment Consultants, Inc Date: 12/18/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The ESA indicates, "Based on the proximity of the [Burlington Northern Santa Fe] railway, PAC recommends that a Noise Study be prepared for the site in accordance with Texas Dept. of Housing and Community Affairs Guidelines" (summary). TDHCA guidelines indicate that a noise study should adhere to HUD guidelines. Therefore, receipt, review, and acceptance, by 10% test, of a noise study for the subject site performed in accordance with HUD guidelines is a condition of this report. Additionally, receipt, review, and acceptance, by cost certification, of evidence that any recommendations of said study and any subsequent environmental reports were carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 2/21/2008

Contact: Charles A Bissell Phone: 817.332.5522 Fax: 817.336.1621

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1,090 square miles (18.63 mile radius)

"The subject is located in the central region of Navarro County, west of Interstate Highway 45 and north of State Highway 22 in the City of Corsicana, Texas. Corsicana is the county seat of Navarro County. The primary market area (PMA) for any form of rental real estate property is defined as the area that a majority of the project's tenants will be drawn from. Market areas are shaped by physical barriers, psychological barriers, density, and other factors. ... Based upon our analysis, we conclude the subject's primary market area (PMA) to be Navarro County" (p. 90).

Secondary Market Area (SMA):

Not defined

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
West Park Seniors	08255	48	0	N/A			
Westway Place	08256	40	0				
Windvale Park	05189	76	0				

Comments:

The Market Analyst did not identify any unstabilized existing or proposed elderly developments within the PMA. Windvale Park is a 2005 9% transaction targeting families and Westway Place is a proposed 2008 9% transaction targeting families. Currently, Westway Place is scored lower than the subject and has not been underwritten as of the date of this report. Since both of these developments do not restrict to seniors only they are not considered comparable developments.

West Park Senior Housing is a 2008 9% transaction proposing 48 units targeting elderly households that was also not identified by the Analyst. Currently, the subject application has priority over West Park due to the selection tie break process (their numerical scores are identical). However, if West Park was included in the inclusive capture rate for the subject development, the Underwriter's inclusive capture rate would increase to 95%, which exceeds the 75% maximum for elderly and rural transactions. Therefore, while the inclusive capture rate is acceptable as currently prioritized, if West Park Senior Housing ultimately receives priority over the subject development, the Underwriter will not be able to recommend the subject application for an award.

This report is conditioned upon West Park Senior Housing (TDHCA #08255) not receiving an award of housing tax credits with priority over the subject during the 2008 competitive cycle.

INCOME LIMITS						
Navarro						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,500	\$10,850	\$12,200	\$13,550	\$14,650	\$15,700
50	\$15,800	\$18,100	\$20,350	\$22,600	\$24,400	\$26,200
60	\$18,960	\$21,720	\$24,420	\$27,120	\$29,280	\$31,440

OVERALL DEMAND							
PMA DEMAND from TURNOVER							
	Apartment Units w/Elderly HHs	Household Size	Income Eligible			Demand	
Market Analyst 1BR/30%	821	79% 650	6% 42			50% 21	
Market Analyst 1BR/50%	821	79% 650	13% 82			50% 41	
Market Analyst 1BR/60%	821	79% 650	14% 90			50% 45	
Market Analyst 2BR/50%	821	51% 421	7% 27			50% 14	
Market Analyst 2BR/60%	821	51% 421	7% 29			50% 15	
Market Analyst TOTAL							135
	Elderly Households	Household Size	Income Eligible	Tenure		Demand	
Underwriter	24% 5,069	92% 4,638	31% 1,454	29% 415		25% 104	

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PMA DEMAND from HOUSEHOLD GROWTH									
		Annual Elderly HH Growth	Household Size		Income Eligible		Tenure		Demand
Market Analyst	1BR/30%	88	79%	69	7%	5	29%	1	100% 1
Market Analyst	1BR/50%	88	79%	69	13%	9	29%	2	100% 2
Market Analyst	1BR/60%	88	79%	69	14%	10	29%	3	100% 3
Market Analyst	2BR/50%	88	51%	45	7%	3	29%	1	100% 1
Market Analyst	2BR/60%	88	51%	45	7%	3	29%	1	100% 1
Market Analyst	TOTAL								8
		Annual Elderly HH Growth	Household Size		Income Eligible		Tenure		Demand
Underwriter		91	92%	83	31%	26	29%	7	100% 7

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 51	58	0	0	58	144	40.36%
Underwriter		58	0	0	58	111	52.23%

Comments:

The Market Analyst calculated turnover demand by each unit type starting with the number of apartment units rather than existing households thereby significantly underestimating the number of elderly households.

Additionally, the Market Analyst calculated demand by each unit type and summed these individual demand figures before calculating the inclusive capture rate. However, the Market Analyst's methodology results in an overlap in the following ways. First, the income bands for the 50% and 60% units overlap significantly and the Market Analyst did not account for this overlap when calculating total demand. Second, the Market Analyst counted two person households in calculations for both one and two bedroom units. Because it is difficult to determine what proportion of two person households would choose either size unit, this overlap is acceptable when calculating demand for individual units but this overlap should be eliminated in the overall calculation. This overlap, all else equal, effectively double counts some households and generally results in an inflated total demand number.

Finally, the Market Analyst used a turnover rate of 50%. This rate appears to be derived from data not specific to elderly households. Elderly households generally turnover at lower rates than the non-elderly households. Therefore, the Underwriter has used a lower turnover rate specific to elderly households of 25% which is published on the Department's web site.

The Market Analyst deviated in several important ways from the guidelines provided in the Department's rules on market studies. The Underwriter has made adjustments in the calculation of the overall demand to be in line with Department guidelines. The net result is that the Analyst overstated demand. The Underwriter has therefore determined a higher inclusive capture rate of 52.23%, but this is still below the Department's 75% threshold (see the chart above).

Primary Market Occupancy Rates:

"The overall average occupancy within the PMA is 92%. The existing LIHTC property within the PMA [located in Corsicana] is reporting occupancy of 96%. There are no existing 'seniors only' LIHTC complexes within the PMA at this time. There is however a 'seniors only' subsidized complex with rents restricted to 30% of income. The complex, which was built in 1983, consists of 100 units and is reporting occupancy of 100%. The subject is the only known 'seniors only' LIHTC project forecast to come online. Of the subject's 60 'seniors only' units, 58 are LIHTC units" (p. 68).

This section intentionally left blank.

Absorption Projections:

"The subject is forecast to be absorbed in 10 months, equating to an absorption pace of approximately 6 units per month" (p. 68).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	748 SF	30%/LH	\$213	\$210	\$575	\$210	\$365
1 BR	748 SF	50%/LH	\$382	\$379	\$575	\$379	\$196
1 BR	748 SF	50%	\$382	\$379	\$575	\$379	\$196
1 BR	788 SF	50%	\$382	\$379	\$585	\$379	\$206
1 BR	788 SF	60%	\$467	\$464	\$585	\$464	\$121
2 BR	908 SF	50%/LH	\$462	\$459	\$660	\$459	\$201
2 BR	947 SF	60%	\$564	\$566	\$675	\$566	\$109
2 BR	947 SF	MR	\$675	N/A	\$675	\$675	\$0

Market Impact:

"The subject is located in an area with above average occupancy levels, below average rents, and no new projects, other than the subject, forecast to come online within the PMA during the next 24 months" (p. 32). The Analyst further notes that Corsicana suffers from a lack of affordable housing (p. 33).

Comments:

While the Market Analyst did not account for several important aspects of the demand analysis (as described above), the Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate. The Underwriter's demand conclusions are sufficient to make a favorable recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of less than one unit per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 1.49 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/10/2008

The Applicant's projected rents are equal to the applicable program gross rent levels less utility allowances maintained by the Housing Authority of the City of Corsicana. However, the Housing Authority provided the Department with two separate utility allowance matrices, both of which appear to potentially apply to the subject. The Applicant used a matrix labeled "Multi-Family Utility & Service." However, another matrix labeled "Townhouse/Row House/Garden Apt" appears to be more applicable. The Underwriter contacted the Housing Authority and confirmed that the matrix labeled "Townhouse/Row House/Garden Apt" reflects the applicable utility allowances for the subject development. These allowances are slightly higher than those used by the Applicant; therefore, the Underwriter's net rents are slightly lower than the Applicant's rents.

The Applicant's estimates of secondary income and vacancy and collection loss are each in line with Department standards. Despite the difference in utility allowances, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

This section intentionally left blank.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,292 per unit is within 5% of the Underwriter's estimate of \$3,341 per unit derived from the TDHCA expense database, IREM data, and other third-party sources. However, several of the Applicant's estimates of individual line items differ significantly from the Underwriter's, including: general and administrative (\$7K lower); water, sewer, and trash (\$8K higher); and property tax (\$5K lower). The Applicant provided a property insurance quote of \$20,850 that is used by the Underwriter.

The Underwriter used actual operating data from the Owner's Financial Certifications for an existing Corsicana property to compare utility and water, sewer, and trash costs.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio. The Year One proforma results in a DCR within the parameters of the Department's current guideline (1.15 to 1.35). The Underwriter has adjusted to term of the HOME loan to match the conventional first lien, which has the effect of increasing annual debt service by \$2,911. However, the DCR remains above a 1.15 using either the Underwriter's or Applicant's proforma. This is discussed further in the conclusions section below.

The Underwriter's expense to income ratio is above the Department's maximum of 65%. However, the Applicant's proforma reflects an expense to income ratio slightly below the limit and has been used in the analysis. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	10.3 acres	<u>\$28,960</u>	Tax Year:	<u>2007</u>
One Acre:		<u>\$2,800</u>	Valuation by:	<u>Navarro CAD</u>
Prorata Value:	6.25 acres	<u>\$17,501</u>	Tax Rate:	<u>2.5031</u>

EVIDENCE of PROPERTY CONTROL

Type:	<u>Unimproved Property Contract</u>	Acreage:	<u>6.25</u>
Contract Expiration:	<u>1/20/2008</u>	Valid Through Board Date?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost:	<u>\$170,000</u>	Other:	<u></u>
Seller:	<u>LCI Management, LLC</u>	Related to Development Team?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

This section intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 7/17/2008

Acquisition Value:

The Applicant has provided an Unimproved Property Contract reflecting a purchase price of \$27,200 per acre or \$2,833 per unit. The Applicant has indicated that the transaction is arms-length and therefore, the purchase price is presumed to be reasonable.

Sitework Cost:

The Applicant's sitework cost estimate of \$7,631 per unit is below the Department's threshold of \$9,000 per unit. Therefore, third-party support is not required at this time.

Direct Construction Cost:

The Applicant's direct construction cost estimate of \$50,991 per unit is not within 5% of the Underwriter's estimate of \$47,836 per unit derived using Marshall and Swift's Residential Cost Handbook data.

Conclusion:

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 \$5,561,610 supports annual tax credits of \$578,154. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 7/17/2008

Source: Southeast Texas Housing Finance Corp Type: Interim Financing

Principal: \$120,000 Interest Rate: Prime+1% Fixed Term: 12 months

Comments:

The Applicant provided a resolution of approval from the Southeast Housing Finance Corp with the terms indicated above.

Source: JPMorgan Chase Type: Interim to Permanent Financing

Interim: \$2,100,000 Interest Rate: 7.0% Fixed Term: 24 months

Permanent: \$800,000 Interest Rate: 7.0% Fixed Amort: 360 months

Comments:

The term sheet reflects a minimum DCR of 1.15.

Source: Centerline Capital Group Type: Syndication

Proceeds: \$4,509,000 Syndication Rate: 78% Anticipated HTC: \$ 578,144

Comments:

Should the final credit price decrease less than \$0.743, all else equal, the gap in financing would increase and deferred developer fees would increase to an amount that would not be repayable within 15 years. Beyond this point the development would be deemed infeasible. Alternatively, an increase in the credit price to more than \$0.815, all else equal, could warrant a reduction in the HTC allocation because the gap in financing would decrease and the credits needed to fill this gap would also decrease.

Amount: \$206,052 Type: Deferred Developer Fees

This section intentionally left blank.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the conventional mortgage of \$800,000 and requested HOME funds of \$420,000 indicates the need for \$4,715,052 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$604,564 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$578,144), the gap-driven amount (\$604,564), and eligible basis-derived estimate (\$578,154), the Applicant's request of \$578,144 is recommended resulting in proceeds of \$4,509,000 based on a syndication rate of 78%.

Additionally, the Underwriter recommends a HOME award of \$420,000 to be structured as a fully amortizing and repayable second lien mortgage with an interest rate equal to AFR (underwritten at 4.37%), amortization of 30 years and term of 18 years. The amortization and term have been adjusted by the Underwriter to match the term and amortization of the JPMorganChase first lien.

The Underwriter's recommended financing structure indicates the need for \$206,052 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from cashflow within 10 years of stabilized operations. Should the HOME loan ultimately not be received, the increased deferred developer fee required would continue to be repayable within 15 years.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Underwriter:	_____	Date:	_____
	<i>Cameron Dorsey</i>		July 22, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		July 22, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		July 22, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	3	1	1	748	\$254	\$210	\$630	\$0.28	\$44.00	\$17.00
TC 50%/LH	5	1	1	748	\$423	\$379	\$1,895	\$0.51	\$44.00	\$17.00
TC 50%	8	1	1	748	\$423	\$379	\$3,032	\$0.51	\$44.00	\$17.00
TC 50%	4	1	1	788	\$423	\$379	\$1,516	\$0.48	\$44.00	\$17.00
TC 60%	26	1	1	788	\$508	\$464	\$12,064	\$0.59	\$44.00	\$17.00
TC 50%/LH	4	2	1	908	\$508	\$459	\$1,836	\$0.51	\$49.00	\$19.00
TC 60%	8	2	2	947	\$610	\$566	\$4,528	\$0.60	\$44.00	\$17.00
MR	2	2	2	947		\$675	\$1,350	\$0.71	\$44.00	\$17.00
TOTAL:	60		AVERAGE:	812		\$448	\$26,851	\$0.55	\$44.33	\$17.13

INCOME				Total Net Rentable Sq Ft: 48,710		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION			
POTENTIAL GROSS RENT						\$322,212	\$323,820	Navarro		3			
Secondary Income		Per Unit Per Month:	\$10.00			7,200	7,200	\$10.00	Per Unit Per Month				
Other Support Income:						0	0	\$0.00	Per Unit Per Month				
POTENTIAL GROSS INCOME						\$329,412	\$331,020						
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(24,706)	(24,828)	-7.50%	of Potential Gross Income				
Employee or Other Non-Rental Units or Concessions						0	0						
EFFECTIVE GROSS INCOME						\$304,706	\$306,192						
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI			
General & Administrative		6.01%	\$305	0.38		\$18,300	\$11,000	\$0.23	\$183	3.59%			
Management		5.00%	254	0.31		15,235	15,195	0.31	253	4.96%			
Payroll & Payroll Tax		17.25%	876	1.08		52,553	52,440	1.08	874	17.13%			
Repairs & Maintenance		7.46%	379	0.47		22,732	23,200	0.48	387	7.58%			
Utilities		3.55%	180	0.22		10,802	11,700	0.24	195	3.82%			
Water, Sewer, & Trash		4.05%	206	0.25		12,336	20,600	0.42	343	6.73%			
Property Insurance		6.84%	348	0.43		20,850	20,850	0.43	348	6.81%			
Property Tax	2.5031	9.56%	486	0.60		29,136	24,000	0.49	400	7.84%			
Reserve for Replacements		4.92%	250	0.31		15,000	15,000	0.31	250	4.90%			
TDHCA Compliance Fees		0.76%	39	0.05		2,320	2,320	0.05	39	0.76%			
Other: Support Services		0.39%	20	0.02		1,200	1,200	0.02	20	0.39%			
TOTAL EXPENSES						65.79%	\$3,341	\$4.12	\$200,464	\$197,505	\$4.05	\$3,292	64.50%
NET OPERATING INC						34.21%	\$1,737	\$2.14	\$104,242	\$108,687	\$2.23	\$1,811	35.50%
DEBT SERVICE													
JPMorganChase Mortgage		20.96%	\$1,064	\$1.31		\$63,869	\$63,864	\$1.31	\$1,064	20.86%			
TDHCA HOME request		7.30%	\$371	\$0.46		22,239	21,708	\$0.45	\$362	7.09%			
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%			
NET CASH FLOW						5.95%	\$302	\$0.37	\$18,134	\$23,115	\$0.47	\$385	7.55%
AGGREGATE DEBT COVERAGE RATIO						1.21	1.27						
RECOMMENDED DEBT COVERAGE RATIO							1.22						

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL			
Acquisition Cost (site or bldg)		3.08%	\$2,917	\$3.59		\$175,000	\$175,000	\$3.59	\$2,917	2.95%			
Off-Sites		0.00%	0	0.00		0	0	0.00	0	0.00%			
Sitework		8.07%	7,631	9.40		457,880	457,880	9.40	7,631	7.71%			
Direct Construction		50.56%	47,836	58.92		2,870,187	3,059,440	62.81	50,991	51.55%			
Contingency	5.00%	2.93%	2,773	3.42		166,403	175,866	3.61	2,931	2.96%			
Contractor's Fees	14.00%	8.21%	7,765	9.57		465,929	492,424	10.11	8,207	8.30%			
Indirect Construction		6.18%	5,850	7.21		351,000	351,000	7.21	5,850	5.91%			
Ineligible Costs		1.83%	1,732	2.13		103,907	103,907	2.13	1,732	1.75%			
Developer's Fees	15.00%	12.19%	11,529	14.20		691,710	725,000	14.88	12,083	12.22%			
Interim Financing		5.28%	5,000	6.16		300,000	300,000	6.16	5,000	5.05%			
Reserves		1.67%	1,576	1.94		94,535	94,535	1.94	1,576	1.59%			
TOTAL COST						100.00%	\$94,609	\$116.54	\$5,676,552	\$5,935,052	\$121.84	\$98,918	100.00%
Construction Cost Recap						69.77%	\$66,007	\$81.31	\$3,960,400	\$4,185,610	\$85.93	\$69,760	70.52%

SOURCES OF FUNDS						RECOMMENDED			
JPMorganChase Mortgage		14.09%	\$13,333	\$16.42		\$800,000	\$800,000	\$800,000	Developer Fee Available
TDHCA HOME request		7.40%	\$7,000	\$8.62		420,000	420,000	420,000	\$725,000
Centerline Capital HTC Equity		79.43%	\$75,150	\$92.57		4,509,000	4,509,000	4,509,000	% of Dev. Fee Deferred
Deferred Developer Fees		3.63%	\$3,434	\$4.23		206,052	206,052	206,052	28%
Additional (Excess) Funds Req'd		-4.55%	(\$4,308)	(\$5.31)		(258,500)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES						\$5,676,552	\$5,935,052	\$5,935,052	\$420,001

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence & Townhome Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$62.85	\$3,061,321
Adjustments				
Exterior Wall Finish	1.20%		\$0.75	\$36,736
Elderly	3.00%		1.89	91,840
9-Ft. Ceilings	3.15%		1.98	96,432
Roofing			0.00	0
Subfloor			(1.65)	(80,209)
Floor Cover			2.87	139,887
Breezeways/Balconies	\$22.50	7,520	3.47	169,183
Plumbing Fixtures	\$942	(50)	(0.97)	(47,107)
Rough-ins	\$400	12	0.10	4,800
Built-In Appliances	\$2,233	60	2.75	134,000
Exterior Stairs	\$1,800	2	0.07	3,600
Enclosed Corridors	\$52.93	1541	1.67	81,562
Heating/Cooling			2.26	110,097
Garages/Carports	\$2,048	45	1.89	92,138
Comm &/or Aux Bldgs	\$76.67	2,183	3.44	167,360
Other: fire sprinkler	\$1.95		0.00	0
SUBTOTAL			83.38	4,061,639
Current Cost Multiplier	0.98		(1.67)	(81,233)
Local Multiplier	0.89		(9.17)	(446,780)
TOTAL DIRECT CONSTRUCTION COSTS			\$72.54	\$3,533,626
Plans, specs, survy, bld prn	3.90%		(\$2.83)	(\$137,811)
Interim Construction Interest	3.38%		(2.45)	(119,260)
Contractor's OH & Profit	11.50%		(8.34)	(406,367)
NET DIRECT CONSTRUCTION COSTS			\$58.92	\$2,870,187

PAYMENT COMPUTATION

Primary	\$800,000	Amort	360
Int Rate	7.00%	DCR	1.63

Secondary	\$420,000	Amort	480
Int Rate	4.37%	Subtotal DCR	1.21

Additional	\$4,509,000	Amort	
Int Rate		Aggregate DCR	1.21

RECOMMENDED FINANCING STRUCTURE APPLICANT'S

NOI:

Primary Debt Service	\$63,869
Secondary Debt Service	25,149
Additional Debt Service	0
NET CASH FLOW	\$19,669

Primary	\$800,000	Amort	360
Int Rate	7.00%	DCR	1.70

Secondary	\$420,000	Amort	360
Int Rate	4.37%	Subtotal DCR	1.22

Additional	\$4,509,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.22

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$323,820	\$333,535	\$343,541	\$353,847	\$364,462	\$422,512	\$489,807	\$567,820	\$763,103
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	331,020	340,951	351,179	361,714	372,566	431,906	500,697	580,446	780,070
Vacancy & Collection Loss	(24,828)	(25,571)	(26,338)	(27,129)	(27,942)	(32,393)	(37,552)	(43,533)	(58,505)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$306,192	\$315,379	\$324,841	\$334,586	\$344,623	\$399,513	\$463,145	\$536,912	\$721,565
EXPENSES at 4.00%									
General & Administrative	\$11,000	\$11,440	\$11,898	\$12,374	\$12,868	\$15,656	\$19,048	\$23,175	\$34,305
Management	15,195	15,651	16,120	16,604	17,102	19,826	22,984	26,645	35,808
Payroll & Payroll Tax	52,440	54,538	56,719	58,988	61,347	74,638	90,809	110,483	163,542
Repairs & Maintenance	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Utilities	11,700	12,168	12,655	13,161	13,687	16,653	20,261	24,650	36,488
Water, Sewer & Trash	20,600	21,424	22,281	23,172	24,099	29,320	35,673	43,401	64,244
Insurance	20,850	21,684	22,551	23,453	24,392	29,676	36,105	43,928	65,024
Property Tax	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	3,520	3,661	3,807	3,960	4,118	5,010	6,096	7,416	10,978
TOTAL EXPENSES	\$197,505	\$205,253	\$213,307	\$221,678	\$230,379	\$279,310	\$338,686	\$410,744	\$604,370
NET OPERATING INCOME	\$108,687	\$110,126	\$111,534	\$112,908	\$114,244	\$120,203	\$124,459	\$126,168	\$117,196
DEBT SERVICE									
First Lien Financing	\$63,869	\$63,869	\$63,869	\$63,869	\$63,869	\$63,869	\$63,869	\$63,869	\$63,869
Second Lien	25,149	25,149	25,149	25,149	25,149	25,149	25,149	25,149	25,149
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$19,669	\$21,108	\$22,516	\$23,890	\$25,226	\$31,185	\$35,441	\$37,150	\$28,177
DEBT COVERAGE RATIO	1.22	1.24	1.25	1.27	1.28	1.35	1.40	1.42	1.32

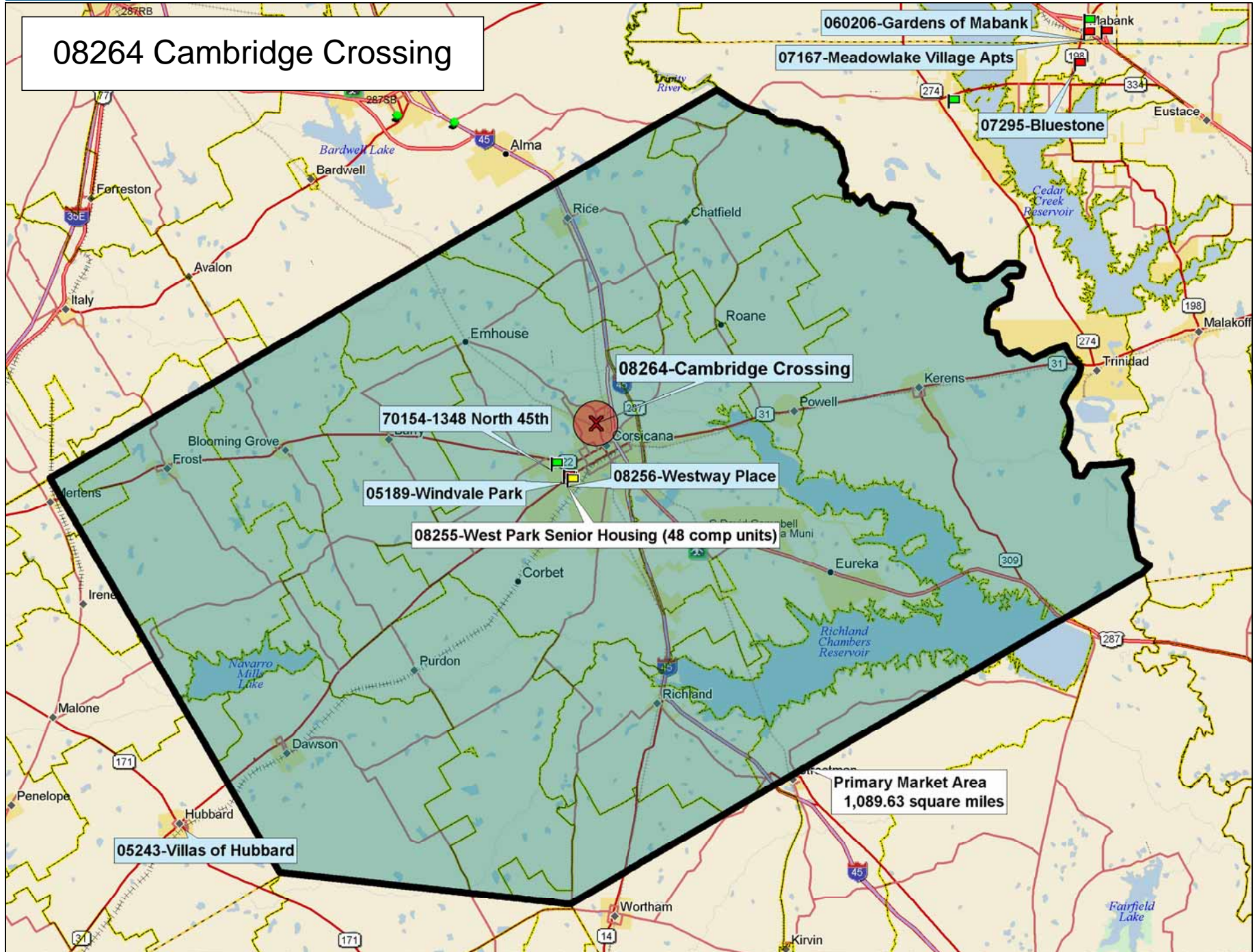
HTC ALLOCATION ANALYSIS -Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$175,000	\$175,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$457,880	\$457,880	\$457,880	\$457,880
Construction Hard Costs	\$3,059,440	\$2,870,187	\$3,059,440	\$2,870,187
Contractor Fees	\$492,424	\$465,929	\$492,424	\$465,929
Contingencies	\$175,866	\$166,403	\$175,866	\$166,403
Eligible Indirect Fees	\$351,000	\$351,000	\$351,000	\$351,000
Eligible Financing Fees	\$300,000	\$300,000	\$300,000	\$300,000
All Ineligible Costs	\$103,907	\$103,907		
Developer Fees				
Developer Fees	\$725,000	\$691,710	\$725,000	\$691,710
Development Reserves	\$94,535	\$94,535		
TOTAL DEVELOPMENT COSTS	\$5,935,052	\$5,676,552	\$5,561,610	\$5,303,110

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,561,610	\$5,303,110
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$7,230,093	\$6,894,043
Applicable Fraction		96.11%	96.11%
TOTAL QUALIFIED BASIS		\$6,948,964	\$6,625,981
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$578,154	\$551,282

Syndication Proceeds	0.7799	\$4,509,076	\$4,299,498
Total Tax Credits (Eligible Basis Method)		\$578,154	\$551,282
Syndication Proceeds		\$4,509,076	\$4,299,498
Requested Tax Credits		\$578,144	
Syndication Proceeds		\$4,509,000	
Gap of Syndication Proceeds Needed		\$4,715,052	
Total Tax Credits (Gap Method)		\$604,564	

08264 Cambridge Crossing



Primary Market Area
1,089.63 square miles

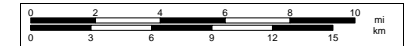
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Scale 1 : 375,000



1" = 5.92 mi

Data Zoom 9-1

Applicant Evaluation

Project ID **08264**

Name **Cambridge Crossing**

City: **Corsicana**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 17

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 12

Total # of MF awards not yet monitored or pending review: 7

10-19: 3

20-29: 2

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 17

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 7/1/2008

Date: 7/7/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 7/3/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 7 /3 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 7 /14/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Darson Marie Terrace, TDHCA Number 08269

BASIC DEVELOPMENT INFORMATION

Site Address: 3142 Weir Ave. Development #: 08269
 City: San Antonio Region: 9 Population Served: Elderly
 County: Bexar Zip Code: 78226 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Darson Marie RHF Partners, L.P.
 Owner Contact and Phone: Richard Washington, (562) 257-5110
 Developer: Retirement Housing Foundation
 Housing General Contractor: Cook Construction, LLP
 Architect: Mgroup & Architects, Inc.
 Market Analyst: Integra Realty Resources
 Syndicator: NHT I, Inc
 Supportive Services: TBD
 Consultant: Diana McIver & Associates, Inc.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	54
	3 0 20 31	Market Rate Units:	2
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	1
	0 48 9 0 0 0	Total Development Units:	57
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	1
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$571,824	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Darson Marie Terrace, TDHCA Number 08269

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26, NC

Points: 0

US Representative: González, District 20, NC

TX Representative: Menéndez, District 124, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1

In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s). Although it did not qualify for Quantifiable Community Participation, the Thompson Community Organization submitted a letter stating that the organization supports the proposed development because there is a need for affordable senior housing in the neighborhood.

One person spoke in opposition to this development at the public hearing, stating that originally the property had been advertised as a senior property, but later the sign was changed to indicate that it would be a family development. She expressed concern about the impact of another family development on her neighborhood, based on the effect that other developments in the area have had. (The proposed development is elderly).

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Darson Marie Terrace, TDHCA Number 08269

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **189** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Manor Road SRO, TDHCA Number 08271

BASIC DEVELOPMENT INFORMATION

Site Address: 5908 Manor Rd. Development #: 08271
 City: Austin Region: 7 Population Served: General
 County: Travis Zip Code: 78723 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Manor Road Community, L.P.
 Owner Contact and Phone: Frank Fernandez, (512) 469-9130
 Developer: Community Partnership for the Homeless
 Housing General Contractor: TBD
 Architect: Austin Community Design
 Market Analyst: O'Connor and Associates
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: TBD
 Consultant: S2A Development Consulting LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	110
	11 64 35 0	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	110 0 0 0 0 0	Total Development Units:	110
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	4
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input checked="" type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$628,653	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Manor Road SRO, TDHCA Number 08271

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Watson, District 14, S

Points: 14 US Representative: Doggett, District 25, NC

TX Representative: Dukes, District 46, O

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

O, Ron Davis, Commissioner, Pct. 1: The neighborhoods surrounding the Development are already saturated with transitional, halfway, group and rehabilitative housing. There should be a more comprehensive approach in the selection of where these facilities are located.

Individuals and Businesses In Support: 4 In Opposition 945

Quantifiable Community Participation Input:

Park-Hills Neighborhood Association, Kerry McFarland Letter Score: 0 S or O: O

Our neighborhood already has its share of homeless shelters, halfway houses for parolees and sex offenders, transitional housing, Section 8 housing, etc. We are concerned about our neighborhood, our homes, our property values and the safety of our families.

Windsor Park-Pecan Springs Heritage Neighborhood Association, Stephen Speir Letter Score: 0 S or O: O

Our neighborhood already has its share of homeless shelters, halfway houses for parolees and sex offenders, transitional housing, Section 8 housing, etc. We are concerned about our neighborhood, our homes, our property values and the safety of our families.

Old Patton Sweeney Homestead Neighborhood Association, Wayne Hillman Letter Score: 0 S or O: O

Our neighborhood already has its share of homeless shelters, halfway houses for parolees and sex offenders, transitional housing, Section 8 housing, etc. We are concerned about our neighborhood, our homes, our property values and the safety of our families.

Responsible Growth For Windsor Park, Wiley L. (Scooter) Cheatham Letter Score: 0 S or O: O

Our neighborhood already has its share of homeless shelters, halfway houses for parolees and sex offenders, transitional housing, Section 8 housing, etc. We are concerned about our neighborhood, our homes, our property values and the safety of our families.

Sweeney Farms Neighborhood Association, David Golden Letter Score: 0 S or O: O

Our neighborhood already has its share of homeless shelters, halfway houses for parolees and sex offenders, transitional housing, Section 8 housing, etc. We are concerned about our neighborhood, our homes, our property values and the safety of our families.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s). Three people spoke in support of the development at the public hearing.

The Department received a letter from the Windsor Park Neighborhood Association, signed by president Barbara Segelstad and dated February 26, 2008, stating that the organization supports the proposed development citing SMART housing construction, commercial frontage with businesses pertinent to the neighborhood, onsite property management 24/7, and the need for truly affordable housing. On June 24, 2008, the Department received a second letter from the Windsor Park Neighborhood Association, signed by president Rodney Ahart, expressing opposition to



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Manor Road SRO, TDHCA Number 08271

the development, citing encroachment into single family housing, incompatibility with the neighborhood plan, and broad-based neighborhood opposition.

General opposition received from elected official(s) and many non-official(s). Sixteen people spoke and three people stood in opposition to the development at the public hearing. Two petitions, totaling over 900 individual signatures, and several individual and form letters were submitted in opposition to the Development. Reasons for opposition included: an existing high crime rate in the area; a community already saturated with transitional, halfway, group and rehabilitative housing; lower property values; concern for the safety of families due to the potential background of the tenants. Additional concerns included: the screening process that would be used; whether a zero-tolerance policy would be in place to deal with drug abuse and criminal activity at the site; and whether the tenants, who would be homeless prior to move-in, would receive sufficient case management and supportive services to prevent relapses into drug use and mental illness. There was also the question of the area's neighborhood plan which cannot be changed at this time to accommodate the development and zoning for the site, which is currently high-density single-family and not changeable for the next 30 years.

<u>CONDITIONS OF COMMITMENT</u>
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MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Manor Road SRO, TDHCA Number 08271

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **177** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Four Seasons at Clear Creek, TDHCA Number 08273

BASIC DEVELOPMENT INFORMATION

Site Address: Oak Grove Shelby & S. Race St. Development #: 08273
 City: Fort Worth Region: 3 Population Served: General
 County: Tarrant Zip Code: 76140 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Four Seasons at Clear Creek, Ltd.
 Owner Contact and Phone: Susan Sheeran, (210) 281-0234
 Developer: Merced Housing Texas
 Housing General Contractor: NRP Contractors LLC
 Architect: Alamo Architects
 Market Analyst: O'Connor & Associates
 Syndicator: MMA Financial LLC
 Supportive Services: Merced Housing Texas
 Consultant: NRP Holding, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	92
	5 0 34 53	Market Rate Units:	4
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 48 36 0 0	Total Development Units:	96
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	5
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$841,368	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



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July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Four Seasons at Clear Creek, TDHCA Number 08273

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Brimer, District 10, S

Points: 14 US Representative: Burgess, District 26, NC

TX Representative: Veasey, District 95, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s). Although it did not qualify for Quantifiable Community Participation, the Clear Creek of Fort Worth Property Owners Association of Fort Worth submitted a letter stating that the organization supports the proposed development because the project will fill a housing gap that exists in this area by providing quality affordable housing for those who need it most.

Opposition received from the Hamlet Neighborhood Association citing the density of apartments in the area, poor infrastructure, many empty single family houses and a low-lying creek near the proposed site as reasons for their opposition.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Four Seasons at Clear Creek, TDHCA Number 08273

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **187** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Casa Bella, TDHCA Number 08274

BASIC DEVELOPMENT INFORMATION

Site Address: 3217 Beltline Rd. Development #: 08274
 City: Sunnyvale Region: 3 Population Served: Elderly
 County: Dallas Zip Code: 75182 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CIS Sunnyvale Beltline, LP
 Owner Contact and Phone: Manish Verma, (210) 530-0090
 Developer: MAG Development- Sunnyvale, Ltd.
 Housing General Contractor: Galaxy Builders, Ltd
 Architect: Chiles Architects, Inc.
 Market Analyst: Apartment Market Data, LLC
 Syndicator: TBD
 Supportive Services: TBD
 Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	138
	8 0 50 80	Market Rate Units:	6
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 65 79 0 0 0	Total Development Units:	144
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	9
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	15
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	14
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$918,441	\$0			
HOME Activity Fund Amount:	\$1,000,000	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



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Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Casa Bella, TDHCA Number 08274

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Deuell, District 2, N

Points: 0

US Representative: Hensarling, District 5, NC

TX Representative: Latham, District 101, NC

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

O, Doug Williams, Superintendent; The schools are already overcrowded.

Individuals and Businesses In Support: 1 In Opposition 7

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Although it did not qualify for Quantifiable Community Participation, the Beltline Road Landowners Association submitted a letter stating that the organization supports the proposed development because it will provide decent and affordable housing for the elderly in Sunnyvale, Texas.

One letter of opposition was submitted from Sunnyvale ISD Superintendent Doug Williams, indicating that the school system is already overcrowded. Seven people, including the Mayor, spoke at the public hearing in opposition. The objections included school overcrowding, a strain on water infrastructure an increase in traffic. The Mayor stated that the Applicant had not gone through the city's approval process and therefore had not provided enough information on the project for him to be in favor of it. He also highlighted the fact that the zoning change that would be needed can take up to 90 days and had not been started.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Casa Bella, TDHCA Number 08274

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **184** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Vista Bella Ranch, TDHCA Number 08278

BASIC DEVELOPMENT INFORMATION

Site Address: 1300 W. Taylor St. Development #: 08278
 City: Sherman Region: 3 Population Served: General
 County: Grayson Zip Code: 75091 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CIS Sherman Taylor, LP
 Owner Contact and Phone: Manish Verma, (210) 530-0090
 Developer: MAG Development- Sherman, Ltd.
 Housing General Contractor: Galaxy Builders, Ltd
 Architect: Chiles Architects, Inc.
 Market Analyst: Apartment Market Data, LLC
 Syndicator: TBD
 Supportive Services: TBD
 Consultant: S. Anderson Consulting

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	200
	7 0 44 73	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 64 48 0 0	Total Development Units:	200
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	13
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	12
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$950,000	\$950,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Vista Bella Ranch, TDHCA Number 08278

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Estes, District 30, NC Points: 0 US Representative: Hall, District 4, NC
TX Representative: Phillips, District 62, NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 6

Quantifiable Community Participation Input:

Taylor Street Landowners Association, Jarrod Weldon Anderson Letter Score: 24 S or O: S

The development will improve the quality of life within our community.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from a qualified Neighborhood Organization.

Five letters of opposition were received from the community, citing apartment density, a dangerous road, existing flooding problems, and fear that their new park will be run down. One person spoke in opposition at the public hearing citing his concerns that the area is in a flood zone, school overcrowding, strain on utilities in the area, drug activity and other crime, and his concern that the development is not in keeping with Sherman's master plan.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Vista Bella Ranch, TDHCA Number 08278

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$950,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID # **08278**

Name **Vista Bella Ranch**

City: **Sherman**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored:	5	Projects in Material Noncompliance		Projects grouped by score	
		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		0-9:	2
Total # of MF awards not yet monitored or pending review:	5			10-19:	3
				20-29:	0
SF Contract Experience <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Total # of MF Projects in Material Noncompliance:	0	Total monitored with a score 0-29:	5
Total # of SF Contracts:	0				

Completed by: <u>J. Taylor</u>	Reviewer: <u>Patricia Murphy</u>
Date: <u>5/1/2008</u>	Date: <u>5/15/2008</u>

Single Audit

<input checked="" type="checkbox"/> Single audit review not applicable	<input type="checkbox"/> Late single audit certification form (see comments)
<input type="checkbox"/> Single audit review found no unresolved issues	<input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found Delinquencies found (see comments)

Reviewer: Melissa Whitehead Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found Delinquencies found (See Comments)

Reviewer: Monica Guerra Date: 5 /20/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Costa Esmeralda, TDHCA Number 08280

BASIC DEVELOPMENT INFORMATION

Site Address: Gurley Ln. & S. 16th St. Development #: 08280
 City: Waco Region: 8 Population Served: General
 County: McLennan Zip Code: 76706 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Costa Esmeralda, Ltd.
 Owner Contact and Phone: Mark Mayfield, (830) 693-4521
 Developer: Texas Housing Foundation
 Housing General Contractor: NRP Contractors, LLC
 Architect: Alamo Architects
 Market Analyst: Apartment Market Data Research Services, Inc.
 Syndicator: MMA Financial LLC
 Supportive Services: Community Housing Resources Partners, Inc.
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	112
	6 0 40 66	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 8 56 40 8 0	Total Development Units:	112
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	10
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$993,175	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Costa Esmeralda, TDHCA Number 08280

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22, S

Points: 14 US Representative: Edwards, District 17, NC

TX Representative: Dunnam, District 57, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Phil Fitzgerald, County Judge

S, Wilbert Austin, City Councilman

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Oakwood Neighborhood Association, Carolyn Cleveland

Letter Score: 24 S or O: S

The development will provide affordable units, after school programs, and a courtesy officer program

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Costa Esmeralda, TDHCA Number 08280

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **196** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Eastman Residential, TDHCA Number 08284

BASIC DEVELOPMENT INFORMATION

Site Address: 1400 N. Eastman Dr. Development #: 08284
 City: Longview Region: 4 Population Served: General
 County: Gregg Zip Code: 75601 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: North Eastman Residential, LP
 Owner Contact and Phone: Stuart Shaw, (512) 220-8000
 Developer: SSFP North Eastman VIII, LLC
 Housing General Contractor: Bonner Carrington Construction
 Architect: Chiles Architects, Inc.
 Market Analyst: O'Connor & Associates
 Syndicator: Apollo equity Partners
 Supportive Services: TBD
 Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	80
	4 0 28 48	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 36 24 4 0	Total Development Units:	80
Type of Building:		Total Development Cost*:	\$8,954,463
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$885,808	\$877,271			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Eastman Residential, TDHCA Number 08284

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Eltife, District 1, NC

Points: 0 US Representative: Gohmert, District 1, NC

TX Representative: Merritt, District 7, S

Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 4 In Opposition 1

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Longview Nonprofit Coalition

S or O: S

Parenting Resource Center of East Texas

S or O: S

Greater Longview United Way

S or O: S

Longview Community Ministries

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations.

The Assistant Superintendent of Longview ISD spoke at the public hearing in opposition to North Eastman Residential. He says that the Longview community encourages affordable housing, but this piece of land is desired for a school site. They would like to see the North Eastman development come into their community, but not in this particular spot.

CONDITIONS OF COMMITMENT

- 1. Receipt, review, and acceptance by carryover that further investigation of the onsite creek tributary be made in order to determine if the creek falls under the regulatory jurisdiction of the USACE prior to clearing of the site.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted
4. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$500,000, or a commitment from a qualifying substitute source in an amount not less than \$461,326, as required by §50.9(i)(5) of the 2008 QAP.
5. Receipt of a commitment of funding from the Capitol Area Housing Finance Corporation for funds in the amount of \$200,000, or a commitment from a qualifying substitute source in an amount not less than \$184,531, as required by §50.9(i)(27) of the 2008 QAP.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

North Eastman Residential, TDHCA Number 08284

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **204** Meeting a Required Set-Aside Credit Amount*: \$877,271

Recommendation: Recommended because without this award included, this sub-region's allocation shortfall would have been a significant portion of their total targeted sub-regional allocation when tax credits are collapsed state-wide.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/09/08 PROGRAM: 9% HTC FILE NUMBER: 08284

DEVELOPMENT

North Eastman Residential

Location: 1400 North Eastman Road Region: 4
 City: Longview County: Gregg Zip: 75601 Go Zone
 Key Attributes: Multifamily, Family, Urban, New Construction

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$885,808			\$877,271		

CONDITIONS

- 1 Receipt, review, and acceptance by carryover that further investigation of the onsite creek tributary be made in order to determine if the creek falls under the regulatory jurisdiction of the USACE prior to clearing of the site.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old .
- 3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	28
60% of AMI	60% of AMI	48

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

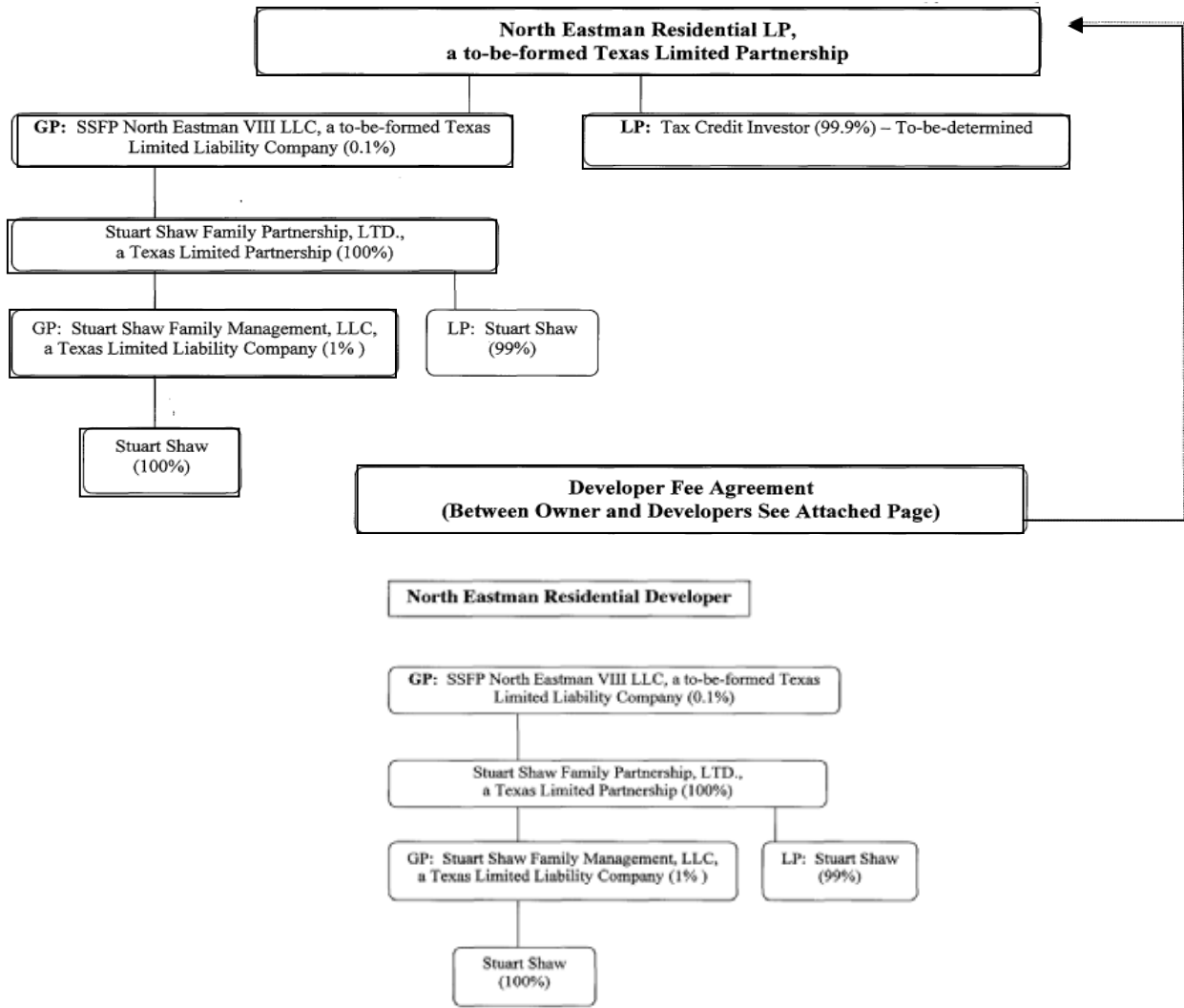
- Both the Applicant's and the Underwriter's expense to income ratios are very high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Stuart Shaw Phone: (512) 220-8000 Fax: (512) 329-9002
 Email: stuart@bonnercarrington.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Stuart Shaw Family Partnership, Ltd.	N/A	--
Stuart Shaw Family Mgmt. LLC	N/A	--
Stuart and Lesa Shaw	N/A	6

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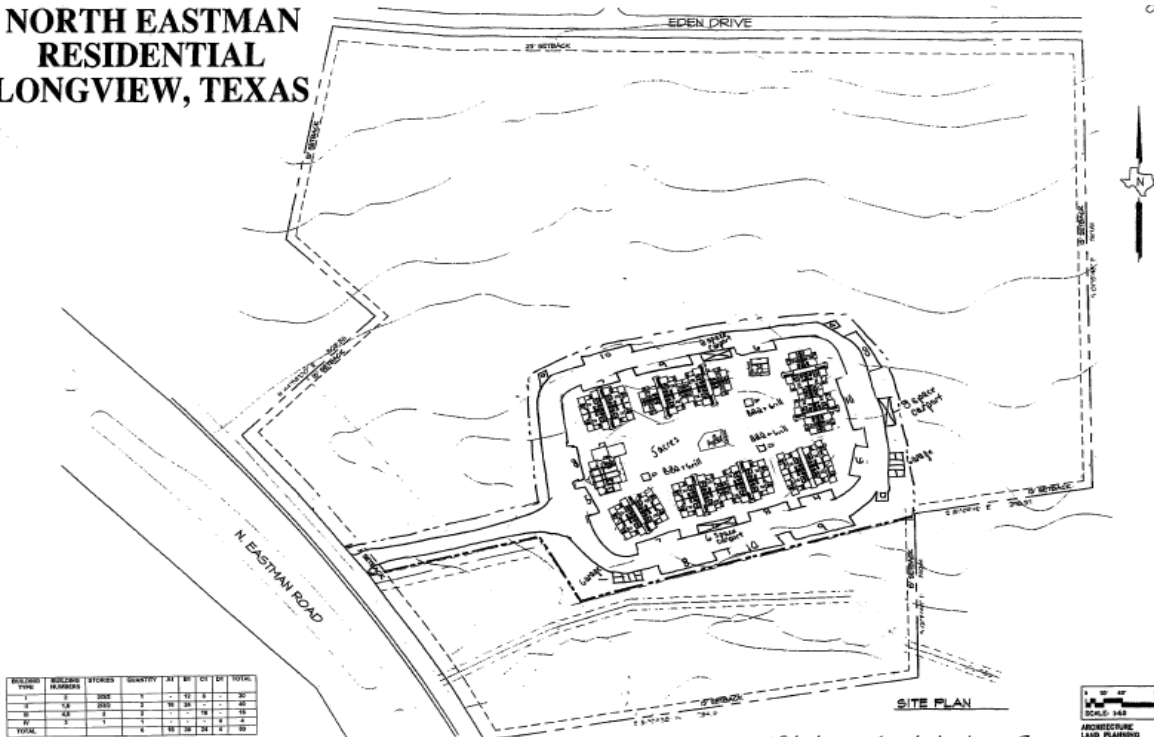
IDENTITIES of INTEREST

- The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The seller is related to the Owners of the GP and the transfer of the property is therefore regarded as a related party sale.

PROPOSED SITE

SITE PLAN

**NORTH EASTMAN
RESIDENTIAL
LONGVIEW, TEXAS**



BUILDING CONFIGURATION

Building Type	I	II	III	IV							Total Buildings
Floors/Stories	3	3	2	1							
Number	1	2	2	1							6

BR/BA	SF	Units										Total Units	Total SF
1/1	712		8									16	11,392
2/2	1,049	12	12									36	37,764
3/2	1,221	8		8								24	29,304
4/2	1,372				4							4	5,488
Units per Building		20	20	8	4							80	83,948

SITE ISSUES

Total Size: 5 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MF-2 Needs to be re-zoned? Yes No N/A

Comments:
 The original tract is composed of 32.233 acres purchased in December 2006, and the proposed development now is only using 5.0 acres out of the 32.233 acres; therefore, the acquisition price is being prorated to \$49,950 and will be discussed further in the Acquisition Value section of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/21/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Vacant wooded land East: Vacant wooded land
 South: Vacant wooded land West: North Eastman Road

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terrancon Consulting Engineers & Scientists Date: 3/18/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Based on the scope of services, limitations, and findings of this assessment, Terracon did not identify RECs which, in our opinion, warrant additional investigation at this time. Terracon recommends further investigation of the onsite creek tributary in order to determine if the creek falls under the regulatory jurisdiction of the USACE prior to clearing of the site." (p. 23) This will be made a condition of this report.

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, LP Date: 3/20/2008

Contact: Daniel C. Hollander Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 94.41 square miles (5.5 miles radius)

For the purposes of this report, the subject's primary market area is defined as that area contained within the city of Longview. This area includes all or a portion of the following zip codes 75601 (subject), 75602, 75603, 75604, 75605, 75606 and all of the following census tracts 48183000200 (subject), 48183000300, 48183000400, 48183000501, 48183000502, 48183000600, 48183000700, 48183000800, 48183000900, 48183001000, 48183001100, 48183001300, 48183001400, 48183001500, 48183010100, 48183010301, and 48183010500.

Secondary Market Area (SMA):

The Market Analyst did not define a SMA.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Gregg						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,550	\$12,050	\$13,550	\$15,050	\$16,250	\$17,450
50	\$17,550	\$20,100	\$22,600	\$25,100	\$27,100	\$29,100
60	\$21,060	\$24,120	\$27,120	\$30,120	\$32,520	\$34,920

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MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	153	0	0	153	2	0	1.3%
1 BR/ 50% Rent Limit	253	0	0	253	6	0	2.4%
1 BR/ 60% Rent Limit	272	-1	0	271	8	0	3.0%
2 BR/ 30% Rent Limit	123	-5	0	118	2	0	1.7%
2 BR/ 50% Rent Limit	210	-10	0	200	14	0	7.0%
2 BR/ 60% Rent Limit	253	-13	0	240	20	0	8.3%
3 BR/ 50% Rent Limit	90	13	0	103	8	0	7.8%
3 BR/ 60% Rent Limit	99	8	0	107	16	0	15.0%
4 BR/ 60% Rent Limit	39	-1	0	38	4	0	10.5%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. 69	100%	29,363	99%	28,972	Included in tenure %	17%	4,847	60%	2,908	
Underwriter		100%	29,364	99%	28,973	34%	9,758	42%	4,078	60%	2,447
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. 69			99%	194	Included in tenure %	17%	32	100%	32	
Underwriter				99%	131	34%	44	42%	18	100%	18
DEMAND from OTHER SOURCES											
Market Analyst	p. 69									131	
Underwriter										131	

INCLUSIVE CAPTURE RATE							
		Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p. 70	80	0	0	80	3,072	2.60%
Underwriter		80	0	0	80	2,596	3.08%
HISTA-Based Data Alternate		80	0	0	80	886	9.03%

In addition the Underwriter calculated the capture rate using a HISTA Demand Model and determined that the capture rate would be acceptable at 9.03%.

Primary Market Occupancy Rates:

"The average occupancy for apartments in the subject's submarket area was reported at 96.8% in the most recent Apartment MarketData survey (December 2007). Average occupancy in the primary market area has remained relatively stable over the periods reported by the Apartment MarketData survey. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 37)

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Absorption Projections:

"Absorption in the subject's primary market area over the past twelve months is best represented by the one new market property, Longfellow Arms, which came on-line in October 2007. The property manager, Ms. Dowdy, reported that an average of 25 tenants per month have moved into the complex since opening. Ms. Dowdy further stated that the current physical occupancy is 79% and leased occupancy is 95%. Both Mill Creek Village and Churchill at Longview are the most recent HTC projects to come on-line in Longview. Both property managers could not provide specific data regarding absorption at these complexes, but both stated it took less than nine months to reach 100% occupancy, and now both complexes are reported to have waiting lists. Generally I-ITC projects in East Texas appear to have attained stabilized occupancy within six to 18 months." (p. 37)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	712 SF	30%	\$207	\$213	\$640	\$213	\$427
1 BR	712 SF	50%	\$395	\$401	\$640	\$401	\$239
1 BR	712 SF	60%	\$489	\$495	\$640	\$495	\$145
2 BR	1,049 SF	30%	\$253	\$250	\$800	\$250	\$550
2 BR	1,049 SF	50%	\$479	\$477	\$800	\$477	\$323
2 BR	1,049 SF	60%	\$592	\$590	\$800	\$590	\$210
3 BR	1,221 SF	50%	\$547	\$542	\$900	\$542	\$358
3 BR	1,221 SF	60%	\$678	\$673	\$900	\$673	\$227
4 BR	1,372 SF	60%	\$748	\$734	\$1,000	\$734	\$266

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history in throughout other areas close to the subject's PMA, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 7)

Comments:

The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 47.5 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 60 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is/is not in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting the tenant-paid utility allowances as of 2004-2005, maintained by The City of Longview Housing Authority from the 2008 program gross rent limits. The Underwriter's net rents were calculated by subtracting the current City of Longview HA utility allowances (as of January 2008) from the 2008 program limits. Tenants will be required to pay all electric and gas utility costs. The Applicant's estimate of secondary income is slightly higher than the maximum of \$15/unit/month due to the inclusion of garage/carport rental income. The Applicant's estimate of vacancy and collection loss are in line with the Department's guidelines. Despite the slight differences discussed, the Applicant's effective gross income estimate is within 5% of the Underwriter's.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at \$3,809 per unit is within 5% of the Underwriter's estimate of \$3,853 per unit, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, specifically: payroll and payroll tax (\$9.0K higher), repairs & maintenance (\$8.2 lower), and utilities (\$10.1 lower).

Conclusion:

The Applicant's total operating expenses are within 5% of the Underwriter's estimate; however, the Applicant's NOI is not within 5%. Therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The Underwriter's proforma and proposed financing structure result in a DCR that falls within the Department's guidelines.

Both the Applicant's and the Underwriter's expense to income ratios are very high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Patrick O'Connor & Associates, L.P. Date: 3/10/2008
 Number of Revisions: none Date of Last Applicant Revision: N/A
 Land Only: 5.0 acres \$305,000 As of: 3/10/2008

ASSESSED VALUE

Land Only: 32.2 acres \$226,520 Tax Year: 2007
 Prorated 1.0 ac: \$7,028 Valuation by: Gregg CAD
 Total prorated 5.0 ac: \$35,140 Tax Rate: 1.89205

EVIDENCE of PROPERTY CONTROL

Type: Agreement of Sale and Purchase Acreage: 5
 Contract Expiration: 12/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$322,000 Other: Simultaneously acquiring 32.233 acres for same price
 Seller: Stuart Shaw Family Partnership, Ltd. Related to Development Team? Yes No

This section intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: n/a

Acquisition Value:

A contract between Pineywoods Home Team Affordable Housing and Stuart Shaw Family Partnership, Ltd. for 32.233 acres at a purchase price of \$322,000 was provided by the Applicant. This contract has not yet closed and is separate from the contract for the subject 5 acres of the proposed development. The latest amendment to the contract between the Applicant and Stuart Shaw Family Partnership, Ltd. reflects a total of 5 acres to be purchased at a price of \$322,000. As this is considered to be an identity of interest transaction, the Underwriter has determined the value for the subject 5 acres to be \$49,950 based on the total purchase price of \$322,000 for 32.233 acres (\$9,990 per acre).

Sitework Cost:

The Applicant's claimed sitework costs of \$8,995 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$227.8K or 4.9% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & 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, but the Applicant's contingencies exceeds the maximum allowed by HTC guidelines by a total of \$2,500 and the developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$375. As a result, the eligible portion of the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, adjusted for the land acquisition discussed previously, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$8,186,917 supports annual tax credits of \$885,497. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: JPMorganChase Type: Interim Financing

Principal: \$1,937,000 Interest Rate: 7.0% Fixed Term: 24 months

Comments:
Chase Prime Rate, floating + 100bps

Source: South East Texas HFC Type: Interim Financing

Principal: \$500,000 Interest Rate: 4.39% Fixed Term: 24 months

Comments:
Interest rate set at the Applicable Federal Rate

Source: Capital Area HFC Type: Interim Financing

Principal: \$200,000 Interest Rate: 4.39% Fixed Term: 24 months

Comments:
Interest rate set at the Applicable Federal Rate

Source: JPMorganChase Type: Permanent Financing
 Principal: \$1,937,000 Interest Rate: 7.0% Fixed Amort: 360 months
 Comments:

Fixed at a spread over the 10 year U.S. Treasury

Source: RBC Capital Markets (Apollo Equity Partners) Type: Syndication
 Proceeds: \$7,085,752 Syndication Rate: 80% Anticipated HTC: \$ 885,808
 Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.68. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the committed amount, an adjustment to the credit amount may be warranted since all deferred developer fees would be eliminated.

Amount: \$203,758 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate has been adjusted downward by \$272,050 as a result of the identity of interest land sale. The Applicant's adjusted total development cost less the permanent loan of \$1,937,000 indicates the need for \$7,017,463 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$877,271 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$885,808), the gap-driven amount (\$877,271), and eligible basis-derived estimate (\$885,497), the gap-driven amount of \$877,271 is recommended resulting in proceeds of \$7,017,463 based on a syndication rate of 80%.

The Underwriter's recommended financing structure indicates no need for additional permanent funds.

Underwriter:	<i>Carl Hoover</i>	Date: <u>July 9, 2008</u>
Reviewing Underwriter:	<i>Raquel Morales</i>	Date: <u>July 9, 2008</u>
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date: <u>July 9, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

North Eastman Residential, Longview, 9% HTC #08284

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	2	1	1	712	\$282	\$213	\$426	\$0.30	\$69.00	\$49.00
TC 50%	6	1	1	712	\$470	\$401	\$2,406	\$0.56	\$69.00	\$49.00
TC 60%	8	1	1	712	\$564	\$495	\$3,960	\$0.70	\$69.00	\$49.00
TC 30%	2	2	2	1,049	\$338	\$250	\$500	\$0.24	\$88.00	\$57.00
TC 50%	14	2	2	1,049	\$565	\$477	\$6,678	\$0.45	\$88.00	\$57.00
TC 60%	20	2	2	1,049	\$678	\$590	\$11,800	\$0.56	\$88.00	\$57.00
TC 50%	8	3	2	1,221	\$652	\$542	\$4,336	\$0.44	\$110.00	\$62.00
TC 60%	16	3	2	1,221	\$783	\$673	\$10,768	\$0.55	\$110.00	\$62.00
TC 60%	4	4	2	1,372	\$873	\$734	\$2,936	\$0.53	\$139.00	\$74.00
TOTAL:	80		AVERAGE:	1,049		\$548	\$43,810	\$0.52	\$93.35	\$57.75

INCOME				Total Net Rentable Sq Ft:	83,948	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT						\$525,720	\$527,568	Gregg		4
Secondary Income		Per Unit Per Month:	\$15.00			14,400	19,200	\$20.00	Per Unit Per Month	
Other Support Income:						0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$540,120	\$546,768			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(40,509)	(41,004)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$499,611	\$505,764			
EXPENSES										
	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.21%	\$325	0.31			\$26,012	\$30,150	\$0.36	\$377	5.96%
Management	5.00%	312	0.30			24,981	25,288	0.30	316	5.00%
Payroll & Payroll Tax	13.50%	843	0.80			67,426	76,471	0.91	956	15.12%
Repairs & Maintenance	6.96%	434	0.41			34,751	26,600	0.32	333	5.26%
Utilities	4.03%	251	0.24			20,113	10,000	0.12	125	1.98%
Water, Sewer, & Trash	6.41%	401	0.38			32,049	33,000	0.39	413	6.52%
Property Insurance	4.15%	259	0.25			20,751	18,000	0.21	225	3.56%
Property Tax	1.89205	10.60%	662	0.63		52,977	56,000	0.67	700	11.07%
Reserve for Replacements	4.00%	250	0.24			20,000	20,000	0.24	250	3.95%
TDHCA Compliance Fees	0.64%	40	0.04			3,200	3,200	0.04	40	0.63%
Other: Supp. Serv.	1.20%	75	0.07			6,000	6,000	0.07	75	1.19%
TOTAL EXPENSES	61.70%	\$3,853	\$3.67			\$308,260	\$304,709	\$3.63	\$3,809	60.25%
NET OPERATING INC	38.30%	\$2,392	\$2.28			\$191,351	\$201,055	\$2.39	\$2,513	39.75%
DEBT SERVICE										
JPMorgan Chase	30.95%	\$1,933	\$1.84			\$154,643	\$154,643	\$1.84	\$1,933	30.58%
Additional Financing	0.00%	\$0	\$0.00			0		\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00			0		\$0.00	\$0	0.00%
NET CASH FLOW	7.35%	\$459	\$0.44			\$36,708	\$46,412	\$0.55	\$580	9.18%
AGGREGATE DEBT COVERAGE RATIO						1.24	1.30			
RECOMMENDED DEBT COVERAGE RATIO						1.24				

CONSTRUCTION COST										
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bldg)		0.54%	\$624	\$0.60	\$49,950	\$322,000	\$3.84	\$4,025	3.49%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		7.84%	8,995	8.57	719,601	719,601	8.57	8,995	7.80%	
Direct Construction		50.55%	58,020	55.29	4,641,629	4,413,801	52.58	55,173	47.84%	
Contingency	4.83%	2.82%	3,240	3.09	259,170	259,170	3.09	3,240	2.81%	
Contractor's Fees	13.41%	7.83%	8,983	8.56	718,676	718,676	8.56	8,983	7.79%	
Indirect Construction		7.41%	8,504	8.10	680,350	680,350	8.10	8,504	7.37%	
Ineligible Costs		5.72%	6,561	6.25	524,883	524,883	6.25	6,561	5.69%	
Developer's Fees	14.54%	11.63%	13,353	12.72	1,068,234	1,068,234	12.72	13,353	11.58%	
Interim Financing		3.59%	4,125	3.93	329,960	329,960	3.93	4,125	3.58%	
Reserves		2.07%	2,373	2.26	189,838	189,838	2.26	2,373	2.06%	
TOTAL COST		100.00%	\$114,779	\$109.38	\$9,182,291	\$9,226,513	\$109.91	\$115,331	100.00%	
Construction Cost Recap		69.04%	\$79,238	\$75.51	\$6,339,076	\$6,111,248	\$72.80	\$76,391	66.24%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
JPMorgan Chase	21.09%	\$24,213	\$23.07		\$1,937,000	\$1,937,000	\$1,937,000		Developer Fee Available	
Additional Financing	0.00%	\$0	\$0.00		0		0		\$1,067,859	
HTC Syndication Proceeds	77.17%	\$88,572	\$84.41		7,085,755	7,085,755	7,017,463		% of Dev. Fee Deferred	
Deferred Developer Fees	2.22%	\$2,547	\$2.43		203,758	203,758			0%	
Additional (Excess) Funds Req'd	-0.48%	(\$553)	(\$0.53)		(44,222)	0	0		15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$9,182,291	\$9,226,513	\$8,954,463		\$821,799	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

North Eastman Residential, Longview, 9% HTC #08284

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.19	\$4,549,424
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
9-Ft. Ceilings	3.00%		1.63	136,483
Roofing			0.00	0
Subfloor			(2.47)	(207,352)
Floor Cover			2.43	203,994
Breezeways/Balconies	\$22.27	27,056	7.18	602,537
Plumbing Fixtures	\$805	212	2.03	170,660
Rough-ins	\$400	160	0.76	64,000
Built-In Appliances	\$1,850	80	1.76	148,000
Exterior Stairs	\$2,100	28	0.70	58,800
Enclosed Corridors	\$44.27		0.00	0
Heating/Cooling			1.90	159,501
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$70.61	4,007	3.37	282,944
Other: fire sprinkler	\$2.15	83,948	2.15	180,488
SUBTOTAL			75.64	6,349,480
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(7.56)	(634,948)
TOTAL DIRECT CONSTRUCTION COSTS			\$68.07	\$5,714,532
Plans, specs, survy, bld prm	3.90%		(\$2.65)	(\$222,867)
Interim Construction Interes	3.38%		(2.30)	(192,865)
Contractor's OH & Profit	11.50%		(7.83)	(657,171)
NET DIRECT CONSTRUCTION COSTS			\$55.29	\$4,641,629

PAYMENT COMPUTATION

Primary	\$1,937,000	Amort	360
Int Rate	7.00%	DCR	1.24

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.24

Additional	\$7,085,755	Amort	
Int Rate		Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$154,643
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$36,708

Primary	\$1,937,000	Amort	360
Int Rate	7.00%	DCR	1.24

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.24

Additional	\$7,085,755	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

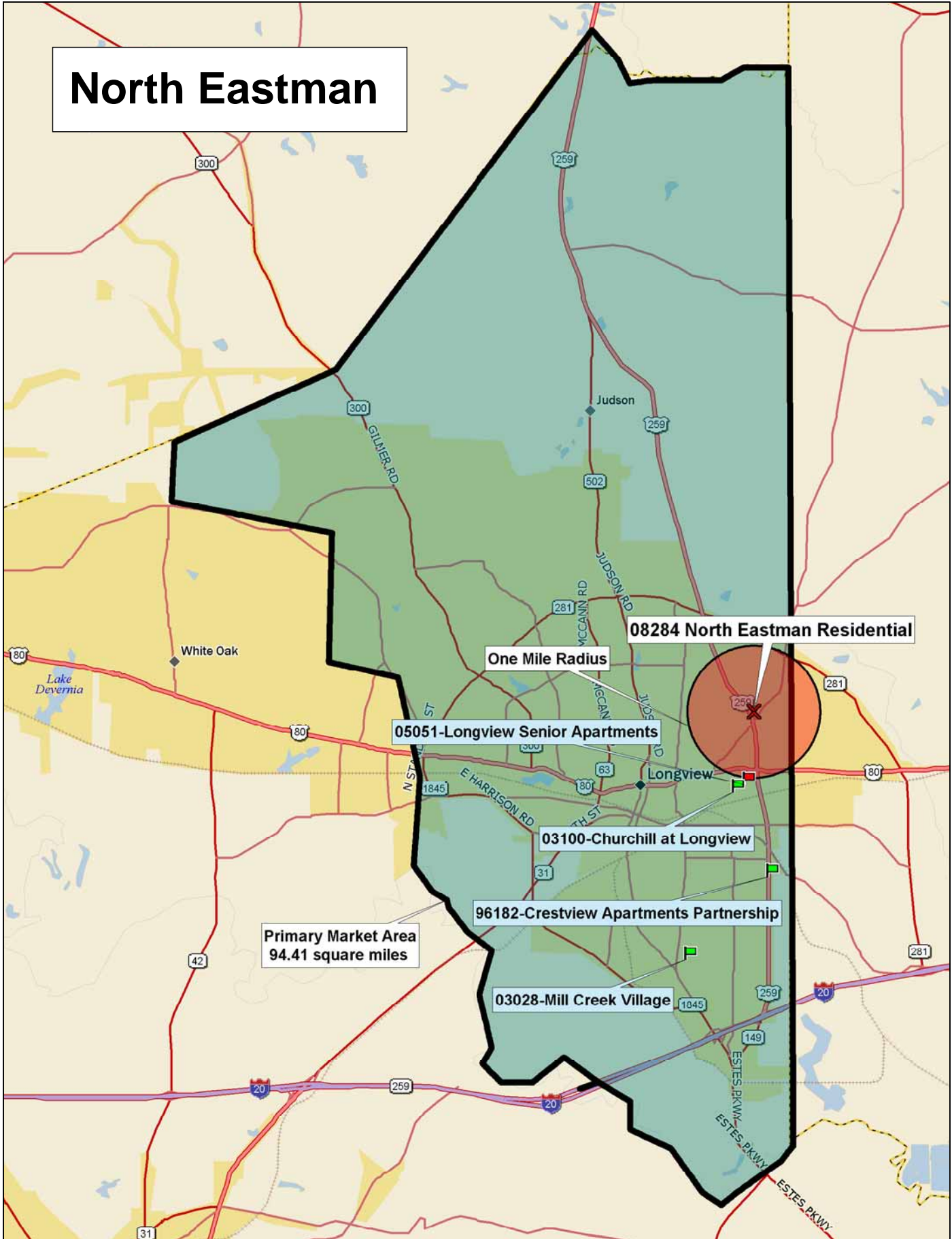
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$525,720	\$541,492	\$557,736	\$574,468	\$591,702	\$685,945	\$795,199	\$921,853	\$1,238,894
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	540,120	556,324	573,013	590,204	607,910	704,734	816,980	947,104	1,272,828
Vacancy & Collection Loss	(40,509)	(41,724)	(42,976)	(44,265)	(45,593)	(52,855)	(61,273)	(71,033)	(95,462)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$499,611	\$514,599	\$530,037	\$545,938	\$562,317	\$651,879	\$755,706	\$876,071	\$1,177,366
EXPENSES at 4.00%									
General & Administrative	\$26,012	\$27,052	\$28,134	\$29,260	\$30,430	\$37,023	\$45,044	\$54,803	\$81,122
Management	24,981	25,730	26,502	27,297	28,116	32,594	37,785	43,804	58,868
Payroll & Payroll Tax	67,426	70,123	72,928	75,845	78,879	95,968	116,759	142,056	210,277
Repairs & Maintenance	34,751	36,141	37,586	39,090	40,654	49,461	60,177	73,215	108,376
Utilities	20,113	20,918	21,754	22,625	23,530	28,627	34,830	42,376	62,726
Water, Sewer & Trash	32,049	33,331	34,664	36,051	37,493	45,616	55,499	67,522	99,950
Insurance	20,751	21,581	22,444	23,342	24,276	29,535	35,934	43,719	64,715
Property Tax	52,977	55,096	57,300	59,592	61,976	75,403	91,740	111,615	165,218
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	9,200	9,568	9,951	10,349	10,763	13,094	15,931	19,383	28,692
TOTAL EXPENSES	\$308,260	\$320,340	\$332,897	\$345,947	\$359,512	\$435,788	\$528,333	\$640,630	\$942,317
NET OPERATING INCOME	\$191,351	\$194,259	\$197,141	\$199,991	\$202,804	\$216,091	\$227,373	\$235,441	\$235,049
DEBT SERVICE									
First Lien Financing	\$154,643	\$154,643	\$154,643	\$154,643	\$154,643	\$154,643	\$154,643	\$154,643	\$154,643
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$36,708	\$39,616	\$42,498	\$45,348	\$48,161	\$61,448	\$72,730	\$80,798	\$80,406
DEBT COVERAGE RATIO	1.24	1.26	1.27	1.29	1.31	1.40	1.47	1.52	1.52

HTC ALLOCATION ANALYSIS -North Eastman Residential, Longview, 9% HTC #08284				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$322,000	\$49,950		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$719,601	\$719,601	\$719,601	\$719,601
Construction Hard Costs	\$4,413,801	\$4,641,629	\$4,413,801	\$4,641,629
Contractor Fees	\$718,676	\$718,676	\$718,676	\$718,676
Contingencies	\$259,170	\$259,170	\$256,670	\$259,170
Eligible Indirect Fees	\$680,350	\$680,350	\$680,350	\$680,350
Eligible Financing Fees	\$329,960	\$329,960	\$329,960	\$329,960
All Ineligible Costs	\$524,883	\$524,883		
Developer Fees			\$1,067,859	
Developer Fees	\$1,068,234	\$1,068,234		\$1,068,234
Development Reserves	\$189,838	\$189,838		
TOTAL DEVELOPMENT COSTS	\$9,226,513	\$9,182,291	\$8,186,917	\$8,417,620

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$8,186,917	\$8,417,620
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$10,642,992	\$10,942,905
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$10,642,992	\$10,942,905
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$885,497	\$910,450

Syndication Proceeds	0.7999	\$7,083,264	\$7,282,866
Total Tax Credits (Eligible Basis Method)		\$885,497	\$910,450
Syndication Proceeds		\$7,083,264	\$7,282,866
Requested Tax Credits		\$885,808	
Syndication Proceeds		\$7,085,752	
Gap of Syndication Proceeds Needed		\$7,017,463	
Total Tax Credits (Gap Method)		\$877,271	

North Eastman



Primary Market Area
94.41 square miles

One Mile Radius

08284 North Eastman Residential

05051-Longview Senior Apartments

03100-Churchill at Longview

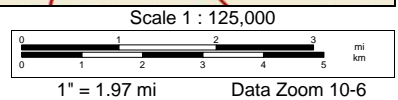
96182-Crestview Apartments Partnership

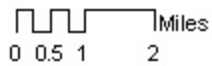
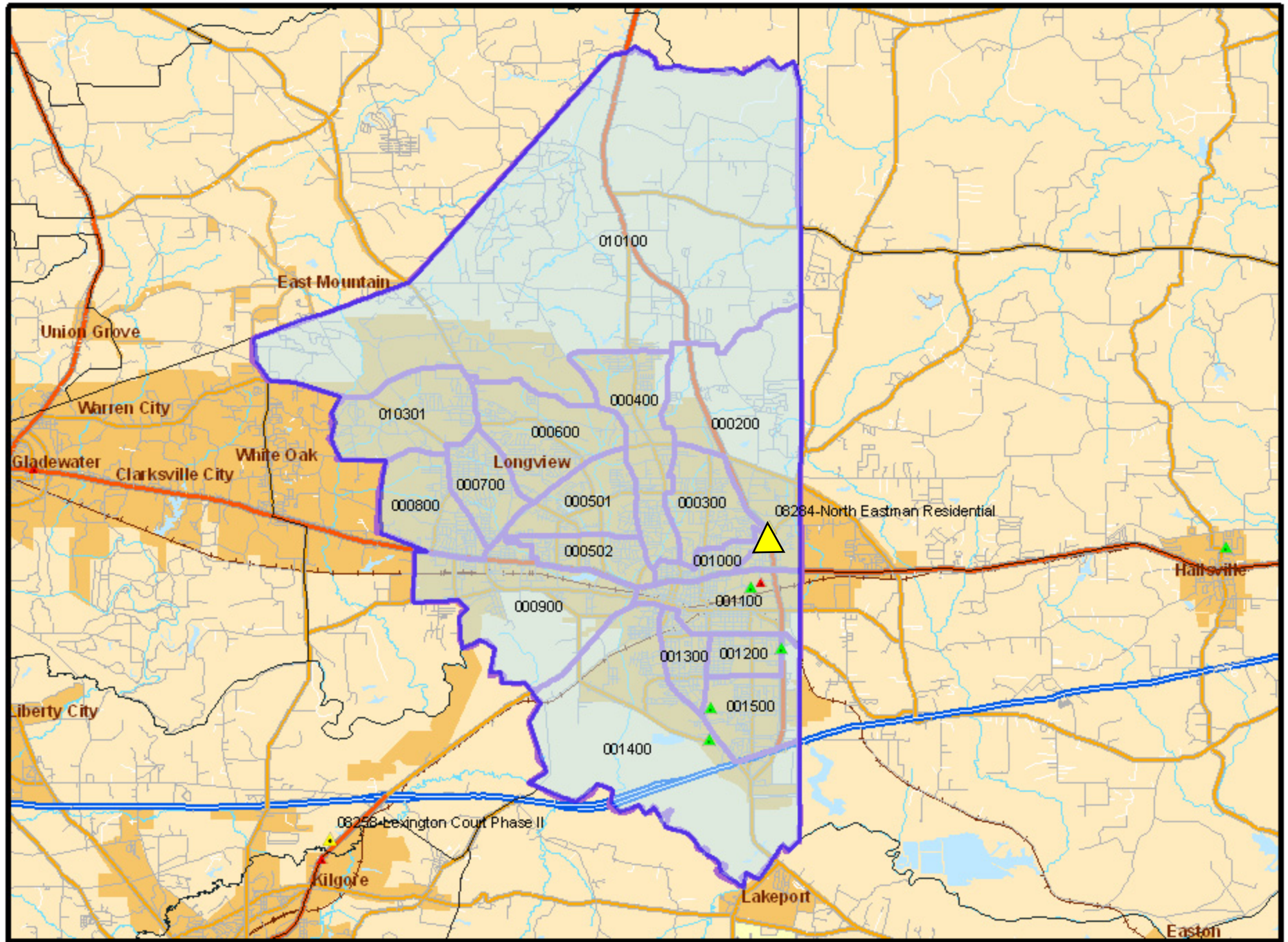
03028-Mill Creek Village

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- Concentration Key
- Red Tracts: > 1432 units/sq.mi.
 - Orange Tracts: 1000 to 1432 units/sq.mi.

08284 - North Eastman Residential

Applicant Evaluation

Project ID **08284**

Name **North Eastman Residential**

City: **Longview**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Projects in Material Noncompliance

Yes No

Projects grouped by score	0-9:	<u>3</u>
	10-19:	<u>1</u>
	20-29:	<u>0</u>

Total # of MF awards not yet monitored or pending review: 5

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 4

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date: 5/21/2008

Date: 6/2/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 6/2/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 5/27/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Stardust Village, TDHCA Number 08294

BASIC DEVELOPMENT INFORMATION

Site Address: Hwy 83, 1/2 Blk N. of Brazos St. Development #: 08294
 City: Uvalde Region: 11 Population Served: General
 County: Uvalde Zip Code: 78801 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Stardust Village, Ltd
 Owner Contact and Phone: Tammye Trevino, (830) 278-6817
 Developer: FUTURO Communities, Inc.
 Housing General Contractor: TBD
 Architect: Lloyd Jary and Associates
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Hudson Housing Capital Group
 Supportive Services: FUTURO Communities, Inc.
 Consultant: S2A Development Consulting LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	36
	2 0 13 21	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 0 5 17 14 0	Total Development Units:	36
Type of Building:		Total Development Cost*:	\$5,545,493
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	36
<input type="checkbox"/> Triplex	<input checked="" type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$429,577	\$427,390			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stardust Village, TDHCA Number 08294

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Uresti, District 19, S

Points: 14 US Representative: Rodriguez, District 23, NC

TX Representative: Gallego, District 74, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 5 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

My Brother's Keeper Ministry

S or O: S

St. Henry de Osso Family Project

S or O: S

Community Council of Southwest Texas

S or O: S

Community Health Development, Inc.

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations. Although it did not qualify for Quantifiable Community Participation, the Rodolfo R. Flores, Jr. Property Owners Association submitted a letter stating that the organization supports the proposed development because there is a great demand for affordable housing in Uvalde, Texas.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by commitment, of a firm commitment for the Federal Home Loan Bank (FHLB) funds as proposed with a cashflow structure.
2. Receipt, review, and acceptance, before commencement of construction, of documentation of rezoning approval of the entire site to (R-4) residential.
3. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
4. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
5. Receipt of a commitment of funding from the County of Uvalde for funds in the amount of \$277,275, or a commitment from a qualifying substitute source in an amount not less than \$277,275, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.
6. Receipt of a commitment of funding from the Meadows Foundation for funds in the amount of \$110,910, or a commitment from a qualifying substitute source in an amount not less than \$110,910, as required by §50.9(i)(27) of the 2008 QAP. The provider of funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Stardust Village, TDHCA Number 08294

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **202** Meeting a Required Set-Aside Credit Amount*: \$427,390

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/22/08 PROGRAM: 9% HTC FILE NUMBER: 08294

DEVELOPMENT	
Stardust Village	
Location: <u>Highway 183 just north of Brazos Street</u>	Region: <u>11</u>
City: <u>Uvalde</u> County: <u>Uvalde</u> Zip: <u>78801</u>	<input type="checkbox"/> OCT <input type="checkbox"/> DDA
Key Attributes: <u>Single Family Rental, Family, New Construction</u>	

ALLOCATION						
	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$429,577			\$427,390		

- CONDITIONS**
- 1 Receipt, review, and acceptance, by commitment, of a firm commitment for the Federal Home Loan Bank (FHLB) funds as proposed with a cashflow structure.
 - 2 Receipt, review, and acceptance, before commencement of construction, of documentation of rezoning approval of the entire site to (R-4) residential.
 - 3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
 - 4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	13
60% of AMI	60% of AMI	21

<p style="text-align: center;">PROS</p> <ul style="list-style-type: none"> ▫ The subject property will revitalize the area and provide low income residents an opportunity to reside in single family houses and in a neighborhood style community. 	<p style="text-align: center;">CONS</p> <ul style="list-style-type: none"> ▫ The Site Inspector rated the site questionable due to the unsightly condition of the location and surrounding properties. ▫ The capture rates for the proposed four bedroom units are well above 50%, which is indicative of limited demand for this unit type in this small market.
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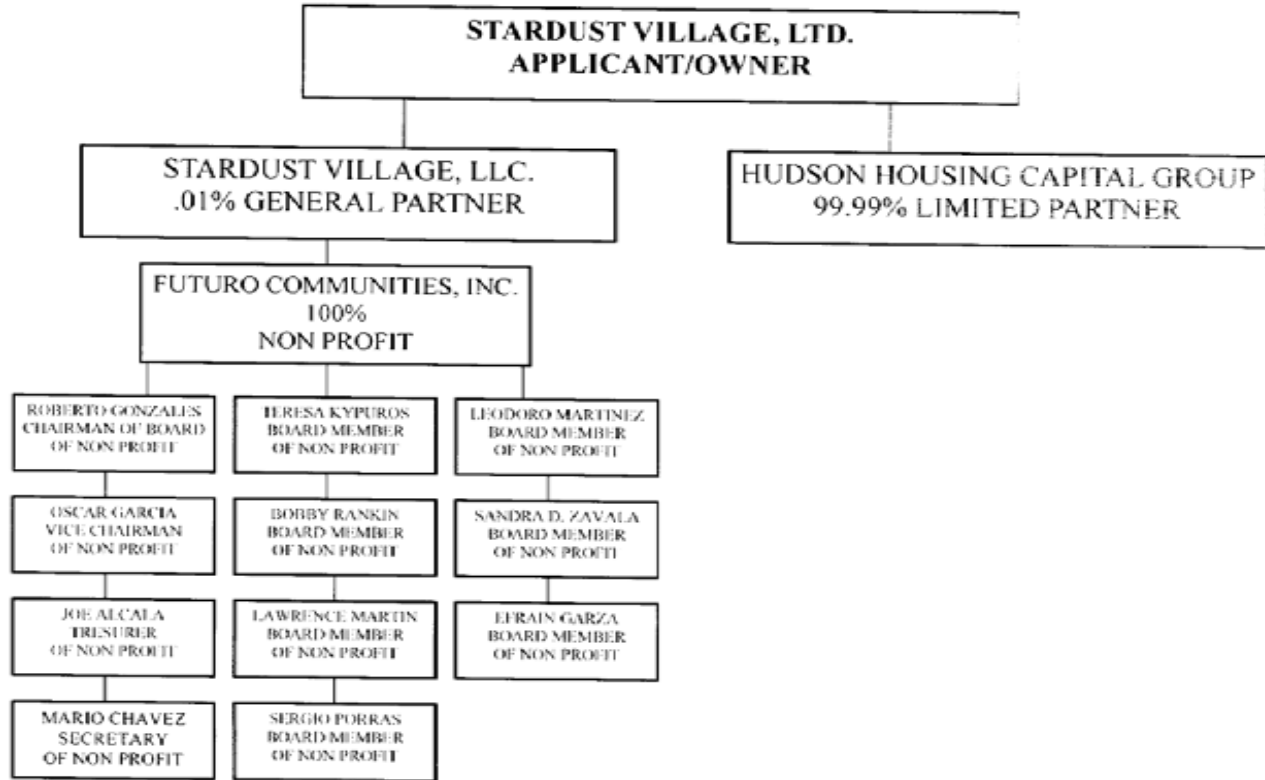
PREVIOUS UNDERWRITING REPORTS

No previous reports completed.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

APPLICANT CHART



CONTACT

Contact: Tammye Trevino Phone: (830) 278-6817 Fax: (830) 278-6905
 Email: fcceo@futurocommunities.org

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Futuro Communities, Inc.	N/A	3
Tammye Trevino	N/A	3

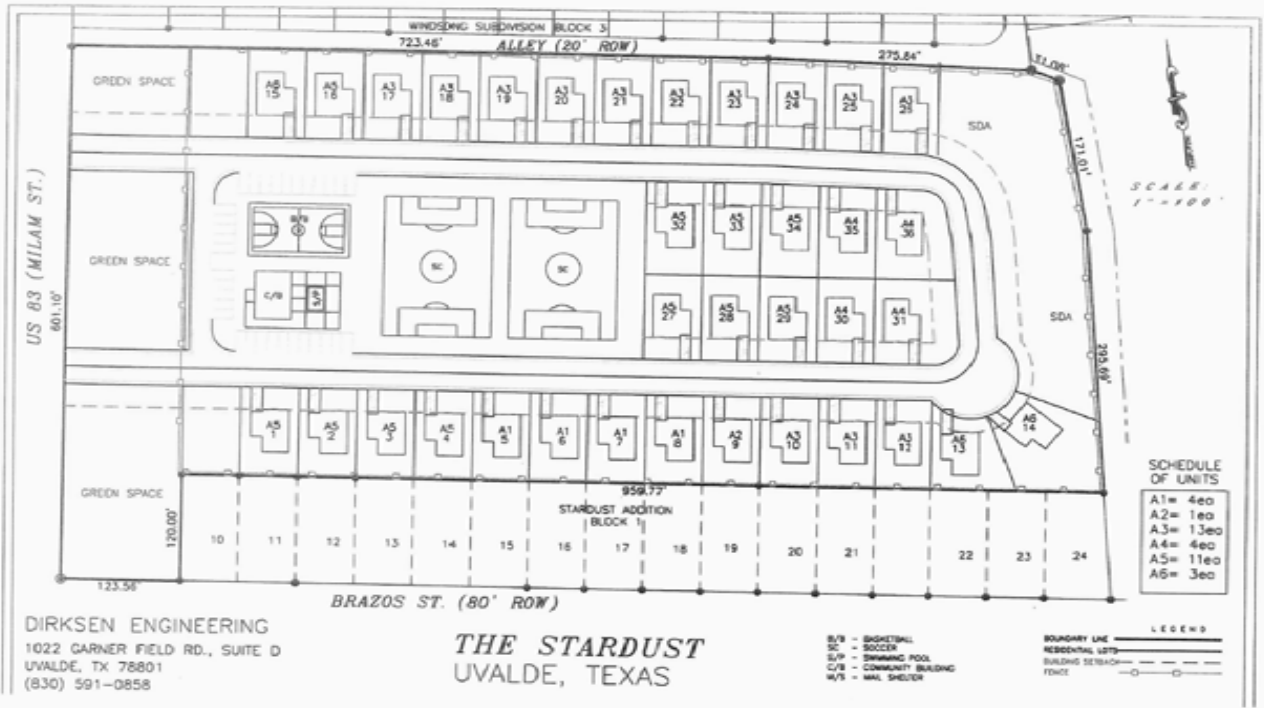
IDENTITIES of INTEREST

- The Applicant, Developer, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



DIRKSEN ENGINEERING
1022 GARNER FIELD RD., SUITE D
UVALDE, TX 78801
(830) 591-0858

THE STARDUST
UVALDE, TEXAS

LEGEND
B/S - BIKESHED
SC - SOCCER
S/P - SWIMMING POOL
C/B - COMMUNITY BUILDING
M/S - MAIL SHELTER
BOUNDARY LINE
RESIDENTIAL LOTS
BUILDING SETBACK
FENCE

BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F						Total Buildings
Floors/Stories	1	1	1	1	1	1						
Number	4	1	13	4	11	3						36

BR/BA	SF	Units										Total Units	Total SF
2/2	1,052	1										4	4,208
2/2	1,052		1									1	1,052
3/2	1,260			1								13	16,380
3/2	1,260				1							4	5,040
4/2	1,436					1						11	15,796
4/2	1,436						1					3	4,308
Units per Building		1	1	1	1	1	1					36	46,784

SITE ISSUES

Total Size: 12 acres Scattered site? Yes No
 Flood Zone: C Within 100-yr floodplain? Yes No
 Zoning: R-4 & B-2 Needs to be re-zoned? Yes No N/A
 Comments:

The property currently has dual zoning, R-4 residential and B-2 highway business district. The Applicant has filed an application with the City of Uvalde to have all of the property zoned R-4. To date, the Department has not received documentation that the re-zoning has been approved by the City of Uvalde. Accordingly, it is a condition of this report that the Applicant provide documentation of re-zoning approval of the entire site to (R-4) residential.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/17/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Single Family Residential East: Agricultural
 South: Single Family Residential West: Small Commercial & Trailer Park

Comments:

The site inspector states that the property is questionable because the area is in a poor condition. However, the County has committed 5% of the development cost in construction financing and the proposed development plan will revitalize the area.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Extra Environmental, Inc. Date: 3/31/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "There are no known or suspected recognized environmental concerns connected to the subject property." (p. 18)

MARKET HIGHLIGHTS

Provider: Isper Associates, Inc. Date: 3/13/2008

Contact: Edward Isper Phone: (817) 927-2838 Fax: (817) 927-0032

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 177.22 square miles (7.51 mile radius)

"The primary market area includes Uvalde and the remainder of Uvalde County." (p. 2-5)

Secondary Market Area (SMA):

The Market Analyst did not indicate a secondary market area (SMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Leona Apartments	#08302	40	0	N/A			

Comment:

The Leona Apartments, a 40 unit Section 8 Housing Assistance development located in Uvalde is applying for Housing Tax Credits during this cycle for the rehabilitation of its units. The units are currently occupied and will retain a majority of residents during rehabilitation; therefore, they are not being considered in the calculation of the capture rates for the subject development.

INCOME LIMITS						
Uvalde						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

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MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2BR/30% Rent Limit	25	0	0	25	1	0	4.00%
2BR/50% Rent Limit	41	0	0	41	2	0	4.88%
2BR/60% Rent Limit	34	1	0	35	2	0	5.71%
3BR/30% Rent Limit	18	-1	0	17	1	0	5.88%
3BR/50% Rent Limit	27	0	0	27	6	0	22.22%
3BR/60% Rent Limit	32	0	0	32	10	0	31.25%
4BR/50% Rent Limit	8	0	0	8	5	0	62.50%
4BR/60% Rent Limit	10	0	0	10	9	0	90.0%

OVERALL DEMAND											
		Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER											
Market Analyst	p. M-8	9,141	100%	9,141	33%	3,007	28%	833	44%	364	
Underwriter		100%	9,142	100%	9,142	33%	3,008	25%	743	44%	325
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. M-8		100%	77	33%	25	28%	7	100%	7	
Underwriter			100%	72	33%	24	25%	6	100%	6	

INCLUSIVE CAPTURE RATE							
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst	p. M-8	36	0	0	36	371	9.70%
Underwriter		36	0	0	36	331	10.89%

Primary Market Occupancy Rates:

"Overall occupancy at 96.2% is considered high, with 13 vacancies in a total of 345 units. There are 3 locations with 100% occupancy. By number of bedrooms, physical occupancy in the conventional and HTC units is 97.1% in 1-Bd units, 96.2% in 2-Bd units, and 90.8% in 3-Bd units (all of the vacancies in 3-Bd units are at the HTC complex). (p. 2-16)

Absorption Projections:

"Average absorption for the subject is estimated at 8 to 10 units per month. It is expected that a 3 to 4 month lease-up period will be required to achieve 92.5% occupancy of the 36 units." (p. 3-6)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
2 BR 1,052 SF 30%	\$209	\$209	\$685	\$209	\$476		
2 BR 1,052 SF 50%	\$404	\$404	\$685	\$404	\$281		
2 BR 1,052 SF 60%	\$502	\$502	\$685	\$502	\$183		
3 BR 1,260 SF 30%	\$245	\$245	\$740	\$245	\$495		
3 BR 1,260 SF 50%	\$471	\$471	\$740	\$471	\$269		
3 BR 1,260 SF 60%	\$585	\$585	\$740	\$585	\$155		
4 BR 1,436 SF 50%	\$529	\$529	\$780	\$529	\$251		
4 BR 1,436 SF 60%	\$656	\$656	\$780	\$656	\$124		

Market Impact:

Based on the demand in the market area, the impact of the subject units should be minimal.

Comments:

The Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 8 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of less than 1 unit per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting utility allowances maintained by Uvalde Housing Authority from the 2008 program rent limits. The Underwriter's net rents are comparable to those reflected by the Applicant and are achievable according to the Market Analyst. Tenants will be required to pay electric, water and sewer costs.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting standards and the Applicant's effective gross income estimate is within 5% of the Underwriter's.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of \$3,520 per unit is within 5% of the Underwriter's estimate of \$3,608 derived from the TDHCA database, IREM data, and other third party data sources. Additionally, several of the Applicant's line item estimates differ significantly from the Underwriter's, including: repairs and maintenance (\$4K lower); utilities (\$3K lower); water, sewer, and trash (\$7K lower); property tax (\$6K higher); reserve for replacements (\$2K higher); and TDHCA compliance fees. The Applicant's compliance fees appear to be based on \$30 per unit per year, which is lower than the required \$40 per unit per year.

The Applicant does not appear to have contemplated a 50% property tax exemption resulting from 100% nonprofit ownership of the GP interest. This structure is often used to achieve such an exemption. Based on the Underwriter's proforma, if a 50% exemption was achieved, the projected debt coverage ratio would remain within the Department's guideline of 1.15 to 1.35.

Conclusion:

The Applicant's estimate of effective gross income, total expense and net operating income are all within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proposed permanent financing structure results in an initial year's debt coverage ratio of 1.17.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. The Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible.

This section intentionally left blank.

The Applicant's expense to income ratio of 57.51% is below the Department's 65% maximum ratio and is considered acceptable. The Underwriter's expense to income ratio of 58.62% is also considered to be acceptable according to Department guidelines.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	12 acres	<u>\$101,010</u>	Tax Year:	<u>2007</u>
Existing Buildings:		<u>\$0</u>	Valuation by:	<u>Uvalde CAD</u>
Total Assessed Value:		<u>\$101,010</u>	Tax Rate:	<u>2.38894</u>

EVIDENCE of PROPERTY CONTROL

Type: Option to Purchase Agreement Acreage: 12

Contract Expiration: 8/31/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$234,000 Other: _____

Seller: Rudolfo Flores, Jr. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$19,500 per acre or \$6,500 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's proposed site work cost of \$9,000 per unit is equal to the Department's threshold, beyond which additional support would be necessary.

Direct Construction Cost:

The Applicant's direct construction cost is \$29K or 1% higher than the Underwriter's Marshall and Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Applicant's claimed eligible interim interest exceeds one year of fully drawn interest expense on the anticipated construction financing. The Underwriter has reduced eligible construction interest by \$21,939 in accordance with the Department's guidelines.

Contingency & Fees:

Due to the overstatement of eligible interest described above, the Applicant's developer fee now exceeds the Department's 20% (for developments proposing 49 units or less) maximum by \$4,350. The Underwriter has effectively shifted this overage to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, as adjusted above, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$5,136,899 supports annual tax credits of \$427,390. 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.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 6/2/2008

Source: Lancaster Pollard Mortgage Company Type: Interim to Permanent Financing
 Interim: \$1,481,500 Interest Rate: 4.5% Fixed Term: 24 months
 Permanent \$1,481,500 Interest Rate: 4.5% Fixed Term: 480 months

Comments:

The Lancaster-Pollard commitment indicates the permanent first lien mortgage will be a Section 538 USDA-RD loan. The loan will carry a fixed rate of 7.0% with interest rate credit to bring the effective rate down to the Applicable Federal Rate (AFR), estimated by the lender to be 4.50%. The loan will require a guarantee fee of \$35,000. In previous USDA 538 transactions with Lancaster Pollard, an ongoing mortgage fee equal to 50bp on the outstanding principal was required, but this does not appear to be included per the commitment.

The commitment indicates that the interest rate credit will only be available on an amount up to \$1,500,000. However, the commitment reflects a debt amount below this threshold.

Source: Uvalde County Type: Interim Financing
 Principal: \$277,275 Interest Rate: AFR Fixed Amort: 12 months

Comments:

The Underwriter used the current AFR equal to 4.49%.

Source: RZ Communications, Inc. Type: Interim Financing
 Principal: \$111,000 Interest Rate: AFR Fixed Amort: 12 months

Comments:

The Applicant provided a commitment for this source of funds reflecting an interest rate at or below AFR. The Applicant has indicated that the rate will be AFR. The Underwriter has used the current AFR equal to 4.49%.

Source: Federal Home Loan Bank of Dallas Type: Interim to Permanent Financing
 Principal: \$483,727 Interest Rate: AFR Fixed Amort: 360 months

Comments:

The Applicant has made application to the Federal Home Loan Bank of Dallas for the subject funds. The Applicant anticipates that the loan will be structured with a 30 year term repayable from cashflow at a rate equal to AFR. The Underwriter has used the current AFR equal to 4.49%. It should be noted that the Underwriter has not included this source of funds in annual debt service due to the cashflow structure and because there is little risk that failure to repay would affect eligible basis. FHLB funds are not considered federally sourced per Treasury regulations.

However, if the debt is ultimately structured as a fully amortizing loan, the Underwriter's analysis indicates that the transaction would not be viable. Additionally, if this source of funds is ultimately not received, the gap in financing would increase to an amount that would render the transaction infeasible under Department guidelines. Therefore, receipt, review, and acceptance, by commitment, of a firm commitment for the FHLB funds with a cashflow structure is a condition of this report.

Source: Hudson Housing Capital, LLC Type: Syndication
 Proceeds: \$3,479,228 Syndication Rate: 81% Anticipated HTC: \$ 429,577

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.75. At this point, the deferred developer fee required would exceed the 15 year projected cashflow and the transaction would not be viable. Alternatively, should the final credit price increase to more than \$0.838, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$101,038

Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the USDA 538 loan of \$1,481,500 and FHLB of Dallas loan of \$483,727 indicates the need for \$3,580,266 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$442,052 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$429,577), the gap-driven amount (\$442,052), and eligible basis-derived estimate (\$427,390), the eligible basis-derived estimate of \$427,390 is recommended resulting in proceeds of \$3,461,515 based on a syndication rate of 81%.

The Underwriter's recommended financing structure indicates the need for \$118,751 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within seven years of stabilized operation.

Underwriter:

D. Burrell

Date: July 22, 2008

Reviewing Underwriter:

Cameron Dorsey

Date: July 22, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 22, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Stardust Village, Uvalde, 9% HTC #08294

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 30%	1	2	2	1,052	\$295	\$209	\$209	\$0.20	\$85.97	\$12.45
TC 50%	2	2	2	1,052	\$490	\$404	\$808	\$0.38	\$85.97	\$12.45
TC 60%	2	2	2	1,052	\$588	\$502	\$1,004	\$0.48	\$85.97	\$12.45
TC 30%	1	3	2	1,260	\$340	\$245	\$245	\$0.19	\$95.21	\$12.45
TC 50%	6	3	2	1,260	\$566	\$471	\$2,825	\$0.37	\$95.21	\$12.45
TC 60%	10	3	2	1,260	\$680	\$585	\$5,848	\$0.46	\$95.21	\$12.45
TC 50%	5	4	2	1,436	\$632	\$529	\$2,643	\$0.37	\$103.39	\$12.45
TC 60%	9	4	2	1,436	\$759	\$656	\$5,900	\$0.46	\$103.39	\$12.45
TOTAL:	36		AVERAGE:	1,300		\$541	\$19,482	\$0.42	\$97.11	\$12.45

INCOME				Total Net Rentable Sq Ft: 46,784		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT										
Secondary Income		Per Unit Per Month:	\$10.00			\$233,785	\$233,892	Uvalde		11
Other Support Income:						4,320	4,320	\$10.00	Per Unit Per Month	
						0	0	\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME										
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			\$238,105	\$238,212			
Employee or Other Non-Rental Units or Concessions						(17,858)	(17,868)	-7.50%	of Potential Gross Income	
						0	0			
EFFECTIVE GROSS INCOME										
						\$220,248	\$220,344			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.10%	\$312	0.24		\$11,222	\$11,600	\$0.25	\$322	5.26%
Management		5.00%	306	0.24		11,012	15,000	0.32	417	6.81%
Payroll & Payroll Tax		14.30%	875	0.67		31,500	30,000	0.64	833	13.62%
Repairs & Maintenance		7.20%	440	0.34		15,857	12,300	0.26	342	5.58%
Utilities		3.12%	191	0.15		6,869	4,100	0.09	114	1.86%
Water, Sewer, & Trash		4.09%	250	0.19		8,997	2,400	0.05	67	1.09%
Property Insurance		5.67%	347	0.27		12,499	11,620	0.25	323	5.27%
Property Tax	2.38894	9.76%	597	0.46		21,500	27,830	0.59	773	12.63%
Reserve for Replacements		4.09%	250	0.19		9,000	10,800	0.23	300	4.90%
TDHCA Compliance Fees		0.65%	40	0.03		1,440	1,080	0.02	30	0.49%
Other:		0.00%	0	0.00		0	0	0.00	0	0.00%
TOTAL EXPENSES		58.98%	\$3,608	\$2.78		\$129,896	\$126,730	\$2.71	\$3,520	57.51%
NET OPERATING INC		41.02%	\$2,510	\$1.93		\$90,352	\$93,614	\$2.00	\$2,600	42.49%
DEBT SERVICE										
Lancaster Pollard USDA 538 Loan		36.29%	\$2,220	\$1.71		\$79,923	\$78,013	\$1.67	\$2,167	35.41%
FHLB of Dallas Cashflow Loan		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
NET CASH FLOW		4.73%	\$290	\$0.22		\$10,428	\$15,601	\$0.33	\$433	7.08%
AGGREGATE DEBT COVERAGE RATIO						1.13	1.20			
RECOMMENDED DEBT COVERAGE RATIO							1.17			

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)		4.46%	\$6,825	\$5.25	\$245,700	\$245,700	\$5.25	\$6,825	4.43%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		5.88%	9,000	6.93	324,000	324,000	6.93	9,000	5.84%	
Direct Construction		53.24%	81,435	62.66	2,931,658	2,960,691	63.28	82,241	53.39%	
Contingency	4.30%	2.54%	3,889	2.99	140,000	140,000	2.99	3,889	2.52%	
Contractor's Fees	13.38%	7.91%	12,103	9.31	435,700	435,700	9.31	12,103	7.86%	
Indirect Construction		4.18%	6,400	4.92	230,400	230,400	4.92	6,400	4.15%	
Ineligible Costs		1.83%	2,804	2.16	100,944	100,944	2.16	2,804	1.82%	
Developer's Fees	20.00%	15.44%	23,621	18.18	850,343	860,500	18.39	23,903	15.52%	
Interim Financing		3.45%	5,277	4.06	189,958	189,958	4.06	5,277	3.43%	
Reserves		1.05%	1,600	1.23	57,600	57,600	1.23	1,600	1.04%	
TOTAL COST		100.00%	\$152,953	\$117.70	\$5,506,303	\$5,545,493	\$118.53	\$154,041	100.00%	
Construction Cost Recap		69.58%	\$106,427	\$81.89	\$3,831,358	\$3,860,391	\$82.52	\$107,233	69.61%	

SOURCES OF FUNDS										
					TDHCA	APPLICANT	RECOMMENDED			
Lancaster Pollard USDA 538 Loan		26.91%	\$41,153	\$31.67	\$1,481,500	\$1,481,500	\$1,481,500		Developer Fee Available	
FHLB of Dallas Cashflow Loan		8.78%	\$13,437	\$10.34	483,727	483,727	483,727		\$856,150	
HTC Syndication Proceeds		63.19%	\$96,645	\$74.37	3,479,228	3,479,228	3,461,515		% of Dev. Fee Deferred	
Deferred Developer Fees		1.83%	\$2,807	\$2.16	101,038	101,038	118,751		14%	
Additional (Excess) Funds Req'd		-0.71%	(\$1,089)	(\$0.84)	(39,190)	0	0		15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$5,506,303	\$5,545,493	\$5,545,493		\$374,545	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Stardust Village, Uvalde, 9% HTC #08294

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Single Family Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$84.17	\$3,937,646
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Subdivision Discount	-10.00%		(8.42)	(393,765)
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(115,556)
Floor Cover			2.43	113,685
Patios	\$23.07	3,030	1.49	69,909
Plumbing Fixtures	\$805		0.00	0
Rough-ins	\$400		0.00	0
Built-In Appliances	\$2,575	36	1.98	92,700
Exterior Stairs	\$1,800		0.00	0
Enclosed Corridors	\$74.25		0.00	0
Heating/Cooling			1.90	88,890
Garages/Carports	\$27.95	11,700	6.99	327,015
Comm &/or Aux Bldgs	\$76.67	2,052	3.36	157,317
Other: fire sprinkler	\$1.95	0	0.00	0
SUBTOTAL			91.44	4,277,841
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.85		(13.72)	(641,676)
TOTAL DIRECT CONSTRUCTION COSTS			\$77.72	\$3,636,164
Plans, specs, survy, bld prm	3.40%		(\$2.64)	(\$123,630)
Interim Construction Interest	3.38%		(2.62)	(122,721)
Contractor's OH & Profit	12.60%		(9.79)	(458,157)
NET DIRECT CONSTRUCTION COSTS			\$62.66	\$2,931,658

PAYMENT COMPUTATION

Primary	\$1,481,500	Amort	480
Int Rate	4.50%	DCR	1.13

Secondary	\$483,727	Amort	0
Int Rate	4.37%	Subtotal DCR	1.13

Additional	\$3,479,228	Amort	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$79,923
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$13,691

Primary	\$1,481,500	Amort	480
Int Rate	4.50%	DCR	1.17

Secondary	\$483,727	Amort	0
Int Rate	4.37%	Subtotal DCR	1.17

Additional	\$3,479,228	Amort	0
Int Rate	0.00%	Aggregate DCR	1.17

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	\$233,892	\$240,909	\$248,136	\$255,580	\$263,248	\$305,176	\$353,783	\$410,131	\$551,182
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	238,212	245,358	252,719	260,301	268,110	310,813	360,317	417,706	561,362
Vacancy & Collection Loss	(17,868)	(18,402)	(18,954)	(19,523)	(20,108)	(23,311)	(27,024)	(31,328)	(42,102)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$220,344	\$226,956	\$233,765	\$240,778	\$248,001	\$287,502	\$333,293	\$386,378	\$519,260
EXPENSES at 4.00%									
General & Administrative	\$11,600	\$12,064	\$12,547	\$13,048	\$13,570	\$16,510	\$20,087	\$24,439	\$36,176
Management	15,000	15,450	15,914	16,391	16,883	19,572	22,689	26,303	35,349
Payroll & Payroll Tax	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Repairs & Maintenance	12,300	12,792	13,304	13,836	14,389	17,507	21,300	25,914	38,359
Utilities	4,100	4,264	4,435	4,612	4,796	5,836	7,100	8,638	12,786
Water, Sewer & Trash	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
Insurance	11,620	12,085	12,568	13,071	13,594	16,539	20,122	24,482	36,239
Property Tax	27,830	28,943	30,101	31,305	32,557	39,611	48,193	58,634	86,792
Reserve for Replacements	10,800	11,232	11,681	12,149	12,634	15,372	18,702	22,754	33,681
Other	1,080	1,123	1,168	1,215	1,263	1,537	1,870	2,275	3,368
TOTAL EXPENSES	\$126,730	\$131,649	\$136,761	\$142,072	\$147,591	\$178,598	\$216,169	\$261,701	\$383,796
NET OPERATING INCOME	\$93,614	\$95,307	\$97,004	\$98,706	\$100,410	\$108,903	\$117,124	\$124,677	\$135,464
DEBT SERVICE									
First Lien Financing	\$79,923	\$79,923	\$79,923	\$79,923	\$79,923	\$79,923	\$79,923	\$79,923	\$79,923
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$13,691	\$15,384	\$17,081	\$18,783	\$20,487	\$28,980	\$37,201	\$44,754	\$55,541
DEBT COVERAGE RATIO	1.17	1.19	1.21	1.24	1.26	1.36	1.47	1.56	1.69

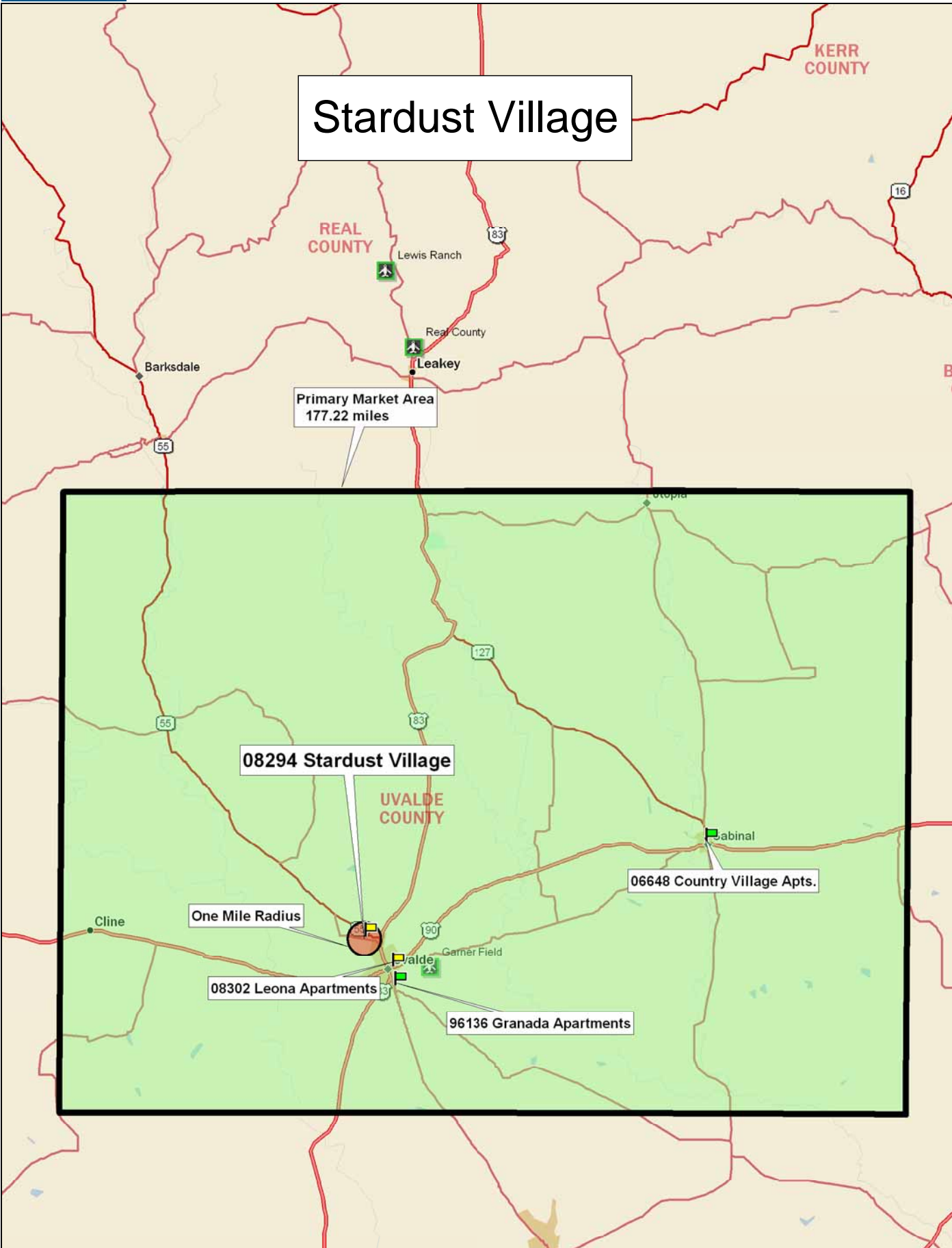
HTC ALLOCATION ANALYSIS -Stardust Village, Uvalde, 9% HTC #08294

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$245,700	\$245,700		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$324,000	\$324,000	\$324,000	\$324,000
Construction Hard Costs	\$2,960,691	\$2,931,658	\$2,960,691	\$2,931,658
Contractor Fees	\$435,700	\$435,700	\$435,700	\$435,700
Contingencies	\$140,000	\$140,000	\$140,000	\$140,000
Eligible Indirect Fees	\$230,400	\$230,400	\$230,400	\$230,400
Eligible Financing Fees	\$189,958	\$189,958	\$189,958	\$189,958
All Ineligible Costs	\$100,944	\$100,944		
Developer Fees			\$856,150	
Developer Fees	\$860,500	\$850,343		\$850,343
Development Reserves	\$57,600	\$57,600		
TOTAL DEVELOPMENT COSTS	\$5,545,493	\$5,506,303	\$5,136,899	\$5,102,059

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$5,136,899	\$5,102,059
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$5,136,899	\$5,102,059
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$5,136,899	\$5,102,059
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$427,390	\$424,491

Syndication Proceeds	0.8099	\$3,461,515	\$3,438,038
Total Tax Credits (Eligible Basis Method)		\$427,390	\$424,491
Syndication Proceeds		\$3,461,515	\$3,438,038
Requested Tax Credits		\$429,577	
Syndication Proceeds		\$3,479,228	
Gap of Syndication Proceeds Needed		\$3,580,266	
Total Tax Credits (Gap Method)		\$442,052	

Stardust Village



Applicant Evaluation

Project ID # **08294**

Name: **Stardust Village**

City: **Uvalde**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 2

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 8

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/2/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Melissa Whitehead

Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /15/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Vista Bonita Apartments, TDHCA Number 08295

BASIC DEVELOPMENT INFORMATION

Site Address: 9313 Tallyho Rd. Development #: 08295
 City: Houston Region: 6 Population Served: General
 County: Harris Zip Code: 77017 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CB Texas I, Ltd.
 Owner Contact and Phone: Amay Inamdar, (713) 540-0122
 Developer: CB Texas I GP
 Housing General Contractor: Cornerbrook Construction
 Architect: Mucasey & Associates Architects
 Market Analyst: O'Connor & Associates
 Syndicator: PNC Multifamily Capital
 Supportive Services: Texas Interfaith Housing
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	118
	6 0 42 70	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 64 51 3 0 0	Total Development Units:	118
Type of Building:		Total Development Cost*:	\$0
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	17
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$1,078,293	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Vista Bonita Apartments, TDHCA Number 08295

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Gallegos, District 6, S

Points: 14 US Representative: Green, District 29, NC

TX Representative: Noriega, District 145, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition: 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s).

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Vista Bonita Apartments, TDHCA Number 08295

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **197** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID # **08295**

Name: **Vista Bonita Apartments**

City: **Houston**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/1/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Melissa Whitehead

Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /15/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Prairie Village Apartments, TDHCA Number 08296

BASIC DEVELOPMENT INFORMATION

Site Address: 611 Paul St. Development #: 08296
 City: Rogers Region: 8 Population Served: General
 County: Bell Zip Code: 76569 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Bell Fountainhead, L.P.
 Owner Contact and Phone: Patrick A. Barbolla, (817) 732-1055
 Developer: Fountainhead Affiliates, Inc.
 Housing General Contractor: Fountainhead Construction, Inc.
 Architect: J. Douglas Cain Associates, Architects, Inc.
 Market Analyst: N/A
 Syndicator: Boston Capital Corp
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	24
	2 0 18 4	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 12 12 0 0 0	Total Development Units:	24
Type of Building:		Total Development Cost*:	\$1,805,794
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	3
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	19
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	5
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$106,422	\$104,992			
HOME Activity Fund Amount:	\$330,000	\$330,000	30	30	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Prairie Village Apartments, TDHCA Number 08296

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24, S

Points: 14 US Representative: Carter, District 31, NC

TX Representative: Delisi, District 55, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s).

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the commitment, of a revision to the Applicant's pledged HOME units to include at least 5 Low HOME units to meet the minimum 20% Low HOME requirement.
2. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
3. Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved the proposed basic rents which reflect a 42% increase over the current basic rents.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Prairie Village Apartments, TDHCA Number 08296

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **152** Meeting a Required Set-Aside Credit Amount*: \$104,992

Recommendation: Competitive in At-Risk Set-Aside

HOME Activity Funds:

Loan Amount: \$330,000

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation: Competitive in Region and Score

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report Addendum

REPORT DATE: 07/23/08 PROGRAM: HOME / 9% HTC FILE NUMBER: 08296

DEVELOPMENT

Prairie Village Apartments

Location: 611 Paul Street Region: 8
 City: Rogers County: Bell Zip: 76569 OCT DDA
 Key Attributes: Family, At-Risk, Acquisition/Rehab, Rural, and Multifamily

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$330,000	0.00%	30/30	\$330,000	0.00%	30/30
Housing Tax Credit (Annual)	\$106,422			\$104,992		

CONDITIONS

- 1 Receipt, review, and acceptance, by the commitment, of a revision to the Applicant's pledged HOME units to include at least 5 Low HOME units to meet the minimum 20% Low HOME requirement.
- 2 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 3 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved the proposed basic rents which reflect a 42% increase over the current basic rents.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	18
60% of AMI	60% of AMI	4

TDHCA SET-ASIDES for HOME LURA			
Income Limit	Rent Limit	Reqst Units	Rec Units
Low HOME	30% of AMI	2	2
Low HOME	50% of AMI	0	3
High HOME	65% of AMI	22	19

PROS

- The application proposes the rehabilitation of an existing 24 unit USDA-RD property constructed in 1985.
- The development team is experienced and has substantial financial capacity.

CONS

- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.
- If the HOME award is ultimately not received, the transaction may not be financially viable.

ADDENDUM

This addendum reevaluates the subject transaction based upon the TDHCA Board's decision to grant an appeal made by the Applicant at the July 21, 2008 Board meeting. Specifically, the Board granted the Applicant's appeal regarding the Underwriter's reallocation of developer fee proportionately between the acquisition costs and rehabilitation costs. The Board determined that the Applicant's developer fee could be allocated as proposed in the application as the portion of developer fee attributed to the acquisition and the portion attributed to the rehab were each within the Department's 20% limit.

As reflected on the eligible basis page of the amended numerical analysis, the Underwriter has reallocated developer fee between the acquisition and rehabilitation as proposed in the application. The net effect is an increase in the eligible basis derived tax credit amount from \$103,428 to \$104,992. This amended eligible basis derived amount remains below the gap driven and requested amounts. Therefore, the Underwriter recommends a tax credit allocation of \$104,992 in accordance with the Board 's decision at the July 21, 2008 TDHCA Board meeting.

There are no other material changes to the subject application or conclusions in the original underwriting report. This is an abbreviated report that should be read in conjunction with the complete underwriting report dated June 30, 2008.

Underwriter:

Cameron Dorsey

Date: July 23, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Prairie Village Apartments, Rogers, HOME / 9% HTC #08296

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% / LH	1	1	1	618	\$292	\$403	\$403	\$0.65	\$64.00	\$43.50
TC 30% / LH	1	1	1	618	\$292	\$403	\$403	\$0.65	\$64.00	\$43.50
TC 50% / HH	8	1	1	618	\$487	\$403	\$3,224	\$0.65	\$64.00	\$43.50
TC 60% / HH	2	1	1	618	\$545	\$403	\$806	\$0.65	\$64.00	\$43.50
TC 50% / LH	3	2	1	808	\$585	\$479	\$1,437	\$0.59	\$70.00	\$47.50
TC 50% / HH	7	2	1	808	\$585	\$479	\$3,353	\$0.59	\$70.00	\$47.50
TC 60% / HH	2	2	1	808	\$692	\$479	\$958	\$0.59	\$70.00	\$47.50
TOTAL:	24		AVERAGE:	713		\$441	\$10,584	\$0.62	\$67.00	\$45.50

INCOME

Total Net Rentable Sq Ft: 17,112

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
 Other Support Income: Per Unit Per Month

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	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
General & Administrative	4.72%	\$239	0.34	\$5,739	\$5,210	Bell		8
Management	7.16%	362	0.51	8,698	11,808	\$15.00	Per Unit Per Month	
Payroll & Payroll Tax	13.82%	700	0.98	16,792	22,000	\$0.00	Per Unit Per Month	
Repairs & Maintenance	11.99%	607	0.85	14,565	6,754			
Utilities	2.35%	119	0.17	2,854	2,400			
Water, Sewer, & Trash	15.85%	803	1.13	19,260	20,105			
Property Insurance	5.54%	281	0.39	6,734	7,700			
Property Tax 2.8521	5.43%	275	0.39	6,598	7,050			
Reserve for Replacements	6.96%	352	0.49	8,455	6,410			
TDHCA Compliance Fees	0.79%	40	0.06	960	600			
Other:	0.00%	0	0.00	0	0			
TOTAL EXPENSES	74.63%	\$3,777	\$5.30	\$90,655	\$90,037	\$5.26	\$3,752	74.12%
NET OPERATING INC	25.37%	\$1,284	\$1.80	\$30,823	\$31,439	\$1.84	\$1,310	25.88%

DEBT SERVICE

Existing USDA-RD 515 Mortgage	13.56%	\$686	\$0.96	\$16,468	\$16,468	\$0.96	\$686	13.56%
TDHCA HOME	9.06%	\$458	\$0.64	11,000	11,000	\$0.64	\$458	9.06%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	2.76%	\$140	\$0.20	\$3,355	\$3,971	\$0.23	\$165	3.27%
AGGREGATE DEBT COVERAGE RATIO				1.12	1.14			
RECOMMENDED DEBT COVERAGE RATIO					1.14			

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)		42.09%	\$31,667	\$44.41	\$760,000	\$760,000	\$44.41	\$31,667	42.09%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.70%	4,293	6.02	103,020	103,020	6.02	4,293	5.70%
Direct Construction		27.84%	20,946	29.38	502,712	502,712	29.38	20,946	27.84%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Fees	13.94%	4.68%	3,518	4.93	84,443	84,443	4.93	3,518	4.68%
Indirect Construction		3.83%	2,882	4.04	69,176	69,176	4.04	2,882	3.83%
Ineligible Costs		0.35%	263	0.37	6,312	6,312	0.37	263	0.35%
Developer's Fees	15.73%	12.94%	9,735	13.65	233,631	233,631	13.65	9,735	12.94%
Interim Financing		1.19%	896	1.26	21,500	21,500	1.26	896	1.19%
Reserves		1.38%	1,042	1.46	25,000	25,000	1.46	1,042	1.38%
TOTAL COST		100.00%	\$75,241	\$105.53	\$1,805,794	\$1,805,794	\$105.53	\$75,241	100.00%
Construction Cost Recap		38.22%	\$28,757	\$40.33	\$690,175	\$690,175	\$40.33	\$28,757	38.22%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Existing USDA-RD 515 Mortgage	34.50%	\$25,958	\$36.41	\$623,000	\$623,000	\$623,000	Developer Fee Available
TDHCA HOME	18.27%	\$13,750	\$19.28	330,000	330,000	330,000	\$233,631
HTC Syndication Proceeds	46.97%	\$35,344	\$49.57	848,254	848,254	836,857	% of Dev. Fee Deferred
Deferred Developer Fees	0.25%	\$189	\$0.27	4,540	4,540	15,937	7%
Additional (Excess) Funds Req'd	0.00%	\$0	\$0.00	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$1,805,794	\$1,805,794	\$1,805,794	\$61,114

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Prairie Village Apartments, Rogers, HOME / 9% HTC #08296

PAYMENT COMPUTATION

Primary	\$641,000	Amort	600
Int Rate	1.00%	DCR	1.87

Secondary	\$330,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.12

Additional		Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$16,468
Secondary Debt Service	11,000
Additional Debt Service	0
NET CASH FLOW	\$3,971

Primary	\$641,000	Amort	600
Int Rate	1.00%	DCR	1.91

Secondary	\$330,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.14

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.14

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	\$127,008	\$130,818	\$134,743	\$138,785	\$142,949	\$165,717	\$192,111	\$222,709	\$299,303
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	131,328	135,268	139,326	143,506	147,811	171,353	198,645	230,284	309,483
Vacancy & Collection Loss	(9,852)	(10,145)	(10,449)	(10,763)	(11,086)	(12,851)	(14,898)	(17,271)	(23,211)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$121,476	\$125,123	\$128,876	\$132,743	\$136,725	\$158,502	\$183,747	\$213,013	\$286,272
EXPENSES at 4.00%									
General & Administrative	\$5,210	\$5,418	\$5,635	\$5,861	\$6,095	\$7,415	\$9,022	\$10,977	\$16,248
Management	11,808	12,162	12,527	12,903	13,290	15,407	17,861	20,706	27,827
Payroll & Payroll Tax	22,000	22,880	23,795	24,747	25,737	31,313	38,097	46,351	68,610
Repairs & Maintenance	6,754	7,024	7,305	7,597	7,901	9,613	11,696	14,230	21,063
Utilities	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
Water, Sewer & Trash	20,105	20,909	21,746	22,615	23,520	28,616	34,815	42,358	62,700
Insurance	7,700	8,008	8,328	8,661	9,008	10,960	13,334	16,223	24,014
Property Tax	7,050	7,332	7,625	7,930	8,248	10,034	12,208	14,853	21,986
Reserve for Replacements	6,410	6,666	6,933	7,210	7,499	9,123	11,100	13,505	19,990
Other	600	624	649	675	702	854	1,039	1,264	1,871
TOTAL EXPENSES	\$90,037	\$93,521	\$97,140	\$100,900	\$104,807	\$126,751	\$153,328	\$185,522	\$271,796
NET OPERATING INCOME	\$31,439	\$31,602	\$31,737	\$31,843	\$31,918	\$31,751	\$30,419	\$27,491	\$14,476
DEBT SERVICE									
First Lien Financing	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468
Second Lien	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$3,971	\$4,134	\$4,269	\$4,375	\$4,450	\$4,283	\$2,951	\$23	(\$12,992)
DEBT COVERAGE RATIO	1.14	1.15	1.16	1.16	1.16	1.16	1.11	1.00	0.53

HTC ALLOCATION ANALYSIS -Prairie Village Apartments, Rogers, HOME / 9% HTC #08296

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$15,240	\$55,578				
Purchase of buildings	\$744,760	\$704,422	\$744,760	\$704,422		
Off-Site Improvements						
Sitework	\$103,020	\$103,020			\$103,020	\$103,020
Construction Hard Costs	\$502,712	\$502,712			\$502,712	\$502,712
Contractor Fees	\$84,443	\$84,443			\$84,443	\$84,443
Contingencies						
Eligible Indirect Fees	\$69,176	\$69,176	\$12,656	\$12,656	\$56,520	\$56,520
Eligible Financing Fees	\$21,500	\$21,500			\$21,500	\$21,500
All Ineligible Costs	\$6,312	\$6,312				
Developer Fees						
			\$80,000		\$153,631	
Developer Fees	\$233,631	\$233,631		\$80,000		\$153,631
Development Reserves	\$25,000	\$25,000				
TOTAL DEVELOPMENT COSTS	\$1,805,794	\$1,805,794	\$837,416	\$797,078	\$921,826	\$921,826

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$837,416	\$797,078	\$921,826	\$921,826
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$837,416	\$797,078	\$921,826	\$921,826
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$837,416	\$797,078	\$921,826	\$921,826
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$29,728	\$28,296	\$76,696	\$76,696

Syndication Proceeds	0.7971	\$236,954	\$225,540	\$611,317	\$611,317
Total Tax Credits (Eligible Basis Method)				\$106,424	\$104,992
Syndication Proceeds				\$848,271	\$836,857
Requested Tax Credits				\$106,422	
Syndication Proceeds				\$848,254	
Gap of Syndication Proceeds Needed				\$852,794	\$852,794
Total Tax Credits (Gap Method)				\$106,992	\$106,992



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/30/08 PROGRAM: HOME / 9% HTC FILE NUMBER: 08296

DEVELOPMENT

Prairie Village Apartments

Location: 611 Paul Street Region: 8
 City: Rogers County: Bell Zip: 76569 OCT DDA
 Key Attributes: Family, At-Risk, Acquisition/Rehab, Rural, and Multifamily

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$330,000	0.00%	30/30	\$330,000	0.00%	30/30
Housing Tax Credit (Annual)	\$106,422			\$103,428		

CONDITIONS

- 1 Receipt, review, and acceptance, by the commitment, of a revision to the Applicant's pledged HOME units to include at least 5 Low HOME units to meet the minimum 20% Low HOME requirement.
- 2 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 3 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved the proposed basic rents which reflect a 42% increase over the current basic rents.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	18
60% of AMI	60% of AMI	4

TDHCA SET-ASIDES for HOME LURA			
Income Limit	Rent Limit	Reqst Units	Rec Units
Low HOME	30% of AMI	2	2
Low HOME	50% of AMI	0	3
High HOME	65% of AMI	22	19

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PROS

- The application proposes the rehabilitation of an existing 24 unit USDA-RD property constructed in 1985.
- The development team is experienced and has substantial financial capacity.

CONS

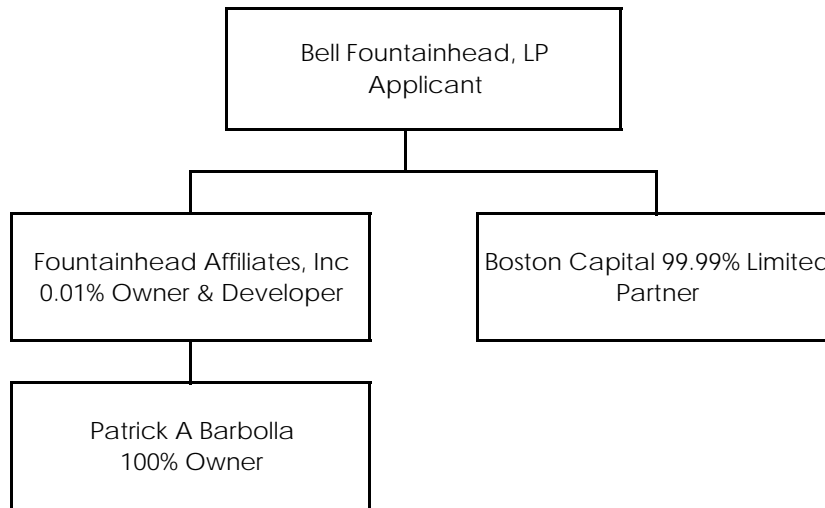
- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio over 65%.
- If the HOME award is ultimately not received, the transaction may not be financially viable.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Patrick A. Barbolla Phone: (817) 732-1055 Fax: (817) 732-7716
 Email: pabarbolla@aol.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Bell Fountainhead, L.P.	N/A	N/A
Fountainhead Affiliates, Inc.	N/A	22
Patrick A. Barbolla	N/A	25

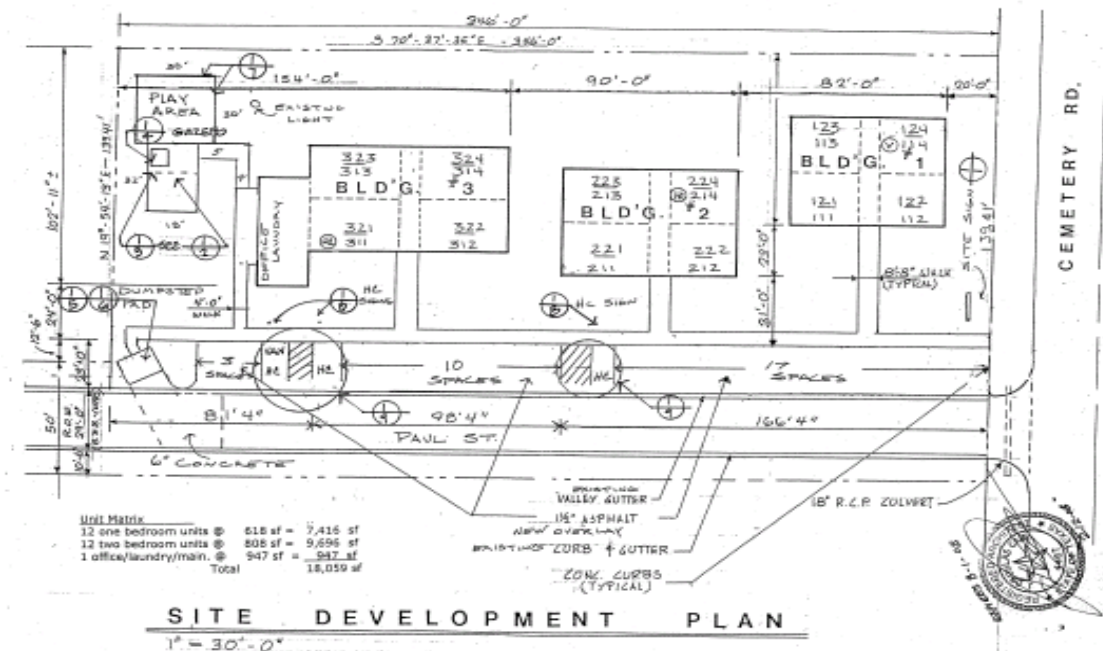
IDENTITIES of INTEREST

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

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3																	Total Buildings	
Floors/Stories	2	2	2																		
Number	1	1	1																		3

BR/BA	SF	Units										Total Units	Total SF		
1/1	618	8	4											12	7,416
2/1	808		4	8										12	9,696
Units per Building		8	8	8										24	17,112

Development Plan:

The Applicant provided a Capital Needs Assessment reflecting the following scope of work:
 Repair damaged sidewalks and asphalt paving; install new fencing with steel posts on three sides of the dumpster enclosure area; replace all resilient flooring with tile; replace all carpet areas; new landscaping; repair and repaint wood trim; repair all roofing material; add R-15 insulation to all attics, replace water heaters as needed; replace kitchen cabinets as needed; paint all exterior areas; replace HVAC as needed; replace ranges and range hoods as needed; replace refrigerators as needed; and replace windows as needed.

Relocation Plan:

The Applicant plans to temporarily relocate some tenants off-site at the expense of the complex for a period of up to two weeks during construction.

SITE ISSUES

Total Size: 1.105 acres Scattered site? Yes No

Flood Zone: X Within 100-yr floodplain? Yes No

Zoning: No Zoning Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/15/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Rogers ISD East: Rogers Housing Authority
 South: Single-family and farm land West: Rogers ISD

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:

A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report.

MARKET HIGHLIGHTS

Provider: Sherrill & Associates, Inc Date: 2/27/2008

Contact: Jerry Sherrill Phone: (817) 557-1791 Fax: None

Number of Revisions: none Date of Last Applicant Revision: N/A

Comments:

A market study is not required for existing USDA-RD transactions requesting TDHCA program funds. However, the appraisal provided reflects the following information regarding the subject market.

Market Area:

"The subject is located in Rogers, Bell county, Texas which is located at the intersection of US Highway 190 and Texas Farm Road 437, in the central area of Texas. It is approximately 13 miles southeast of Temple, 44 miles northeast of Austin, 55 miles northwest of Bryan/College Station and 1.75 miles northwest of the Bell county & Milam County border. Bell County had a population of 237,974 in the year 2000 and it had an estimated population of 257,897 in 2006 which is an increase of 8.4% over year 2000 while population has increased 12.7% statewide. Person aged 65 and over make up 9.4% of the county population compared to 9.9% of the state population." (p. 10)

"The economic base is made up of Fort Hood, manufacturing, agribusiness, medical services, tourism and government services. Fort Hood is a major US Army training base and is located in the Killeen area on the western side of the county. The Scott & White Clinic and Hospital, located in Temple, has been an important diagnostic clinic for not only the residents of Bell County but the whole State of Texas as well as nationally and internationally, for many years. This a predominantly urban area with property values increasing at a similar rate with the other urban areas in the state." (p. 10)

INCOME LIMITS

Bell

% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$10,900	\$12,500	\$14,050	\$15,600	\$16,850	\$18,100
50	\$18,200	\$20,800	\$23,400	\$26,000	\$28,100	\$30,150
60	\$21,840	\$24,960	\$28,080	\$31,200	\$33,720	\$36,180

Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 618 SF 30%	\$285	\$403	\$385	\$403	\$118
1 BR 618 SF 50%	\$285	\$403	\$385	\$403	\$118
1 BR 618 SF 60%	\$285	\$403	\$385	\$403	\$118
2 BR 808 SF 50%	\$335	\$479	\$450	\$479	\$144
2 BR 808 SF 60%	\$335	\$479	\$450	\$479	\$144

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. Moreover, the property has a current occupancy of 80% according to a rent roll provided at application and anticipates a low turnover of residents as a result of the rehabilitation of the units.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 0.6 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's net rents are anticipated basic rent levels. These basic rents have not yet been approved by USDA-RD. The proposed rents are over 40% higher than the current USDA-RD basic rent levels and 5.6% higher than the Appraiser's market rents and provides \$38K more in gross potential income than is available currently and roughly \$7K more the market rents. The property currently receives Rental Assistance (RA) on eleven of the twenty-four units.

The proposed rents are still less than the maximum 50% tax credit rents though they are higher than the maximum rent for the two units targeting 30% income. The 30% units will have to utilize rental assistance in order for the development to receive the full basic rent in the form of rental subsidy as the tenants, themselves, may not pay more than the 30% maximum rent. The Underwriter has used the Applicant's proposed rents for this analysis, but receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved the proposed basic rents is a condition of this report. The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total expense estimate of \$3,752 per unit is within 5% of the Underwriter's estimate of \$3,777 per unit derived from actual 2006 operating statements for the property, the TDHCA database and other sources. The Applicant's estimates of several line items differ significantly from the Underwriter's, including: payroll and payroll tax (\$5K higher), repairs and maintenance (\$8K lower) and reserve for replacements (\$2K lower).

The Applicant has estimated a reserve account expense of \$267/unit which is below the Department standard of \$300/unit for developments proposing rehabilitation. Moreover, the Underwriter's estimate is \$352/unit for this line item in order to account for the repairs and maintenance required over the next 15 years as reflected in the Capital Needs Assessment (CNA) provided.

Based on the Applicant's proforma, including the \$267/unit in reserve expense, the reserve balance becomes negative by Year 10. However, this negative balance could be mitigated if the Applicant were to increase the reserve expense to the recommended \$352/unit.

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Conclusion:

The Applicant's estimate of income, operating expense and net operating income are all within 5% of the Underwriter's estimate; therefore, the Applicant's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's year one DCR inclusive of the proposed HOME funds at 0% over 30 years is 1.14 or just below the Department's minimum guideline of 1.15. An exception to this minimum is provided in the rules for developments that are funded by USDA 515 program loans and rental assistance such as the subject. It should be noted however that if the USDA only allows the rents to increase up to the market rent, the loss of \$7K in income causes the DCR to drop below breakeven and an restructuring of the HOME loan or resizing of the USDA debt would be required.

Additionally, the Applicant's and Underwriter's expense to income ratios (74.12% and 74.63%, respectively) are above the TDHCA guideline of 65%. However, the Real Estate Analysis Rules provide an exception to both of these feasibility criteria. Specifically, §1.32(7)(B)(ii) provides that a transaction will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." As such the proposed development meets this exception.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primarily vested in the additional HOME funding. In fact, the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the Department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance of documentation that USDA-RD has approved the increase as proposed by cost certification along with the approval of the transfer and parity of the additional HOME debt by carryover are conditions of this report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that falls just below the minimum required 1.15 for the first year. While the DCR improves and remains above a 1.15 with positive cashflow through Year 10, it appears that the DCR again falls below the Department's minimum by Year 15. However, as discussed previously this development meets the REA Rules exception for the minimum DCR and maximum expense to income ratio requirements. Additionally, rent increases are subject to budget review and approval by USDA-RD, and therefore, future expense increases can be offset by increases in USDA-RD rents. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>Sherrill & Associates, Inc.</u>	Date:	<u>2/27/2008</u>
Number of Revisions:	<u>none</u>	Date of Last Applicant Revision:	<u>N/A</u>
Land Only:	<u>2.39 acres</u>	<u>\$43,000</u>	As of: <u>2/27/2008</u>
Existing Buildings: (as-is)	<u>\$545,000</u>		As of: <u>2/27/2008</u>
Total Development: (as-is)	<u>\$588,000</u>		As of: <u>2/27/2008</u>

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Comments:

When the original Prairie Village Apartments was planned, the City of Rogers required the owner to purchase not only the subject 1.105 acres on which the existing development is located, but also the additional 1.285 acres that would be used for the extension of Paul Street for future dedication for public use. Thus tract #1 would be used for the Apartments (1.105 acres) while the remaining two tracts contained the legal description of the land for the street. In order to protect the property, Bell Fountainhead, L.P. will be acquiring whatever rights that Prairie Village Apartments has to all three tracts (2.39 acres total). The Appraiser has considered all 2.39 acres in the estimate of value.

The Appraiser has provided an "as is market value" reflected above and a "prospective value as restricted" of \$478,000 rather than providing an "as is restricted value". Moreover that the record suggests a prospective value, after rehabilitation and the significant rent increase, that is less than the current value is troubling. The Appraiser provides a value associated with the below market USDA and proposed HOME financing (\$412,500 and \$185,000 respectively) that might mitigate this concern but for the Appraiser's presentation that suggests that these values are within the as is prospective value rather than in addition to it (though the latter was likely intended).

ASSESSED VALUE

Land Only: 1.12 acres	\$4,181	Tax Year:	2007
Existing Buildings:	\$152,807	Valuation by:	Bell CAD
Total Assessed Value:	\$156,988	Tax Rate:	2.8521

EVIDENCE of PROPERTY CONTROL

Type: Real Estate Purchase Agreement Acreage: 1.107

Contract Expiration: 12/29/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$748,000 Other: _____

Seller: Prairie Village Apartments, Ltd. Related to Development Team? Yes No

TITLE

Comments:

An outstanding Deed of Trust dated August 2, 1985, securing payment of a note of even date in the sum of \$641,000, payable to the order of the United States of America, acting through the Farmers Home Administration (USDA-RD) is set out in the Title Insurance Commitment.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided a contract for the purchase of the subject for a total of \$748,000 or \$31,167 per unit. The Seller is not related to the buyer; however, the transfer must be approved by USDA-RD. History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. The outstanding balance on the USDA loan is approximately \$623,000. The Applicant did not provide documentation of the estimated exit taxes to the Seller. In addition, the acquisition price appears to be more than the appraised value of the property and USDA may also take issue with that as part of their approval of transfer decision. The purchase appears to be an arms length transaction, however, and the Department does not limit the acquisition in such instances to the appraised value. The Seller and Buyer appear to recognize the standards by which USDA approves transfers and are expected to obtain approval of this transfer.

The Applicant has included total acquisition costs of \$760,000 which includes \$15,000 for land and \$12,000 for closing costs. The Applicant estimated eligible building basis of \$744,760 or 98% of the total acquisition cost. This amount includes \$11,760 in costs classified as "title policy." These costs, if eligible, are more often included in indirect costs, however the Underwriter maintained these costs as part of the acquisition. The Applicant did not justify the low (2%) value attributed to the land. The prorata percentage implied by the appraisal is 7% for land and 93% for buildings (\$43,000 land /\$588,000 total as is value). This results in an eligible building basis of \$704,442, when the closing costs are included. Therefore, the Underwriter's reconciled eligible acquisition basis is \$40,318 less than the Applicant's estimate.

Sitework Cost:

The Applicant's claimed sitework costs of \$4,293 per unit are within current Department guidelines and supported by the Capital Needs Assessment. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate of \$20,946 per unit is supported by the Capital Needs Assessment (CNA) based on the Applicant's Scope of Work (SOW).

Reserves:

The Applicant has indicated that the existing reserve for replacement accounts and balances will be assumed by the new owner per USDA-RD requirements. The Applicant has provided information that the existing reserve for replacement account balance is approximately \$6K. This amount has not been included in the Applicant's development cost schedule or as a source of funds. However, per the Applicant, the entire amount of existing reserves will be retained in order to satisfy future capital needs.

Contingency & Fees:

The Applicant has not budgeted any contingency, which is a serious concern on an acquisition and rehabilitation application. The presence of unanticipated damage to the buildings or presence hazardous building materials such as asbestos can have a significant impact on costs. The Department has no minimum contingency requirement and the Applicant may have embedded some contingency elsewhere in the budget.

The Applicant's contractor's and developer's fees are all within the maximums allowed by TDHCA guidelines. The Applicant has, however applied the developer fee disproportionately to weigh the fee for rehabilitation more heavily than the fee for acquisition effectively claiming a 20% fee for rehab and a 10.7% fee for acquisition. The Department's rules allow for up to a 20% fee for properties this small however the fee must be distributed proportionately and therefore the Underwriter redistributed these fees moving \$31,757 from rehab developer fee to acquisition fee.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$829,837 plus a rehabilitation acquisition of \$890,031 supports annual tax credits of \$103,428. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: USDA-RD (existing) Type: Permanent Financing

Principal: \$623,000 Interest Rate: 1.0% Fixed Term: 276 months

Comments:

The Applicant is proposing a same rates and terms transfer of the existing USDA Section 515 mortgage. The remaining term is approximately 276 months with a current total balance of \$623,000, as reflected above. The estimated balance is reflected as a source of funds in the recommended financing structure.

MULTIFAMILY COMPARATIVE ANALYSIS

Prairie Village Apartments, Rogers, HOME / 9% HTC #08296

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% / LH	1	1	1	618	\$292	\$403	\$403	\$0.65	\$64.00	\$43.50
TC 30% / LH	1	1	1	618	\$292	\$403	\$403	\$0.65	\$64.00	\$43.50
TC 50% / HH	8	1	1	618	\$487	\$403	\$3,224	\$0.65	\$64.00	\$43.50
TC 60% / HH	2	1	1	618	\$545	\$403	\$806	\$0.65	\$64.00	\$43.50
TC 50% / LH	3	2	1	808	\$585	\$479	\$1,437	\$0.59	\$70.00	\$47.50
TC 50% / HH	7	2	1	808	\$585	\$479	\$3,353	\$0.59	\$70.00	\$47.50
TC 60% / HH	2	2	1	808	\$692	\$479	\$958	\$0.59	\$70.00	\$47.50
TOTAL:	24		AVERAGE:	713		\$441	\$10,584	\$0.62	\$67.00	\$45.50

INCOME				Total Net Rentable Sq Ft:	17,112	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION			
POTENTIAL GROSS RENT						\$127,008	\$127,008	Bell		8			
Secondary Income		Per Unit Per Month:	\$15.00			4,320	4,320	\$15.00	Per Unit Per Month				
Other Support Income:						0		\$0.00	Per Unit Per Month				
POTENTIAL GROSS INCOME						\$131,328	\$131,328						
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(9,850)	(9,852)	-7.50%	of Potential Gross Income				
Employee or Other Non-Rental Units or Concessions						0							
EFFECTIVE GROSS INCOME						\$121,478	\$121,476						
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI			
General & Administrative		4.72%	\$239	0.34		\$5,739	\$5,210	\$0.30	\$217	4.29%			
Management		7.16%	362	0.51		8,698	11,808	0.69	492	9.72%			
Payroll & Payroll Tax		13.82%	700	0.98		16,792	22,000	1.29	917	18.11%			
Repairs & Maintenance		11.99%	607	0.85		14,565	6,754	0.39	281	5.56%			
Utilities		2.35%	119	0.17		2,854	2,400	0.14	100	1.98%			
Water, Sewer, & Trash		15.85%	803	1.13		19,260	20,105	1.17	838	16.55%			
Property Insurance		5.54%	281	0.39		6,734	7,700	0.45	321	6.34%			
Property Tax	2.8521	5.43%	275	0.39		6,598	7,050	0.41	294	5.80%			
Reserve for Replacements		6.96%	352	0.49		8,455	6,410	0.37	267	5.28%			
TDHCA Compliance Fees		0.79%	40	0.06		960	600	0.04	25	0.49%			
Other:		0.00%	0	0.00		0	0	0.00	0	0.00%			
TOTAL EXPENSES						74.63%	\$3,777	\$5.30	\$90,655	\$90,037	\$5.26	\$3,752	74.12%
NET OPERATING INC						25.37%	\$1,284	\$1.80	\$30,823	\$31,439	\$1.84	\$1,310	25.88%
DEBT SERVICE													
Existing USDA-RD 515 Mortgage		13.56%	\$686	\$0.96		\$16,468	\$16,468	\$0.96	\$686	13.56%			
TDHCA HOME		9.06%	\$458	\$0.64		11,000	11,000	\$0.64	\$458	9.06%			
Additional Financing		0.00%	\$0	\$0.00		0		\$0.00	\$0	0.00%			
NET CASH FLOW						2.76%	\$140	\$0.20	\$3,355	\$3,971	\$0.23	\$165	3.27%
AGGREGATE DEBT COVERAGE RATIO						1.12	1.14						
RECOMMENDED DEBT COVERAGE RATIO							1.14						

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT								
Acquisition Cost (site or bldg)		42.09%	\$31,667	\$44.41	\$760,000	\$760,000	\$44.41	\$31,667	42.09%			
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%			
Sitework		5.70%	4,293	6.02	103,020	103,020	6.02	4,293	5.70%			
Direct Construction		27.84%	20,946	29.38	502,712	502,712	29.38	20,946	27.84%			
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%			
Contractor's Fees	13.94%	4.68%	3,518	4.93	84,443	84,443	4.93	3,518	4.68%			
Indirect Construction		3.83%	2,882	4.04	69,176	69,176	4.04	2,882	3.83%			
Ineligible Costs		0.35%	263	0.37	6,312	6,312	0.37	263	0.35%			
Developer's Fees	15.73%	12.94%	9,735	13.65	233,631	233,631	13.65	9,735	12.94%			
Interim Financing		1.19%	896	1.26	21,500	21,500	1.26	896	1.19%			
Reserves		1.38%	1,042	1.46	25,000	25,000	1.46	1,042	1.38%			
TOTAL COST					100.00%	\$75,241	\$105.53	\$1,805,794	\$1,805,794	\$105.53	\$75,241	100.00%
Construction Cost Recap					38.22%	\$28,757	\$40.33	\$690,175	\$690,175	\$40.33	\$28,757	38.22%

SOURCES OF FUNDS					RECOMMENDED			
Existing USDA-RD 515 Mortgage		34.50%	\$25,958	\$36.41	\$623,000	\$623,000	\$623,000	Developer Fee Available
TDHCA HOME		18.27%	\$13,750	\$19.28	330,000	330,000	330,000	\$233,631
HTC Syndication Proceeds		46.97%	\$35,344	\$49.57	848,254	848,254	824,389	% of Dev. Fee Deferred
Deferred Developer Fees		0.25%	\$189	\$0.27	4,540	4,540	28,405	12%
Additional (Excess) Funds Req'd		0.00%	\$0	\$0.00	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$1,805,794	\$1,805,794	\$1,805,794	\$61,114

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Prairie Village Apartments, Rogers, HOME / 9% HTC #08296

PAYMENT COMPUTATION

Primary	\$641,000	Amort	600
Int Rate	1.00%	DCR	1.87

Secondary	\$330,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.12

Additional		Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$16,468
Secondary Debt Service	11,000
Additional Debt Service	0
NET CASH FLOW	\$3,971

Primary	\$641,000	Amort	600
Int Rate	1.00%	DCR	1.91

Secondary	\$330,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.14

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.14

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	\$127,008	\$130,818	\$134,743	\$138,785	\$142,949	\$165,717	\$192,111	\$222,709	\$299,303
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	131,328	135,268	139,326	143,506	147,811	171,353	198,645	230,284	309,483
Vacancy & Collection Loss	(9,852)	(10,145)	(10,449)	(10,763)	(11,086)	(12,851)	(14,898)	(17,271)	(23,211)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$121,476	\$125,123	\$128,876	\$132,743	\$136,725	\$158,502	\$183,747	\$213,013	\$286,272
EXPENSES at 4.00%									
General & Administrative	\$5,210	\$5,418	\$5,635	\$5,861	\$6,095	\$7,415	\$9,022	\$10,977	\$16,248
Management	11,808	12,162	12,527	12,903	13,290	15,407	17,861	20,706	27,827
Payroll & Payroll Tax	22,000	22,880	23,795	24,747	25,737	31,313	38,097	46,351	68,610
Repairs & Maintenance	6,754	7,024	7,305	7,597	7,901	9,613	11,696	14,230	21,063
Utilities	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
Water, Sewer & Trash	20,105	20,909	21,746	22,615	23,520	28,616	34,815	42,358	62,700
Insurance	7,700	8,008	8,328	8,661	9,008	10,960	13,334	16,223	24,014
Property Tax	7,050	7,332	7,625	7,930	8,248	10,034	12,208	14,853	21,986
Reserve for Replacements	6,410	6,666	6,933	7,210	7,499	9,123	11,100	13,505	19,990
Other	600	624	649	675	702	854	1,039	1,264	1,871
TOTAL EXPENSES	\$90,037	\$93,521	\$97,140	\$100,900	\$104,807	\$126,751	\$153,328	\$185,522	\$271,796
NET OPERATING INCOME	\$31,439	\$31,602	\$31,737	\$31,843	\$31,918	\$31,751	\$30,419	\$27,491	\$14,476
DEBT SERVICE									
First Lien Financing	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468
Second Lien	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$3,971	\$4,134	\$4,269	\$4,375	\$4,450	\$4,283	\$2,951	\$23	(\$12,992)
DEBT COVERAGE RATIO	1.14	1.15	1.16	1.16	1.16	1.16	1.11	1.00	0.53

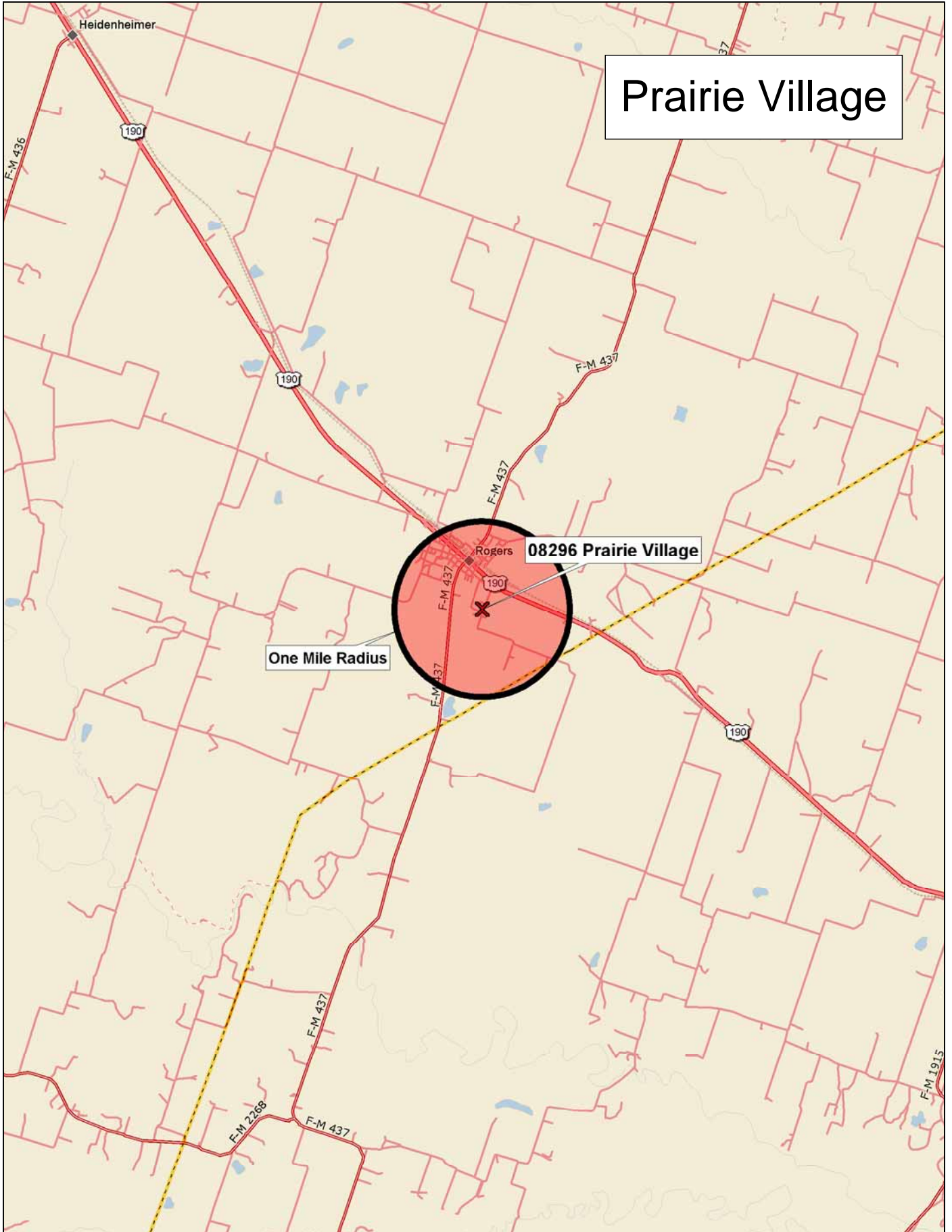
HTC ALLOCATION ANALYSIS -Prairie Village Apartments, Rogers, HOME / 9% HTC #08296

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$15,240	\$55,578				
Purchase of buildings	\$744,760	\$704,422	\$744,760	\$704,422		
Off-Site Improvements						
Sitework	\$103,020	\$103,020			\$103,020	\$103,020
Construction Hard Costs	\$502,712	\$502,712			\$502,712	\$502,712
Contractor Fees	\$84,443	\$84,443			\$84,443	\$84,443
Contingencies						
Eligible Indirect Fees	\$69,176	\$69,176	\$12,656	\$12,656	\$56,520	\$56,520
Eligible Financing Fees	\$21,500	\$21,500			\$21,500	\$21,500
All Ineligible Costs	\$6,312	\$6,312				
Developer Fees						
Developer Fees	\$233,631	\$233,631	\$80,000	\$112,795	\$153,631	\$120,836
Development Reserves	\$25,000	\$25,000				
TOTAL DEVELOPMENT COSTS	\$1,805,794	\$1,805,794	\$837,416	\$829,873	\$921,826	\$889,031

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$837,416	\$829,873	\$921,826	\$889,031
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$837,416	\$829,873	\$921,826	\$889,031
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$837,416	\$829,873	\$921,826	\$889,031
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$29,728	\$29,460	\$76,696	\$73,967

Syndication Proceeds	0.7971	\$236,954	\$234,820	\$611,317	\$589,569
Total Tax Credits (Eligible Basis Method)				\$106,424	\$103,428
Syndication Proceeds				\$848,271	\$824,389
Requested Tax Credits				\$106,422	
Syndication Proceeds				\$848,254	
Gap of Syndication Proceeds Needed				\$852,794	\$852,794
Total Tax Credits (Gap Method)				\$106,992	\$106,992

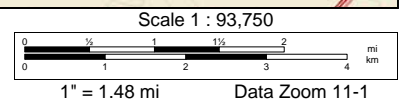
Prairie Village



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Applicant Evaluation

Project ID # **08296**

Name: **Prairie Village Apartments**

City: **Rogers**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 36

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 0

Projects grouped by score	0-9:	<u>27</u>
	10-19:	<u>9</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 36

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/24/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/28/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/29/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

St. Charles Place, TDHCA Number 08297

BASIC DEVELOPMENT INFORMATION

Site Address: 1408 Longhorn Tr. Development #: 08297
 City: Crowley Region: 3 Population Served: General
 County: Tarrant Zip Code: 76036 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Crowley Fountainhead, L.P.
 Owner Contact and Phone: Patrick A. Barbolla, (817) 732-1055
 Developer: Fountainhead Affiliates, Inc.
 Housing General Contractor: Fountainhead Construction, Inc.
 Architect: J. Douglas Cain Associates, Architects, Inc.
 Market Analyst: N/A
 Syndicator: Boston Capital Corp
 Supportive Services: N/A
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	52
	3 0 39 10	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 16 36 0 0 0	Total Development Units:	52
Type of Building:		Total Development Cost*:	\$3,958,991
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	7
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	9
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$225,835	\$221,592			
HOME Activity Fund Amount:	\$650,000	\$426,145	333	333	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

St. Charles Place, TDHCA Number 08297

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Brimer, District 10, NC

Points: 0

US Representative: Barton, District 6, NC

TX Representative: Zedler, District 96, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 0

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from an elected official.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
2. Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 13.27% on average in the current basic rents.
3. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

St. Charles Place, TDHCA Number 08297

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **170** Meeting a Required Set-Aside Credit Amount*: \$221,592

Recommendation: Competitive in USDA Set-Aside

HOME Activity Funds:

Loan Amount: \$426,145

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report Addendum

REPORT DATE: 07/23/08 PROGRAM: 9% HTC / HOME FILE NUMBER: 08297

DEVELOPMENT

St Charles Place

Location: 1408 Longhorn Trail Region: 3
 City: Crowley County: Tarrant Zip: 76036 OCT DDA
 Key Attributes: Multifamily, Family, Urban, At-Risk, USDA, Acquisition/Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION*		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
HOME Activity Funds	\$426,145	0.00%	336/336	\$426,145	0.00%	333/333*
Housing Tax Credit (Annual)	\$225,835			\$221,592**		

* Parity lien position; fully amortized over a term equal to remaining term of the USDA 515 loan (approx. 333 months).

** The Underwriter originally recommended \$218,996.

CONDITIONS

- 1 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 2 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 13.27% on average in the current basic rents.
- 3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LIHTC LURA		
Income Limit	Rent Limit	Unit Mix
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	39
60% of AMI	60% of AMI	10

TDHCA SET-ASIDES for HOME LURA*		
Income Limit	Rent Limit	Unit Mix
50% of AMI	Low HOME	9
60% to 80% of AMI	High HOME	0

* Only applicable if the anticipated HOME award is approved by the TDHCA Board and subject to all 9 HOME units being reserved for persons with disabilities.

PROS

- The subject application proposes the revitalization of a 22 year old USDA-RD Section 515 property and preservation of 7 units of Rental Assistance.

CONS

- The Applicant's expense to income ratio (71%) is well above the Department's maximum of 65%. However, the subject is exempt from this requirement due to Rental Assistance on 7 units.

- If the Applicant does not receive the proposed HOME loan, the subject may not be financially viable.

ADDENDUM

This addendum reevaluates the subject transaction based upon the TDHCA Board's decision to grant an appeal made by the Applicant at the July 21, 2008 Board meeting. Specifically, the Board granted the Applicant's appeal regarding the Underwriter's reallocation of developer fee proportionately between the acquisition costs and rehabilitation costs. The Board determined that the Applicant's developer fee could be allocated as proposed in the application as the portion of developer fee attributed to the acquisition and the portion attributed to the rehab were each within the Department's 20% limit.

The Applicant also appealed the Underwriter's condition regarding the \$410,000 limit on any potential future HOME award made under the current Persons with Disabilities Notice of Funding Availability. The Applicant's appeal regarding this issue was partially granted by the Executive Director prior to the Board meeting. The Executive Director determined that staff would be directed to reevaluate the \$410,000 maximum once an application was submitted to allow for a debt coverage ratio below the underwritten 1.35 and a HOME award up to \$426,145. However, the Executive Director did not grant the Applicant's appeal that the HOME award should be \$500,000 on the basis that the cost for rehabilitating the accessible units will be substantially more than the other units. The Applicant suggested that staff should not look at the maximum HOME award in relation to the number of HOME units to total units but rather in relation to the actual costs.

The Applicant also brought the appeal of this issue to the July 21, 2008 Board meeting. However, the Board ruled in favor of staff's determination that any future potential HOME award should be limited to \$426,145, because the prorata share of HOME to total units must be greater than or equal to the prorata share of HOME funds to total new funds.

On July 23, 2008, the Applicant submitted a complete application for a \$426,145 HOME loan under the Persons with Disabilities NOFA. The application submitted is consistent with the original underwriting report. Based on the Executive Directors guidance, this addendum evaluates a HOME loan of \$426,145. Based upon the Underwriter's recommended financing structure, the increased HOME loan of \$426,145 with an interest rate of 0.00% and term equal to the remaining term of the USDA financing (approx. 333 months) results in a debt coverage ratio of 1.34. This debt coverage ratio is within Department guidelines.

Additionally, as reflected on the eligible basis page of the amended numerical analysis, the Underwriter has reallocated developer fee between the acquisition and rehabilitation as proposed in the application. The net effect is an increase in the eligible basis derived tax credit amount from \$218,996 to \$221,592. This amended eligible basis derived amount is below the gap amount and the requested amount. Therefore, the Underwriter recommends a tax credit allocation of \$221,596 in accordance with the Board's decision at the July 21, 2008 TDHCA Board meeting.

The Underwriter also recommends a HOME award not to exceed \$426,145 to carry and interest rate of 0.00% and parity of term with the existing USDA 515 financing.

There are no other material changes to the subject application or conclusions in the original underwriting report. This is an abbreviated report that should be read in conjunction with the complete underwriting report dated June 30, 2008.

Underwriter:	<i>Cameron Dorsey</i>	Date:	July 23, 2008
Reviewing Underwriter:	<i>Raquel Morales</i>	Date:	July 23, 2008
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

St Charles Place, Crowley, 9% HTC / HOME #08297 -- ADDENDUM

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%/LH	5	1	1	671	\$605	\$342	\$1,710	\$0.51	\$107.00	\$51.00
TC 50%	8	1	1	671	\$605	\$342	\$2,736	\$0.51	\$107.00	\$51.00
TC 60%	3	1	1	671	\$726	\$342	\$1,026	\$0.51	\$107.00	\$51.00
TC 30%/LH	3	2	1	803	\$436	\$433	\$1,299	\$0.54	\$107.00	\$63.00
TC 50%/LH	1	2	1	803	\$726	\$433	\$433	\$0.54	\$129.00	\$63.00
TC 50%	25	2	1	803	\$726	\$433	\$10,825	\$0.54	\$129.00	\$63.00
TC 60%	7	2	1	803	\$871	\$433	\$3,031	\$0.54	\$129.00	\$63.00
TOTAL:	52		AVERAGE:	762		\$405	\$21,060	\$0.53	\$120.96	\$59.31

INCOME

Total Net Rentable Sq Ft: 39,644

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
 Other Support Income: Interest

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	2.72%	\$127	0.17
Management	8.52%	397	0.52
Payroll & Payroll Tax	16.43%	766	1.00
Repairs & Maintenance	8.03%	374	0.49
Utilities	3.62%	169	0.22
Water, Sewer, & Trash	9.96%	464	0.61
Property Insurance	6.16%	287	0.38
Property Tax 2.621627	7.76%	362	0.47
Reserve for Replacements	6.44%	300	0.39
TDHCA Compliance Fees	0.86%	40	0.05
Other:	0.00%	0	0.00

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

Existing USDA 515 First Lien
 TDHCA HOME
 Additional Financing
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)		46.25%	\$35,214	\$46.19
Off-Sites		0.00%	0	0.00
Sitework		5.62%	4,281	5.62
Direct Construction		28.19%	21,463	28.15
Contingency	0.00%	0.00%	0	0.00
Contractor's Fees	13.80%	4.67%	3,552	4.66
Indirect Construction		3.13%	2,379	3.12
Ineligible Costs		0.25%	190	0.25
Developer's Fees	11.64%	9.66%	7,354	9.65
Interim Financing		0.72%	548	0.72
Reserves		1.52%	1,154	1.51
TOTAL COST		100.00%	\$76,134	\$99.86
Construction Cost Recap		38.48%	\$29,296	\$38.43

SOURCES OF FUNDS

Existing USDA 515 First Lien	36.29%	\$27,631	\$36.24
TDHCA HOME	10.76%	\$8,195	\$10.75
HTC Syndication Proceeds	45.47%	\$34,619	\$45.41
Existing Reserve Balance	1.52%	\$1,154	\$1.51
Deferred Developer Fees	5.68%	\$4,327	\$5.68
Additional (Excess) Funds Req'd	0.27%	\$209	\$0.27
TOTAL SOURCES			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$252,720	\$252,720
Secondary Income	9,360	9,468
Other Support Income: Interest	0	636
POTENTIAL GROSS INCOME	\$262,080	\$262,824
Vacancy & Collection Loss	(19,656)	(19,716)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$242,424	\$243,108
General & Administrative	\$6,586	\$6,212
Management	20,651	24,036
Payroll & Payroll Tax	39,821	39,400
Repairs & Maintenance	19,471	19,000
Utilities	8,783	8,850
Water, Sewer, & Trash	24,145	25,000
Property Insurance	14,925	15,193
Property Tax	18,813	17,580
Reserve for Replacements	15,600	14,928
TDHCA Compliance Fees	2,080	1,300
Other:	0	0
TOTAL EXPENSES	\$170,876	\$171,499
NET OPERATING INC	\$71,548	\$71,609
Existing USDA 515 First Lien	\$38,169	\$38,168
TDHCA HOME	17,456	25,116
Additional Financing	0	0
NET CASH FLOW	\$15,924	\$8,325
AGGREGATE DEBT COVERAGE RATIO	1.29	1.13
RECOMMENDED DEBT COVERAGE RATIO		1.34

COUNTY	IREM REGION	COMPT. REGION
Tarrant	Fort Worth	3
\$15.17	Per Unit Per Month	
\$1.02	Per Unit Per Month	
-7.50%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$4.33	\$3,298	70.54%
\$1.81	\$1,377	29.46%
\$0.96	\$734	15.70%
\$0.63	\$483	10.33%
\$0.00	\$0	0.00%
\$0.21	\$160	3.42%

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$1,831,151	\$1,831,151	\$46.19	\$35,214	46.38%
Off-Sites	0	0	0.00	0	0.00%
Sitework	222,609	193,809	4.89	3,727	4.91%
Direct Construction	1,116,069	1,134,002	28.60	21,808	28.72%
Contingency	0	0	0.00	0	0.00%
Contractor's Fees	184,689	184,689	4.66	3,552	4.68%
Indirect Construction	123,719	123,719	3.12	2,379	3.13%
Ineligible Costs	9,861	9,861	0.25	190	0.25%
Developer's Fees	382,393	382,393	9.65	7,354	9.69%
Interim Financing	28,500	28,500	0.72	548	0.72%
Reserves	60,000	60,000	1.51	1,154	1.52%
TOTAL COST	\$3,958,991	\$3,948,124	\$99.59	\$75,925	100.00%
Construction Cost Recap	\$1,523,367	\$1,512,500	\$38.15	\$29,087	38.31%
RECOMMENDED					
Existing USDA 515 First Lien	\$1,436,818	\$1,436,818	\$1,436,818	Developer Fee Available	
TDHCA HOME	426,145	426,145	426,145	\$382,393	
HTC Syndication Proceeds	1,800,179	1,800,179	1,766,360		
Existing Reserve Balance	60,000	60,000	60,000	% of Dev. Fee Deferred	
Deferred Developer Fees	224,982	224,982	269,668	71%	
Additional (Excess) Funds Req'd	10,867	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES	\$3,958,991	\$3,948,124	\$3,958,991	\$316,494	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

St Charles Place, Crowley, 9% HTC / HOME #08297 -- ADDENDUM

PAYMENT COMPUTATION

Primary	\$1,436,818	Amort	333
Int Rate	1.00%	DCR	1.87

Secondary	\$426,145	Amort	336
Int Rate	1.00%	Subtotal DCR	1.29

Additional		Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$38,169
Secondary Debt Service	15,357
Additional Debt Service	0
NET CASH FLOW	\$18,084

Primary	\$1,436,818	Amort	333
Int Rate	1.00%	DCR	1.88

Secondary	\$426,145	Amort	333
Int Rate	0.00%	Subtotal DCR	1.34

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.34

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	\$252,720	\$260,302	\$268,111	\$276,154	\$284,439	\$329,742	\$382,262	\$443,146	\$595,551
Secondary Income	9,468	9,752	10,045	10,346	10,656	12,354	14,321	16,602	22,312
Other Support Income: Interest	636	655	675	695	716	830	962	1,115	1,499
POTENTIAL GROSS INCOME	262,824	270,709	278,830	287,195	295,811	342,926	397,545	460,863	619,362
Vacancy & Collection Loss	(19,716)	(20,303)	(20,912)	(21,540)	(22,186)	(25,719)	(29,816)	(34,565)	(46,452)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$243,108	\$250,406	\$257,918	\$265,655	\$273,625	\$317,206	\$367,729	\$426,299	\$572,910
EXPENSES at 4.00%									
General & Administrative	\$6,212	\$6,460	\$6,719	\$6,988	\$7,267	\$8,842	\$10,757	\$13,088	\$19,373
Management	24,036	24,758	25,500	26,265	27,053	31,362	36,357	42,148	56,643
Payroll & Payroll Tax	39,400	40,976	42,615	44,320	46,092	56,078	68,228	83,010	122,875
Repairs & Maintenance	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Utilities	8,850	9,204	9,572	9,955	10,353	12,596	15,325	18,646	27,600
Water, Sewer & Trash	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Insurance	15,193	15,801	16,433	17,090	17,774	21,624	26,309	32,009	47,382
Property Tax	17,580	18,283	19,015	19,775	20,566	25,022	30,443	37,038	54,826
Reserve for Replacements	14,928	15,525	16,146	16,792	17,464	21,247	25,850	31,451	46,555
Other	1,300	1,352	1,406	1,462	1,521	1,850	2,251	2,739	4,054
TOTAL EXPENSES	\$171,499	\$178,119	\$184,996	\$192,141	\$199,564	\$241,248	\$291,715	\$352,830	\$516,529
NET OPERATING INCOME	\$71,609	\$72,287	\$72,922	\$73,514	\$74,061	\$75,958	\$76,014	\$73,468	\$56,381
DEBT SERVICE									
First Lien Financing	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169
Second Lien	15,357	15,357	15,357	15,357	15,357	15,357	15,357	15,357	15,357
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$18,084	\$18,761	\$19,396	\$19,989	\$20,536	\$22,433	\$22,488	\$19,943	\$2,856
DEBT COVERAGE RATIO	1.34	1.35	1.36	1.37	1.38	1.42	1.42	1.37	1.05

HTC ALLOCATION ANALYSIS -St Charles Place, Crowley, 9% HTC / HOME #08297 -- ADDENDUM

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$75,500	\$220,493				
Purchase of buildings	\$1,755,651	\$1,610,658	\$1,755,651	\$1,610,658		
Off-Site Improvements						
Sitework	\$193,809	\$222,609			\$193,809	\$222,609
Construction Hard Costs	\$1,134,002	\$1,116,069			\$1,134,002	\$1,116,069
Contractor Fees	\$184,689	\$184,689			\$184,689	\$184,689
Contingencies						
Eligible Indirect Fees	\$123,719	\$123,719	\$8,765	\$8,765	\$114,954	\$114,954
Eligible Financing Fees	\$28,500	\$28,500			\$28,500	\$28,500
All Ineligible Costs	\$9,861	\$9,861				
Developer Fees						
Developer Fees	\$382,393	\$382,393	\$134,000	\$134,000	\$248,393	\$248,393
Development Reserves	\$60,000	\$60,000				
TOTAL DEVELOPMENT COSTS	\$3,948,124	\$3,958,991	\$1,898,416	\$1,753,423	\$1,904,347	\$1,915,214

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,898,416	\$1,753,423	\$1,904,347	\$1,915,214
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,898,416	\$1,753,423	\$1,904,347	\$1,915,214
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,898,416	\$1,753,423	\$1,904,347	\$1,915,214
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$67,394	\$62,247	\$158,442	\$159,346

Syndication Proceeds	0.7971	\$537,210	\$496,180	\$1,262,972	\$1,270,179
Total Tax Credits (Eligible Basis Method)				\$225,835	\$221,592
Syndication Proceeds				\$1,800,182	\$1,766,360
Requested Tax Credits				\$225,835	
Syndication Proceeds				\$1,800,179	
Gap of Syndication Proceeds Needed				\$2,025,161	\$2,036,028
Total Tax Credits (Gap Method)				\$254,059	\$255,423
Original Underwriting Recommendation					\$218,996
Syndication Proceeds					\$1,745,664



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/30/08 PROGRAM: 9% HTC / HOME FILE NUMBER: 08297

DEVELOPMENT

St Charles Place

Location: 1408 Longhorn Trail Region: 3
 City: Crowley County: Tarrant Zip: 76036 OCT DDA
 Key Attributes: Multifamily, Family, Urban, At-Risk, USDA, Acquisition/Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$225,835			\$218,996		

CONDITIONS

- 1 TDHCA Board approval, by commitment, of a TDHCA HOME award of \$410,000 with a term equal to the remaining USDA 515 loan and interest rate of 0% or another comparable low cost source of financing.
- 2 Receipt, review, and acceptance, by the carryover, of USDA-RD approval of the same rates and terms transfer of the existing USDA-RD loans and acceptance of the additional HOME loan funds and a parity first lien.
- 3 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 13.27% on average in the current basic rents.
- 4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LIHTC LURA		
Income Limit	Rent Limit	Unit Mix
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	39
60% of AMI	60% of AMI	10

TDHCA SET-ASIDES for HOME LURA*		
Income Limit	Rent Limit	Unit Mix
50% of AMI	Low HOME	9
60% to 80% of AMI	High HOME	0

* Only applicable if the anticipated \$410,000 HOME award is approved by the TDHCA Board and subject to all 9 HOME units being reserved for persons with disabilities.

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Comments:

The Applicant originally submitted a request for \$650,000 in TDHCA HOME funds. However, the subject development is located in a Participating Jurisdiction (PJ) and was not eligible for HOME funds under the available NOFAs at that time. At the June TDHCA Board meeting the Board approved a new HOME NOFA which has a maximum of \$500,000 per development that is available for properties located within PJs. Only units targeting persons with disabilities are eligible for these funds. In an email on June 30, 2008, the Applicant indicated that an application for \$500,000 in HOME funds under said NOFA will be submitted shortly. However, the Applicant's current exhibits continue to reflect \$650,000.

The HOME NOFA for which application will be made requires that 100% of the units be reserved for persons with disabilities. At the same time, the Department's integrated housing rules in 10 TAC Section 1.15 limit the number of units reserved for persons with disabilities to 18% of the total units for developments with 50 or more units. As a result, the subject development cannot reserve more than 9 units for persons with disabilities (as already elected in the Applicant's latest rent schedule, and the prorata share of HOME to total units must be greater than or equal to the prorata share of HOME funds to total new funds. To meet these requirements, the Underwriter has underwritten a maximum of \$410,000 in HOME funding in the analysis and has conditioned the report on receipt of these funds.

It should be noted that the HOME rent restrictions have no affect on the Underwriter's projected rental income due to the existing and projected USDA basic rents being well below HOME rents.

If the Applicant does not receive this source of funds (or equivalent funds), the gap in financing would increase to an amount that is greater than the total available developer fees and greater than the projected 15 year cashflow. Therefore, the development would not meet the Department's feasibility requirements and would not be recommended.

The Applicant has elected to restrict greater than 40% of the units at 50% of AMI or below in order to meet the IRC Section 42 exception for below market rate HOME loans. The Applicant has also not claimed a 30% boost to eligible basis. Such a structure should mitigate risk of losing eligibility for the 9% HTCs if the HOME funding is awarded.

PROS

- The subject application proposes the revitalization of a 22 year old USDA-RD Section 515 property and preservation of 7 units of Rental Assistance.

CONS

- The Applicant's expense to income ratio (71%) is well above the Department's maximum of 65%. However, the subject is exempt from this requirement due to Rental Assistance on 7 units.
- If the Applicant does not receive the proposed HOME loan, the subject may not be financially viable.

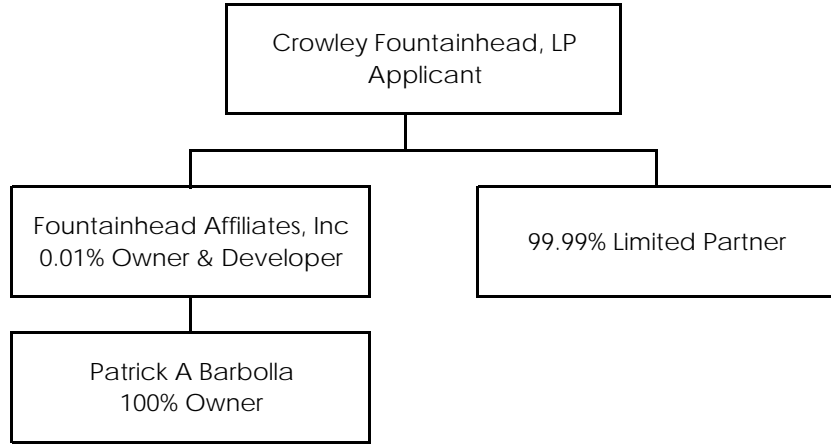
PREVIOUS UNDERWRITING REPORTS

None

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DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Patrick A Barbolla Phone: 817.732.1055 Fax: 817.732.7716
Email: pabarbolla@aol.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Fountainhead Affiliates, Inc	N/A	22
Patrick A Barbolla	N/A	25 HTC Allocations

¹ Liquidity = Current Assets - Current Liabilities

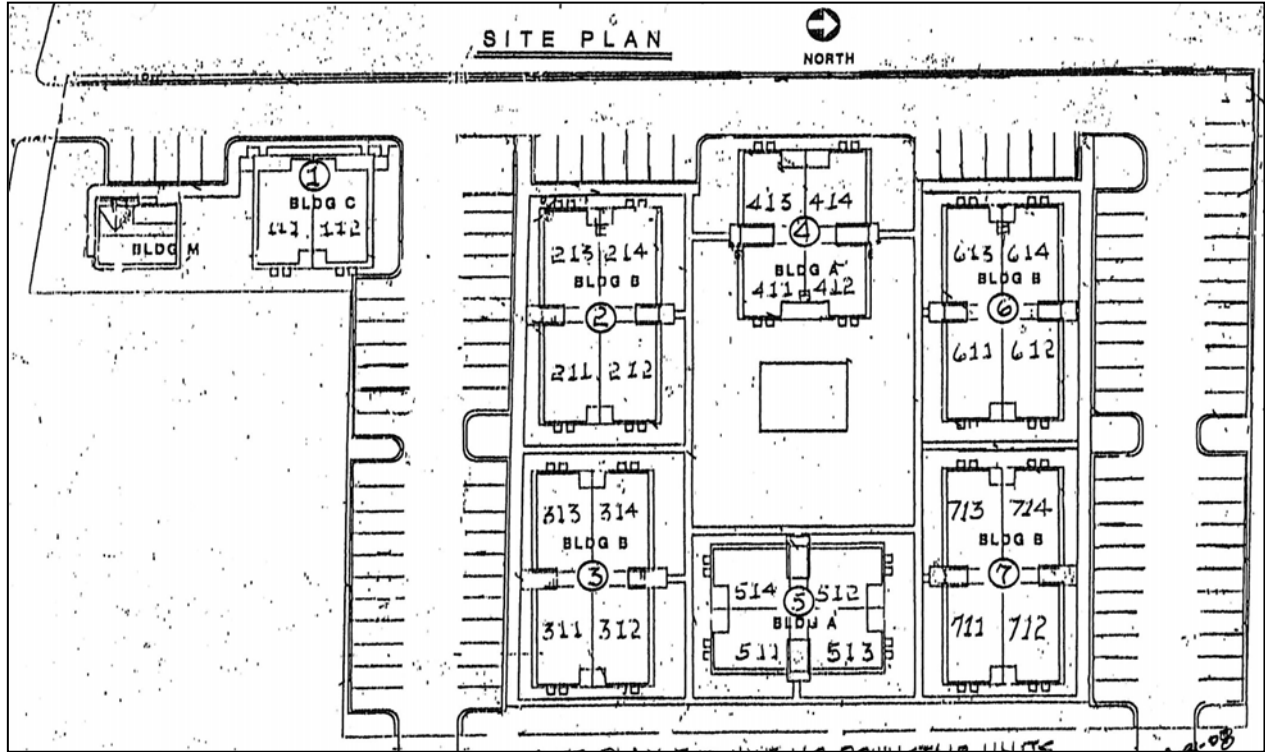
IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C									Total Buildings
Floors/Stories	2	2	2									
Number	2	4	1									7

BR/BA	SF	Units									Total Units	Total SF
1/1	671	8									16	10,736
2/1	803		8	4							36	28,908
Units per Building		8	8	4							52	39,644

SITE ISSUES

Total Size: 2.41 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: Multi-Family Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/24/2008
 Overall Assessment: Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Crowley ISD East: Eagle Street / Crowley ISD
 South: Longhorn Tr / car wash / warehouses West: residential duplexes

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Comments:

A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report. However, environmental clearance will be required subsequent to any award of HOME funds but prior to draws.

MARKET HIGHLIGHTS

Provider: Sherrill & Associates, Inc Date: 3/19/2008
 Contact: Jerry Sherrill Phone: 817.557.1791 Fax: N/A
 Number of Revisions: 1 Date of Last Applicant Revision: 4/19/2008

Comments:

A market study is not required for existing USDA-RD transactions requesting TDHCA program funds. However, the appraisal provided reflects the following information regarding the subject market.

Market Area:

The Appraiser did not explicitly define a primary market area but provided the following information regarding market characteristics:

"The subject is located in Crowley, Tarrant County, Texas which is located southwest of the City of Fort Worth at the intersection of FM 1187 and FM 732. It is approximately 12 miles southwest of downtown Fort Worth, 35 miles southwest of downtown Dallas, 3.5 miles northwest of Burleson, 2.5 miles west of Interstate Highway 35 W and 1.75 miles north of the Tarrant County and Johnson County Border. Tarrant County had a population of 1,446,219 in the year 2000 and it had an estimated population of 1,671,295 in 2006 which is an increase of 15.6% over year 2000 while population has increased 12.7% statewide. Persons aged 65 and over make up 8.4% of the county population compared to 9.9% of the state population" (p. 9).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA				SMA
Name	File #	Total Units	Comp Units	N/A
Residences at Sunset Pointe	060609	224	128	
Worthington Point	04486	248	164	
Sphinx at Alsbury Villas	060087	150	87	
Four Seasons at Clear Creek	08273	96	60	

INCOME LIMITS						
Tarrant						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$13,600	\$15,500	\$17,450	\$19,400	\$20,950	\$22,500
50	\$22,600	\$25,850	\$29,050	\$32,300	\$34,900	\$37,450
60	\$27,120	\$31,020	\$34,860	\$38,760	\$41,880	\$44,940

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RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent*	Underwriting Rent	Increase Over Contract	
1 BR 671 SF 50%/LH	\$312	\$342	\$403	\$342	\$30	
1 BR 671 SF 50%	\$312	\$342	\$403	\$342	\$30	
1 BR 671 SF 60%	\$312	\$342	\$403	\$342	\$30	
2 BR 803 SF 30%/LH	\$312	\$342	\$466	\$433	\$121	
2 BR 803 SF 50%/LH	\$377	\$433	\$466	\$433	\$56	
2 BR 803 SF 50%	\$377	\$433	\$466	\$433	\$56	
2 BR 803 SF 60%	\$377	\$433	\$466	\$433	\$56	

* The Appraiser based the Market Rents on unit square footages that are slightly larger than the actual unit square footages. However, it is clear that the Appraiser derived these Market Rents based on per SF rental rates of \$0.60 for one-bedroom units and \$0.58 for two-bedroom units. Therefore the Underwriter has made a prorata adjustment to the Appraiser's Market Rents based on the actual unit sizes. The Market Rents in the chart above are these adjusted rents. These adjustments result in a slight reduction in the Market Rents.

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. The property has a current occupancy of 86% according to a rent roll provided at application and is proposing a temporary relocation of tenants. The presence of an existing tenant base mitigates potential concerns about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 2.8 units per square mile which is less than the 1,432 units per square mile limit. A Primary Market Area concentration was not calculated because a Primary Market Area was not formally provided in the appraisal. The proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/21/2008

The Applicant's net rents are anticipated basic rent levels. These basic rents have not yet been approved by USDA-RD. The anticipated basic rents are 14.65% higher on average than the current USDA-RD basic rent levels. The property currently receives Rental Assistance (RA) on 7 of the 52 units. It is likely that the RA will be allocated to the three proposed 30% units first, which will allow the total rent collected (tenant paid rent plus rental assistance) to exceed the 30% tax credit rent limits. The appraisal reflects market rents above the anticipated basic rents, which suggests that the anticipated rent levels would be achievable in this market. Additionally, the 50% and 60% HTC rent limits and Low HOME rent limits are all well above the anticipated USDA basic rents.

A minimum average rent increase of 13.27% is required in order to maintain an acceptable DCR and repay deferred developer fee within 15 years. The Underwriter has used the Applicant's anticipated basic rents, but receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved an increase of at least 13.27% on average in the current basic rents is a condition of this report.

The Applicant's secondary income is slightly higher than the Department's standard, but the Applicant's vacancy and collection loss estimate is in line the standard. Despite this slight difference, the Applicant's effective gross income estimate is within 5% of the Underwriter's.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant total expense estimate of \$3,298 per unit is within 5% of the Underwriter's estimate of \$3,286 per unit derived from actual 2007 operating statements for the property, the TDHCA database, IREM data, and 2006 Owner's Financial Certifications for two other Fountainhead managed USDA developments in the DFW area. However, the Applicant used a reserve for replacements figure of \$287 per unit which is below the \$300 minimum for applications proposing rehab and the Applicant's compliance fee (\$25 per unit) is below the current TDHCA annual compliance fee of \$40 per unit for HTC transactions.

Conclusion:

The Applicant's estimates of effective gross income, total expense, and Net Operating Income are each within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma and debt service based on the Underwriter's adjusted HOME loan terms are used to determine the development's debt capacity and debt coverage ratio (DCR). The resulting DCR of 1.35 is within the parameters of the Department's guideline.

The Applicant's and Underwriter's expense to income ratios (71% and 70% respectively) are significantly above the TDHCA maximum of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if the development receives ongoing rental subsidy. The subject anticipates continuation of USDA Rental Assistance on 7 units. As such, the subject development meets this feasibility exception. Moreover, the projected rents are below the 50% and 60% HTC program rents and below the Market Rents, which may allow for future rent increases to keep pace with expenses.

Lien position is another critical element in considering the financing of additional HOME funds for the transaction. There is no new money coming into the development from USDA and thus the additional lending risk associated with the development is primarily vested in the additional HOME funding. In fact, the USDA loan default risk decreases substantially with the infusion of capital from HOME and the HTC syndication. The Department has historically requested a parity lien with the existing USDA loans in such an instance so that the new HOME rehabilitation funds are not immediately subject to a default risk that might have more to do with USDA's regulations than the performance of the property which they generally control via the annual approval of budgets and basic rents. The request for a parity lien is an inducement for the Department or any new lender by USDA to facilitate the preservation of a loan in their portfolio.

The approval of these issues by USDA is not a foregone conclusion however and therefore, receipt, review and acceptance, by carryover, of documentation that USDA-RD has approved the transfer and parity of the additional HOME debt are conditions of this report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 with positive cashflow through Year 15.

Because of the high expense to income ratio, it should be noted, the debt coverage ratio and cash flow fall below the Department's Year 1 to 15 standards well before Year 30 in both the Underwriter's and Applicant's proforma.

Based on the Applicant's proforma with \$287 per unit in reserve for placements and a starting reserve balance of \$60,000 as indicated in the application, the future capital repair needs appear to overwhelm the accrued reserve for replacements by Year 20 and remains as such in Year 30. While the development can be projected to satisfy future repair needs through Year 15 as required in Department guidelines, an the Applicant would need \$329 per unit in reserves in Year One in order to satisfy future needs through Year 30.

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If ultimately received, this is of concern due to the underwritten term of the HOME loan which is approximately 28 years. However, as indicated previously, there appears to be some room for future increases in rents should USDA identify a need. Also, USDA limits the return to owner to 8% of the owner's original equity investment per year and any additional cashflow funds the reserve for replacements. Therefore, it is foreseeable that the Applicant will be able to set aside more than budgeted. USDA-RD will manage this return on equity restriction and the Applicant's reserve for replacements.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Sherrill & Associates, Inc Date: 3/19/2008
 Number of Revisions: 1 Date of Last Applicant Revision: 4/19/2008
 Land Only: 2.41 acres \$187,000 As of: 3/12/2008
 Existing Buildings: (as-is) \$416,000 As of: 3/12/2008
 USDA Financing Subsidy: \$950,000 As of: 3/12/2008
 Total Development: (as-is) \$1,553,000 As of: 3/12/2008

ASSESSED VALUE

Land Only: 2.37 acres \$154,742 Tax Year: 2007
 Existing Buildings: \$496,310 Valuation by: Tarrant CAD
 Total Assessed Value: \$651,052 Tax Rate: 2.621627

EVIDENCE of PROPERTY CONTROL

Type: Real Estate Purchase Agreement Acreage: 2.41
 Contract Expiration: 12/29/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,819,833 Other: Consisting of \$377,833 in cash and transfer of existing USDA-515 loan
 Seller: St Charles Place, Ltd Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided a contract for the purchase of the subject for \$1,819,833 or \$35K per unit. The purchase price is estimated based on the balance of the USDA-515 loan that will be transferred (\$1,442,000) plus cash of \$337,833. The updated loan balance of \$1,436,818 is reflected in the development cost schedule and sources and uses of funds, which is lower than in the purchase contract but consistent with all other documentation. The Seller is not related to the Buyer; however, the transfer must be approved by USDA-RD.

History suggests that an acceptable transfer price is approximately the outstanding balance on the USDA 515 loan plus any exit taxes and original equity in the property. As this is not a related party transaction, the Applicant does not have access to exit tax information, but based on the Underwriter's experience, the \$337,833 may be higher than can be supported for USDA approval. At this point, the purchase price meets Department guidelines and will be accepted, but an adjustment to the final acquisition price may warrant an adjustment to the HTC allocation.

This section intentionally left blank.

Of note, the Applicant has indicated that the existing reserves will be assumed by the partnership; however, this amount is not included in the purchase price and is not reflected in the Applicant's cost schedule. This is discussed in detail below.

The Applicant has included total acquisition costs of \$1,831,151 which includes \$75,000 for land and \$16,500 for closing costs. The Applicant estimated eligible building basis of \$1,755,651 or 96% of the total acquisition cost. This amount includes \$16,000 in costs classified as "title policy." These costs, if eligible, are more often included in indirect costs, however the Underwriter maintained these costs as part of the acquisition. The Applicant did not justify the low (4%) value attributed to the land. The prorata percentage implied by the appraisal is 12% for land and 88% for buildings (\$187,000 land /\$1,553,000 total as is value). This results in an eligible building basis of \$1,610,658, when the closing costs are included. Therefore, the Underwriter's reconciled eligible acquisition basis is \$144,993 less than the Applicant's estimate.

Sitework Cost:

The Applicant has estimated sitework costs of \$3,727 per unit, which is less than the estimate in the Capital Needs Assessment of \$4,281 per unit. It appears that a majority of this difference may be the result of differences in allocating construction costs between direct construction and sitework line items.

Direct Construction Cost:

The Applicant's direct construction cost estimate of \$21,808 is higher than the estimate provided in the Capital Needs Assessment (CNA) of \$1,116,069. The underwriting analysis will reflect the CNA value. As indicated above, the difference may be due to allocation of costs between different line items. The net direct and sitework cost difference is \$11K.

Reserves:

The Applicant has indicated that a portion of existing reserve for replacement accounts and balances (\$60K) will be assumed by the new owner per USDA-RD requirements. The Applicant has provided documentation that the existing reserve for replacement account balance is \$114K. The Applicant has indicated that a portion of these reserves will be drawn down and expended prior to closing on the acquisition. Any remaining amount will also be transferred, but the Applicant is currently unsure if any reserves above the \$60K will be available at the time of the transfer due to planned capital expenditures to occur during the preceding few months.

This amount has been included in the Applicant's development cost schedule and as a source of funds. The Underwriter has also reflected the estimated reserve balance as both a use of funds and a source of funds. Should the final reserve balance transferred to the Applicant be greater than the projected \$60K, this amount will be important to satisfying future capital needs but will not have an impact on the gap in funding. As reflected previously, based on the Applicant's proforma and a starting reserve balance of \$60K, the future repair needs appear to overwhelm the reserves after Year 15.

Contingency & Fees:

The Applicant has not budgeted any contingency, which is a serious concern on an acquisition and rehabilitation application. The presence of unanticipated damage to the buildings or presence hazardous building materials such as asbestos can have a significant impact on costs. The Department has no minimum contingency requirement and the Applicant may have embedded some contingency elsewhere in the budget.

The Applicant's contractor's and developer's fees are all within the maximums allowed by TDHCA guidelines. The Applicant has, however applied the developer fee disproportionately to weigh the fee for rehabilitation more heavily than the fee for acquisition effectively claiming a 15% fee for rehab and a 7.6% fee for acquisition. The Department's rules allow for up to a 20% fee for properties this small however the fee must be distributed proportionately and therefore the Underwriter redistributed these fees moving \$54,439 from rehab developer fee to acquisition fee.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$3,668,637 supports annual tax credits of \$218,996. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: USDA-RD Section 515 Program Type: Permanent Financing

Principal: \$1,436,818 Interest Rate: 1.0% Fixed Amort: 333 months

Comments:

The Applicant is proposing a same rates and terms transfer of the existing USDA Section 515 mortgage. This type of transfer is generally intended to preserve the below market loan and avoid loss of eligibility for 9% credits associated with new below market funds.

The Applicant provided a deed of trust, dated January 17, 1986, reflecting an original balance of \$1,492,800 and a 50 year term. Section 515 loans generally provide a subsidy of the market interest rate down to an effective rate of approximately 1%. The market rate reflected in the deed of trust is 11.375%. The remaining term is approximately 333 months with a balance projected at closing of \$1,436,818, as reflected above. The estimated balance is reflected as a source of funds in the recommended financing structure.

Source: Boston Capital Type: Syndication

Proceeds: \$1,800,179 Syndication Rate: 79% Anticipated HTC: \$ 225,835

Comments:

The committed credit price appears to be at the low end of current credit prices. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline only a fraction of one cent. At this point, the deferred developer fee required would not be repayable within 15 years and the development would not be financially viable. Alternatively, should the final credit price increase to more than \$0.87, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$60,000 Type: Transfer of Existing Reserves

Comments:

As indicated previously, the existing reserves balance will transfer to the partnership and be retained for future capital needs. This has been reflected as both a source and a use of funds.

Amount: \$1,127 Type: Deferred Developer Fees

This section intentionally left blank.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio within the Department's guideline of 1.15 to 1.35 based on the Underwriter's adjusted HOME loan terms. The Applicant has requested the HOME loan be at 1% amortized and fully repayable over 30 years. However, it is likely that the existing Rental Assistance agreement will not be renewed beyond the term of the USDA loan and limited value will remain in the property. Therefore, the Underwriter has reduced the term of the HOME loan to match the remaining term on the USDA-515 loan. This change alone would result in insufficient cashflow to repay deferred developer fee within 15 years. Therefore, the Underwriter has underwritten an interest rate of 0.00%.

The Underwriter's total development cost estimate less the permanent loan of \$1,436,818, anticipated HOME loan of \$410,000, and existing reserves of \$60,000 indicates the need for \$2,052,173 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$257,448 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$225,835), the gap-driven amount (\$257,448), and eligible basis-derived estimate (\$218,996), the eligible basis estimate of \$218,996 is recommended resulting in proceeds of \$1,745,661 based on a syndication rate of 79%.

The Underwriter's recommended financing structure indicates the need for \$306,512 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation. If the HOME award is ultimately not awarded, the gap in financing would increase to an amount greater than the developer fee available for deferral and the transaction would not be financially viable unless another source of funds was received.

Based on the Underwriter's evaluation, the subject will remain viable as long as the final HOME award is greater than \$370,000 at the recommended terms. At this point the gap in financing would require deferred developer fees that would not be repayable within 15 years of stabilized operation.

The anticipated HOME award amount is below the 221(d)(3) limit for this project. In addition, the anticipated HOME award has been structured to be below the prorata share of development cost based on the number HOME units to total units.

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.

Underwriter:	_____	Date:	_____
	<i>Cameron Dorsey</i>		June 30, 2008
Reviewing Underwriter:	_____	Date:	_____
	<i>Raquel Morales</i>		June 30, 2008
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		June 30, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

St Charles Place, Crowley, 9% HTC / HOME #08297

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%/LH	5	1	1	671	\$605	\$342	\$1,710	\$0.51	\$107.00	\$51.00
TC 50%	8	1	1	671	\$605	\$342	\$2,736	\$0.51	\$107.00	\$51.00
TC 60%	3	1	1	671	\$726	\$342	\$1,026	\$0.51	\$107.00	\$51.00
TC 30%/LH	3	2	1	803	\$436	\$433	\$1,299	\$0.54	\$107.00	\$63.00
TC 50%/LH	1	2	1	803	\$726	\$433	\$433	\$0.54	\$129.00	\$63.00
TC 50%	25	2	1	803	\$726	\$433	\$10,825	\$0.54	\$129.00	\$63.00
TC 60%	7	2	1	803	\$871	\$433	\$3,031	\$0.54	\$129.00	\$63.00
TOTAL:	52		AVERAGE:	762		\$405	\$21,060	\$0.53	\$120.96	\$59.31

INCOME				Total Net Rentable Sq Ft:	39,644	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION	
POTENTIAL GROSS RENT						\$252,720	\$252,720	Tarrant	Fort Worth	3	
Secondary Income		Per Unit Per Month:	\$15.00			9,360	9,468	\$15.17	Per Unit Per Month		
Other Support Income: Interest						0	636	\$1.02	Per Unit Per Month		
POTENTIAL GROSS INCOME						\$262,080	\$262,824				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(19,656)	(19,716)	-7.50%	of Potential Gross Income		
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$242,424	\$243,108				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	2.72%	\$127	0.17			\$6,586	\$6,212	\$0.16	\$119	2.56%	
Management	8.52%	397	0.52			20,651	24,036	0.61	462	9.89%	
Payroll & Payroll Tax	16.43%	766	1.00			39,821	39,400	0.99	758	16.21%	
Repairs & Maintenance	8.03%	374	0.49			19,471	19,000	0.48	365	7.82%	
Utilities	3.62%	169	0.22			8,783	8,850	0.22	170	3.64%	
Water, Sewer, & Trash	9.96%	464	0.61			24,145	25,000	0.63	481	10.28%	
Property Insurance	6.16%	287	0.38			14,925	15,193	0.38	292	6.25%	
Property Tax 2.621627	7.76%	362	0.47			18,813	17,580	0.44	338	7.23%	
Reserve for Replacements	6.44%	300	0.39			15,600	14,928	0.38	287	6.14%	
TDHCA Compliance Fees	0.86%	40	0.05			2,080	1,300	0.03	25	0.53%	
Other:	0.00%	0	0.00			0	0	0.00	0	0.00%	
TOTAL EXPENSES				70.49%	\$3,286	\$4.31	\$170,876	\$171,499	\$4.33	\$3,298	70.54%
NET OPERATING INC				29.51%	\$1,376	\$1.80	\$71,548	\$71,609	\$1.81	\$1,377	29.46%
DEBT SERVICE											
Existing USDA 515 First Lien	15.74%	\$734	\$0.96			\$38,169	\$38,168	\$0.96	\$734	15.70%	
TDHCA HOME	10.35%	\$482	\$0.63			25,088	25,116	\$0.63	\$483	10.33%	
Additional Financing	0.00%	\$0	\$0.00			0	0	\$0.00	\$0	0.00%	
NET CASH FLOW				3.42%	\$159	\$0.21	\$8,292	\$8,325	\$0.21	\$160	3.42%
AGGREGATE DEBT COVERAGE RATIO						1.13	1.13				
RECOMMENDED DEBT COVERAGE RATIO							1.35				

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
Acquisition Cost (site or bldg)		46.25%	\$35,214	\$46.19	\$1,831,151	\$1,831,151	\$46.19	\$35,214	46.38%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		5.62%	4,281	5.62	222,609	193,809	4.89	3,727	4.91%		
Direct Construction		28.19%	21,463	28.15	1,116,069	1,134,002	28.60	21,808	28.72%		
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%		
Contractor's Fees	13.80%	4.67%	3,552	4.66	184,689	184,689	4.66	3,552	4.68%		
Indirect Construction		3.13%	2,379	3.12	123,719	123,719	3.12	2,379	3.13%		
Ineligible Costs		0.25%	190	0.25	9,861	9,861	0.25	190	0.25%		
Developer's Fees	11.64%	9.66%	7,354	9.65	382,393	382,393	9.65	7,354	9.69%		
Interim Financing		0.72%	548	0.72	28,500	28,500	0.72	548	0.72%		
Reserves		1.52%	1,154	1.51	60,000	60,000	1.51	1,154	1.52%		
TOTAL COST				100.00%	\$76,134	\$99.86	\$3,958,991	\$3,948,124	\$99.59	\$75,925	100.00%
Construction Cost Recap				38.48%	\$29,296	\$38.43	\$1,523,367	\$1,512,500	\$38.15	\$29,087	38.31%

SOURCES OF FUNDS				RECOMMENDED			
Existing USDA 515 First Lien	36.29%	\$27,631	\$36.24	\$1,436,818	\$1,436,818	\$1,436,818	Developer Fee Available
TDHCA HOME	10.36%	\$7,885	\$10.34	410,000	650,000	410,000	\$382,393
HTC Syndication Proceeds	45.47%	\$34,619	\$45.41	1,800,179	1,800,179	1,745,661	
Existing Reserve Balance	1.52%	\$1,154	\$1.51	60,000	60,000	60,000	% of Dev. Fee Deferred
Deferred Developer Fees	0.03%	\$22	\$0.03	1,127	1,127	306,512	80%
Additional (Excess) Funds Req'd	6.34%	\$4,824	\$6.33	250,867	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$3,958,991	\$3,948,124	\$3,958,991	\$325,221

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

St Charles Place, Crowley, 9% HTC / HOME #08297

PAYMENT COMPUTATION

Primary	\$1,436,818	Amort	333
Int Rate	1.00%	DCR	1.87

Secondary	\$650,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.13

Additional		Amort	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$38,169
Secondary Debt Service	14,775
Additional Debt Service	0
NET CASH FLOW	\$18,666

Primary	\$1,436,818	Amort	333
Int Rate	1.00%	DCR	1.88

Secondary	\$410,000	Amort	333
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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

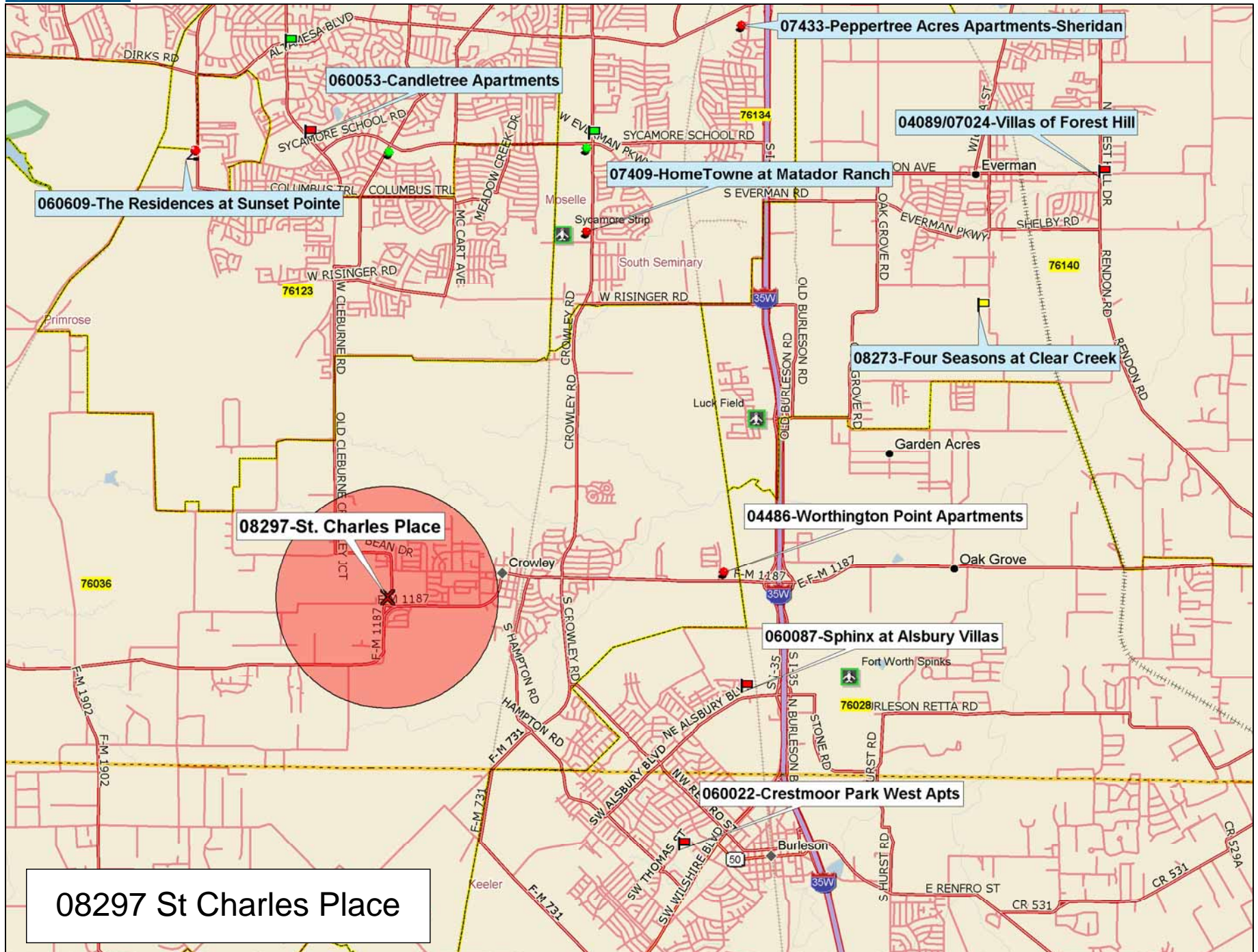
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$252,720	\$260,302	\$268,111	\$276,154	\$284,439	\$329,742	\$382,262	\$443,146	\$595,551
Secondary Income	9,468	9,752	10,045	10,346	10,656	12,354	14,321	16,602	22,312
Other Support Income: Interest	636	655	675	695	716	830	962	1,115	1,499
POTENTIAL GROSS INCOME	262,824	270,709	278,830	287,195	295,811	342,926	397,545	460,863	619,362
Vacancy & Collection Loss	(19,716)	(20,303)	(20,912)	(21,540)	(22,186)	(25,719)	(29,816)	(34,565)	(46,452)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$243,108	\$250,406	\$257,918	\$265,655	\$273,625	\$317,206	\$367,729	\$426,299	\$572,910
EXPENSES at 4.00%									
General & Administrative	\$6,212	\$6,460	\$6,719	\$6,988	\$7,267	\$8,842	\$10,757	\$13,088	\$19,373
Management	24,036	24,758	25,500	26,265	27,053	31,362	36,357	42,148	56,643
Payroll & Payroll Tax	39,400	40,976	42,615	44,320	46,092	56,078	68,228	83,010	122,875
Repairs & Maintenance	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Utilities	8,850	9,204	9,572	9,955	10,353	12,596	15,325	18,646	27,600
Water, Sewer & Trash	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Insurance	15,193	15,801	16,433	17,090	17,774	21,624	26,309	32,009	47,382
Property Tax	17,580	18,283	19,015	19,775	20,566	25,022	30,443	37,038	54,826
Reserve for Replacements	14,928	15,525	16,146	16,792	17,464	21,247	25,850	31,451	46,555
Other	1,300	1,352	1,406	1,462	1,521	1,850	2,251	2,739	4,054
TOTAL EXPENSES	\$171,499	\$178,119	\$184,996	\$192,141	\$199,564	\$241,248	\$291,715	\$352,830	\$516,529
NET OPERATING INCOME	\$71,609	\$72,287	\$72,922	\$73,514	\$74,061	\$75,958	\$76,014	\$73,468	\$56,381
DEBT SERVICE									
First Lien Financing	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169	\$38,169
Second Lien	14,775	14,775	14,775	14,775	14,775	14,775	14,775	14,775	14,775
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$18,666	\$19,343	\$19,978	\$20,571	\$21,118	\$23,015	\$23,070	\$20,525	\$3,437
DEBT COVERAGE RATIO	1.35	1.37	1.38	1.39	1.40	1.43	1.44	1.39	1.06

HTC ALLOCATION ANALYSIS -St Charles Place, Crowley, 9% HTC / HOME #08297

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$75,500	\$220,493				
Purchase of buildings	\$1,755,651	\$1,610,658	\$1,755,651	\$1,610,658		
Off-Site Improvements						
Sitework	\$193,809	\$222,609			\$193,809	\$222,609
Construction Hard Costs	\$1,134,002	\$1,116,069			\$1,134,002	\$1,116,069
Contractor Fees	\$184,689	\$184,689			\$184,689	\$184,689
Contingencies						
Eligible Indirect Fees	\$123,719	\$123,719	\$8,765	\$8,765	\$114,954	\$114,954
Eligible Financing Fees	\$28,500	\$28,500			\$28,500	\$28,500
All Ineligible Costs	\$9,861	\$9,861				
Developer Fees						
Developer Fees	\$382,393	\$382,393	\$134,000	\$188,439	\$248,393	\$193,954
Development Reserves	\$60,000	\$60,000				
TOTAL DEVELOPMENT COSTS	\$3,948,124	\$3,958,991	\$1,898,416	\$1,807,862	\$1,904,347	\$1,860,775

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,898,416	\$1,807,862	\$1,904,347	\$1,860,775
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,898,416	\$1,807,862	\$1,904,347	\$1,860,775
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,898,416	\$1,807,862	\$1,904,347	\$1,860,775
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$67,394	\$64,179	\$158,442	\$154,816

Syndication Proceeds	0.7971	\$537,210	\$511,585	\$1,262,972	\$1,234,075
Total Tax Credits (Eligible Basis Method)				\$225,835	\$218,996
Syndication Proceeds				\$1,800,182	\$1,745,661
Requested Tax Credits				\$225,835	
Syndication Proceeds				\$1,800,179	
Gap of Syndication Proceeds Needed				\$2,041,306	\$2,052,173
Total Tax Credits (Gap Method)				\$256,085	\$257,448

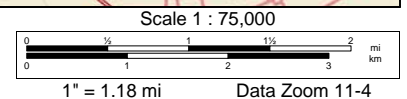
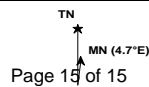


08297 St Charles Place

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Applicant Evaluation

Project ID # **08297**

Name: **St. Charles Place**

City: **Crowley**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 36

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 27

Total # of MF awards not yet monitored or pending review: 0

10-19: 9

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 36

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 4/24/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable
<input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Late single audit certification form (see comments)
<input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |
|---|--|

Reviewer: Betty Gallegos Date: 4/30/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: Candace Christiansen Date: 4/28/2008

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 4/29/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Residences on Stalcup, TDHCA Number 08298

BASIC DEVELOPMENT INFORMATION

Site Address: 3828 Stalcup Development #: 08298
 City: Fort Worth Region: 3 Population Served: General
 County: Tarrant Zip Code: 76119 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Stalcup Housing Partners, Ltd.
 Owner Contact and Phone: Dan Allgeier, (972) 573-3411
 Developer: Nurock Development group, Inc.
 Housing General Contractor: NuRock Construction, LLC
 Architect: Morton Gruber & Associates
 Market Analyst: Ed Ipser & Associates, Inc.
 Syndicator: Boston Capital
 Supportive Services: NuRock Housing Foundation
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	92
	0 0 92 0	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 25 48 19 0 0	Total Development Units:	92
Type of Building:		Total Development Cost*:	\$8,731,697
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	6
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$795,604	\$762,356			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Residences on Stalcup, TDHCA Number 08298

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Brimer, District 10, S

Points: 14 US Representative: Burgess, District 26, NC

TX Representative: Veasey, District 95, NC

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

S, Frankling D. Moss, City of Fort Worth Councilmember, District 5

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Historic Stop Six Empowerment Coalition, Inc., Rubby L. Smith

Letter Score: 24 S or O: S

The development will fill the void of much needed quality multifamily units in the area and remove some of the blight in the area.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and Asbestos Report recommendations, including additional asbestos investigation and proper removal, a noise study, and any future environmental report recommendations, were carried out.
2. Receipt, review, and acceptance, by cost certification, of HUD approval of at least an 8.25% increase over the current HAP contract rents.
3. Receipt, review, and acceptance, by commitment, of an opinion from the syndicator's or Applicant's legal council or CPA regarding the effect, if any, of the pre-acquisition renovation done to the fire-damaged residential building on determination of eligible basis attributed to the building acquisition.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.
6. Receipt of a commitment of funding from the City of Fort Worth Housing Department for funds in the amount of \$450,000, or a commitment from a qualifying substitute source in an amount not less than \$436,896, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Residences on Stalcup, TDHCA Number 08298

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$762,356

Recommendation: Competitive in At-Risk Set-Aside

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/07/08 PROGRAM: 9% HTC FILE NUMBER: 08298

DEVELOPMENT

Residences at Stalcup

Location: 3828 Stalcup Road Region: 3
 City: Fort Worth County: Tarrant Zip: 76119 OCT DDA
 Key Attributes: Multifamily, Family, Urban, At-Risk, Acquisition/Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$795,604			\$762,356		

CONDITIONS

- 1 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and Asbestos Report recommendations, including additional asbestos investigation and proper removal, a noise study, and any future environmental report recommendations, were carried out.
- 2 Receipt, review, and acceptance, by cost certification, of HUD approval of at least an 8.25% increase over the current HAP contract rents.
- 3 Receipt, review, and acceptance, by commitment, of an opinion from the syndicator's or Applicant's legal council or CPA regarding the effect, if any, of the pre-acquisition renovation done to the fire-damaged residential building on determination of eligible basis attributed to the building acquisition.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	50% of AMI	92

PROS

- The application proposes the acquisition and rehabilitation of a 38 year old property with 92 Section 236 funded units and maintenance of the existing HAP rental subsidy.
- The development team has significant experience with the Department's programs and with development of affordable multifamily housing.

CONS

- The Applicant's expense to income ratio (66.25%) is above the Department's 65% maximum, but maintenance of the HAP contract should mitigate concerns about rising expenses and flat income.
- Based on the substantial rehab budget proposed, it is unclear that rehabilitation will ultimately be more cost effective than reconstruction over the long-term.

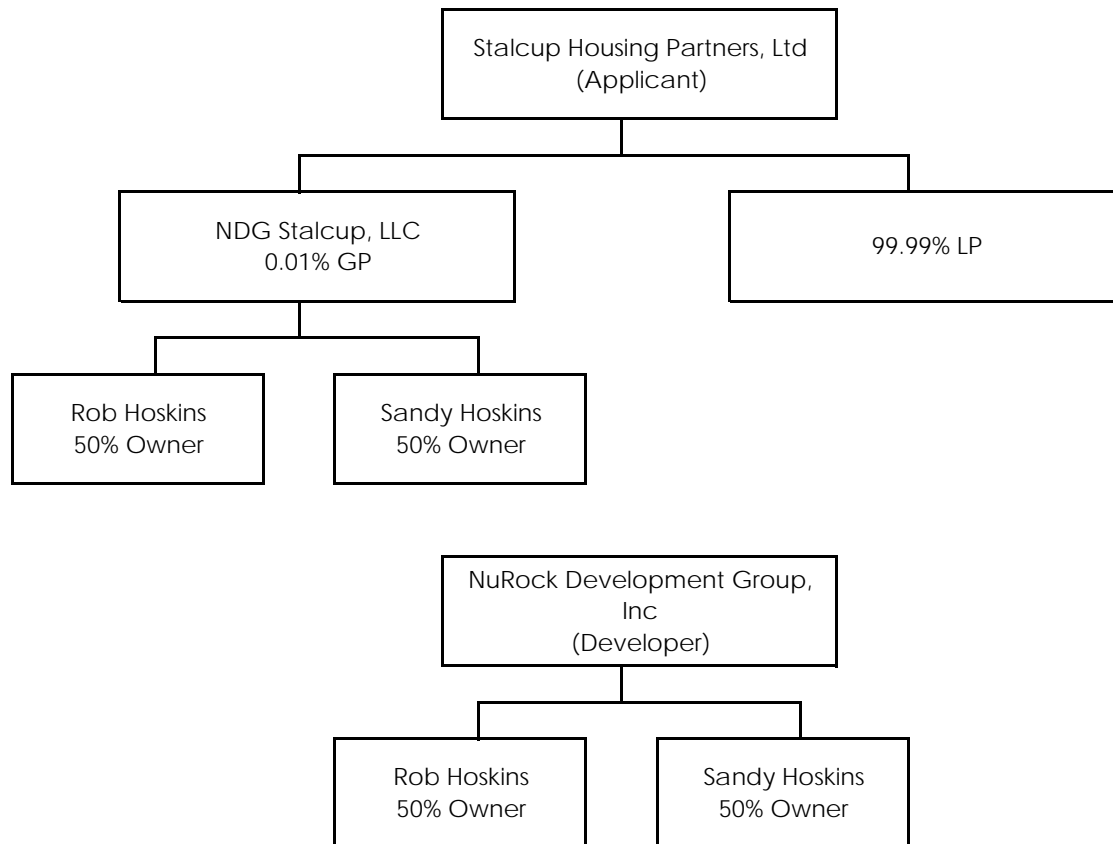
- The projected deferred developer fee cannot be projected to be repaid from cashflow within 10 years of stabilized operation; however, it is repayable within 15 years in compliance with current guidelines.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dan Allgeier Phone: 972.573.3411 Fax: 678.218.1496
 Email: dallgeier@nurrock.com

KEY PARTICIPANTS

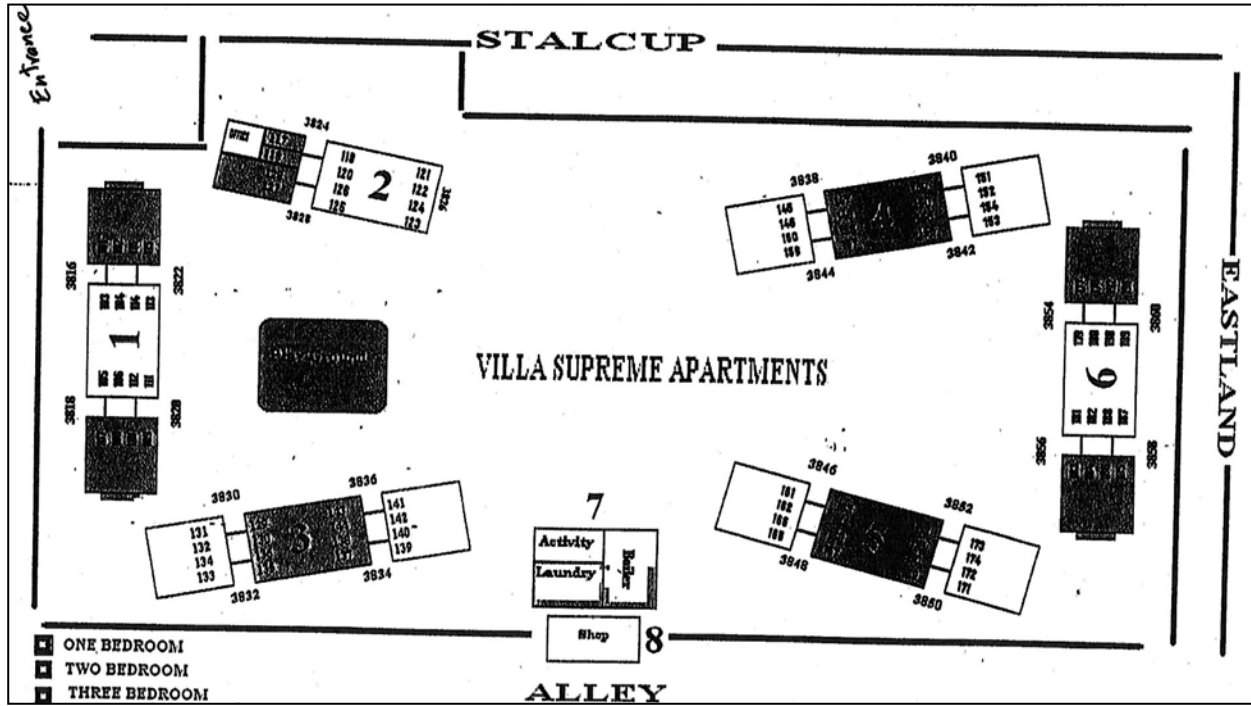
Name	Net Assets	# Completed Developments
NuRock Development Group, Inc	n/a	--
Rob Hoskins & Sandy Hoskins	n/a	7 Texas HTC Allocations

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C									Total Buildings
Floors/Stories	2	2	2									
Number	3	2	1									6

BR/BA	SF	Units										Total Units	Total SF
1/1	621	8		1								25	15,525
2/1	703	8	8	8								48	33,744
3/1.5	874		8	3								19	16,606
Units per Building		16	16	12								92	65,875

Development Plan:

The Applicant provided a Property Condition Assessment and two subsequent revisions from EMG Corp. The revisions were necessary because the originally provided PCA did not fully contemplate the Applicant's proposed scope of work. The final revised PCA includes the following scope of work summary:

Replacement of curbs; replacement of dumpster pads; replacement of some paving; replacement of damaged sidewalks; improvements to landscaping and drainage; new fencing; upgrades to picnic area and signage; installation of a compactor and enclosure; replacement of windows and screens; repairs to subfloor; replacement of stucco with cement fiber siding; installation of pitched roofs and added insulation; some exterior finish enhancements; replacement of stairs, balusters, and handrails; replacement of exterior and interior doors; construction of a new clubhouse and maintenance building; addition of an arbor and fountain; replacement of fan coils and duct work; installation of new electric water heaters; upgrade electric service to buildings (including individual meters); installation of hardwired smoke detectors; installation of a fire sprinkler system; replacement of interior wall and ceiling drywall; replacement of kitchen countertops, sinks, and cabinets; replacement of bathroom exhaust fans; replacement of bathroom fixtures; installation of GFCI outlets in bathrooms and kitchens; replacement of light fixtures; and new washers and dryers.

Also of note, the PCA provider included Certificates of Occupancy (COs) dated May 4, 1999 for 5 of the 6 buildings. The Underwriter requested additional information regarding the reason for the issuance of COs in 1999 since the Applicant indicated the no substantial improvements have taken place since transferred to the current owner in 1982. The Applicant replied, "According to the property management company they needed CO's for a planned Mark to Market program the property submitted in 1999 and didn't have any so the City reissued them. The Mark to Market wasn't completed" (email dated 5/14/08). The Applicant has not provided any additional information regarding the Certificates of Occupancy.

SITE ISSUES

Total Size:	<u>4.5712</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Zoning:	<u>High Density MF</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing staff Date: 4/11/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: Church / Commercial Businesses East: Stalcup Rd / Residential / Church
 South: Eastland St / Residential / Public Park West: Residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: GEE Consultants, Inc Date: 3/28/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- The Applicant submitted a Phase I ESA and a Limited Asbestos Sampling and Analysis (3/26/2008). The Asbestos report concludes, "Asbestos was detected in numerous samples analyzed for the structures observed. Based on laboratory analysis, ACM is present in the pipe insulation, stucco, ceiling texture and surface drywall in the buildings Ceiling tiles were non-ACM Laboratory analysis indicate floor tiles and mastic are non-ACM. However, additional sampling should be performed on any floor tiles not tested in this limited survey, to determine asbestos content. Friable pipe insulation should be abated or encapsulated by a licensed asbestos abatement contractor. If the buildings are to be demolished, a licensed asbestos abatement contractor will need to be retained to perform necessary services."
- The Phase I ESA provider indicates, "Due to the proximity of Loop 820 and Berry Street to the subject site, a noise study should be performed on the subject site" (Letter dated 3/28/08).

Comments:
 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and Asbestos Report recommendations, including additional asbestos investigation and proper removal, a noise study, and any future environmental report recommendations, were carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc Date: 3/6/2008

Contact: Edward Ipser Phone: 817.927.2838 Fax: 817.927.0032

Number of Revisions: none Date of Last Applicant Revision: N/A

This section intentionally left blank.

Primary Market Area (PMA): 28.58 square miles (3.02 mile radius)

"The primary market area is defined as the 24 Census Tract area in southeast Fort Worth. The area is bounded on the north by IH 30, on the east by Sandy Lane and Lake Arlington, on the south by U.S. Hwy 287, on the west by Sycamore Creek and Cobb Park. This area, which is entirely within the City of Fort Worth, had a 2000 population of 85,757 with an estimated 2008 population of 91, 257. This area, which is essentially built out contains mostly older neighborhoods. It's growth is primarily through rehabilitation and redevelopment" (p. 2-3).

Secondary Market Area (SMA):

N/A

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Residences at Eastland	07149	146	140	N/A			
Village Creek Apts	060415	252	252				

INCOME LIMITS						
Tarrant						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	\$22,600	\$25,850	\$29,050	\$32,300	\$34,900	\$37,450

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/50% Rent Limit	104	4	0	108	25	0	23%
2 BR/50% Rent Limit	246	1	0	247	48	0	13%
3 BR/50% Rent Limit	218	0	0	218	19	0	21%

Comments:

For the purposes of calculating demand by unit type, it appears that the Market Analyst has used income bands with the minimum income derived from the projected rents. However, the Applicant anticipates renewal of the existing HAP contract which provides rental subsidy for all of the units. As such, households with very low incomes will pay approximately 30% of their income and the remaining portion will be subsidized by HUD. Therefore, it is appropriate to use a minimum income of \$0 for each household size, which has the effect of lowering the inclusive capture rates as indicated in the above chart.

The Market Analyst's overall demand calculations and inclusive capture rate appears to account for the expanded income bands which include households below the typical minimum income levels. The Underwriter has also used income bands extending down to \$0 in order to appropriately account for all eligible households.

OVERALL DEMAND											
		Target Households	Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER											
Market Analyst	p. N-1	100%	30,845	100%	30,845	50%	15,293	34%	5,215	45%	2,331
Underwriter		100%	30,845	91%	27,976	59%	16,477	34%	5,619	45%	2,512
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst	p. N-1			100%	231	50%	115	34%	39	100%	39
Underwriter				91%	231	59%	123	34%	42	100%	42

INCLUSIVE CAPTURE RATE							
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate	
Market Analyst p. N-1	92	392	0	484	2,370	20.42%	
Underwriter	92	392	0	484	2,554	18.95%	

Primary Market Occupancy Rates: (p. 3-2)

Rental housing for families in southeast Fort Worth included older, non-subsidized conventional locations, four federally-subsidized projects and four Housing Tax Credit (HTC) properties. Two of the four HTC locations were rehabbed conventional properties originally built in the 1970s. The four federally-subsidized projects include the subject which is a Project Based Section 8 property, two other Project Based Section 8 properties and a public housing complex.

The four federally-subsidized complexes had a physical occupancy rate of 97.1% with 333 names on waiting lists, including the subject at 98.9% occupancy. The subject has 10 on the waiting list, the public housing has 174 on its waiting list and the other two rental assisted projects have a combined total of 149 on their waiting lists. The proposed project would thus maintain the number of affordable housing units for families and singles in the market area. The subject is expected to retain and renew the Project Based Section 8 Housing Assistance as indicated by the Volume I, Tab 7 Certification in the application.

One of the HTC complexes, Village Creek Townhomes, was originally built in 1970 and then rehabbed as a HTC property in 1996. Rated in fair condition, the 184 units were 63.0% occupied and 71.2% leased, with 100 of the 116 occupied units housing tenants with Section 8 rental assistance. Autumn Chase, a 184-unit rehabbed HTC rated in good condition was built in 1972 and rehabbed in 1997. Seventy-five of the 154 occupied units house tenants with Section 8 vouchers. Physical occupancy was 83.7% and the economic or leased occupancy was 85.3%.

Cobb Park Townhomes, a new construction 172-unit HTC complex is rated in good condition. Occupancy was 76.7% occupied with 85 of the 132 occupied unit housing tenants with Section 8 rental assistance. The newest HTC project in the area is Magnolia of Village Creek, a 252-unit complex that opened in December 2007 and has filled 36 units (14.3%) for an absorption rate of 12 units per month. No information was provided on additional leased unit or rental assistance because little information was obtainable from the manager or the owner.

Absorption Projections:

"The proposed project will be a renovation of an existing complex which is 98.9% occupied. If the entire project were closed for renovation, the absorption rate is conservatively estimated at 12 to 15 units per month indicating a lease-up period of 6 to 8 months to achieve 92.5% occupancy of the 92 units. However, renovation is expected to be accomplished two buildings at a time with minimal impact on the tenants. Therefore, there is no significant absorption period" (p. 3-6).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	621 SF	50%	\$426	\$490	\$495	\$490	\$64
2 BR	703 SF	50%	\$486	\$550	\$570	\$550	\$64
3 BR	874 SF	50%	\$605	\$625	\$650	\$625	\$20

Market Impact:

"The subject's proposed location in Census Tract 1062.02 is a qualified census tract. Census data from 2000 show that approximately 41.3% of renters in the market area were paying 30% or more of income for rent in 2000 (4,091 renter households). Some of the area's housing has been renovated under the HTC program and some new HTC units have been built to the west and south for families and for elderly. A large complex of several projects in the Riverside area that had been vacated for several years, has now been razed. Additional units to the north, outside the market area, are also in the process of being razed. Both of these locations had excessive concentrations of multi-family units" (p. 3-6).

Comments:

As reflected above, the occupancy rates within the PMA are below 90% even for established HTC properties. This is of concern to the Underwriter and may indicate an oversaturation of units. However, the subject is an existing HUD Section 236 property with an existing tenant base and 98% occupancy. Due to the HAP contract and the temporary relocation of tenants, it is likely that many of the existing tenants will choose to return once construction is complete. Moreover, while the inclusive capture rate is not a meaningful tool for properties with an existing tenant base, the inclusive capture rate is below the Department's 25% maximum for urban developments targeting families. Therefore, the Market Study provides sufficient information on which to base a positive recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 214 units per square mile which is less than the 1,432 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's rents are based on an anticipated future HUD approved rent increase in the current HAP contract rents. All of the units receive rental assistance via a Housing Assistance Payment (HAP) contract with HUD. The Applicant is proposing a significant change to the utility structure from the current "all bills paid" system to a tenant paid system with tenants paying for electric, water, and sewer. The Applicant is proposing to install individual meters for water and electric at each unit. Department rules require all tenant paid utilities to be individually metered.

The Applicant has accounted for the proposed utility structure by incorporating tenant paid utility allowances in the anticipated HAP contract rents, which results in actual collected rents that are slightly lower than the current HAP contract rents with the "all bills paid" system.

The Underwriter has assumed the Applicant will receive the proposed increase of 11% in the contract rents. At least an 8.25% increase in rents is necessary in order to maintain a DCR above the 1.15 minimum based on the Applicant's proforma. Therefore, receipt, review, and acceptance, by cost certification, of HUD approval of at least an 8.25% increase over the current HAP contract rents is a condition of this report.

The Applicant's secondary income and vacancy and loss assumptions are in line with Department standards. The Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/9/2008

The Applicant's total operating expense estimate of \$4,149 per unit is within 5% of the Underwriter's estimate of \$4,041 per unit. However, the Applicant's estimates of two line items differ significantly from the Underwriter's, including: utilities (\$11K higher); and water, sewer, and trash (\$12K higher). Additionally, the Applicant has estimated reserve for placements of \$288 per unit per year, which is below the Department's \$300 per unit minimum for rehabilitation developments, and the Applicant has used compliance fees of \$30 per unit, which is below the Department's \$40 per unit compliance fee for current tax credit properties.

Conclusion:

The Applicant's estimates of effective gross income, total expense, and net operating income are each within 5% of the Underwriter's estimates; therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's DCR is within the parameters of the Department's current guidelines.

The Applicant's expense to income of 66% is above the TDHCA maximum of 65%. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if the property is expected to receive ongoing rental subsidy with the ability to receive rent increases. The existing HAP contract provides rental assistance for all of the units and allows for annual rent increases subject to HUD approval. Therefore, the subject is exempt from meeting the 65% expense to income ratio.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 with positive cashflow through Year 15.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Hunsicker Appraisal Company, Inc Date: 3/26/2008
 Number of Revisions: 1 Date of Last Applicant Revision: 5/13/2008
 Land Only: 4.57 acres \$125,000 As of: 2/21/2008
 Existing Buildings: (as-is) \$1,475,000 As of: 2/21/2008
 Total Development: (as-is) \$1,600,000 As of: 2/21/2008

ASSESSED VALUE

Land Only: 4.57 acres \$99,563 Tax Year: 2007
 Existing Buildings: \$880,437 Valuation by: Tarrant CAD
 Total Assessed Value: \$980,000 Tax Rate: 2.701277

EVIDENCE of PROPERTY CONTROL

Type: Standard Contract for Sale and Purchase Acreage: 4.6
 Contract Expiration: 7/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$1,500,000 Other: _____
 Seller: Villa Supreme, Ltd Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/4/2008

Acquisition Value:

The Applicant's development cost schedule reflects an acquisition cost of \$1,500,000, which is consistent with the site control documentation provided. The current owner of the property is not related to the Applicant and as such, the transaction is considered arms-length. Therefore, the acquisition price is assumed to be reasonable.

The Applicant has used a land value of \$100,000 in order to determine an eligible building basis of \$1,400,000. The Underwriter has used the "as vacant" land value from the revised appraisal to determine eligible building basis of \$1,375,000 (\$1,500,000 - \$125,000).

This section intentionally left blank.

During underwriting, the Applicant indicated that one of the buildings had been damaged in a recent fire. According to newspaper articles, approximately \$100,000 in damage was done to one of the residential buildings due to a fire that started in the dining room of a first floor unit on April 4, 2008. Because the fire occurred after application, this damage was not addressed in the application. However, as required for retention of the HAP contract, the current owner must return the building to its condition just prior to the fire starting. The Applicant stated that this must be done in a timely manner and will be completed prior to transfer of the property.

The Owner expects insurance proceeds to fund this repair, and the Owner has estimated the insurance proceeds and repair costs to be \$50,000. It is unclear what effect, if any, this will have on the acquisition basis. Per Section 42(d)(2)(D), if this amounts to more than 25% of the buildings adjusted basis, then the entire building may not be eligible for acquisition credits. Based on the total building basis, a reduction of \$233,333 to eligible building basis would be required unless the repairs will not amount to 25% of the building's adjusted basis or unless casualty losses would be treated differently under tax code.

Due to the fire being relatively recent, no additional information regarding the renovation, source for funding the renovation, or potential effect on basis was available. Receipt, review, and acceptance, by commitment, of an opinion from the syndicator's or Applicant's legal council regarding the effect, if any, of the pre-acquisition renovation done to the fire-damaged residential building on determination of eligible basis attributed to the building acquisition is a condition of this report.

Sitework Cost:

The Applicant has estimated sitework costs of \$6,196 per unit, which is less than the estimate of \$7,304 in the Property Condition Assessment. This difference appears to be primarily attributed to the allocation of costs between sitework and direct costs. A significant source of this sitework cost appears to be the installation of individual utility meters at each unit for water and electricity usage. Additionally, the development plan includes extensive repairs to the asphalt parking areas and on-site concrete and landscaping cost of \$130,000 is reflected.

The PCA indicates that no significant topographical changes are planned. It is unclear why the landscape costs are so significant. The projected PCA sitework cost of \$7,304 per unit is very high for a rehabilitation property. Despite the Underwriter's concern, the PCA cost estimate has been used.

The Applicant allocated \$40,000 in demolition costs as ineligible. The PCA included a slightly higher demolition estimate of \$51,500, which has been used by the Underwriter and included as an ineligible cost. Also of note, the PCA budget includes \$10,500 in costs for construction entrances and erosion control during construction as sitework costs. These costs would generally be considered General Conditions, which is included in contractor fees and subject to the overall 14% limit. Therefore, these excess general conditions have been shifted to ineligible costs in the Underwriter's analysis.

Direct Construction Cost:

The Applicant's direct construction cost estimate 4% higher than the estimate provided in the revised Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value. The planned rehab budget in the revised PCA is relatively significant at \$53K per unit in total hard costs, and the PCA only indicates \$20,700 in immediate needs. However, the original PCA submitted did not contemplate the extensive nature of the Applicant's rehab plan, and this PCA reflected the need for reserve for replacements of \$834 per unit in order to satisfy the projected Year 10 capital needs with \$22,583 per unit in sitework and direct rehab costs in Year 1. Therefore, it appears that a significant rehabilitation of the property is necessary based on its current condition. It remains unclear if the planned rehabilitation is more cost effective than reconstruction over the long-term based on the substantial nature of the current needs.

The Applicant has described the planned scope of work as a "to the studs" rehabilitation.

Interim Interest Expense:

The Applicant has overstated eligible interim interest which is generally limited to one-year of fully drawn interest expense on all construction financing. The excess amount of \$88,235 will effectively be shifted to ineligible costs.

Contingency & Fees:

The Applicant's contractor and developer fees are overstated by a combined \$17,806 due to the misapplication of eligible basis described above. This excess amount has been shifted to ineligible costs. Moreover, the Applicant appears to have allocated the entire developer fee to the eligible basis associated with the rehabilitation. Disproportionately allocating developer fee toward the rehabilitation allows 9% credits and a 30% boost on developer fee associated with the acquisition costs. Department rules require the developer fee to be proportionately allocated between the acquisition and rehabilitation. The Underwriter has therefore reallocated developer fee accordingly, which results in a \$16K downward adjustment to the eligible credit amount.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$8,176,332 supports annual tax credits of \$762,356. 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

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: City of Fort Worth - Housing Trust Fund Type: Interim Financing

Principal: \$450,000 Interest Rate: 4.37% Fixed Term: 24 months

Comments:

The Applicant has indicated an intent to apply for the subject construction loan. The loan is expected to carry an interest rate equal to AFR. Based on the Underwriter's evaluation, the transaction appears to be financially viable without this source of funds.

Source: Wells Fargo Bank Type: Permanent Financing

Principal: \$2,000,000 Interest Rate: 6.65% Fixed Amort: 360 months

Comments:

The Wells Fargo commitment indicates a 1.15 minimum DCR for conversion to permanent.

Source: Boston Capital Type: Syndication

Proceeds: \$6,364,199 Syndication Rate: 80% Anticipated HTC: \$ 795,604

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.78. At this point, 100% of the developer fee would be deferred and the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than \$0.88, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$373,717 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$2,000,000 indicates the need for \$6,731,697 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$841,546 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$795,604), the gap-driven amount (\$841,546), and eligible basis-derived estimate (\$762,356), the eligible basis-derived estimate of \$762,356 is recommended resulting in proceeds of \$6,098,241 based on a syndication rate of 80%.

The Underwriter's recommended financing structure indicates the need for \$633,456 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

Underwriter:

Cameron Dorsey

Date: July 7, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 7, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Residences at Stalcup, Fort Worth, 9% HTC #08298

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 50%	25	1	1	621	\$605	\$490	\$12,250	\$0.79	\$80.00	\$11.00
TC 50%	48	2	1	703	\$726	\$550	\$26,400	\$0.78	\$97.00	\$11.00
TC 50%	19	3	1.5	874	\$840	\$625	\$11,875	\$0.72	\$113.00	\$11.00
TOTAL:	92		AVERAGE:	716		\$549	\$50,525	\$0.77	\$95.68	\$11.00

INCOME

Total Net Rentable Sq Ft: **65,875**

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

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.94%	\$372	0.52	\$34,216	\$30,800	\$0.47	\$335	5.35%
Management	5.00%	313	0.44	28,807	28,807	0.44	313	5.00%
Payroll & Payroll Tax	16.54%	1,036	1.45	95,276	92,104	1.40	1,001	15.99%
Repairs & Maintenance	7.66%	480	0.67	44,128	47,600	0.72	517	8.26%
Utilities	3.25%	204	0.28	18,732	30,000	0.46	326	5.21%
Water, Sewer, & Trash	3.44%	215	0.30	19,821	31,600	0.48	343	5.48%
Property Insurance	3.64%	228	0.32	20,949	17,500	0.27	190	3.04%
Property Tax	2.701277	12.08%	756	69,585	65,000	0.99	707	11.28%
Reserve for Replacements	4.79%	300	0.42	27,600	26,496	0.40	288	4.60%
TDHCA Compliance Fees	0.64%	40	0.06	3,680	2,760	0.04	30	0.48%
Other: Support Services	1.56%	98	0.14	9,000	9,000	0.14	98	1.56%
TOTAL EXPENSES	64.53%	\$4,041	\$5.64	\$371,794	\$381,667	\$5.79	\$4,149	66.25%
NET OPERATING INC	35.47%	\$2,221	\$3.10	\$204,352	\$194,477	\$2.95	\$2,114	33.75%
DEBT SERVICE								
Wells Fargo Bank	26.74%	\$1,675	\$2.34	\$154,072	\$154,072	\$2.34	\$1,675	26.74%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	8.73%	\$547	\$0.76	\$50,280	\$40,405	\$0.61	\$439	7.01%
AGGREGATE DEBT COVERAGE RATIO				1.33	1.26			
RECOMMENDED DEBT COVERAGE RATIO					1.26			

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)		17.18%	\$16,304	\$22.77	\$1,500,000	\$1,500,000	\$22.77	\$16,304	17.17%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.70%	7,304	10.20	671,950	570,000	8.65	6,196	6.52%
Direct Construction		38.94%	36,956	51.61	3,399,985	3,530,000	53.59	38,370	40.40%
Contingency	5.15%	2.40%	2,278	3.18	209,583	209,583	3.18	2,278	2.40%
Contractor's Fees	14.00%	6.53%	6,196	8.65	570,071	586,833	8.91	6,379	6.72%
Indirect Construction		7.01%	6,652	9.29	612,000	612,000	9.29	6,652	7.00%
Ineligible Costs		4.06%	3,850	5.38	354,235	332,235	5.04	3,611	3.80%
Developer's Fees	15.00%	12.21%	11,592	16.19	1,066,478	1,080,000	16.39	11,739	12.36%
Interim Financing		3.11%	2,949	4.12	271,265	271,265	4.12	2,949	3.10%
Reserves		0.87%	827	1.16	76,130	46,000	0.70	500	0.53%
TOTAL COST		100.00%	\$94,910	\$132.55	\$8,731,697	\$8,737,916	\$132.64	\$94,977	100.00%
Construction Cost Recap		55.56%	\$52,735	\$73.65	\$4,851,589	\$4,896,416	\$74.33	\$53,222	56.04%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Wells Fargo Bank	22.91%	\$21,739	\$30.36	\$2,000,000	\$2,000,000	\$2,000,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$1,075,027
Boston Capital HTC Equity	72.89%	\$69,176	\$96.61	6,364,199	6,364,199	6,098,241	% of Dev. Fee Deferred
Deferred Developer Fees	4.28%	\$4,062	\$5.67	373,717	373,717	633,456	59%
Additional (Excess) Funds Req'd	-0.07%	(\$68)	(\$0.09)	(6,219)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$8,731,697	\$8,737,916	\$8,731,697	\$793,466

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Residences at Stalcup, Fort Worth, 9% HTC #08298

PAYMENT COMPUTATION

Primary	\$2,000,000	Amort	360
Int Rate	6.65%	DCR	1.33

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.33

Additional	\$6,364,199	Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING APPLICANT'S NOI:

Primary Debt Service	\$154,072
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$40,405

Primary	\$2,000,000	Amort	360
Int Rate	6.65%	DCR	1.26

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.26

Additional	\$6,364,199	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

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	\$606,300	\$624,489	\$643,224	\$662,520	\$682,396	\$791,084	\$917,083	\$1,063,151	\$1,428,786
Secondary Income	16,560	17,057	17,569	18,096	18,638	21,607	25,048	29,038	39,025
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	622,860	641,546	660,792	680,616	701,034	812,691	942,132	1,092,189	1,467,810
Vacancy & Collection Loss	(46,716)	(48,116)	(49,559)	(51,046)	(52,578)	(60,952)	(70,660)	(81,914)	(110,086)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$576,144	\$593,430	\$611,233	\$629,570	\$648,457	\$751,739	\$871,472	\$1,010,275	\$1,357,725
EXPENSES at 4.00%									
General & Administrative	\$30,800	\$32,032	\$33,313	\$34,646	\$36,032	\$43,838	\$53,336	\$64,891	\$96,054
Management	28,807	29,672	30,562	31,479	32,423	37,587	43,574	50,514	67,886
Payroll & Payroll Tax	92,104	95,788	99,620	103,604	107,749	131,093	159,494	194,049	287,240
Repairs & Maintenance	47,600	49,504	51,484	53,544	55,685	67,750	82,428	100,286	148,448
Utilities	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Water, Sewer & Trash	31,600	32,864	34,179	35,546	36,968	44,977	54,721	66,576	98,549
Insurance	17,500	18,200	18,928	19,685	20,473	24,908	30,304	36,870	54,576
Property Tax	65,000	67,600	70,304	73,116	76,041	92,515	112,559	136,945	202,712
Reserve for Replacements	26,496	27,556	28,658	29,804	30,997	37,712	45,882	55,823	82,632
Other	11,760	12,230	12,720	13,228	13,758	16,738	20,365	24,777	36,675
TOTAL EXPENSES	\$381,667	\$396,646	\$412,215	\$428,398	\$445,219	\$539,817	\$654,613	\$793,937	\$1,168,334
NET OPERATING INCOME	\$194,477	\$196,784	\$199,018	\$201,172	\$203,238	\$211,922	\$216,859	\$216,338	\$189,391
DEBT SERVICE									
First Lien Financing	\$154,072	\$154,072	\$154,072	\$154,072	\$154,072	\$154,072	\$154,072	\$154,072	\$154,072
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$40,405	\$42,712	\$44,946	\$47,100	\$49,166	\$57,851	\$62,787	\$62,266	\$35,319
DEBT COVERAGE RATIO	1.26	1.28	1.29	1.31	1.32	1.38	1.41	1.40	1.23

HTC ALLOCATION ANALYSIS -Residences at Stalcup, Fort Worth, 9% HTC #08298

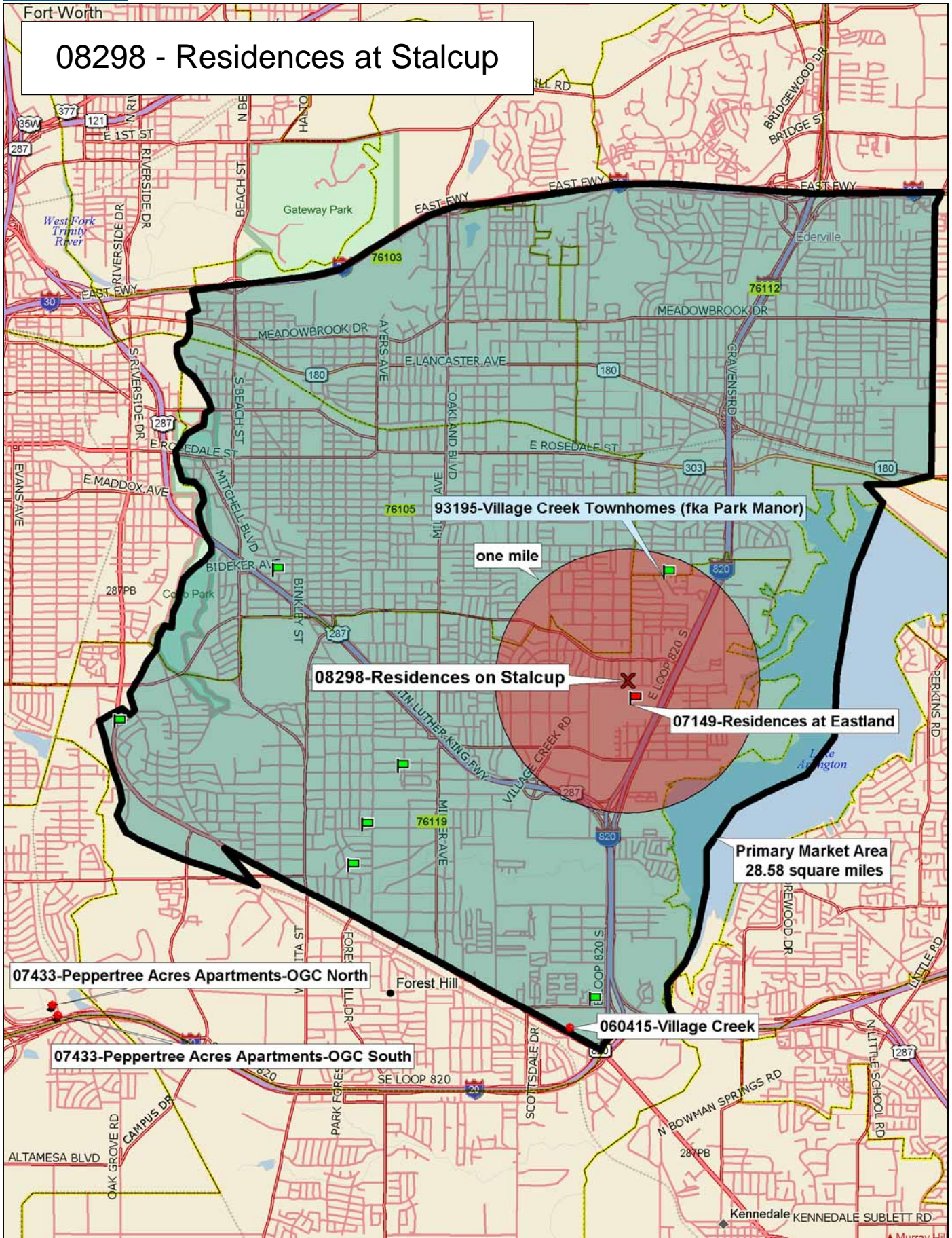
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$100,000	\$125,000				
Purchase of buildings	\$1,400,000	\$1,375,000	\$1,400,000	\$1,375,000		
Off-Site Improvements						
Sitework	\$570,000	\$671,950			\$570,000	\$671,950
Construction Hard Costs	\$3,530,000	\$3,399,985			\$3,530,000	\$3,399,985
Contractor Fees	\$586,833	\$570,071			\$574,000	\$570,071
Contingencies	\$209,583	\$209,583			\$209,583	\$209,583
Eligible Indirect Fees	\$612,000	\$612,000	\$85,000	\$85,000	\$527,000	\$527,000
Eligible Financing Fees	\$271,265	\$271,265			\$271,265	\$271,265
All Ineligible Costs	\$332,235	\$354,235				
Developer Fees			\$222,750	\$219,000	\$852,277	\$847,478
Developer Fees	\$1,080,000	\$1,066,478				
Development Reserves	\$46,000	\$76,130				
TOTAL DEVELOPMENT COSTS	\$8,737,916	\$8,731,697	\$1,707,750	\$1,679,000	\$6,534,125	\$6,497,332

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,707,750	\$1,679,000	\$6,534,125	\$6,497,332
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,707,750	\$1,679,000	\$8,494,363	\$8,446,532
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,707,750	\$1,679,000	\$8,494,363	\$8,446,532
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$60,625	\$59,605	\$706,731	\$702,751

Syndication Proceeds	0.7999	\$484,953	\$476,789	\$5,653,286	\$5,621,452
Total Tax Credits (Eligible Basis Method)				\$767,356	\$762,356
Syndication Proceeds				\$6,138,238	\$6,098,241
Requested Tax Credits				\$795,604	
Syndication Proceeds				\$6,364,199	
Gap of Syndication Proceeds Needed				\$6,737,916	\$6,731,697
Total Tax Credits (Gap Method)				\$842,323	\$841,546

Fort Worth

08298 - Residences at Stalcup



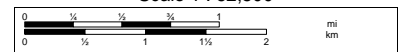
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Scale 1 : 62,500



1" = 5,208.3 ft

Data Zoom 11-6

Applicant Evaluation

Project ID # **08298**

Name: **Residences on Stalcup**

City: **Fort Worth**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 8

Projects in Material Noncompliance

Yes No

Total # of MF awards not yet monitored or pending review: 3

Projects grouped by score	0-9:	<u>4</u>
	10-19:	<u>4</u>
	20-29:	<u>0</u>

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 8

Total # of SF Contracts: 0

Completed by: Kimberly Coldren

Reviewer: Patricia Murphy

Date: 4/10/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/18/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/25/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Southern View Apartments, TDHCA Number 08299

BASIC DEVELOPMENT INFORMATION

Site Address: SW. Corner of Ryan St. & Hwy 385 Development #: 08299
 City: Fort Stockton Region: 12 Population Served: General
 County: Pecos Zip Code: 79735 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Fort Stockton Southern View Apartments, LP
 Owner Contact and Phone: Justin Zimmerman, (417) 890-3239
 Developer: Zimmerman Properties, LLC
 Housing General Contractor: Zimmerman Properties Construction, LLC
 Architect: Parker & Associates
 Market Analyst: Integra Realty Resources
 Syndicator: Centerline Capital Group
 Supportive Services: Texas Interfaith Housing
 Consultant: N/A

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	47
	0 0 17 30	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	1
	0 12 24 12 0 0	Total Development Units:	48
Type of Building:		Total Development Cost*:	\$4,750,000
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	3
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$436,959	\$433,000			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Southern View Apartments, TDHCA Number 08299

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Uresti, District 19, NC

Points: 0

US Representative: Rodriguez, District 23, NC

TX Representative: Gallego, District 74, NC

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Ruben Falcon, Mayor for City of Fort Stockton; the proposed community will add to and help to improve the availability of housing within the City of Fort Stockton.

Resolution of Support from Local Government

S, Rafael Castillo, Jr., City Manager

Individuals and Businesses In Support: 0

In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s).

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance by commitment of documentation verifying the appropriate rezoning of the site for the use as planned.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Southern View Apartments, TDHCA Number 08299

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **126** Meeting a Required Set-Aside Credit Amount*: \$433,000

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/07/08 PROGRAM: 9% HTC FILE NUMBER: 08299

DEVELOPMENT	
Southern View Apartments	
Location: <u>SW Corner of Ryan Street and Hwy 385</u>	Region: <u>12</u>
City: <u>Fort Stockton</u> County: <u>Pecos</u> Zip: <u>79735</u> <input checked="" type="checkbox"/> OCT <input type="checkbox"/> DDA	
Key Attributes: <u>Family, New Construction, Rural</u>	

ALLOCATION						
	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$433,000*			\$433,000		

*The Applicant revised the requested amount from \$436,959 on May 16, 2008

- CONDITIONS
- 1 Receipt, review, and acceptance by commitment of documentation verifying the appropriate rezoning of the site for the use as planned.
 - 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
 - 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.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	50% of AMI	17
60% of AMI	60% of AMI	30

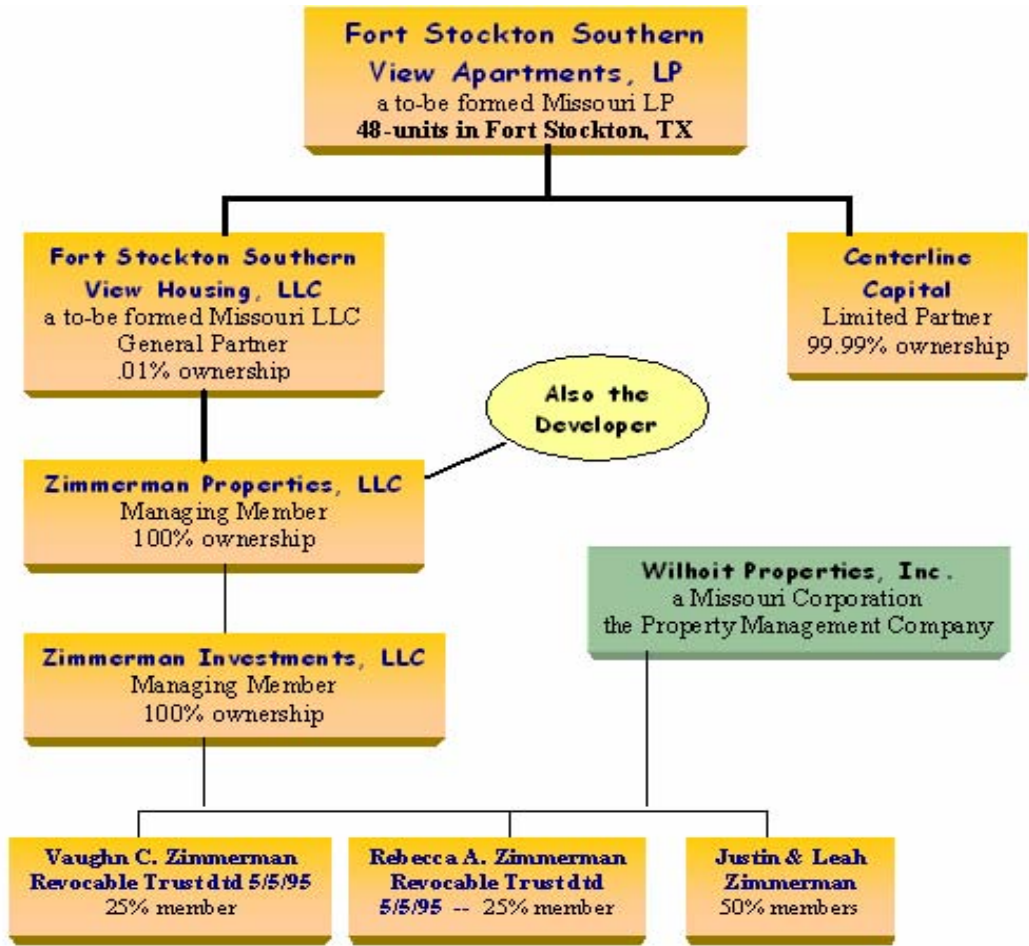
PROS	CONS
<ul style="list-style-type: none"> ◦ ◦ ◦ 	<ul style="list-style-type: none"> ◦ The Applicant's high expense to income ratio is only slightly less than the maximum guideline, reflecting extensive deep rent targeting, but still acceptable. ◦ The Market Analyst's capture rate by unit type suggests that 2 bedroom units targeting 60% households may be saturated. ◦ The capture rate based on the alternate method to calculate inclusive capture rate using the HISTA data source indicates the development would need to capture 95.77% which exceeds the current Department maximum of 75% for rural developments.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Justin Zimmerman Phone: (417) 890-3239 Fax: (417) 883-6343
 Email: jzimmerman@wilhoitproperties.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Zimmerman Properties/Investments, LLC	n/a	12
Vaughn & Rebecca Zimmerman	n/a	12
Justin & D. Leah Zimmerman	n/a	12

IDENTITIES of INTEREST

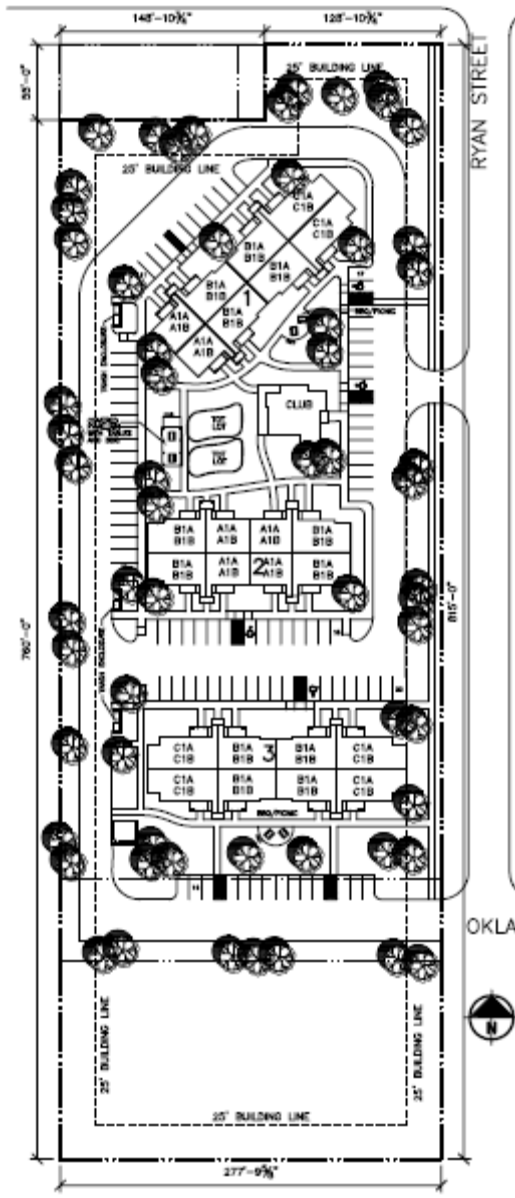
- The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

This section intentionally left blank.

PROPOSED SITE

SITE PLAN

HIGHWAY 385



TEXAS STREET

This section intentionally left blank.

BUILDING CONFIGURATION

Building Type	1	2	3									Total Buildings
Floors/Stories	2	2	2									
Number	1	1	1									3

BR/BA	SF	Units										Total Units	Total SF
1/1	690	2	4									6	4,140
1/1	768	2	4									6	4,608
2/2	942	4	4	4								12	11,304
2/2	1,021	4	4	4								12	12,252
3/2	1,109	2		4								6	6,654
3/2	1,188	2		4								6	7,128
Units per Building		16	16	16								48	46,086

SITE ISSUES

Total Size: 3.5 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: R-Residential Needs to be re-zoned? Yes No N/A

Comments:
 The property is presently zoned Residential (R). The applicant is requesting a change in zoning to allow multifamily residences.
 Receipt, review, and acceptance by commitment of documentation verifying the appropriate re-zoning of the site for the use as planned.

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/4/2008
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Ryan Street, residential and commercial uses.
 South: El Paso Street, vacant land and commercial uses.
 East: residential and commercial uses.
 West: US Highway 385, Alamo Elementary school and residential uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Kaw Valley Engineering Date: 3/27/2008
 Recognized Environmental Concerns (RECs) and Other Concerns:
 • None.

MARKET HIGHLIGHTS

Provider: Integra Realty Date: 3/29/2008
 Contact: Mark Lamb Phone: (972) 960-1222 Fax: (972) 960-2922
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

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Primary Market Area (PMA): 8,265 square feet (51 miles radius)

"For this analysis, we consider the primary market area (PMA) for the subject to be defined by the following zip codes: Pecos County, Reeves County and Ward County." (p. 15) This is a relatively enormous PMA even for a rural transaction.

Secondary Market Area (SMA):

None defined.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Valley View Apartments	05187	48	47	N/A			
Oasis Apartments	05003	55	55 (SDA, Acq/reha)				
Country Club Apartments	060125	44	32				

Valley View Apartments (TDHCA #05187), a 48-unit development and Country Club Apartments (TDHCA #060125), a 44-unit development are both LIHTC developments targeting the general population, located within the defined PMA boundaries. While the 47 comparable units from Valley View Apartments were not considered by the Market Analyst, the Underwriter has included these units in the inclusive capture rate calculation. With the inclusion of these additional units, however, the Underwriter was still able to calculate a capture rate that does not exceed the Department's maximum for rural properties.

INCOME LIMITS						
Pecos						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/50% Rent Limit	84	0		84	4	4	5%
1 BR/60% Rent Limit	111	0		111	8	20	18%
2 BR/50% Rent Limit	22	0		22	9	9	41%
2 BR/60% Rent Limit	29	0		29	14	33	114%
3 BR/50% Rent Limit	63	0		63	8	24	38%
3 BR/60% Rent Limit	83	0		83	8	24	29%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 51									392	
Underwriter	100%	12,245	95%	11,633	33%	3,892	24%	916	45%	412
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 51									0	
Underwriter			95%	-113	33%	-36	24%	-8	100%	-8

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INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 52	47	32	0	79	392	20.15%
Underwriter	48	79	0	127	404	31.45%
HISTA Data Model	47	79	0	126	132	95.77%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject and found the revised inclusive capture rate to be acceptable at 31.45%.

It should be noted, based on the alternate method to calculate inclusive capture rate using the HISTA provided data which identifies separate income bands for each household size, making this more appropriate calculation available, the development would need to capture 95.77% of the projected market area demand. Essentially, the capture rate exceeds the current Department maximum of 75% for this type of development based on this alternate data source.

Primary Market Occupancy Rates:

"The occupancy rate for the existing LIHTC properties within the PMA is 87%." (p.35)

Absorption Projections:

"We forecast a lease-up period of 6 months for the subject, equating to an absorption pace of 8 units per month." (p.72)

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	690 SF	50%	\$345	\$346	\$405	\$346	\$59
1 BR	690 SF	60%	\$405	\$428	\$405	\$405	\$0
1 BR	768 SF	50%	\$345	\$346	\$435	\$346	\$89
1 BR	768 SF	60%	\$427	\$428	\$435	\$428	\$7
2 BR	942 SF	50%	\$403	\$404	\$540	\$404	\$137
2 BR	942 SF	60%	\$501	\$502	\$540	\$502	\$39
2 BR	942 SF	EO	\$501	#N/A	\$540	\$502	\$39
2 BR	1,021 SF	50%	\$403	\$404	\$575	\$404	\$172
2 BR	1,021 SF	60%	\$501	\$502	\$575	\$502	\$74
3 BR	1,109 SF	50%	\$472	\$472	\$625	\$472	\$153
3 BR	1,109 SF	60%	\$586	\$586	\$625	\$586	\$39
3 BR	1,188 SF	50%	\$472	\$472	\$660	\$472	\$188

Market Impact:

The Market Analyst does not explicitly comment on the impact the subject development will have on the market area.

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of less than one unit per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 52 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2008

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the projected rents collected per unit calculated by subtracting tenant-paid utility allowances as of November 2007, maintained by The City of Fort Stockton, from the 2008 program gross rent limits. Tenants will be required to pay electric utility costs only.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/20/2008

The Applicant's total revised annual operating expense projection at \$3,439 per unit is within 5% of the Underwriter's estimate of \$3,403, derived from the TDHCA database, and third-party data sources. The Underwriter also considered historical operating expenses from one of the developer's other properties also located in Fort Stockton. The Applicant provided actual operating expenses for TDHCA #05187 Valley Creek Apartments (fka Valley View) for the year ending December 31, 2007. The Applicant's budget shows property tax to be \$4K higher when compared to Valley Creek actuals.

Conclusion:

The Applicant's effective gross income, net operating income and operating expenses are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's estimate at 64.92%, is marginally below the 65% Department guideline. Because the Applicant's NOI is generally accepted, the Applicant's expense to income ratio is also used and is acceptable.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	7.63 acres	<u>\$25,060</u>	Tax Year:	<u>2007</u>
1 acre:		<u>\$3,284</u>	Valuation by:	<u>Pecos CAD</u>
Existing Buildings:		<u>N/A</u>	Tax Rate:	<u>2.2067</u>
Total Prorated Value:		<u>\$14,973</u>		

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EVIDENCE of PROPERTY CONTROL

Type: Commercial and Industrial Real Estate Sale Contract Acreage: 4.56
 Contract Expiration: 10/31/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$98,000 Other: _____
 Seller: Clayton Alexander and Omer Price Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$21,491 per acre or \$2,042 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Cost:

The Applicant claimed off-site costs of \$142K for water & fire hydrants, off-site paving and wastewater sewer lines and provided sufficient third party certification through a professional engineer to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$9K per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$18K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by \$50 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments. The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion:

The Applicant's total development cost 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 \$4,114,050 supports annual tax credits of \$444,976. 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

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2008

Source: Lancaster Pollard Type: Interim to Permanent Financing

Interim: \$1,160,000 Interest Rate: 8.25% Fixed Amort: 24 months

Permanent: \$1,160,000 Interest Rate: 4.75% Fixed Amort: 480 months

Source: Centerline Capital Type: Syndication

Proceeds: \$3,583,000 Syndication Rate: 82% Anticipated HTC: \$ 436,959

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer fee and any decrease below \$0.72 per credit dollar may jeopardize the financial feasibility of the deal. Alternatively, should the final credit price increase to more than \$0.82, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: \$7,000

Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to \$1,181,909 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant's total development cost estimate less the adjusted permanent loan of \$1,181,909 indicates the need for \$3,568,091 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$435,141 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$433,000), the gap-driven amount (\$435,141), and eligible basis-derived estimate (\$444,976), the Applicant's revised request of \$433,000 is recommended resulting in proceeds of \$3,550,537 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for \$17,554 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation.

Underwriter:

Diamond Unique Thompson

Date: July 7, 2008

Director of Real Estate Analysis:

Tom Gouris

Date: July 7, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Southern View Apartments, Fort Stockton, 9% HTC #08299

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%	2	1	1	690	\$408	\$346	\$692	\$0.50	\$62.25	\$42.50
TC 60%	4	1	1	690	\$490	\$405	\$1,620	\$0.59	\$62.25	\$42.50
TC 50%	2	1	1	768	\$408	\$346	\$692	\$0.45	\$62.25	\$42.50
TC 60%	4	1	1	768	\$490	\$428	\$1,711	\$0.56	\$62.25	\$42.50
TC 50%	5	2	2	942	\$490	\$404	\$2,018	\$0.43	\$86.50	\$43.50
TC 60%	6	2	2	942	\$588	\$502	\$3,009	\$0.53	\$86.50	\$43.50
EO	1	2	2	942	#N/A	\$502	\$502	\$0.53	\$86.50	\$43.50
TC 50%	4	2	2	1,021	\$490	\$404	\$1,614	\$0.40	\$86.50	\$43.50
TC 60%	8	2	2	1,021	\$588	\$502	\$4,012	\$0.49	\$86.50	\$43.50
TC 50%	2	3	2	1,109	\$566	\$472	\$944	\$0.43	\$94.00	\$44.50
TC 60%	4	3	2	1,109	\$680	\$586	\$2,344	\$0.53	\$94.00	\$44.50
TC 50%	2	3	2	1,188	\$566	\$472	\$944	\$0.40	\$94.00	\$44.50
TC 60%	4	3	2	1,188	\$680	\$586	\$2,344	\$0.49	\$94.00	\$44.50
TOTAL:	48		AVERAGE:	960		\$468	\$22,444	\$0.49	\$82.31	\$43.50

INCOME

Total Net Rentable Sq Ft: **46,086**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

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			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	10.40%	\$552	0.57	\$26,475	\$24,554	0.53	\$512	9.66%
Management	5.00%	265	0.28	12,723	12,713	0.28	265	5.00%
Payroll & Payroll Tax	15.94%	845	0.88	40,550	40,550	0.88	845	15.95%
Repairs & Maintenance	1.44%	77	0.08	3,674	3,673	0.08	77	1.44%
Utilities	3.06%	162	0.17	7,799	7,798	0.17	162	3.07%
Water, Sewer, & Trash	7.89%	418	0.44	20,079	20,077	0.44	418	7.90%
Property Insurance	3.92%	208	0.22	9,976	9,976	0.22	208	3.92%
Property Tax 2.2067	7.91%	419	0.44	20,125	23,738	0.52	495	9.34%
Reserve for Replacements	4.72%	250	0.26	12,000	12,000	0.26	250	4.72%
TDHCA Compliance Fees	0.74%	39	0.04	1,880	1,920	0.04	40	0.76%
Other: Sup Servs	3.17%	168	0.17	8,064	8,064	0.17	168	3.17%
TOTAL EXPENSES	64.194%	\$3,403	\$3.54	\$163,346	\$165,063	\$3.58	\$3,439	64.91994%
NET OPERATING INC	35.81%	\$1,898	\$1.98	\$91,110	\$89,193	\$1.94	\$1,858	35.08%

DEBT SERVICE

Lancaster Pollard 25.48% \$1,351 \$1.41 \$64,833 \$67,069 \$1.46 \$1,397 26.38%

Additional Financing 0.00% \$0 \$0.00 0 0 \$0.00 \$0 0.00%

Additional Financing 0.00% \$0 \$0.00 0 0 \$0.00 \$0 0.00%

NET CASH FLOW 10.33% \$547 \$0.57 \$26,277 \$22,124 \$0.48 \$461 8.70%

AGGREGATE DEBT COVERAGE RATIO 1.41 1.33

RECOMMENDED DEBT COVERAGE RATIO 1.35

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)		2.29%	\$2,250	\$2.34	\$108,000	\$108,000	\$2.34	\$2,250	2.27%
Off-Sites		3.01%	2,958	3.08	142,000	142,000	3.08	2,958	2.99%
Sitework		9.16%	9,000	9.37	432,000	432,000	9.37	9,000	9.09%
Direct Construction		47.82%	46,981	48.93	2,255,068	2,273,000	49.32	47,354	47.85%
Contingency	5.00%	2.85%	2,799	2.92	134,353	135,300	2.94	2,819	2.85%
Contractor's Fees	14.00%	7.98%	7,837	8.16	376,190	378,700	8.22	7,890	7.97%
Indirect Construction		4.63%	4,552	4.74	218,500	218,500	4.74	4,552	4.60%
Ineligible Costs		5.85%	5,748	5.99	275,900	275,900	5.99	5,748	5.81%
Developer's Fees	15.07%	11.37%	11,167	11.63	536,000	536,000	11.63	11,167	11.28%
Interim Financing		2.98%	2,929	3.05	140,600	140,600	3.05	2,929	2.96%
Reserves		2.05%	2,016	2.10	96,756	110,000	2.39	2,292	2.32%
TOTAL COST		100.00%	\$98,237	\$102.32	\$4,715,367	\$4,750,000	\$103.07	\$98,958	100.00%
Construction Cost Recap		67.81%	\$66,617	\$69.38	\$3,197,611	\$3,219,000	\$69.85	\$67,063	67.77%

SOURCES OF FUNDS

				RECOMMENDED	
Lancaster Pollard	24.60%	\$24,167	\$25.17	\$1,160,000	\$1,181,909
Additional Financing	0.00%	\$0	\$0.00	0	0
Centerline Capital	75.99%	\$74,646	\$77.75	3,583,000	3,550,537
Deferred Developer Fees	0.15%	\$146	\$0.15	7,000	17,554
Additional (Excess) Funds Req'd	-0.73%	(\$722)	(\$0.75)	(34,633)	0
TOTAL SOURCES				\$4,715,367	\$4,750,000

Developer Fee Available \$536,000
 % of Dev. Fee Deferred 3%
 15-Yr Cumulative Cash Flow \$445,850

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Southern View Apartments, Fort Stockton, 9% HTC #08299

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.63	\$2,517,746
Adjustments				
Exterior Wall Finish	0.80%		\$0.44	\$20,142
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.24)	(56,916)
Floor Cover			2.43	111,989
Breezeways/Balconies	\$31.31	2,888	1.96	90,409
Plumbing Fixtures	\$805	72	1.26	57,960
Rough-ins	\$400	96	0.83	38,400
Built-In Appliances	\$1,850	48	1.93	88,800
Exterior Stairs	\$1,800	12	0.47	21,600
Enclosed Corridors	\$44.71		0.00	0
Heating/Cooling				0
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$73.67	2,741	4.38	201,961
Other: fire sprinkler	\$2.15	46,086	2.15	99,085
SUBTOTAL			69.24	3,191,175
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(9.00)	(414,853)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.24	\$2,776,322
Plans, specs, survy, bld prm	3.90%		(\$2.35)	(\$108,277)
Interim Construction Interest	3.38%		(2.03)	(93,701)
Contractor's OH & Profit	11.50%		(6.93)	(319,277)
NET DIRECT CONSTRUCTION COSTS			\$48.93	\$2,255,068

PAYMENT COMPUTATION

Primary	\$1,160,000	Amort	480
Int Rate	4.75%	DCR	1.41

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.41

Additional	\$3,583,000	Amort	
Int Rate		Aggregate DCR	1.41

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$66,058
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$23,135

Primary	\$1,181,909	Amort	480
Int Rate	4.75%	DCR	1.35

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$3,583,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

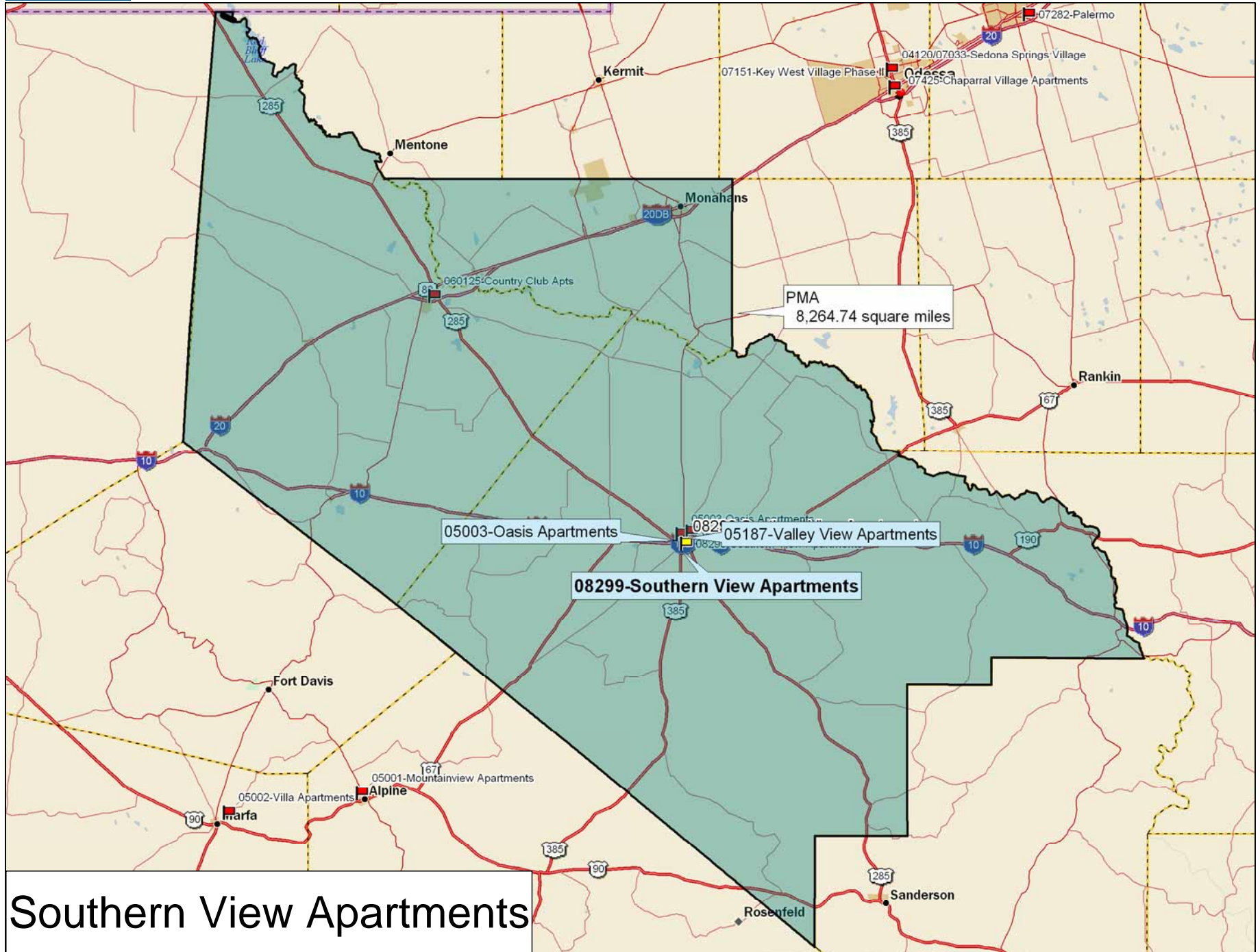
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$269,328	\$277,408	\$285,730	\$294,302	\$303,131	\$351,412	\$407,383	\$472,268	\$634,689
Secondary Income	5,760	5,933	6,111	6,294	6,483	7,515	8,713	10,100	13,574
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	275,088	283,341	291,841	300,596	309,614	358,927	416,095	482,368	648,263
Vacancy & Collection Loss	(20,632)	(21,251)	(21,888)	(22,545)	(23,221)	(26,920)	(31,207)	(36,178)	(48,620)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$254,456	\$262,090	\$269,953	\$278,051	\$286,393	\$332,008	\$384,888	\$446,191	\$599,643
EXPENSES at 4.00%									
General & Administrative	\$26,475	\$27,534	\$28,636	\$29,781	\$30,972	\$37,683	\$45,847	\$55,780	\$82,567
Management	12,723	13,105	13,498	13,903	14,320	16,600	19,244	22,310	29,982
Payroll & Payroll Tax	40,550	42,173	43,859	45,614	47,438	57,716	70,220	85,434	126,463
Repairs & Maintenance	3,674	3,821	3,974	4,133	4,298	5,229	6,362	7,741	11,458
Utilities	7,799	8,111	8,435	8,773	9,124	11,100	13,505	16,431	24,322
Water, Sewer & Trash	20,079	20,882	21,717	22,586	23,489	28,578	34,770	42,303	62,619
Insurance	9,976	10,375	10,790	11,222	11,671	14,200	17,276	21,019	31,113
Property Tax	20,125	20,930	21,767	22,638	23,544	28,644	34,850	42,401	62,763
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	9,944	10,342	10,755	11,186	11,633	14,153	17,220	20,951	31,012
TOTAL EXPENSES	\$163,346	\$169,753	\$176,412	\$183,333	\$190,527	\$230,984	\$280,075	\$339,650	\$499,723
NET OPERATING INCOME	\$91,110	\$92,337	\$93,541	\$94,718	\$95,865	\$101,024	\$104,813	\$106,541	\$99,920
DEBT SERVICE									
First Lien Financing	\$66,058	\$66,058	\$66,058	\$66,058	\$66,058	\$66,058	\$66,058	\$66,058	\$66,058
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$25,052	\$26,279	\$27,483	\$28,660	\$29,807	\$34,966	\$38,755	\$40,483	\$33,862
DEBT COVERAGE RATIO	1.38	1.40	1.42	1.43	1.45	1.53	1.59	1.61	1.51

HTC ALLOCATION ANALYSIS -Southern View Apartments, Fort Stockton, 9% HTC #08299

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$108,000	\$108,000		
Purchase of buildings				
Off-Site Improvements	\$142,000	\$142,000		
Sitework	\$432,000	\$432,000	\$432,000	\$432,000
Construction Hard Costs	\$2,273,000	\$2,255,068	\$2,273,000	\$2,255,068
Contractor Fees	\$378,700	\$376,190	\$378,700	\$376,190
Contingencies	\$135,300	\$134,353	\$135,250	\$134,353
Eligible Indirect Fees	\$218,500	\$218,500	\$218,500	\$218,500
Eligible Financing Fees	\$140,600	\$140,600	\$140,600	\$140,600
All Ineligible Costs	\$275,900	\$275,900		
Developer Fees				
Developer Fees	\$536,000	\$536,000	\$536,000	\$536,000
Development Reserves	\$110,000	\$96,756		
TOTAL DEVELOPMENT COSTS	\$4,750,000	\$4,715,367	\$4,114,050	\$4,092,711

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$4,114,050	\$4,092,711
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$5,348,265	\$5,320,524
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$5,348,265	\$5,320,524
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		\$444,976	\$442,668

Syndication Proceeds	0.8200	\$3,648,735	\$3,629,810
Total Tax Credits (Eligible Basis Method)		\$444,976	\$442,668
Syndication Proceeds		\$3,648,735	\$3,629,810
Requested Tax Credits		\$433,000	
Syndication Proceeds		\$3,550,537	
Gap of Syndication Proceeds Needed		\$3,568,091	
Total Tax Credits (Gap Method)		\$435,141	

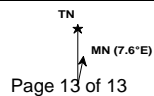


Southern View Apartments

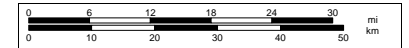
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Scale 1 : 1,200,000



1" = 18.94 mi

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Applicant Evaluation

Project ID # **08299**

Name: **Southern View Apartments**

City: **Fort Stockton**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 4

Total # of MF awards not yet monitored or pending review: 8

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 4

Total # of SF Contracts: 0

Completed by: Lorrie Lopez

Reviewer: Patricia Murphy

Date: 4/10/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 4/14/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 4/16/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 4/17/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Blackshear Homes, TDHCA Number 08300

BASIC DEVELOPMENT INFORMATION

Site Address: 8 Scattered Sites on Shelton, W. 19th, Brown, & Lillie Sts. Development #: 08300
 City: San Angelo Region: 12 Population Served: General
 County: Tom Green Zip Code: 76902 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Blackshear Properties of San Angelo, LLC
 Owner Contact and Phone: Stephanie Dugan, (214) 491-1500
 Developer: Housing Development Group III
 Housing General Contractor: Marshall King Corporation
 Architect: Hunn Design
 Market Analyst: VWB Research
 Syndicator: NDC Corporate Equity Fund VIII L.P.
 Supportive Services: N/A
 Consultant: National Development Council

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	20	
	0	0	12	8	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	0	0	20	0	0	
Type of Building:						Total Development Units:	20
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building					Total Development Cost*:	\$0
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	20
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$278,624	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Blackshear Homes, TDHCA Number 08300

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Duncan, District 28, NC

Points: 0

US Representative: Conaway, District 11, NC

TX Representative: Darby, District 72, S

Points: 14

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: **26**

In Opposition **0**

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 6

Galilee Community Development Corporation

S or O: S

Southside Lions Club

S or O: S

Rebuilding Together San Angelo, Inc.

S or O: S

General Summary of Comment:

Support received from elected official(s) and civic organizations. Three people spoke and twenty people stood in support of the developnet at the public hearing.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Blackshear Homes, TDHCA Number 08300

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **170** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ysleta del Sur Pueblo Homes I, TDHCA Number 08301

BASIC DEVELOPMENT INFORMATION

Site Address: Tomas Granillo St. Development #: 08301
 City: Socorro Region: 13 Population Served: General
 County: El Paso Zip Code: 79927 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: NC
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: Ysleta del Sur Pueblo Limited Partnership #1
 Owner Contact and Phone: Albert Joseph, (915) 859-9196
 Developer: Ysleta del Sur Pueblo
 Housing General Contractor: TBD
 Architect: CEA Engineering Group, Inc.
 Market Analyst: VWB Research
 Syndicator: Raymond James Tax Credit Fund, Inc
 Supportive Services: Ysleta del Sur Pueblo
 Consultant: Travois, Inc

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	60
	0 0 48 12	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 0 33 24 3 0	Total Development Units:	60
Type of Building:		Total Development Cost*:	\$0
<input checked="" type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	30
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$694,425	\$0			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ysleta del Sur Pueblo Homes I, TDHCA Number 08301

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Uresti, District 19, S

Points: 14 US Representative: Reyes, District 16, NC

TX Representative: Quintanilla, District 75, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: S, Trini Lopez, Mayor for the City of Socorro

Resolution of Support from Local Government

S, Joe C. Pickett, State Representative, District 79

S, Mario Gallegos, Jr., State Senator, District 6

S, Norma Chavez, State Representative, District 76

S, John Whitmire, State Senator, District 15

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

Total Score for All Input: 2

Our Lady of Mt. Carmel

S or O: S

General Summary of Comment:

General support received from elected official(s) and a civic organization.

CONDITIONS OF COMMITMENT



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Ysleta del Sur Pueblo Homes I, TDHCA Number 08301

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **184** Meeting a Required Set-Aside Credit Amount*: \$0

Recommendation: Not Recommended: Does not have a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).

Applicant Evaluation

Project ID **08301**

Name **Ysleta del Sur Pueblo Homes I**

City: **Socorro**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 7/1/2008

Date: 7/7/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Lucy Trevino

Date: 7/9/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Candace Christiansen

Date: 7 /3 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 7 /9 /2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Leona Apartments, TDHCA Number 08302

BASIC DEVELOPMENT INFORMATION

Site Address: 209 First St. Development #: 08302
 City: Uvalde Region: 11 Population Served: General
 County: Uvalde Zip Code: 78801 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CHC Leona Apartments, LLC
 Owner Contact and Phone: Chad Asarch, (303) 322-8888
 Developer: Steele Properties, LLC dba Steele CHC Projects, LLC
 Housing General Contractor: TBD
 Architect: TBD
 Market Analyst: Gill Group
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: S2A Development Consulting, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u> <u>40%</u> <u>50%</u> <u>60%</u>	Total Restricted Units:	40
	2 0 14 24	Market Rate Units:	0
	<u>Eff</u> <u>1 BR</u> <u>2 BR</u> <u>3 BR</u> <u>4 BR</u> <u>5 BR</u>	Owner/Employee Units:	0
	0 8 16 16 0 0	Total Development Units:	40
Type of Building:		Total Development Cost*:	\$2,156,064
<input type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building	Number of Residential Buildings:	10
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence	HOME High Total Units:	0
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy	HOME Low Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional		

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$130,923	\$124,375			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Leona Apartments, TDHCA Number 08302

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Uresti, District 19, S

Points: 14 US Representative: Rodriguez, District 23, NC

TX Representative: Gallego, District 74, S

Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals and Businesses In Support: 1 In Opposition 0

Quantifiable Community Participation Input:

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s). Although it did not qualify for Quantifiable Community Participation, the Leona Community Council Organization submitted a letter stating that the organization supports the proposed development because their facilities as well as their surroundings need to be improved.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by cost certification, of documentation that the terms of the U.S. Bank mortgage and \$86K Seller note have been extended to not less than 15 years.
2. Receipt, review, and acceptance, by carryover, of documentation that the related party cashflow note has been reconstituted with a maximum interest rate of 4.20% and a minimum term of not less than 15 years.
3. Receipt, review, and acceptance of documentation that the Applicant has followed the recommendation of the ESA provider to obtain and implement an Operations & Maintenance (O&M) Program with regard to asbestos in accordance with local, state and federal regulations before, during, and after the renovation of the subject property.
4. Receipt, review, and acceptance, by carryover, of an updated equity commitment which is not more than 30 days old.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
6. Receipt of a commitment of funding from the City of Uvalde for funds in the amount of \$106,000, or a commitment from a qualifying substitute source in an amount not less than \$105,941, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Leona Apartments, TDHCA Number 08302

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **200** Meeting a Required Set-Aside Credit Amount*: \$124,375

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/11/08 PROGRAM: 9% HTC FILE NUMBER: 08302

DEVELOPMENT		
Leona Apartments		
Location: <u>209 First Street</u>	Region: <u>11</u>	
City: <u>Uvalde</u>	County: <u>Uvalde</u>	Zip: <u>78801</u> <input type="checkbox"/> OCT <input type="checkbox"/> DDA
Key Attributes: <u>Multifamily, Family, Rural, Acquisition/Rehabilitation</u>		

ALLOCATION						
	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$130,923			\$124,375		

- CONDITIONS**
- 1 Receipt, review, and acceptance, by cost certification, of documentation that the terms of the U.S. Bank mortgage and \$86K Seller note have been extended to not less than 15 years.
 - 2 Receipt, review, and acceptance, by carryover, of documentation that the related party cashflow note has been reconstituted with a maximum interest rate of 4.20% and a minimum term of not less than 15 years.
 - 3 Receipt, review, and acceptance of documentation that the Applicant has followed the recommendation of the ESA provider to obtain and implement an Operations & Maintenance (O&M) Program with regard to asbestos in accordance with local, state and federal regulations before, during, and after the renovation of the subject property.
 - 4 Receipt, review, and acceptance, by carryover, of an updated equity commitment which is not more than 30 days old.
 - 5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	14
60% of AMI	60% of AMI	24

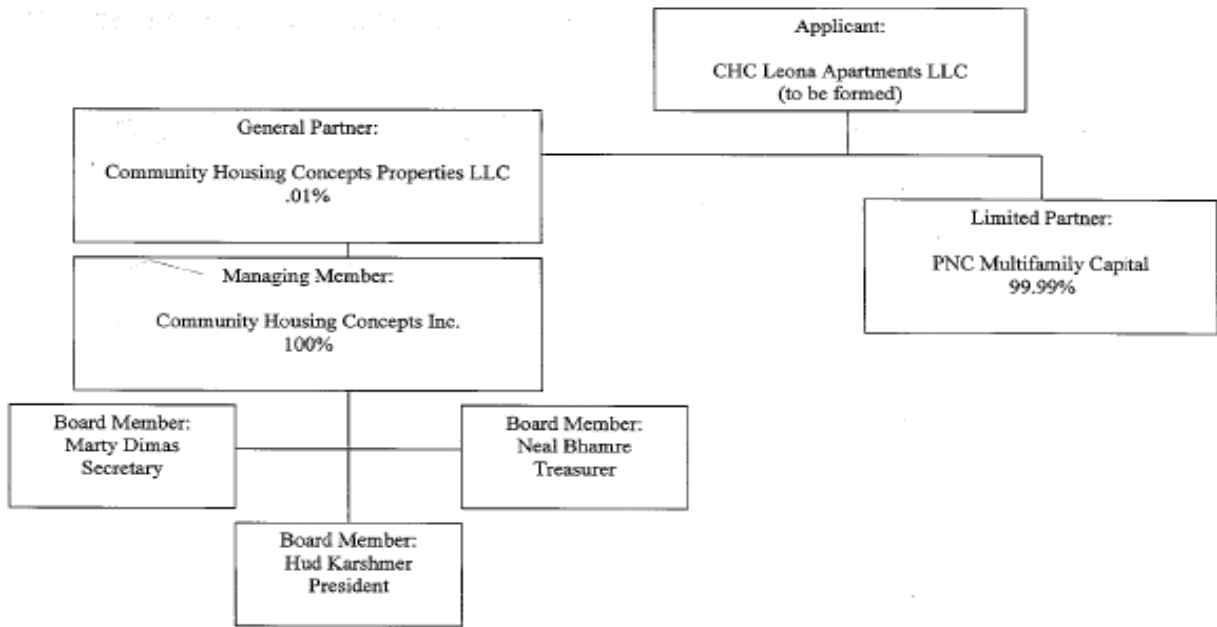
PROS	CONS
<ul style="list-style-type: none"> ◦ The proposed transaction will maintain and revitalize an existing 34 year old HUD property and maintain the existing HAP rental subsidy. ◦ The proposed rehabilitation will limit the displacement of existing tenants. 	<ul style="list-style-type: none"> ◦ The Applicant's proposed renovations at approximately \$14,838 per unit is minimal but remains above the Department's requirement of \$12,000 per unit.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Chad Asarch Phone: (303) 322-8888 Fax: (303) 322-2320
 Email: chad@steelellc.com

KEY PARTICIPANTS

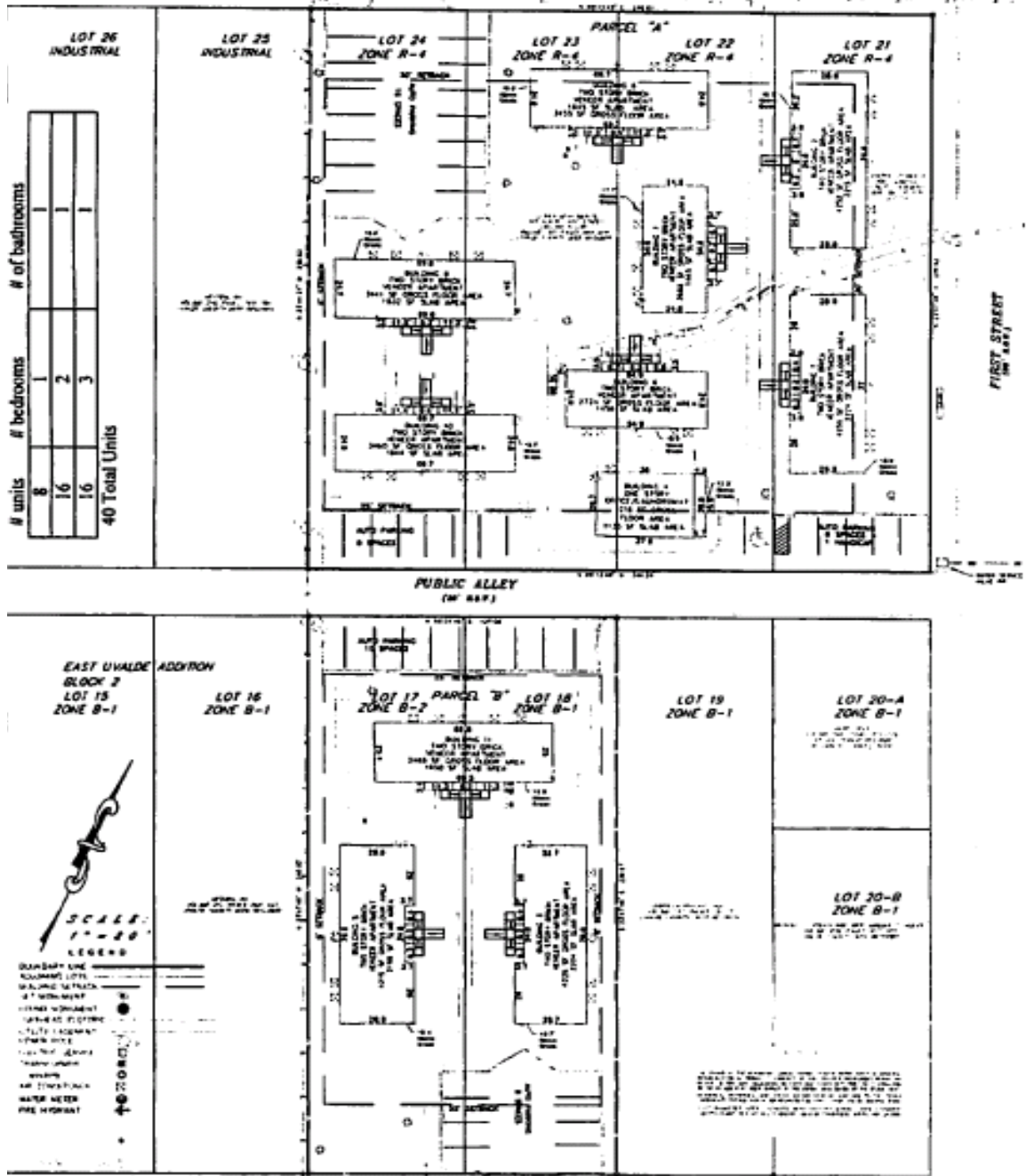
Name	Financial Notes	# Completed Developments
Community Housing Concepts, Inc.	N/A	None disclosed
Steele Properties, LLC,	N/A	None disclosed
Hud Karshmer	N/A	None disclosed
Chad Asarch, 1/3 owner of Developer	N/A	None disclosed
Stuart Heller, 1/3 owner of Developer	N/A	None disclosed

IDENTITIES of INTEREST

- The Applicant, Developer, and Property Manager are related entities. These are common relationships for HTC-funded developments.
- Community Housing Concepts, Inc. (CHC), the 100% Managing Member of the GP, is a qualifying Non-Profit. Hud Karshmer, the President of CHC, is also 1/3 member of Steele Properties, LLC the for-profit Developer and a principal in the Monroe Group, the Property Manager. The other two Developer partners are also principals in the Property Manager but are not board members of the CHC. CHC is transferring their interest from their recent purchase of the property to the property but is providing financing to facilitate the sale. Thus this transaction is regarded as an identity of interest sale/transfer due to the proposed 10-year seller financing.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C									Total Buildings
Floors/Stories	2	2	2									
Number	2	4	4									10

BR/BA	SF	Units										Total Units	Total SF
1/1	612	4										8	4,896
2/1	782		4									16	12,512
3/1	1,059			4								16	16,944
Units per Building		4	4	4								40	34,352

Rehabilitation Summary

According to the Property Condition Assessment (PCA) provider, the condition of the Leona Apartments is fair. The proposed renovations are to include exterior and interior work, including the upgrade of landscaping, replacement of playground equipment adjacent to buildings 7 and 9, removal of playground adjacent to building 5 and installation of a sports court, repair of sidewalks, replacement of fencing at garbage dumpsters, expansion of existing leasing office and upgrade of accessibility of common areas. Replace wood soffit and fascia with cement fiberboard material, replacement of roofs and mansards, replacement of downspouts, replacement of single-pane aluminum framed windows, replacement of exterior stair systems serving buildings 2, 5 and 9, replace all appliances, replace all older hot water heaters, replace kitchen sinks and faucets, replace electrical fixtures (interior lighting and installing new ceiling fan in each bedroom), and replace smoke detectors. The PCA provider also recommended that the following work be performed: repair failed asphalt concrete pavements, seal coat lots, and install keyless deadbolt locks at apartment doors to comply with Texas Security Statute.

Relocation Plan

The Applicant plans to renovate the individual units during pre-scheduled 8-hour days. The Applicant states that when necessary construction teams will enter an apartment and rehabilitate specific items. At the end of each day, the apartment is to be fully functional. Most individual unit renovations will be completed within a three to four day period maximum. They will notify tenants of upcoming renovations to their unit and then give them the opportunity to choose a convenient date for the renovations to take place. On the scheduled day, the construction team will enter the unit and make repairs and replacements ensuring that the tenant will return home to a fully functional unit. Under this plan, no relocation of any tenant will be required and no relocation expenses are to be incurred. The Applicant has renovated the following developments in the past using this method: Cottonwood Apartments (60 units), Weatherstone Apartments (204 units), Glennpark Apartments (26 units), San Juan Apartments (76 units), Sleeping Ute Apartments (60 units) and East Central Apartments (167 units).

SITE ISSUES

Total Size: 1.98 acres Scattered site? Yes No
 Flood Zone: AE Within 100-yr floodplain? Yes No
 Zoning: R-4 & B-1 Needs to be re-zoned? Yes No N/A

Comments:

It appears that a small portion of the northwest corner of the site is located within zone AE, which is within a 100-year floodplain. It is unclear if any buildings or other improvements lie within this floodplain area; however, the Applicant proposes maintenance of the existing HAP contract.

Per the QAP, "Any Development proposing New Construction or Reconstruction and located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation or Adaptive Reuse, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction. "

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/17/2008

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Residential and undeveloped land East: Apts, businesses and undeveloped
 South: Residential and undeveloped land West: Offices and undeveloped land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: URS Date: 3/27/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "URS' investigation revealed no RECs associated with the subject property." (p 6)
- However, "Based on sampling and laboratory analysis of building materials conducted in 2007, ACM appears to be present in a variety of building materials at the subject property. The presence of ACM within the buildings is not a concern unless identified materials are disturbed or damaged, neither of which were observed at the time of the prior assessment or during the current site reconnaissance. An ACM O&M plan is not currently maintained at the subject property."

"Based on the findings of this assessment, URS recommends the following: An asbestos and lead-paint O&M plan should be prepared and implemented at the subject property. A properly designed O&M plan is sufficient to maintain the subject property in accordance with current regulatory standards and sound business practice. ACM maintained with an O&M plan can remain in place, provided the ACM remain intact and undisturbed." (p. 6)

Accordingly, it is a condition of this report that an Operations and Maintenance (O&M) Program be developed and implemented to manage the asbestos-containing materials in places found at the facility to ensure they remain in good condition as a result of the renovations.

MARKET HIGHLIGHTS

Provider: Gill Group, Inc. Date: 3/14/2008
 Contact: Samuel Gill Phone: (573) 624-6614 Fax: (573) 624-2942
 Number of Revisions: 1 Date of Last Applicant Revision: 5/2/2008

Primary Market Area (PMA): 1,540.84 square miles (22.2 mile radius)

"The primary market area consists of Census Tracts 9501.00, 9502.00, 9503.00, 9504.00, 9505.00. The primary market area has the following boundaries: North - Real and Bandera Counties, East - Medina County; South -Zavala County, and West - Kinney." (p. 36)

Secondary Market Area (SMA):

The Market Analyst did not designate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Uvalde						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$9,150	\$10,500	\$11,800	\$13,100	\$14,150	\$15,200
50	\$15,250	\$17,450	\$19,600	\$21,800	\$23,550	\$25,300
60	\$18,300	\$20,940	\$23,520	\$26,160	\$28,260	\$30,360

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30%	125	7	0	132	2	0	1.5%
1BR/50%	173	-6	0	167	6	0	3.6%
2BR/50%	64	-14	0	50	8	0	16.0%
2BR/60%	75	12	0	87	8	0	9.2%
3BR/60%	118	-17	0	101	16	0	15.8%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER									
Market Analyst p. adm	9,112	100%	9,112	20%	1,822	26%	478	100%	478
Underwriter	100% 9,113	100%	9,113	32%	2,890	27%	766	30%	230
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. adm							-3	100%	-3
Underwriter		100%	67	32%	21	27%	6	100%	6
INCLUSIVE CAPTURE RATE									
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate			
Market Analyst p. Adm	40	0	0	40	475	8.41%			
Underwriter	40	0	0	40	235	16.99%			

Comment:

An analysis of HISTA Data was also performed and it indicates that the inclusive capture rate is 21% which is also within the Department's acceptable range.

Primary Market Occupancy Rates:

The overall occupancy rate for the primary market area is 97%.

Absorption Projections:

"The property is currently 100 percent occupied with a waiting list of 59 applicants. After researching the vacancy rates of the existing units in the area, it is firmly believed that the existing development will satisfy a portion of the continued demand for units within the market. The absorption level is based on the most recent multifamily developments. The subject's occupancy level is stable. It is anticipated that the property will maintain its stabilized occupancy after the rehabilitation." (p. 58)

Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 612 SF 30%	496	496	\$500	\$496	0
1 BR 612 SF 50%	496	496	\$500	\$496	0
2 BR 782 SF 50%	591	591	\$600	\$591	0
2 BR 782 SF 60%	591	591	\$600	\$591	0
3 BR 1,059 SF 60%	641	641	\$650	\$641	0

Market Impact:

"The existing development will not have an adverse impact on the market area after its rehabilitation." (p. 58)

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 57 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 0.30 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 7/7/2008

The Applicant's and Underwriter's projected rents collected per unit are based upon HUD Section 8 Housing Assistance Program (HAP) rents. The property is currently reflected as an "all bills paid" property with no defined utility allowances; however, it appears that HUD has approved a unique caveat for the subject transaction that allows the Owner to charge tenants if their electric usage exceeds HUD approved kilowatt hour (KWH) thresholds for each unit type.

HUD's rationale for approving this unique exception to the "all bills paid" utility structure is unclear, and this is not a structure that has been known to be implemented in Texas in combination with tax credits. The Underwriter reviewed IRC Section 42 and discussed this issue with compliance staff to determine if there was any potential conflict in layering these programs in this instance.

Staff's current understanding is that this type utility payment to an owner and not to a provider is effectively a portion of the rent. As long as this utility payment plus the tenant paid rent does not exceed the maximum tax credit rent, this utility structure does not violate Treasury regulations. The Applicant has included \$10,656 in secondary income from tenant utility overages based on current operations. However, the Underwriter has not included this income source, because it is unclear what affect the tax credit rent limits will have. If the tenant rent plus the utility overage exceeds the tax credit rent limit, the Owner cannot collect that portion and the Owner becomes responsible for satisfying that liability. The Underwriter has determined that this is a risk to the Owner and has not included this source of secondary income.

The Applicant's estimates of vacancy and collection loss are in line with Department expectations for a property with current occupancy of 100% and a current and ongoing HAP contract. Moreover, despite the differences described above, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 7/7/2008

The Applicant's total revised annual operating expense projection of \$4,157 per unit is not within 5% of the Underwriter's estimate of \$4,918 per unit derived from the actual historical expenses for the subject, the TDHCA database, and third party data sources. The Applicant's estimates of several line items differ significantly from the Underwriter's, including: general and administrative (\$8K lower); payroll and payroll tax (\$10K lower); water, sewer and trash (\$7K lower); and property taxes (\$7K higher).

Additionally, the Applicant has projected reserve for replacements of \$300 per unit per year, which is the minimum required for a rehabilitation application. However, the Applicant's Property Condition Assessment projects future capital needs that require a higher starting reserve. Based on the Underwriter's analysis, the Applicant must reserve a minimum of \$369 per unit per year in order to satisfy future capital needs through year 15. This level of reserves also appears to satisfy the property's needs through year 30. Therefore, the Underwriter has used reserve for replacements of \$369 per unit per year.

Of note, the Underwriter's total operating expenses project some increased efficiency over the 2006 actual expenses as a result of the change in management of the subject property. The actual 2006 expense per unit after adjustments for the additional costs of a tax credit property are accounted for was an extraordinarily high \$6K per unit.

The property may also be eligible for a 50% property tax exemption though the Applicant has not included such a reduction in property taxes in their budget and they have indicated they were not currently seeking such a reduction. The Underwriter believes that pursuing this exemption would be worth an additional \$10K to \$15K per year or \$250 to \$350 per unit in additional NOI that could service debt.

This section intentionally left blank.

Conclusion:

The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimates; however, the total expenses and net operating income are not. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's projected DCR of 1.04 is well below the Department's minimum of 1.15. The Underwriter has included debt service for the two cashflow notes in the calculation of the debt coverage ratio to ensure that both notes can be projected to be repaid. However, because the Underwriter's debt coverage ratio is below the minimum and the notes as they are do not fully meet the Department's minimum requirements for permanent financing, the Underwriter has made adjustments to the debt structure. These issues are discussed in detail below in the financing structure section of the report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. The Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow when the Underwriter's adjusted debt structure is accounted for. Therefore, the development can be characterized as feasible.

The Applicant's expense to income ratio of 56.2% is below the Department's 65% maximum ratio. However, the Underwriter's proforma is used for the analysis and reflects an expense to income ratio of 71.08%. The maintenance of the existing HAP contract, which provides project based rental assistance to 100% of the units, mitigates the risk associated with the higher ratio and properties with ongoing rental assistance are exempt from the Department's 65% maximum. As such, the subject development is recharacterized as viable.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: National Valuation Consultants, Inc. Date: 10/9/2007
 Number of Revisions: 1 Date of Last Applicant Revision: 3/21/2008

Land Only: 1.98 acres	<u>\$46,000</u>	As of: <u>3/21/2008</u>
Existing Buildings: (as-is)	<u>\$854,000</u>	As of: <u>10/9/2007</u>
Total Development: (as-is)	<u>\$900,000</u>	As of: <u>10/9/2007</u>

Comments:

The Appraiser performed an "as vacant" land appraisal dated March 21, 2008 as a supplement to the original "as is" appraisal. The land sales used in the "as vacant" were drawn from statewide (Orange, Fort Worth, Corpus Christi, Galveston County, Conroe, and Texas City). the majority of these sales occurred in urban or suburban or coastal areas hundreds of miles from the subject rural site.

The Underwriter questioned the relevance of such widespread comparables. The Appraiser responded that 360 sales were identified dating back to 2000; the list was narrowed to 20 based on relevance, and that the seven eventually used were the only sales for which details could be confirmed. The comparability of the these land sales to the subject site is highly questionable.

However, the assessed land value is 50% higher than the appraiser's valuation and has been used in this analysis for the determination of eligible building basis. If the Seller note was ultimately determined to be equity, the highly questionable nature of the appraisal provided may warrant a new appraisal from another appraisal firm in order to provide another data point.

ASSESSED VALUE

Land Only: 1.98 acres	<u>\$69,120</u>	Tax Year: <u>2007</u>
Existing Buildings:	<u>\$535,200</u>	Valuation by: <u>Uvalde CAD</u>
Total Assessed Value:	<u>\$604,320</u>	Tax Rate: <u>2.38894</u>

EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed Acreage: 1.98
 Contract Expiration: N/A Valid Through Board Date? Yes No
 Acquisition Cost: \$796,000 Other: _____
 Seller: Community Housing Concepts, Inc. Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 3/21/2008

Acquisition Value:

The subject development was purchased by Community Housing Concepts ("CHC"; owner of the GP) on November 2, 2007. The original seller of the property had owned the development since 1971. The Applicant provided a settlement statement reflecting a purchase price of \$710,000 not including the \$86K seller note. The subject application proposes the transfer of the existing property from CHC to the partnership. Generally, the transfer from the original owner to CHC from November would have triggered a new placement in service date and the subject application would therefore not meet the Federal requirement to be eligible for acquisition credits. IRC Section 42(d)(2)(B)(ii) provides that there must be a period of at least 10 years between the date of acquisition by the partnership and the previous placement in service.

However, CHC appears to be a "qualified nonprofit organization" and IRC Section (d)(2)(D)(ii) provides that an acquisition by a "qualified nonprofit organization" may not trigger a new placement in service date. As a result, the November acquisition of the property by CHC presumably does not affect the Applicant's eligibility for credits on the acquisition basis. The Applicant has provided a letter from their legal counsel confirming this assessment.

As indicated previously, the Applicant has provided a settlement statement supporting the purchase price and closing/other costs, which consist of a \$407,000 US Bank first lien, a seller cashflow note of \$86,000, and cash from CHC of \$374,772. CHC has taken back a cashflow note at 8% for the \$374,722 cash portion of the acquisition. These existing notes will be assumed by the partnership and remain in place for their respective remaining terms. The Applicant is proposing no new debt to support the transfer to the partnership. The acquisition cost reflected in the development cost schedule is consistent with the documentation provided and is supported by an "as is" appraised value of \$900,000. The acquisition price is assumed to be reasonable as the transfer of property to the Applicant mirrors the third-party acquisition by CHC.

The Applicant has claimed an eligible building basis of \$750,000 which is equal to the purchase price less the appraised land value (\$46,000). The Underwriter has used the land value established by the tax assessment (\$69,102) to derive a lower eligible building basis of \$726,880.

Of note, prior to the purchase by CHC, the transaction underwent a full Mark-to-Market (M2M) restructuring which restructured the original FHA insured debt to include a smaller conventional first mortgage and HUD second cashflow note. Often, the HUD second mortgage is assigned to a qualified nonprofit purchaser (such as CHC) for little to no compensation. However, it appears that this HUD second mortgage was paid-off when CHC closed on the acquisition in November. The transaction as proposed in the application has no continuing HUD or FHA-insured debt, but has been structured to retain the HAP subsidy.

Sitework Cost:

The Applicant's proposed site work cost of \$1,047 per unit is lower than the PCA estimate of \$1,309 per unit. The Underwriter has used the PCA estimate.

Direct Construction Cost:

The Underwriter used the direct construction cost that was provided in the third-party Property Condition Assessment of \$463,249. The Applicant's direct construction cost is \$5K or 1% lower than reflected in the PCA.

Contingency & Fees:

It should be noted that the Applicant allocated a substantial amount of developer fees to the rehabilitation which allows them to obtain 9% tax credits on that amount for the acquisition. However, Department rules limit developer fees claimed on the acquisition to 4% credits. The Underwriter has re-allocated developer fees in the eligible basis sheet accordingly.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting limits in the Department's guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis.

An eligible basis of \$872,256 is used for the acquisition and \$1,122,712 is used for rehabilitation which supports total annual tax credits of \$124,375. This figure will be compared to the Applicant's request and the tax credits calculated based on gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/3/2008

Source: U.S. Bank Type: Interim to Permanent Financing

Principal:	<u>\$407,000</u>	Interest Rate:	<u>6.32%</u>	<input checked="" type="checkbox"/>	Fixed	Term:	<u>12</u>	months
Principal:	<u>\$407,000</u>	Interest Rate:	<u>6.32%</u>	<input checked="" type="checkbox"/>	Fixed	Term:	<u>360</u>	months

Comments:

As indicated previously, the US Bank note is existing conventional debt that will be assumed by the partnership. This loan financed a portion of the acquisition by CHC from the previous owner. The Applicant has provided the Promissory Note to substantiate this source of funds, which reflects an interest rate equal to 6.32%, a 30 year amortization, and 5 year term.

The Note reflects a maturity date of November 2, 2012, which will be less than 5 years into the initial affordability period. This short term presents significant risk to the transaction particularly for ensuring affordability through the initial affordability period and extended use period. Generally, permanent debt would be required to carry a minimum of a 15 year term as required in the 2008 QAP Section 50.9(h)(7)(C)(ii) and the Applicant subsequently provided documentation from US Bank indicating that extension for the term to 15 years may be acceptable provided that certain unknown requirements are met. Therefore, receipt, review, and acceptance, by cost certification, of documentation that the term of the U.S. Bank mortgage has been extended to not less than 15 years is a condition of this report.

Source: Community Housing Concepts, Inc. Type: Interim to Permanent Financing

Principal:	<u>\$374,772</u>	Interest Rate:	<u>8.0%</u>	<input checked="" type="checkbox"/>	Fixed	Term:	<u>120</u>	months
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Comments:

Community Housing Concepts, Inc financed \$374,772 of the acquisition with cash and took back a cashflow note in this amount with an interest rate equal to 8.00%. As with the above US Bank Note, this existing debt will be assumed by the partnership. The Promissory Note indicates a ten year term, which is less than the 15 year initial affordability period.

Additionally, based on the Underwriter's analysis, this cashflow note cannot be projected to be repaid if amortized over 30 years (equivalent to the first lien) at 8%. Moreover, at 8% the deferred developer fee exceeds the Underwriter's projected 15 year cashflow. Real Estate Analysis Rules and Guidelines require deferred developer fees to be repayable within 15 years based on cashflow from the 30 year proforma.

It should be noted that as currently structured, if the note is not repaid within the 10 year term, the interest rate will increase to 11%, which could significantly decrease the repayability of the loan and viability of the transaction.

Another concern is if this related party cashflow note is not repayable, it may be considered equity and could ultimately have a significant impact on the Limited Partner's ownership interest in the transaction. Because the credits are allocated according to the respective ownership interest in the partnership, the Limited Partner (Syndicator) may not be able to access 99.98% of the tax credits as currently proposed, which could decrease the HTC equity contribution and increase the gap in financing.

Therefore, the Underwriter is conditioning this report on a decrease in the interest rate to 4.20%, which allows the first mortgage and two cashflow notes on the property to be fully repayable based on a 30 year amortization. Additionally, the decrease in debt service frees up cashflow in order to repay deferred developer fee within 15 years as required by Department rules.

Therefore, this report is conditioned upon receipt, review, and acceptance, by carryover, of documentation that the related party cashflow note has been reconstituted with a maximum interest rate of 4.20% and a minimum term of not less than the initial affordability period (15 years).

Source: Delcar-S, Ltd (Original Seller) Type: Interim to Permanent Financing
Principal: \$86,000 Interest Rate: 10.0% Fixed Amort: 120 months
Comments

As discussed previously, the original seller of the property took back a seller note for \$86K when purchased by CHC. The Applicant has indicated that this seller note will be assumed by the partnership and will remain in place. Similar to the above cashflow note, this note carries a 10 year term and a variable interest rate equal to Prime plus 2% (currently 7% as underwritten; although projected by the Applicant to be 10%).

According to the Promissory Note provided, the interest rate will increase by 5% plus an additional late charge if the note is not repaid within the 10 year term (ending on November 2, 2017), which is prior to the end of initial affordability period. The Applicant amortized this note over 10 years, which would be severely restrictive in terms of projecting repayment. The Underwriter has amortized this loan over thirty years at 7% to determine the potential to repay this note. Based on the Underwriter's analysis, this note cannot be projected to be repaid from cashflow unless the CHC cashflow note is reconstituted as discussed above.

Additionally, if the note is not repayable based on the Underwriter's analysis, the Seller note would be characterized as equity and the transaction would be regarded as an identity of interest transaction under Department guidelines. Identity of interest transactions require another layer of analysis that has not been required or completed at this time.

This report is conditioned upon a structure that should allow this note to be repayable and upon the Applicant extending or other wise securing financing with a term of not less than 15 years.

Source: PNC Multifamily Capital Type: Syndication
Proceeds: \$1,034,186 Syndication Rate: 79% Anticipated HTC: \$ 130,923
Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to \$0.763. At this point, the deferred developer fee could not be projected to be repaid in 15 years and the financial viability of the transaction may be jeopardized. Alternatively, the final credit price would need to increase to above par in order for all deferred developer fees to be eliminated and an adjustment to the credit amount warranted.

Amount: \$216,844 Type: Deferred Developer Fees

This section intentionally left blank.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost less the existing US Bank mortgage of \$407,000, CHC note of \$374,772, and seller note of \$86,000 indicates the need for \$1,288,292 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$163,092 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$130,923), the gap-driven amount (\$163,092), and eligible basis-derived estimate (\$124,375), the eligible basis-derived estimate of \$124,375 is recommended resulting in proceeds of \$982,460 based on a syndication rate of 79%.

The Underwriter's recommended financing structure indicates the need for \$305,832 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

If the terms of the first lien and two cashflow notes are not extended to at least 15 years, repayment of the deferred developer fee would be highly questionable as the two cashflow notes cannot be projected to be repaid within 10 years and the penalties associated with failure to repay would put the transaction at serious risk.

Additionally, if the interest rate on the Community Housing Concepts cashflow note is not reduced as conditioned in this report, the projected cashflow would decrease substantially and the deferred developer fee would exceed 15 years of cashflow.

The Underwriter has modified the financing structure to comply with Department guidelines, and the transaction remains only marginally viable at best. If the conditions of this report are not implemented, the transaction would not meet the Department's requirements for financial feasibility and would put the transaction at serious risk prior to the end of the initial affordability period.

Underwriter:	_____	Date:	July 11, 2008
	<i>D. Burrell</i>		
Reviewing Underwriter:	_____	Date:	July 11, 2008
	<i>Cameron Dorsey</i>		
Director of Real Estate Analysis:	_____	Date:	July 11, 2008
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Leona Apartments, Uvalde, 9% HTC #08302

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Elect/Gas	WS&T
TC 30%/HAP	2	1	1	612	\$245	\$496	\$992	\$0.81	\$47.35	\$41.95
TC 50%/HAP	6	1	1	612	\$408	\$496	\$2,976	\$0.81	\$47.35	\$41.95
TC 50%/HAP	8	2	1	782	\$490	\$591	\$4,728	\$0.76	\$54.22	\$44.20
TC 60%/HAP	8	2	1	782	\$588	\$591	\$4,728	\$0.76	\$54.22	\$44.20
TC 60%/HAP	16	3	1	1,059	\$680	\$641	\$10,256	\$0.61	\$62.21	\$45.45
TOTAL:	40		AVERAGE:	859		\$592	\$23,680	\$0.69	\$56.04	\$44.25

INCOME

Total Net Rentable Sq Ft: **34,352**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
 Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.53%	\$452	0.53	\$18,071	\$10,101	\$0.29	\$253	3.52%
Management	5.00%	346	0.40	13,840	14,500	0.42	363	5.05%
Payroll & Payroll Tax	12.76%	883	1.03	35,323	25,154	0.73	629	8.77%
Repairs & Maintenance	5.63%	390	0.45	15,594	13,407	0.39	335	4.67%
Utilities	13.81%	956	1.11	38,238	31,648	0.92	791	11.03%
Water, Sewer, & Trash	7.38%	511	0.59	20,432	13,444	0.39	336	4.69%
Property Insurance	5.01%	347	0.40	13,865	12,854	0.37	321	4.48%
Property Tax 2.38894	7.74%	536	0.62	21,423	27,961	0.81	699	9.75%
Reserve for Replacements	5.33%	369	0.43	14,755	12,000	0.35	300	4.18%
TDHCA Compliance Fees	0.58%	40	0.05	1,600	1,600	0.05	40	0.56%
Other: Security	1.30%	90	0.10	3,599	3,599	0.10	90	1.25%
TOTAL EXPENSES	71.08%	\$4,918	\$5.73	\$196,737	\$166,268	\$4.84	\$4,157	57.95%
NET OPERATING INC	28.92%	\$2,001	\$2.33	\$80,055	\$120,652	\$3.51	\$3,016	42.05%

DEBT SERVICE

US Bank Mortgage	10.94%	\$757	\$0.88	\$30,294	\$34,090	\$0.99	\$852	11.88%
Community Housing Concepts	11.92%	\$825	\$0.96	32,999	57,375	\$1.67	\$1,434	20.00%
Delcars- S Ltd. (Seller Note)	4.93%	\$341	\$0.40	13,638	13,166	\$0.38	\$329	4.59%
NET CASH FLOW	1.13%	\$78	\$0.09	\$3,123	\$16,021	\$0.47	\$401	5.58%

AGGREGATE DEBT COVERAGE RATIO

1.04 1.15

RECOMMENDED DEBT COVERAGE RATIO

1.35

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)		39.03%	\$21,040	\$24.50	\$841,582	\$841,582	\$24.50	\$21,040	39.72%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		2.43%	1,309	1.52	52,378	41,864	1.22	1,047	1.98%
Direct Construction		21.49%	11,581	13.49	463,249	458,249	13.34	11,456	21.63%
Contingency 4.75%		1.14%	613	0.71	24,500	24,500	0.71	613	1.16%
Contractor's Fees 13.36%		3.20%	1,723	2.01	68,900	68,900	2.01	1,723	3.25%
Indirect Construction		10.22%	5,511	6.42	220,437	220,437	6.42	5,511	10.40%
Ineligible Costs		0.30%	160	0.19	6,415	6,415	0.19	160	0.30%
Developer's Fees 20.00%		15.42%	8,312	9.68	332,495	333,500	9.71	8,338	15.74%
Interim Financing		4.92%	2,653	3.09	106,129	106,129	3.09	2,653	5.01%
Reserves		1.85%	999	1.16	39,979	17,226	0.50	431	0.81%
TOTAL COST		100.00%	\$53,902	\$62.76	\$2,156,064	\$2,118,802	\$61.68	\$52,970	100.00%
Construction Cost Recap		28.25%	\$15,226	\$17.73	\$609,027	\$593,513	\$17.28	\$14,838	28.01%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
US Bank Mortgage	18.88%	\$10,175	\$11.85	\$407,000	\$407,000	\$407,000	Developer Fee Available
Community Housing Concepts	17.38%	\$9,369	\$10.91	374,772	374,772	374,772	\$333,500
Delcars- S Ltd. (Seller Note)	3.99%	\$2,150	\$2.50	86,000	86,000	86,000	
HTC Syndication Proceeds	47.97%	\$25,855	\$30.11	1,034,186	1,034,186	982,460	% of Dev. Fee Deferred
Deferred Developer Fees	10.06%	\$5,421	\$6.31	216,844	216,844	305,832	92%
Additional (Excess) Funds Req'd	1.73%	\$932	\$1.08	37,262	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$2,156,064	\$2,118,802	\$2,156,064	\$339,515

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Leona Apartments, Uvalde, 9% HTC #08302

PAYMENT COMPUTATION

Primary	\$407,000	Amort	360
Int Rate	6.32%	DCR	2.64

Secondary	\$374,772	Amort	360
Int Rate	8.00%	Subtotal DCR	1.26

Additional	\$86,000	Amort	120
Int Rate	10.00%	Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$30,294
Secondary Debt Service	21,992
Additional Debt Service	6,866
NET CASH FLOW	\$20,902

Primary	\$407,000	Amort	360
Int Rate	6.32%	DCR	2.64

Secondary	\$374,772	Amort	360
Int Rate	4.20%	Subtotal DCR	1.53

Additional	\$86,000	Amort	360
Int Rate	7.00%	Aggregate DCR	1.35

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	\$284,160	\$292,685	\$301,465	\$310,509	\$319,825	\$370,764	\$429,817	\$498,276	\$669,642
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	291,360	300,101	309,104	318,377	327,928	380,159	440,708	510,902	686,609
Vacancy & Collection Loss	(14,568)	(15,005)	(15,455)	(15,919)	(16,396)	(19,008)	(22,035)	(25,545)	(34,330)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$276,792	\$285,096	\$293,649	\$302,458	\$311,532	\$361,151	\$418,673	\$485,356	\$652,278
EXPENSES at 4.00%									
General & Administrative	\$18,071	\$18,794	\$19,546	\$20,327	\$21,141	\$25,721	\$31,293	\$38,073	\$56,357
Management	13,840	14,255	14,682	15,123	15,577	18,058	20,934	24,268	32,614
Payroll & Payroll Tax	35,323	36,735	38,205	39,733	41,322	50,275	61,167	74,419	110,159
Repairs & Maintenance	15,594	16,217	16,866	17,541	18,242	22,194	27,003	32,853	48,631
Utilities	38,238	39,767	41,358	43,012	44,733	54,424	66,215	80,561	119,250
Water, Sewer & Trash	20,432	21,249	22,099	22,983	23,903	29,081	35,382	43,047	63,720
Insurance	13,865	14,420	14,996	15,596	16,220	19,734	24,010	29,211	43,240
Property Tax	21,423	22,279	23,171	24,097	25,061	30,491	37,097	45,134	66,810
Reserve for Replacements	14,755	15,345	15,959	16,597	17,261	21,000	25,550	31,086	46,014
Other	5,199	5,407	5,623	5,848	6,082	7,400	9,003	10,954	16,214
TOTAL EXPENSES	\$196,737	\$204,469	\$212,505	\$220,858	\$229,541	\$278,378	\$337,653	\$409,606	\$603,008
NET OPERATING INCOME	\$80,055	\$80,627	\$81,144	\$81,600	\$81,991	\$82,773	\$81,019	\$75,751	\$49,270
DEBT SERVICE									
First Lien Financing	\$30,294	\$30,294	\$30,294	\$30,294	\$30,294	\$30,294	\$30,294	\$30,294	\$30,294
Second Lien	21,992	21,992	21,992	21,992	21,992	21,992	21,992	21,992	21,992
Other Financing	6,866	6,866	6,866	6,866	6,866	6,866	6,866	6,866	6,866
NET CASH FLOW	\$20,902	\$21,475	\$21,991	\$22,447	\$22,838	\$23,620	\$21,867	\$16,598	(\$9,883)
DEBT COVERAGE RATIO	1.35	1.36	1.37	1.38	1.39	1.40	1.37	1.28	0.83

HTC ALLOCATION ANALYSIS -Leona Apartments, Uvalde, 9% HTC #08302

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$91,582	\$114,702				
Purchase of buildings	\$750,000	\$726,880	\$750,000	\$726,880		
Off-Site Improvements						
Sitework	\$41,864	\$52,378			\$41,864	\$52,378
Construction Hard Costs	\$458,249	\$463,249			\$458,249	\$463,249
Contractor Fees	\$68,900	\$68,900			\$68,900	\$68,900
Contingencies	\$24,500	\$24,500			\$24,500	\$24,500
Eligible Indirect Fees	\$220,437	\$220,437			\$220,437	\$220,437
Eligible Financing Fees	\$106,129	\$106,129			\$106,129	\$106,129
All Ineligible Costs	\$6,415	\$6,415				
Developer Fees				\$145,376	\$187,119	
Developer Fees	\$333,500	\$332,495	\$149,768		\$183,732	
Development Reserves	\$17,226	\$39,979				
TOTAL DEVELOPMENT COSTS	\$2,118,802	\$2,156,064	\$899,768	\$872,256	\$1,103,811	\$1,122,712

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$899,768	\$872,256	\$1,103,811	\$1,122,712
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$899,768	\$872,256	\$1,103,811	\$1,122,712
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$899,768	\$872,256	\$1,103,811	\$1,122,712
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$31,942	\$30,965	\$91,837	\$93,410

Syndication Proceeds	0.7899	\$252,314	\$244,599	\$725,439	\$737,860
Total Tax Credits (Eligible Basis Method)				\$123,779	\$124,375
Syndication Proceeds				\$977,753	\$982,460
Requested Tax Credits				\$130,923	
Syndication Proceeds				\$1,034,186	
Gap of Syndication Proceeds Needed				\$1,251,030	\$1,288,292
Total Tax Credits (Gap Method)				\$158,374	\$163,092

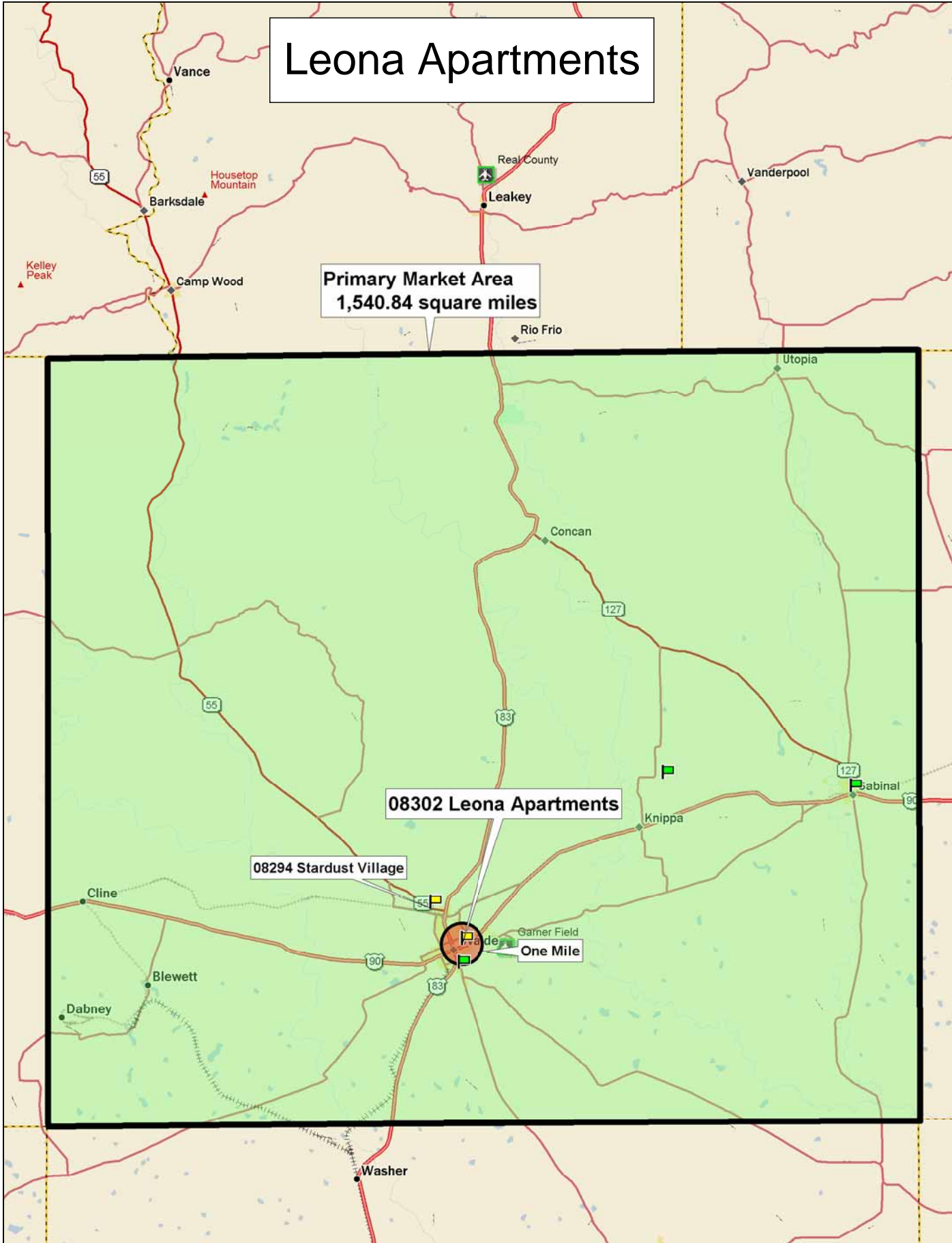
Leona Apartments

Primary Market Area
1,540.84 square miles

08302 Leona Apartments

08294 Stardust Village

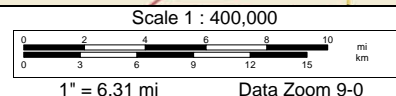
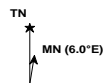
One Mile



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Applicant Evaluation

Project ID # **08302**

Name: **Leona Apartments**

City: **Uvalde**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/1/2008

Date: 5/15/2008

Single Audit

- | | |
|---|--|
| <input checked="" type="checkbox"/> Single audit review not applicable | <input type="checkbox"/> Late single audit certification form (see comments) |
| <input type="checkbox"/> Single audit review found no unresolved issues | <input type="checkbox"/> Past due single audit or unresolved single audit issue (see comments) |

Reviewer: Betty Gallegos Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (see comments) |
|--|---|

Reviewer: _____ Date: _____

Comments (if applicable):

Financial Administration Financial Services

- | | |
|--|---|
| <input checked="" type="checkbox"/> No delinquencies found | <input type="checkbox"/> Delinquencies found (See Comments) |
|--|---|

Reviewer: Monica Guerra Date: 5/15/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Heritage Square, TDHCA Number 08303

BASIC DEVELOPMENT INFORMATION

Site Address: 520 3rd Ave. N. Development #: 08303
 City: Texas City Region: 6 Population Served: Elderly
 County: Galveston Zip Code: 77590 Allocation: Urban
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CHC Heritage Square, LLC
 Owner Contact and Phone: Chad Asarch, (303) 322-8888
 Developer: Steele Properties, LLC dba Steele CHC Projects, LLC
 Housing General Contractor: TBD
 Architect: TBD
 Market Analyst: Gill Group
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: S2A Development Consulting, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	50	
	3	0	18	29	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	8	40	2	0	0	0	
Type of Building:						Total Development Units:	50
<input type="checkbox"/> Duplex	<input checked="" type="checkbox"/> 5 units or more per building					Total Development Cost*:	\$4,696,295
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	1
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$373,190	\$349,923			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Heritage Square, TDHCA Number 08303

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11, NC Points: 0 US Representative: Paul, District 14, S
TX Representative: Eiland, District 23, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition: 0

Quantifiable Community Participation Input:

Heritage Square Tenant Association, Virginia Galloway Letter Score: 24 S or O: S

The community here at the apartment property will benefit greatly from the award of tax credits.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review, and acceptance, by Cost Certification, of documentation that the term of the primary mortgage to U.S. Bank has been extended to at least 15 years.
2. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
3. If the rates or terms of the proposed financing or syndication change, the transaction should be reevaluated, and an adjustment to the credit allocation may be warranted.
4. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$250,283, or a commitment from a qualifying substitute source in an amount not less than \$220,607, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Heritage Square, TDHCA Number 08303

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **211** Meeting a Required Set-Aside Credit Amount*: \$349,923

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report Addendum

REPORT DATE: 07/10/08 PROGRAM: HTC 9% FILE NUMBER: 08303

DEVELOPMENT

Heritage Square

Location: 520 3rd Avenue North Region: 6
 City: Texas City County: Galveston Zip: 77590 OCT DDA
 Key Attributes: Multifamily, Acquisition / Rehabilitation, Elderly, Urban

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION*		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$373,190			\$349,923		

* The Underwriter originally recommended a tax credit allocation of \$305,500

CONDITIONS

- 1 Receipt, review, and acceptance, by Cost Certification, of documentation that the term of the primary mortgage to U.S. Bank has been extended to at least 15 years.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 3 If the rates or terms of the proposed financing or syndication change, the transaction should be reevaluated, and an adjustment to the credit allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	18
60% of AMI	60% of AMI	29

PROS

- The proposed rehabilitation will extend the affordability and useful life of a 35-year-old property with 50 existing units.

CONS

- A portion of the Applicant's tax credit request is to fund acquisition cost which was already funded by a HUD loan that HUD granted to the Non-profit.
- Four new tax credit developments targeting seniors totaling 412 units (not including the subject) have recently been approved in this market and have or will be coming on line in the next 12 to 24 months.

- The proposed number of one-bedroom units targeting 60% elderly households and two-bedroom units targeting 50% households may be more than the demand for such units given the Market Analyst's high capture rate for these unit types.

ADDENDUM

This addendum re-evaluates the subject transaction based on the TDHCA Board's decision to grant an appeal made by the Applicant at the July 21, 2008 Board meeting. This addendum should be read in conjunction with the entire original underwriting report dated July 14, 2008. The Applicant appealed the underwriting recommendation to exclude from eligible basis the second and third lien cash flow notes which HUD had previously assigned to the Managing Member of the GP of the Applicant. The Real Estate Analysis Division maintained the position that awarding tax credits on the value of these notes amounts to a double federal subsidy on these notes. However, the Board determined that the cash flow notes should be included in the eligible acquisition basis.

The increase in acquisition basis of \$1,088,132 results in an increase in the eligible developer fee of \$163,220 for the acquisition. This amounts to an additional \$1,251,352 in 4% basis. The underwriting analysis has been amended accordingly. The recommended tax credit allocation has thereby increased from \$305,500 to \$349,923.

Underwriter:	<i>Thomas Cavanagh</i>	Date:	July 10, 2008
Reviewing Underwriter:	<i>Raquel Morales</i>	Date:	July 10, 2008
Director of Real Estate Analysis:	<i>Tom Gouris</i>	Date:	July 10, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Heritage Square, Texas City, HTC 9% #08303

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	0	1	509	\$321	\$500	\$1,500	\$0.98	\$67.00	\$47.00
TC 50%	5	0	1	509	\$535	\$500	\$2,500		\$67.00	\$47.00
TC 50%	11	1	1	671	\$573	\$614	\$6,754		\$79.00	\$47.00
TC 60%	29	1	1	671	\$687	\$614	\$17,806		\$79.00	\$47.00
TC 50%	2	2	1	1,013	\$687	\$830	\$1,660		\$101.00	\$56.00
TOTAL:	50		AVERAGE:	659		\$604	\$30,220	\$0.92	\$77.96	\$47.36

INCOME

Total Net Rentable Sq Ft: 32,938

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$6.76
 Other Support Income: Per Unit Per Month

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	3.66%	\$248	0.38
Management	6.02%	408	0.62
Payroll & Payroll Tax	14.96%	1,015	1.54
Repairs & Maintenance	5.24%	355	0.54
Utilities	7.40%	502	0.76
Water, Sewer, & Trash	4.23%	287	0.44
Property Insurance	3.78%	257	0.39
Property Tax 2.36	5.90%	400	0.61
Reserve for Replacements	4.42%	300	0.46
TDHCA Compliance Fees	0.59%	40	0.06
Security	0.27%	18	0.03
TOTAL EXPENSES	56.47%	\$3,831	\$5.82
NET OPERATING INC	43.53%	\$2,953	\$4.48

TDHCA	APPLICANT
\$362,640	\$362,640
4,056	4,056
0	
\$366,696	\$366,696
(27,502)	(25,668)
0	
\$339,194	\$341,028

COUNTY	IREM REGION	COMPT. REGION
Galveston	Houston	6
\$6.76	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.00%	of Potential Gross Income	

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage	19.53%	\$1,325	\$2.01	\$66,246	\$63,204	\$1.92	\$1,264	18.53%
Cash Flow GP Loan	18.69%	\$1,268	\$1.93	63,408	63,408	\$1.93	\$1,268	18.59%
Additional Financing	0.00%	\$0	\$0.00			\$0.00	\$0	0.00%
NET CASH FLOW	5.30%	\$360	\$0.55	\$17,988	\$19,687	\$0.60	\$394	5.77%

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)		37.62%	\$36,565	\$55.51	\$1,828,270	\$1,828,270	\$55.51	\$36,565	36.55%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		4.22%	4,102	6.23	205,103	217,753	6.61	4,355	4.35%
Direct Construction		30.71%	29,851	45.31	1,492,563	1,505,006	45.69	30,100	30.09%
Contingency	5.05%	1.76%	1,715	2.60	85,750	85,750	2.60	1,715	1.71%
Contractor's Fees	14.00%	4.89%	4,753	7.22	237,673	240,300	7.30	4,806	4.80%
Indirect Construction		5.07%	4,930	7.48	246,500	246,500	7.48	4,930	4.93%
Ineligible Costs		2.47%	2,401	3.65	120,065	250,258	7.60	5,005	5.00%
Developer's Fees	15.00%	12.07%	11,729	17.80	586,442	590,000	17.91	11,800	11.79%
Interim Financing		0.21%	200	0.30	10,000	10,000	0.30	200	0.20%
Reserves		0.97%	943	1.43	47,148	28,302	0.86	566	0.57%
TOTAL COST		100.00%	\$97,190	\$147.54	\$4,859,515	\$5,002,139	\$151.87	\$100,043	100.00%
Construction Cost Recap		41.59%	\$40,422	\$61.36	\$2,021,089	\$2,048,809	\$62.20	\$40,976	40.96%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	18.31%	\$17,800	\$27.02	\$890,000	\$890,000	\$890,000	Dev. Fee Available (incl. incl.)
Cash Flow GP Loan	21.97%	\$21,355	\$32.42	1,067,749	1,067,749	1,067,749	\$597,341
HTC Syndication Proceeds	60.66%	\$58,958	\$89.50	2,947,908	2,947,908	2,764,118	% of Dev. Fee Deferred
Deferred Developer Fees	1.99%	\$1,930	\$2.93	96,481	96,481	137,648	23%
Additional (Excess) Funds Req'd	-2.93%	(\$2,852)	(\$4.33)	(142,623)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$4,859,515	\$5,002,139	\$4,859,515	\$484,419

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Heritage Square, Texas City, HTC 9% #08303

PAYMENT COMPUTATION

Primary	\$890,000	Amort	360
Int Rate	6.32%	DCR	2.23

Secondary	\$1,067,749	Amort	360
Int Rate	4.30%	Subtotal DCR	1.14

Additional		Amort	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$66,246
Secondary Debt Service	63,408
Additional Debt Service	0
NET CASH FLOW	\$16,646

Primary	\$890,000	Amort	360
Int Rate	6.32%	DCR	2.21

Secondary	\$1,067,749	Amort	360
Int Rate	4.30%	Subtotal DCR	1.13

Additional	\$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	\$362,640	\$373,519	\$384,725	\$396,267	\$408,155	\$473,163	\$548,526	\$635,891	\$854,585
Secondary Income	4,056	4,178	4,303	4,432	4,565	5,292	6,135	7,112	9,558
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	366,696	377,697	389,028	400,699	412,720	478,455	554,661	643,004	864,143
Vacancy & Collection Loss	(25,668)	(28,327)	(29,177)	(30,052)	(30,954)	(35,884)	(41,600)	(48,225)	(64,811)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$341,028	\$349,370	\$359,851	\$370,646	\$381,766	\$442,571	\$513,061	\$594,778	\$799,332
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$14,038	\$14,600	\$15,184	\$15,791	\$16,422	\$19,980	\$24,309	\$29,576	\$43,780
Management	20,442	20,942	21,570	22,217	22,884	26,529	30,754	35,652	47,914
Payroll & Payroll Tax	43,782	45,533	47,355	49,249	51,219	62,315	75,816	92,242	136,541
Repairs & Maintenance	15,103	15,707	16,335	16,989	17,668	21,496	26,154	31,820	47,101
Utilities	21,238	22,088	22,971	23,890	24,845	30,228	36,777	44,745	66,234
Water, Sewer & Trash	14,596	15,180	15,787	16,419	17,075	20,775	25,276	30,752	45,520
Insurance	11,852	12,326	12,819	13,332	13,865	16,869	20,524	24,970	36,962
Property Tax	35,771	37,202	38,690	40,238	41,847	50,913	61,944	75,364	111,557
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	2,907	3,023	3,144	3,270	3,401	4,138	5,034	6,125	9,066
TOTAL EXPENSES	\$194,729	\$202,200	\$210,079	\$218,267	\$226,775	\$274,593	\$332,563	\$402,849	\$591,454
NET OPERATING INCOME	\$146,299	\$147,169	\$149,772	\$152,380	\$154,991	\$167,978	\$180,498	\$191,930	\$207,878
DEBT SERVICE									
First Lien Financing	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246
Second Lien	63,408	63,408	63,408	63,408	63,408	63,408	63,408	63,408	63,408
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$16,646	\$17,516	\$20,118	\$22,726	\$25,337	\$38,324	\$50,845	\$62,276	\$78,225
DEBT COVERAGE RATIO	1.13	1.14	1.16	1.18	1.20	1.30	1.39	1.48	1.60

HTC ALLOCATION ANALYSIS -Heritage Square, Texas City, HTC 9% #08303

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$90,000	\$98,400				
Original Closing Costs	\$97,844	\$97,844				
Commision to related party (Steele)	\$177,600	\$177,600				
Granted HUD Loans		\$1,088,132				
Purchase of buildings	\$1,640,426	\$1,632,026	\$1,640,426	\$1,632,026		
Off-Site Improvements						
Sitework	\$217,753	\$205,103			\$217,753	\$205,103
Construction Hard Costs	\$1,505,006	\$1,492,563			\$1,505,006	\$1,492,563
Contractor Fees	\$240,300	\$237,673			\$240,300	\$237,673
Contingencies	\$85,750	\$85,750			\$85,750	\$85,750
Eligible Indirect Fees	\$246,500	\$246,500			\$246,500	\$246,500
Eligible Financing Fees	\$10,000	\$10,000			\$10,000	\$10,000
All Ineligible Costs	\$250,258	\$120,065				
Developer Fees				\$244,804		\$341,638
Developer Fees	\$590,000	\$586,442	\$245,291		\$344,709	
Development Reserves	\$28,302	\$47,148				
TOTAL DEVELOPMENT COSTS	\$5,179,739	\$6,125,247	\$1,885,717	\$1,876,830	\$2,650,018	\$2,619,228

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,885,717	\$1,876,830	\$2,650,018	\$2,619,228
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,885,717	\$1,876,830	\$3,445,024	\$3,404,996
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,885,717	\$1,876,830	\$3,445,024	\$3,404,996
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$66,943	\$66,627	\$286,626	\$283,296

Syndication Proceeds	0.7899	\$528,797	\$526,305	\$2,264,120	\$2,237,813
Total Tax Credits (Eligible Basis Method)				\$353,569	\$349,923
Syndication Proceeds				\$2,792,917	\$2,764,118
Requested Tax Credits				\$373,190	
Syndication Proceeds				\$2,947,908	
Gap of Syndication Proceeds Needed					\$2,901,766
Total Tax Credits (Gap Method)					\$367,349



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/10/08 PROGRAM: HTC 9% FILE NUMBER: 08303

DEVELOPMENT

Heritage Square

Location: 520 3rd Avenue North Region: 6
 City: Texas City County: Galveston Zip: 77590 OCT DDA
 Key Attributes: Multifamily, Acquisition / Rehabilitation, Elderly, Urban

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$373,190			\$305,500		

CONDITIONS

- 1 Receipt, review, and acceptance, by Cost Certification, of documentation that the term of the primary mortgage to U.S. Bank has been extended to at least 15 years.
- 2 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 3 If the rates or terms of the proposed financing or syndication change, the transaction should be reevaluated, and an adjustment to the credit allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	18
60% of AMI	60% of AMI	29

PROS

- The proposed rehabilitation will extend the affordability and useful life of a 35-year-old property with 50 existing units.

CONS

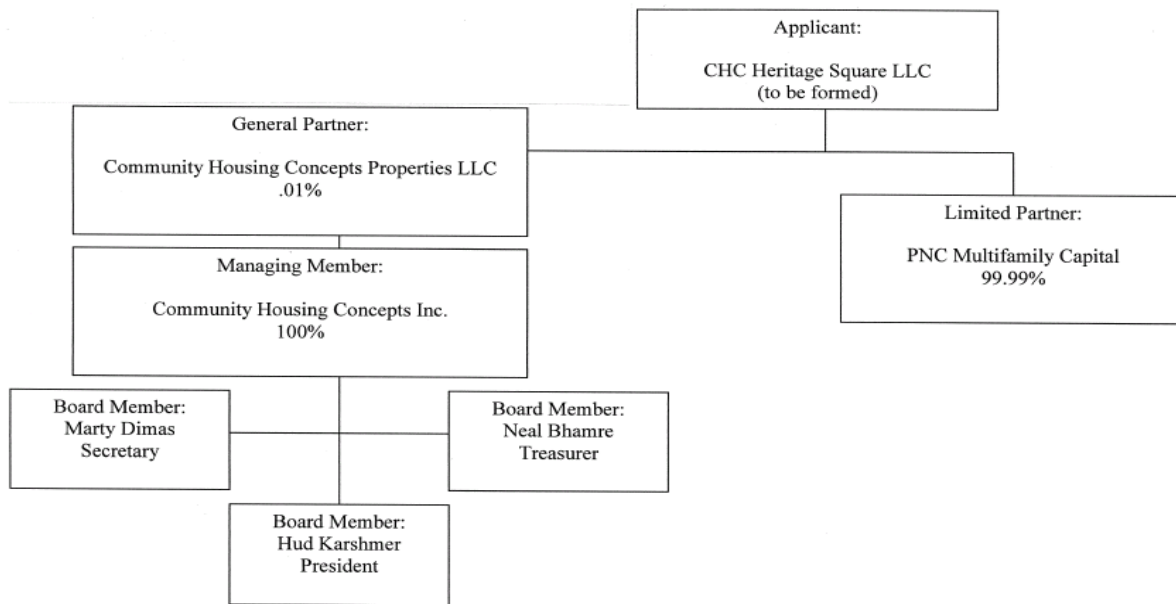
- A portion of the Applicant's tax credit request is to fund acquisition cost which was already funded by a HUD loan that HUD granted to the Non-profit.
- Four new tax credit developments targeting seniors totaling 412 units (not including the subject) have recently been approved in this market and have or will be coming on line in the next 12 to 24 months.
- The proposed number of one-bedroom units targeting 60% elderly households and two-bedroom units targeting 50% households may be more than the demand for such units given the Market Analyst's high capture rate for these unit types.

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Chad Asarch Phone: (303) 322-8888 Fax: (303) 322-2320
 Email: chad@steelellc.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Community Housing Concepts Properties, LLC	N/A	None
Community Housing Concepts, Inc.	N/A	
Hud Karshmer	N / A	
Marty Dimas	N / A	
Neal Bhamre	N / A	

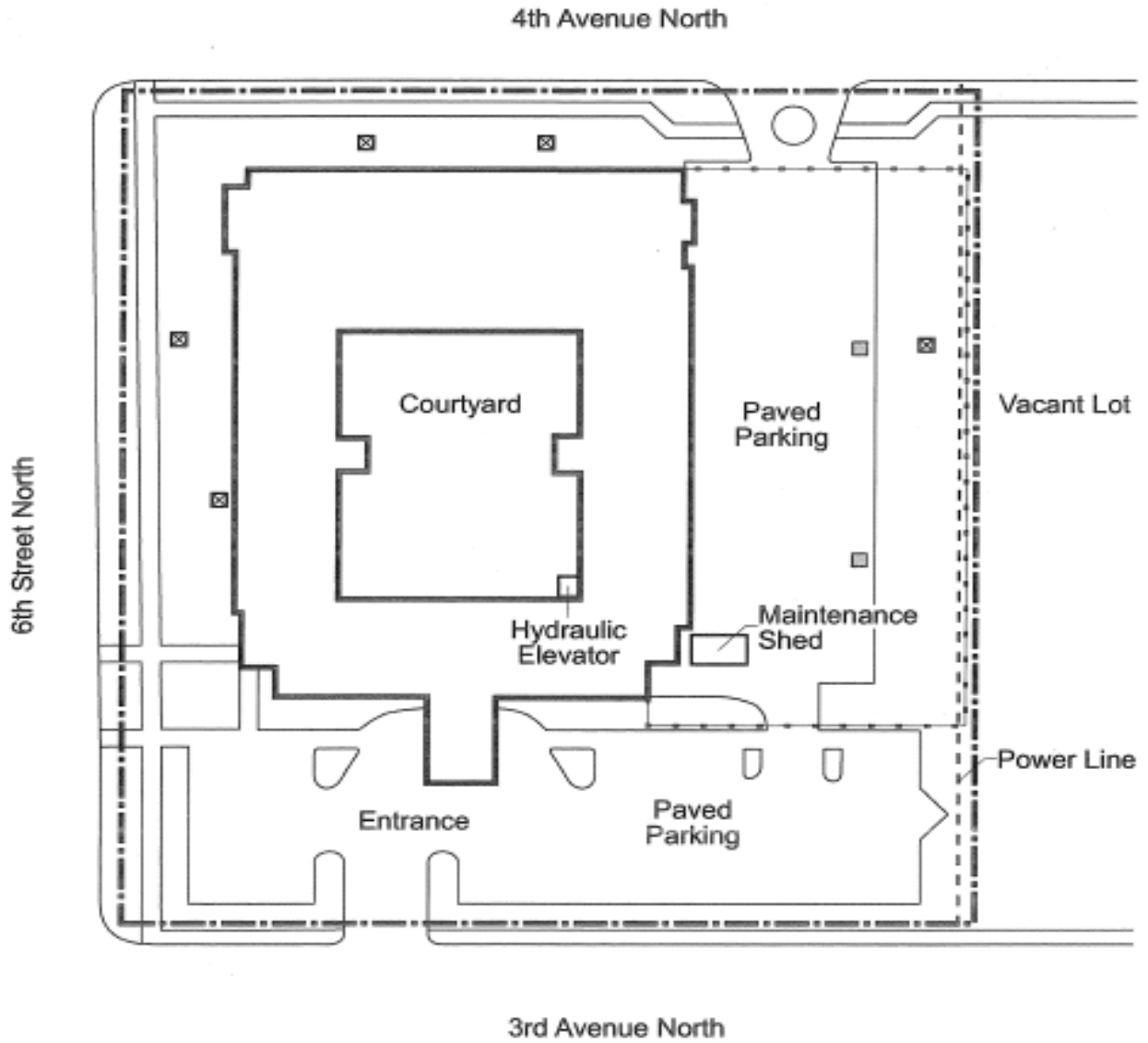
IDENTITIES of INTEREST

- The Applicant, Developer, and Property Manager are related entities. These are common relationships for HTC-funded developments.
- Community Housing Concepts, Inc. (CHC), the 100% Managing Member of the GP, is a Qualifying Non-Profit under the HUD Mark-to-Market (M2M) program. Hud Karshmer, the president of CHC, is also a 1/3 member of Steele Properties, LLC, the for-profit Developer, and a principal in the Monroe Group, the Property Manager .

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PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C																Total Buildings
Floors/Stories	2																		
Number	1																		1

BR/BA	SF	Units										Total Units	Total SF	
0 / 1	509	8											8	4,072
1 / 1	671	40											40	26,840
2 / 1	1,013	2											2	2,026
Units per Building	50												50	32,938

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A Property Condition Assessment (PCA) was provided by Aestimo, Inc. "The property was reportedly developed in a single phase in 1983 and includes 50 dwelling units in one two-story building ... The overall condition is fair, considering its age and usage ... A significant renovation is planned for the property and reportedly will include renovations and upgrades to the parking areas, landscaping, perimeter fencing, leasing office, community room, common area; replace doors, windows, window frames, siding, fascia, soffits, roofs, gutters and downspouts; replace all appliances, cabinets, toilets, bathtubs, and bathroom hardware, interior lighting, and smoke detectors, and improve ADA accessibility of common areas and interior units." The PCA identifies \$1.7 million in immediate renovations to be completed as part of the developer's scope of work, as well as \$465K in capital requirements over a 30 year period.

SITE ISSUES

Total Size: 2.2017 acres Scattered site? Yes No
 Flood Zone: B Within 100-yr floodplain? Yes No
 Zoning: MF Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/24/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Commercial East: Daycare / vacant lot
 South: Commercial West: Commercial

Comments:

The inspector noted concerns such as "poor / limited handicap access around the property, AC units aren't adequate (hotel style units), lighting is poor, there are security concerns, a refinery is visible from the site".

Comments:

The Multifamily HTC Administrator reviewed the site inspection report and documented the fact that significant deficiencies identified by the inspector will be addressed by the rehabilitation.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: URS Date: 3/7/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- This assessment has revealed no evidence of recognized environmental conditions associated with the subject site.
- Based on the construction date of the subject buildings (1983), URS collected drinking water samples at the subject property as part of a prior assessment conducted at the subject property in September 2007 to evaluate whether lead concentrations above the action level established by the EPA were present ... Drinking water samples collected from the subject property did not exceed the EPA action level.

MARKET HIGHLIGHTS

Provider: Gill Group, Inc. Date: 3/17/2008
 Contact: Steve Murphy Phone: (573) 624-6614 Fax: (573) 624-2942
 Number of Revisions: none Date of Last Applicant Revision: N / A

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Primary Market Area (PMA): 114 sq. miles 6 mile radius

The subject's market area is defined as the following census tracts:

48167721900	48167722300	48167722700	48167723000	48167723300
48167722000	48167722400	48167722800	48167723100	48167723700
48167722100	48167722500	48167722900	48167723200	48167723800
48167722200	48167722600			

The primary market area has a population of 71,503, including 10,995 senior households.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Village at Morningstar	04213	100	100				
Cedar Drive Village	060034	36	36				
Morningstar Villas	07293	36	36				
Mansions at Moses Lake	08402	240	240				
Highland Manor	08198	141	141				

INCOME LIMITS						
Galveston						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
0 BR / 30%	23	11		34	3	0	9%
0 BR / 50%	49	29		78	5	0	6%
1 BR / 50%	75	26		101	11	35	46%
1 BR / 60%	79	43		122	29	75	85%
2 BR / 50%	17	1		18	2	19	117%

UNDERWRITER'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
0 BR / 30%	33	35		68	3	0	4%
0 BR / 50%	44	47		92	5	0	5%
1 BR / 50%	52	56		108	11	35	43%
1 BR / 60%	40	44		83	29	75	125%
2 BR / 50%	18	20		38	2	19	55%

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OVERALL DEMAND						
	Target Households	Household Size	Income Eligible	Tenure	Demand	
PMA DEMAND from TURNOVER						
Market Analyst p. 146				577	25%	144
Underwriter	11,003	100% 11,003	66% 7,241	18% 1,329	25%	332
PMA DEMAND from HOUSEHOLD GROWTH						
Market Analyst p. 146						43
Underwriter		100% 306	66% 201	18% 37	100%	37
INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 146	50	560		610	187	326%
Underwriter	50	553		603	369	163%

Primary Market Occupancy Rates:

"There were 14 conventional properties surveyed in the market area. Of the 1,876 units surveyed, 140 were vacant. An overall market vacancy of seven percent was determined. There were four affordable housing properties surveyed in the market area. There were seven vacant units of the total 532 units surveyed. Therefore, an affordable housing vacancy rate of one percent was determined."

"The subject is currently 96 percent occupied with one studio unit vacant. According to the subject's historical financial statements, the subject's occupancy rate has ranged from 95 to 98 percent over the past four years. The subject will be renovated but no displacement of residents will be required. Therefore, a capture rate of 0.5 percent was determined for the subject's vacant units."

The underwriting analysis identified demand for 332 units due to household turnover, and demand for 37 units due to household growth, resulting in an inclusive capture rate of 163%. The underwriting capture rate limit for new senior developments is 75%; however, the subject is currently 96% occupied with most tenants expected to remain during and after the renovation. The inclusive capture rate is therefore not a meaningful tool to evaluate the feasibility of the project.

Absorption Projections:

"The subject is an existing development that contains 50 units. The property is currently 96 percent occupied with one studio unit vacant. The subject will be renovated. However, no displacement of tenants will be required. Therefore, after researching the vacancy rates of the existing units in the area, it is firmly believed that the existing development will maintain its stabilized occupancy level." (p. 68)

Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
0 BR 509 SF 30%	500	500	\$460	\$500	\$0
0 BR 509 SF 50%	500	500	\$460	\$500	\$0
1 BR 671 SF 50%	614	614	\$535	\$614	\$0
1 BR 671 SF 60%	614	614	\$535	\$614	\$0
2 BR 1,013 SF 50%	830	830	\$705	\$830	\$0

Market Impact:

"The existing development will not have an adverse impact on the market area. Its studio, one- and two-bedroom units are suitable in the market." (p. 69)

Comments:

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

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 415 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 46 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the subject property is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/28/2008

The Applicant's projected income is based on contract rents as defined by a Section 8 Full Mark-to-Market Housing Assistance Payment (HAP) contract with HUD. All units in the development are subject to this contract, under which tenants are required to pay up to 30% of their household income, and HUD makes up the difference up to the contract rent for the unit. While different units have income limits set at 30%, 50% and 60% of AMI, the contract rent is the same for each studio, and for each one-bedroom, and for each two-bedroom. The contract rents have been used in the underwriting analysis. The Applicant has included secondary non-rental income of \$6.76 per unit per month; this is consistent with underwriting guidelines. The Applicant has allowed for losses due to vacancy and collection equal to 7.0% of potential income; the underwriting analysis has assumed the standard minimum losses of 7.5%. Overall, the Applicant's projected effective gross income is within 1% of the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/28/2008

The Applicant's projected annual operating expenses total \$3,895 per unit. This is within 2% of the underwriting estimate of \$3,831, derived from the actual expenses of the property as well as the TDHCA database, IREM averages, and other sources. The line items with the most significant variation include property tax (the Applicant's projection is \$16K higher than the underwriting estimate); and payroll (the Applicant's projection is \$7K lower than the underwriting estimate).

The Applicant's projected property tax is higher than the subject's historical tax liability; and, since the Sole Managing Member of the General Partner of the Applicant is a non-profit, the subject property will likely qualify for a 50% tax exemption. The Underwriter's analysis has assumed full property taxes at the current assessed value of \$17K per unit, however, should the development receive a 50% property tax exemption based on the non-profit status of the managing member of the GP, this would impact the cashflow of the property. The current assessed value (\$17K per unit) is considerably less than the income method would suggest (\$30K per unit), such that a 50% exemption would be offset by the potential increase in assessed value.

Conclusion:

The Applicant's projected effective gross income, annual operating expenses, and net operating income (NOI) are each within 5% of the underwriting estimates. As a result, the Applicant's figures will be used to determine debt capacity and financial feasibility. The Applicant's estimates combined with the financing structure as presented in the application result in a debt coverage ratio (DCR) of 1.16, which falls within the Department's guidelines.

As referenced previously, the development is part of the Mark-to-Market (M2M) program. The goal of this program is to reposition a property financially and physically to provide long term affordable housing. The M2M program allows HUD to restructure the debt on properties that are FHA insured, where project-based Section 8 HAP contract rents are above market. At the conclusion of the M2M debt restructure, above-market rents are reduced to market, and generally a new, smaller first mortgage is established. The amount of the restructured M2M debt is not forgiven, but rather the project carries this amount as additional debt in second and third mortgages that are payable out of available cash flow over time or at the time the project is sold or refinanced.

It is worth noting that two separate debt service payments are reflected in the subject application. The first debt service of \$63,204 corresponds to the new primary mortgage loan of \$890K from U.S. Bank. The second debt service of \$63,408 corresponds to the second and third mortgage notes that were assigned by HUD to Community Housing Concepts, Inc. (CHC) in the amount of \$1,067,749. The second and third mortgage notes are cash flow loans payable to CHC, Inc., the managing member of the GP. While the Applicant reflected debt service on all loan amounts, only half of the debt service claimed (\$63,204 per year) carries an actual obligation for payment. Therefore, if this analysis were to consider only the primary mortgage debt service along with the Applicant's Year One proforma, the DCR for the property would be 2.21, which is significantly above the Department's maximum guideline of 1.35.

However, the Applicant provided documentation explaining that in exchange for the HUD assignments to CHC, Inc. for a nominal transfer fee, the non-profit is obligated to use the cash flow received for the payment of the second and third loans, which would otherwise be paid to HUD in the absence of assignment, to provide additional services to the property. Therefore, the Applicant's debt service amount of \$63,408 for the assigned notes appears to reflect the amount that would be re-invested into the property in the form of services for the tenants of Heritage Square. To the extent that these notes are included as a development cost, it is appropriate to reflect them as a source of funds and show them as part of the debt service. As such, the Underwriter has reflected this amount in debt service for the purposes of determining the DCR.

Feasibility:

The Applicant's projections and proposed financing structure are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. The Underwriter's calculated debt service on the primary mortgage amount (based on the terms reflected in the financing commitment) is higher than the Applicant's estimate reflected in the Application, resulting in an actual Year One DCR of 1.13, which falls slightly below the Department's minimum guideline of 1.15. However, as a development receiving Project-Based Section 8 Rental Assistance, the Applicant is exempt from meeting the minimum DCR requirement. In addition there is nothing to prohibit the parent non-profit from reducing the interest rate on the subordinate debt to allow for a lower DCR or allow it to be paid out of available cash flow. This analysis indicates continued positive cash flow, with a DCR reaching 1.15 by Year 3 and a DCR that remains above 1.15 throughout the proforma period. The project can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>National Valuation Consultants, Inc.</u>	Date:	<u>3/21/2008</u>
Number of Revisions:	<u>1</u>	Date of Last Applicant Revision:	<u>3/21/2008</u>
Land Only:	2.2 acres	\$95,908	As of: <u>3/21/2008</u>
Existing Buildings: (as-is)		\$1,904,092	As of: <u>3/21/2008</u>
Total Development: (as-is)		\$2,000,000	As of: <u>3/21/2008</u>

Comments:

The original appraisal, dated October 15, 2007, did not include an indication of land value. A supplement to the appraisal, dated March 21, 2008, indicated a land value of \$90,000. This was based in part on Galveston County CAD public records showing the property to be 89,603 sq. ft., or 2.057 acres. However, the application indicates the site to be 2.2 acres; this is supported by a survey dated October 1, 2007, and the legal description referenced by the title commitment, which defines the site as containing 95,908 sq. ft. The Underwriter contacted the Appraiser to inquire if this updated information would impact the appraised value. The Appraiser responded by email that the concluded value was \$1.00 per sq. ft.; therefore, the total value should now be considered \$95,908 (rounded to \$96,000).

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The appraisal cites seven comparable sales to determine land value. These comparables are literally all over the map, scattered from Orange County to Fort Worth to Corpus Christi; and the reported prices range from \$0.12 per square foot to \$1.27. The Appraiser concluded a value of \$0.13 per square foot. The Underwriter questioned the relevance of such widespread comparables. The Appraiser responded that 360 sales were identified dating back to 2000; the list was narrowed to 20 based on relevance, and that the seven eventually used were the only sales for which details could be confirmed. This explanation is rather dubious given the Department's extensive web site listings of new tax credit developments in Galveston and Harris County areas. Two of the comparables listed among those presented by the Appraiser were actually in Texas City and La Marque and at the mid to high end of the range (\$1.27 and \$0.69 per foot) though they were heavily discounted.

ASSESSED VALUE

Land Only: 2.06 acres	\$98,400	Tax Year:	2007
Existing Buildings:	\$751,610	Valuation by:	Galveston County CAD
Total Assessed Value:	\$850,010	Tax Rate:	2.35574

EVIDENCE of PROPERTY CONTROL

Type: <u>Special Warranty Deed</u>	Acreage: <u>N / A</u>
Deed Date: <u>10/31/2007</u>	Valid Through Board Date? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Acquisition Cost: <u>\$1,730,426</u>	Other: _____
Seller: <u>Heritage Square, Ltd.</u>	Related to Development Team? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Comments:

The original purchase of the subject property was part of an eight property acquisition between AIMCO (seller) and Community Housing Concepts, Inc. (buyer). The sales price for Heritage Square was \$1,730,426 or \$34,609/unit. As discussed previously, the property came under HUD's Mark to Market (M2M) program in 2004, in which the debt burden was restructured to bring the cash flow in line with the market value of the property. HUD paid down the primary mortgage on the property to \$376,000, and created two additional notes payable to HUD from cash flow: a Mortgage Restructuring Note (The Second Note), in the amount of \$919,500, and a Contingent Repayment Note (the Third Note), in the amount of \$283,838.

Prior to the acquisition of the property by the GP of the Applicant, HUD assigned the second and third notes to the GP, which in turn assigned the notes to the Sole Managing Member of the GP. The GP then acquired the property with a first mortgage for \$890,000 (thereby adding \$514,000 in primary debt). The settlement statement identifies a purchase price of \$1,730,000, comprised of three main components: the new first loan for \$890K, and the second and third notes. There is no relationship disclosed between the buyer and the seller, however according to his bio, one of the Principles of the Developer, Chad Asarch, was an employee of the seller or a related entity until 2006. This is not considered to be an identity of interest transaction.

There is, however, a question as to whether the value of the second and third loans that were granted by HUD to the General Partner are to be included in determining the acquisition basis for the development. The Applicant contends that the loans remain real and actual obligations that were obtained for valuable consideration and, therefore, should be included in the development's basis for acquisition. But the fact that the notes were acquired with restrictions does not change the fact that they were acquired at no cost beyond the assignment fee.

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HUD assigned/granted the second and third notes to the GP of the Applicant, which in turn transferred them to its parent; therefore, receiving a subsidy such as tax credits to compensate for the value of a note for which the Applicant (or its related entities) did not pay does not appear to be a prudent use of the Department's funds. In fact it would appear to be a double subsidy on the acquisition. The Underwriter acknowledges that as part of the assignment by HUD for these notes the Applicant has agreed to a number of restrictions including a 50-year affordability period and an agreement to reinvest any amount of debt service associated with these notes back into the property to provide needed services to the tenants of Heritage Square. These restrictions do not increase the cost of the acquisition or even amount to a cost of the acquisition; they may restrict the overall value of what was received, but the notes were still received at no cost beyond the transfer fee.

The eligibility of the second and third notes has been discussed at length with the Applicant. It is the Underwriter's conclusion that, other than the transfer fee, the amounts of the second and third loans be disallowed from the development's acquisition basis so that the Applicant is not compensated for the acquisition again; it is arguable the notes should be excluded from the transaction in total because the notes were not obtained for any value but for a transfer fee. The transfer fee of \$32,702 and the interest on the note paid by the seller at closing (\$9,263) have been factored into the Underwriter's acquisition basis; the subordinate notes have been included in the total cost but not in the tax credit eligible basis. The effective sales price for basis purposes (including land) is \$1,730,426 minus \$1,088,132 or \$642,294.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 7/3/2008

Acquisition Value:

The Applicant claimed a total acquisition cost of \$2,005,870. This amount consists of the \$1,730,000 sales price as reflected in the settlement statement for Heritage Square Apartments plus \$275,000 in closing costs. Additional information provided by the Applicant revealed that the closing costs include \$177K in broker fees paid to the related party developer. These fees were correctly considered ineligible by the Applicant but should be limited to 15% of ineligible costs which is consistent with the developer fee limit guidelines of the Department. Therefore, the Underwriter has moved the \$177K related party broker fee to ineligible developer fees, limiting the fee to 15% of all ineligible costs. As a result of this adjustment the actual total acquisition cost is \$1,828,270.

Of the \$1,730,426 contract sales price, the Applicant allocated 95% (\$1,640,426) to buildings and 5% (\$90,000) to land. It should be noted that the Applicant allocated \$90K towards land value based on the original appraisal submitted with the application. However, as discussed in the Appraised Value section of the report, the Appraiser revised this value of the land upwards based on inconsistent information regarding the total acreage of the site.

The 2008 Real Estate Analysis Rules state: "In the case where the land value indicated by either the appraisal or tax assessment is greater than the prorata land value attributed to the sales price ... the greater of the land value in the appraisal or tax assessment is deducted from the sales price to determine the acquisition basis (of the buildings)". Therefore, the Underwriter deducted the assessed value of \$98,400 from \$642,294 (the effective sales price for basis purposes, as explained above) to determine an eligible building acquisition basis of \$543,894.

Sitework Cost:

The development cost schedule submitted by the Applicant claimed site work costs of \$218K, or \$4,355 per unit. This is well below the underwriting limit of \$9,000 per unit, therefore, no further substantiation is required. The Applicant's total is 6% less than the site work costs of \$205K indicated in the Property Condition Assessment (after several items in the PCA were shifted to direct construction for consistency with the development cost schedule). The PCA value will be used for underwriting purposes.

Direct Construction Cost:

The development cost schedule submitted by the Applicant claimed direct construction costs of \$1.5 million, 1% greater than the total indicated by the PCA. The PCA value will be used for underwriting purposes.

Ineligible Costs:

As explained above, a 15% ineligible developer fee of \$47,407 has been included with ineligible costs in lieu of the \$177,600 related-party broker fee claimed by the Applicant.

Interim Interest Expense:

The Applicant has not claimed any eligible interim interest expense.

Contingency & Fees:

The Applicant applied the entire eligible developer fee to the rehabilitation cost; this inappropriately applies the 30% boost and 9% credits to the entire fee amount. Department rules require that developer fee be allocated proportionately between acquisition and rehabilitation costs. The underwriting analysis has reallocated the eligible developer fee accordingly.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. Thus, the Underwriter's development cost schedule, as derived from the PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis. The eligible acquisition basis of \$625,478 supports an annual allocation of \$22,204 in 4% tax credits; the rehabilitation basis of \$2,619,228 is increased by the high cost area 30% boost; the adjusted basis of \$3,404,996 supports an annual allocation of \$283,296 in 9% credits. The total of \$305,500 will be compared to the allocation requested by the Applicant and the allocation amount based on the gap in need for permanent funds to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 7/3/2008

Source: Southeast Texas Housing Finance Corp Type: Interim Financing

Principal: \$250,283 Interest Rate: AFR Fixed Term: 12 months

Comments:

The Applicant provided a Certificate of Intent to Apply for interim financing from Southeast Texas Housing Finance Corp.

Source: Lee Mendel Type: Interim Financing

Principal: \$100,113 Interest Rate: TBD Fixed Term: 12 months

Comments:

The Applicant provided a commitment letter for private interim financing, "the terms of which will be determined should the application receive an award."

Source: U.S. Bank Type: Permanent Financing

Principal: \$890,000 Interest Rate: 6.32% Fixed Amort: 360 months

Comments:

The acquisition of the property occurred on October 31, 2007. The Applicant provided a promissory note for a first lien mortgage with U. S. Bank in the amount of \$890,000, at 6.32%, amortized over 30 years with a balloon payment due after five years. The Applicant was informed that the Department requires permanent financing to carry a term of at least 15 years; the Applicant subsequently provided a letter from U.S. Bank stating "only in the event we approve of the Transaction under the terms set forth in our prior letter ... then as part of such approval we also would approve extending the term of the loan to fifteen years". A condition of this report will be receipt, review, and acceptance, by Cost Certification, of documentation that the term of the first mortgage loan to U.S. Bank has been extended to at least 15 years.

Source: Community Housing Concepts, Inc. Type: Permanent Financing

Principal: \$793,272 Interest Rate: 4.3% Fixed Amort: 360 months

Comments:

A Mortgage Restructuring Note, originated in 2004 in the principal amount of \$919,500, payable to HUD from available cash flow, at 1% interest over 30 years; the note has been assigned to Community Housing Concepts, Inc., the parent of the General Partner, who, in turn, is serving as lender for this note at a modified interest rate of 4.3% (AFR at the time of modification).

Source: Community Housing Concepts, Inc. Type: Permanent Financing

Principal: \$274,477 Interest Rate: 4.3% Fixed Amort: 360 months

Comments:

A Contingent Repayment Note, originated in 2004 in the principal amount of \$283,477, payable to HUD from available cash flow, at 1% interest over 30 years; the note has been assigned to Community Housing Concepts, Inc., the parent of the General Partner, who, in turn, is serving as lender for this note at a modified interest rate of 4.3% (AFR at the time of modification).

Source: PNC MultiFamily Capital Type: Syndication

Proceeds: \$2,947,908 Syndication Rate: 79% Anticipated HTC: \$ 373,190

Comments:

If the syndication price increases to 93.6 cents or greater, the proceeds would exceed the gap in financing, and the allocation should be adjusted accordingly. If the syndication price falls to 77.5 cents or less, the additional funds required would exceed the deferrable developer fee, and the transaction would have to be characterized as infeasible.

Amount: \$96,481 Type: Deferred Developer Fees

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

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CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio within the Department's guidelines.

The Underwriter's total development cost estimate less the primary permanent loan of \$890,000 and the two cash flow notes totaling \$1,067,749 indicates the need for \$2,738,546 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$346,686 annually would be required to fill this gap in financing. The three possible tax credit allocation amounts are:

Tax Credit Allocation Determined by Eligible Basis:	\$305,500
Tax Credit Allocation Requested by Applicant:	\$373,190
Tax Credit Allocation Determined by Gap in Financing:	\$346,686

The allocation amount determined by the Underwriter's eligible basis is recommended. An annual allocation of \$305,500 results in total equity proceeds of \$2,413,211 at a syndication price of \$0.79 per tax credit dollar. The underwriter's recommended financing structure indicates the need for \$325,335 in additional permanent funds. Deferred developer fees in this amount appear to be repayable by Year 15.

Underwriter:	_____	Date:	July 10, 2008
	<i>Thomas Cavanagh</i>		
Reviewing Underwriter:	_____	Date:	July 10, 2008
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	July 10, 2008
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Heritage Square, Texas City, HTC 9% #08303

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	0	1	509	\$321	\$500	\$1,500	\$0.98	\$67.00	\$47.00
TC 50%	5	0	1	509	\$535	\$500	\$2,500		\$67.00	\$47.00
TC 50%	11	1	1	671	\$573	\$614	\$6,754		\$79.00	\$47.00
TC 60%	29	1	1	671	\$687	\$614	\$17,806		\$79.00	\$47.00
TC 50%	2	2	1	1,013	\$687	\$830	\$1,660		\$101.00	\$56.00
TOTAL:	50		AVERAGE:	659		\$604	\$30,220	\$0.92	\$77.96	\$47.36

INCOME

Total Net Rentable Sq Ft: **32,938**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$6.76
 Other Support Income: Per Unit Per Month

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	3.66%	\$248	0.38
Management	6.02%	408	0.62
Payroll & Payroll Tax	14.96%	1,015	1.54
Repairs & Maintenance	5.24%	355	0.54
Utilities	7.40%	502	0.76
Water, Sewer, & Trash	4.23%	287	0.44
Property Insurance	3.78%	257	0.39
Property Tax 2.36	5.90%	400	0.61
Reserve for Replacements	4.42%	300	0.46
TDHCA Compliance Fees	0.59%	40	0.06
Security	0.27%	18	0.03
TOTAL EXPENSES	56.47%	\$3,831	\$5.82
NET OPERATING INC	43.53%	\$2,953	\$4.48

	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT	\$362,640	\$362,640	Galveston	Houston	6
Secondary Income	4,056	4,056	\$6.76	Per Unit Per Month	
Other Support Income:	0		\$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME	\$366,696	\$366,696			
Vacancy & Collection Loss	(27,502)	(25,668)	-7.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions	0				
EFFECTIVE GROSS INCOME	\$339,194	\$341,028			
EXPENSES			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	\$12,412	\$14,038	\$0.43	\$281	4.12%
Management	\$20,412	20,442	0.62	409	5.99%
Payroll & Payroll Tax	\$50,738	43,782	1.33	876	12.84%
Repairs & Maintenance	\$17,757	15,103	0.46	302	4.43%
Utilities	\$25,108	21,238	0.64	425	6.23%
Water, Sewer, & Trash	\$14,363	14,596	0.44	292	4.28%
Property Insurance	\$12,834	11,852	0.36	237	3.48%
Property Tax 2.36	\$20,024	35,771	1.09	715	10.49%
Reserve for Replacements	15,000	15,000	0.46	300	4.40%
TDHCA Compliance Fees	2,000	2,000	0.06	40	0.59%
Security	907	907	0.03	18	0.27%
TOTAL EXPENSES	\$191,553	\$194,729	\$5.91	\$3,895	57.10%
NET OPERATING INC	\$147,641	\$146,299	\$4.44	\$2,926	42.90%
DEBT SERVICE					
First Lien Mortgage	\$66,246	\$63,204	\$1.92	\$1,264	18.53%
Cash Flow GP Loan	63,408	63,408	\$1.93	\$1,268	18.59%
Additional Financing			\$0.00	\$0	0.00%
NET CASH FLOW	\$17,988	\$19,687	\$0.60	\$394	5.77%
AGGREGATE DEBT COVERAGE RATIO	1.14	1.16			
RECOMMENDED DEBT COVERAGE RATIO		1.13			

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)		38.93%	\$36,565	\$55.51	\$1,828,270	\$1,828,270	\$55.51	\$36,565	36.55%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		4.37%	4,102	6.23	205,103	217,753	6.61	4,355	4.35%
Direct Construction		31.78%	29,851	45.31	1,492,563	1,505,006	45.69	30,100	30.09%
Contingency	5.05%	1.83%	1,715	2.60	85,750	85,750	2.60	1,715	1.71%
Contractor's Fees	14.00%	5.06%	4,753	7.22	237,673	240,300	7.30	4,806	4.80%
Indirect Construction		5.25%	4,930	7.48	246,500	246,500	7.48	4,930	4.93%
Ineligible Costs		2.56%	2,401	3.65	120,065	250,258	7.60	5,005	5.00%
Developer's Fees	15.00%	9.01%	8,464	12.85	423,223	590,000	17.91	11,800	11.79%
Interim Financing		0.21%	200	0.30	10,000	10,000	0.30	200	0.20%
Reserves		1.00%	943	1.43	47,148	28,302	0.86	566	0.57%
TOTAL COST		100.00%	\$93,926	\$142.58	\$4,696,295	\$5,002,139	\$151.87	\$100,043	100.00%
Construction Cost Recap		43.04%	\$40,422	\$61.36	\$2,021,089	\$2,048,809	\$62.20	\$40,976	40.96%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	18.95%	\$17,800	\$27.02	\$890,000	\$890,000	\$890,000	Dev. Fee Available (incl. incl.)
Cash Flow GP Loan	22.74%	\$21,355	\$32.42	1,067,749	1,067,749	1,067,749	\$434,121
HTC Syndication Proceeds	62.77%	\$58,958	\$89.50	2,947,908	2,947,908	2,413,211	% of Dev. Fee Deferred
Deferred Developer Fees	2.05%	\$1,930	\$2.93	96,481	96,481	325,335	75%
Additional (Excess) Funds Req'd	-6.51%	(\$6,117)	(\$9.29)	(305,843)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$4,696,295	\$5,002,139	\$4,696,295	\$484,419

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Heritage Square, Texas City, HTC 9% #08303

PAYMENT COMPUTATION

Primary	\$890,000	Amort	360
Int Rate	6.32%	DCR	2.23

Secondary	\$1,067,749	Amort	360
Int Rate	4.30%	Subtotal DCR	1.14

Additional		Amort	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE

APPLICANT'S NOI:

Primary Debt Service	\$66,246
Secondary Debt Service	63,408
Additional Debt Service	0
NET CASH FLOW	\$16,646

Primary	\$890,000	Amort	360
Int Rate	6.32%	DCR	2.21

Secondary	\$1,067,749	Amort	360
Int Rate	4.30%	Subtotal DCR	1.13

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.13

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

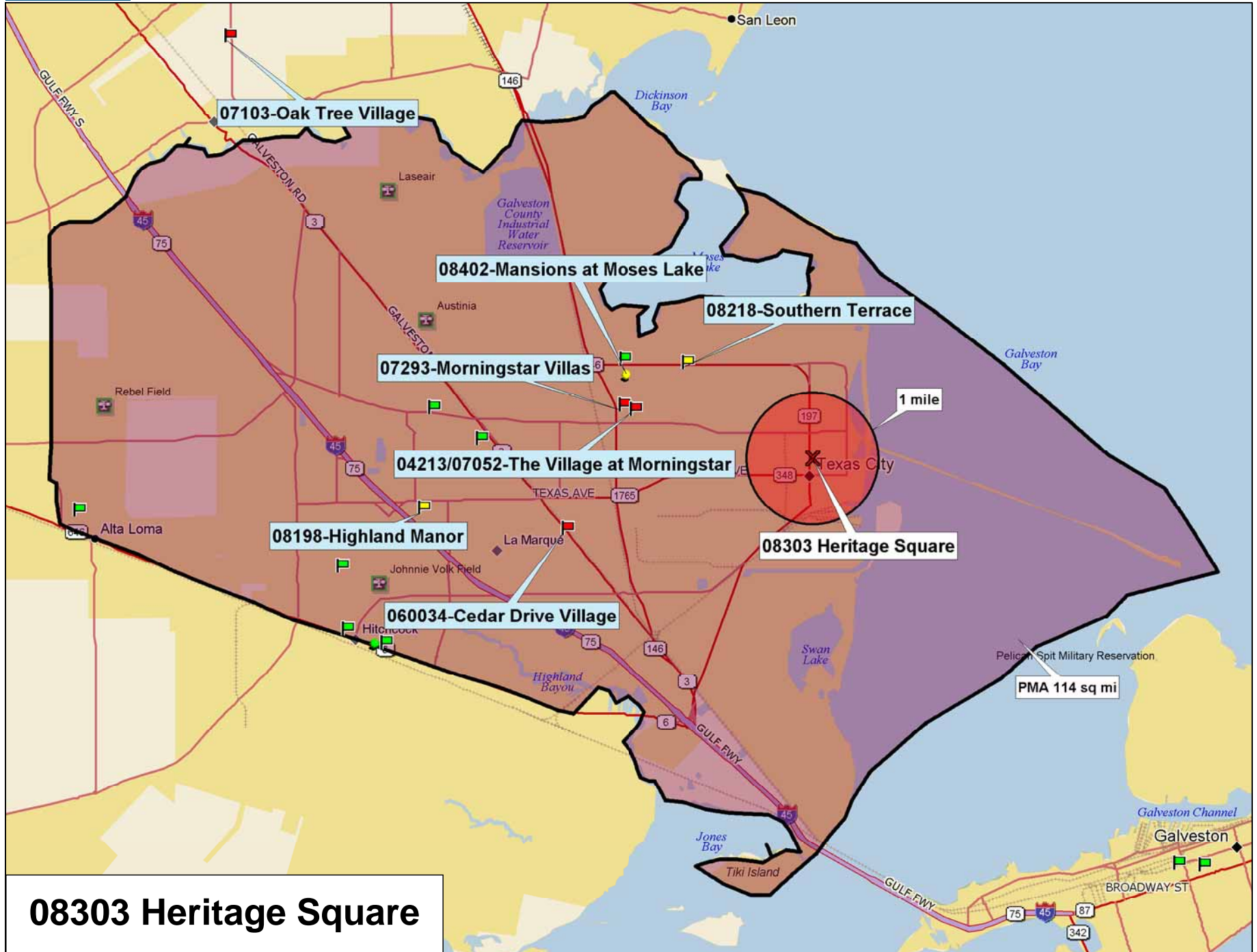
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$362,640	\$373,519	\$384,725	\$396,267	\$408,155	\$473,163	\$548,526	\$635,891	\$854,585
Secondary Income	4,056	4,178	4,303	4,432	4,565	5,292	6,135	7,112	9,558
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	366,696	377,697	389,028	400,699	412,720	478,455	554,661	643,004	864,143
Vacancy & Collection Loss	(25,668)	(28,327)	(29,177)	(30,052)	(30,954)	(35,884)	(41,600)	(48,225)	(64,811)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$341,028	\$349,370	\$359,851	\$370,646	\$381,766	\$442,571	\$513,061	\$594,778	\$799,332
EXPENSES at 4.00%									
General & Administrative	\$14,038	\$14,600	\$15,184	\$15,791	\$16,422	\$19,980	\$24,309	\$29,576	\$43,780
Management	20,442	20,942	21,570	22,217	22,884	26,529	30,754	35,652	47,914
Payroll & Payroll Tax	43,782	45,533	47,355	49,249	51,219	62,315	75,816	92,242	136,541
Repairs & Maintenance	15,103	15,707	16,335	16,989	17,668	21,496	26,154	31,820	47,101
Utilities	21,238	22,088	22,971	23,890	24,845	30,228	36,777	44,745	66,234
Water, Sewer & Trash	14,596	15,180	15,787	16,419	17,075	20,775	25,276	30,752	45,520
Insurance	11,852	12,326	12,819	13,332	13,865	16,869	20,524	24,970	36,962
Property Tax	35,771	37,202	38,690	40,238	41,847	50,913	61,944	75,364	111,557
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	2,907	3,023	3,144	3,270	3,401	4,138	5,034	6,125	9,066
TOTAL EXPENSES	\$194,729	\$202,200	\$210,079	\$218,267	\$226,775	\$274,593	\$332,563	\$402,849	\$591,454
NET OPERATING INCOME	\$146,299	\$147,169	\$149,772	\$152,380	\$154,991	\$167,978	\$180,498	\$191,930	\$207,878
DEBT SERVICE									
First Lien Financing	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246	\$66,246
Second Lien	63,408	63,408	63,408	63,408	63,408	63,408	63,408	63,408	63,408
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$16,646	\$17,516	\$20,118	\$22,726	\$25,337	\$38,324	\$50,845	\$62,276	\$78,225
DEBT COVERAGE RATIO	1.13	1.14	1.16	1.18	1.20	1.30	1.39	1.48	1.60

HTC ALLOCATION ANALYSIS -Heritage Square, Texas City, HTC 9% #08303

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$90,000	\$98,400				
Original Closing Costs	\$97,844	\$97,844				
Commision to related party (Steele)	\$177,600	\$177,600				
Granted HUD Loans		\$1,088,132				
Purchase of buildings	\$1,640,426	\$543,894	\$1,640,426	\$543,894		
Off-Site Improvements						
Sitework	\$217,753	\$205,103			\$217,753	\$205,103
Construction Hard Costs	\$1,505,006	\$1,492,563			\$1,505,006	\$1,492,563
Contractor Fees	\$240,300	\$237,673			\$240,300	\$237,673
Contingencies	\$85,750	\$85,750			\$85,750	\$85,750
Eligible Indirect Fees	\$246,500	\$246,500			\$246,500	\$246,500
Eligible Financing Fees	\$10,000	\$10,000			\$10,000	\$10,000
All Ineligible Costs	\$250,258	\$120,065				
Developer Fees			\$246,064	\$81,584	\$345,796	\$341,638
Developer Fees		\$423,223				
Development Reserves	\$28,302	\$47,148				
TOTAL DEVELOPMENT COSTS	\$4,589,739	\$4,873,895	\$1,886,490	\$625,478	\$2,651,105	\$2,619,228

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,886,490	\$625,478	\$2,651,105	\$2,619,228
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$1,886,490	\$625,478	\$3,446,437	\$3,404,996
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,886,490	\$625,478	\$3,446,437	\$3,404,996
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$66,970	\$22,204	\$286,744	\$283,296

Syndication Proceeds	0.7899	\$529,014	\$175,398	\$2,265,049	\$2,237,813
Total Tax Credits (Eligible Basis Method)				\$353,714	\$305,500
Syndication Proceeds				\$2,794,062	\$2,413,211
Requested Tax Credits				\$373,190	
Syndication Proceeds				\$2,947,908	
Gap of Syndication Proceeds Needed					\$2,738,546
Total Tax Credits (Gap Method)					\$346,686



08303 Heritage Square

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TN
 MN (3.4°E)
 Page 17 of 17

Scale 1 : 125,000
 0 1 2 3 4 5 mi
 0 1 2 3 4 5 km
 1" = 1.97 mi
 Data Zoom 10-6

Applicant Evaluation

Project ID # **08303**

Name: **Heritage Square**

City: **Texas City**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Yes No

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Patricia Murphy

Date: 5/1/2008

Date: 5/15/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date: 5/6/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer: Melissa Whitehead

Date: 5 /6 /2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer: Monica Guerra

Date: 5 /15/2008

Comments (if applicable):



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program

Development Information, Public Input and Board Summary

Park Place Apartments, TDHCA Number 08304

BASIC DEVELOPMENT INFORMATION

Site Address: 100 Campbell St. Development #: 08304
 City: Cleveland Region: 6 Population Served: Intergenerational
 County: Liberty Zip Code: 77327 Allocation: Rural
 HTC Set Asides: At-Risk Nonprofit USDA Rural Rescue HTC Housing Activity*: RH
 HOME Set Asides: CHDO Preservation General Acquisition:

*HTC Housing Activity: Rehabilitation=RH, Adaptive Reuse=ADR, New Construction=NC

OWNER AND DEVELOPMENT TEAM

Owner: CHC PP, LLC
 Owner Contact and Phone: Chad Asarch, (302) 322-8888
 Developer: Steele Properties, LLC dba Steele CHC Projects, LLC
 Housing General Contractor: TBD
 Architect: TBD
 Market Analyst: Gill Group
 Syndicator: PNC Multifamily Capital
 Supportive Services: TBD
 Consultant: S2A Development Consulting, LLC

UNIT/BUILDING INFORMATION

Unit Breakdown:	<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	60	
	3	0	21	36	Market Rate Units:	0	
	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	
	0	36	16	8	0	0	
Type of Building:						Total Development Units:	60
<input checked="" type="checkbox"/> Duplex	<input type="checkbox"/> 5 units or more per building					Total Development Cost*:	\$6,180,819
<input type="checkbox"/> Triplex	<input type="checkbox"/> Detached Residence					Number of Residential Buildings:	21
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Single Room Occupancy					HOME High Total Units:	0
<input type="checkbox"/> Townhome	<input type="checkbox"/> Transitional					HOME Low Total Units:	0

*Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis*	Amort	Term	Rate
Competitive Housing Tax Credit Amount:	\$512,972	\$485,633			
HOME Activity Fund Amount:	\$0	\$0	0	0	0.00%
HOME CHDO Operating Grant Amount:	\$0	\$0			

*Note: If an Underwriting Report has not been completed and the application is recommended for an award, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Park Place Apartments, TDHCA Number 08304

PUBLIC COMMENT SUMMARY

Guide: "S" = Support, "O" = Opposition, "N" = Neutral, "NC" or Blank = No Comment

State and Federal Officials with Jurisdiction:

TX Senator: Williams, District 4, NC Points: 0 US Representative: Poe, District 2, NC
TX Representative: Otto, District 18, S Points: 14 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC Resolution of Support from Local Government

Individuals and Businesses In Support: 0 In Opposition 0

Quantifiable Community Participation Input:

Park Place Resident Council, David Brazil Letter Score: 24 S or O: S

The enhancements to the laundry room, heat and air, and handicapped accessibility are wonderful for the residents.

Community Input Other than Quantifiable Community Participation Input:

General Summary of Comment:

Support received from elected official(s) and a qualified Neighborhood Organization.

CONDITIONS OF COMMITMENT

1. Receipt, review and acceptance by commitment of a plan from the Applicant to meet the Department's requirements for intergenerational housing.
2. Receipt, review, and acceptance, by Cost Certification, of a letter from a Certified Public Accountant allocating which portions of site work costs should be included in Eligible Basis and which ones may be ineligible.
3. Receipt, review, and acceptance, by Cost Certification, of documentation that the term of the primary mortgage to U.S. Bank has been extended to at least 15 years.
4. Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
5. If the rates or terms of the proposed financing or syndication change, the transaction should be reevaluated, and an adjustment to the credit allocation may be warranted.
6. Receipt of a commitment of funding from the Southeast Texas Housing Finance Corporation for funds in the amount of \$321,000, or a commitment from a qualifying substitute source in an amount not less than \$309,041, as required by §50.9(i)(5) of the 2008 QAP. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party, or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary. If the terms or amount of funding are different than those of the source for which points were awarded, the Application may be reevaluated for financial feasibility.



MULTIFAMILY FINANCE DIVISION

July 24, 2008

Competitive Housing Tax Credit Program
Development Information, Public Input and Board Summary

Park Place Apartments, TDHCA Number 08304

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Competitive Housing Tax Credits: Score: **199** Meeting a Required Set-Aside Credit Amount*: \$485,633

Recommendation: Has a competitive score within its allocation type and region.

HOME Activity Funds:

Loan Amount: \$0

HOME CHDO Operating Expense Grant:

Grant Amount: \$0

Recommendation:

*Note: If an Underwriting Report has not been completed, the credit amount recommended is the Applicant Request (pending the Financial Feasibility Analysis).



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report Addendum

REPORT DATE: 07/24/08 PROGRAM: HTC 9% FILE NUMBER: 08304

DEVELOPMENT

Park Place

Location: 100 Campbell Street Region: 6
 City: Cleveland County: Liberty Zip: 77327 QCT DDA
 Key Attributes: Multifamily, Intergenerational, Rural, Acquisition / Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION *		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$512,972			\$485,633		

* The Underwriter originally recommended a tax credit allocation of \$422,404

CONDITIONS

- 1 Receipt, review and acceptance by commitment of a plan from the Applicant to meet the Department's requirements for intergenerational housing.
- 2 Receipt, review, and acceptance, by Cost Certification, of a letter from a Certified Public Accountant allocating which portions of site work costs should be included in Eligible Basis and which ones may be ineligible.
- 3 Receipt, review, and acceptance, by Cost Certification, of documentation that the term of the primary mortgage to U.S. Bank has been extended to at least 15 years.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 If the rates or terms of the proposed financing or syndication change, the transaction should be reevaluated, and an adjustment to the credit allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	21
60% of AMI	60% of AMI	44

PROS

- The proposed rehabilitation will extend the affordability and useful life of a 35-year-old property with 60 existing units.

CONS

- A portion of the Applicant's tax credit request is to fund acquisition cost which was already funded by a HUD loan that HUD granted to the Non-profit.
- The proposed rehabilitation requires an extraordinary amount of site work cost for a fully developed site.

ADDENDUM

This addendum re-evaluates the subject transaction based on the TDHCA Board's decision to grant an appeal made by the Applicant at the July 21, 2008 Board meeting. This addendum should be read in conjunction with the entire original underwriting report dated July 14, 2008. The Applicant appealed the underwriting recommendation to exclude from eligible basis the second and third lien cash flow notes which HUD had previously assigned to the Managing Member of the GP of the Applicant. The Real Estate Analysis Division maintained the position that awarding tax credits on the value of these notes amounts to a double federal subsidy on these notes. However, the Board determined that the cash flow notes should be included in the eligible acquisition basis.

The increase in acquisition basis of \$1,548,780 results in an increase in the eligible developer fee of \$232,317 for the acquisition. This amounts to an additional \$1,781,097 in 4% basis. The underwriting analysis has been amended accordingly. The recommended tax credit allocation has thereby increased from \$422,404 to \$485,633.

Underwriter:	_____	Date:	July 24, 2008
	<i>Thomas Cavanagh</i>		
Reviewing Underwriter:	_____	Date:	July 24, 2008
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	July 24, 2008
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Park Place, Cleveland, HTC 9% #08304

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
Elderly										
TC 30%	2	1	1	651	\$344	\$485	\$970	\$0.75	\$82.00	\$38.00
TC 50%	18	1	1	651	\$573	\$485	\$8,730	\$0.75	\$82.00	\$38.00
TC 60%	8	1	1	651	\$687	\$485	\$3,880	\$0.75	\$82.00	\$38.00
TC 30%	1	2	1	960	\$412	\$606	\$606	\$0.63	\$82.00	\$38.00
TC 50%	3	2	1	960	\$687	\$606	\$1,818	\$0.63	\$82.00	\$38.00
Family										
TC 60%	8	1	1	651	\$687	\$485	\$3,880	\$0.75	\$82.00	\$38.00
TC 60%	12	2	1	852	\$825	\$606	\$7,272	\$0.71	\$95.00	\$42.00
TC 60%	8	3	1	1,119	\$953	\$723	\$5,784	\$0.65	\$135.00	\$48.00
TOTAL:	60		AVERAGE:	774		\$549	\$32,940	\$0.71	\$91.67	\$40.13

INCOME				Total Net Rentable Sq Ft:	46,452	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION		
POTENTIAL GROSS RENT						\$395,280	\$395,280	Liberty	Houston	6		
Secondary Income: laundry				Per Unit Per Month:	\$5.00	3,600	3,060	\$4.25	Per Unit Per Month			
Other Support Income:						0		\$0.00	Per Unit Per Month			
POTENTIAL GROSS INCOME						\$398,880	\$398,340					
Vacancy & Collection Loss				% of Potential Gross Income:	-7.50%	(29,916)	(27,888)	-7.00%	of Potential Gross Income			
Employee or Other Non-Rental Units or Concessions						0						
EFFECTIVE GROSS INCOME						\$368,964	\$370,452					
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI		
General & Administrative				6.29%	\$387	0.50	\$23,226	\$19,107	\$0.41	\$318	5.16%	
Management				6.25%	384	0.50	\$23,058	13,723	0.30	229	3.70%	
Payroll & Payroll Tax				13.59%	836	1.08	\$50,160	53,017	1.14	884	14.31%	
Repairs & Maintenance				6.23%	383	0.49	\$22,974	37,167	0.80	619	10.03%	
Utilities				3.71%	228	0.29	\$13,678	10,090	0.22	168	2.72%	
Water, Sewer, & Trash				5.57%	343	0.44	\$20,568	20,004	0.43	333	5.40%	
Property Insurance				4.91%	302	0.39	\$18,121	13,638	0.29	227	3.68%	
Property Tax				2.575	8.40%	517	0.67	\$30,999	38,268	0.82	638	10.33%
Reserve for Replacements				4.88%	300	0.39	18,000	18,000	0.39	300	4.86%	
TDHCA Compliance Fees				0.65%	40	0.05	2,400	2,400	0.05	40	0.65%	
Other:				0.00%	0	0.00	0		0.00	0	0.00%	
TOTAL EXPENSES				60.49%	\$3,720	\$4.80	\$223,183	\$225,414	\$4.85	\$3,757	60.85%	
NET OPERATING INC				39.51%	\$2,430	\$3.14	\$145,781	\$145,038	\$3.12	\$2,417	39.15%	
DEBT SERVICE												
US Bank				16.06%	\$987	\$1.28	\$59,249	\$56,532	\$1.22	\$942	15.26%	
M2M 2nd & 3rd Notes CF to GP				15.94%	\$980	\$1.27	58,816	58,812	\$1.27	\$980	15.88%	
Additional Financing				0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%	
NET CASH FLOW				7.51%	\$462	\$0.60	\$27,716	\$29,694	\$0.64	\$495	8.02%	
AGGREGATE DEBT COVERAGE RATIO						1.23	1.26					
RECOMMENDED DEBT COVERAGE RATIO							1.23					

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT						
Acquisition Cost (site or bldg)		36.31%	\$38,805	\$50.12	\$2,328,291	\$2,328,291	\$50.12	\$38,805	35.99%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		9.68%	10,348	13.37	620,876	507,757	10.93	8,463	7.85%	
Direct Construction		28.50%	30,466	39.35	1,827,937	2,003,917	43.14	33,399	30.97%	
Contingency	4.70%	1.79%	1,917	2.48	115,000	115,000	2.48	1,917	1.78%	
Contractor's Fees	13.47%	5.14%	5,497	7.10	329,800	329,800	7.10	5,497	5.10%	
Indirect Construction		4.83%	5,166	6.67	309,988	309,988	6.67	5,166	4.79%	
Ineligible Costs		0.37%	399	0.51	23,910	23,910	0.51	399	0.37%	
Developer's Fees	15.00%	12.44%	13,295	17.17	797,703	812,000	17.48	13,533	12.55%	
Interim Financing		0.16%	167	0.22	10,000	10,000	0.22	167	0.15%	
Reserves		0.77%	827	1.07	49,632	29,133	0.63	486	0.45%	
TOTAL COST		100.00%	\$106,886	\$138.06	\$6,413,136	\$6,469,796	\$139.28	\$107,830	100.00%	
Construction Cost Recap		45.12%	\$48,227	\$62.29	\$2,893,613	\$2,956,474	\$63.65	\$49,275	45.70%	

SOURCES OF FUNDS				RECOMMENDED			
US Bank	12.41%	\$13,267	\$17.14	\$796,000	\$796,000	\$796,000	Developer Fee Available
M2M 2nd & 3rd Notes CF to GP	23.76%	\$25,398	\$32.81	1,523,870	1,523,870	1,523,870	\$797,703
HTC Syndication Proceeds	63.18%	\$67,535	\$87.23	4,052,077	4,052,077	3,836,123	% of Dev. Fee Deferred
Deferred Developer Fees	1.53%	\$1,631	\$2.11	97,849	97,849	257,143	32%
Additional (Excess) Funds Req'd	-0.88%	(\$944)	(\$1.22)	(56,660)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$6,413,136	\$6,469,796	\$6,413,136	\$580,885

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Park Place, Cleveland, HTC 9% #08304

PAYMENT COMPUTATION

Primary	\$796,000	Amort	360
Int Rate	6.32%	DCR	2.46

Secondary	\$1,523,870	Amort	360
Int Rate	1.00%	Subtotal DCR	1.23

Additional		Amort	
Int Rate		Aggregate DCR	1.23

RECOMMENDED FINANCING STRUCTURE APPLICABLE

Primary Debt Service	\$59,249
Secondary Debt Service	58,816
Additional Debt Service	0
NET CASH FLOW	\$26,973

Primary	\$796,000	Amort	360
Int Rate	6.32%	DCR	2.46

Secondary	\$1,523,870	Amort	360
Int Rate	1.00%	Subtotal DCR	1.23

Additional		Amort	360
Int Rate	6.32%	Aggregate DCR	1.23

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	\$395,280	\$407,138	\$419,353	\$431,933	\$444,891	\$515,751	\$597,896	\$693,126	\$931,503
Secondary Income	3,060	3,152	3,246	3,344	3,444	3,993	4,629	5,366	7,211
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	398,340	410,290	422,599	435,277	448,335	519,743	602,525	698,492	938,714
Vacancy & Collection Loss	(27,888)	(30,772)	(31,695)	(32,646)	(33,625)	(38,981)	(45,189)	(52,387)	(70,404)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$370,452	\$379,518	\$390,904	\$402,631	\$414,710	\$480,763	\$557,336	\$646,105	\$868,311
EXPENSES at 4.00%									
General & Administrative	\$19,107	\$19,871	\$20,666	\$21,493	\$22,352	\$27,195	\$33,087	\$40,256	\$59,588
Management	13,723	14,059	14,481	14,915	15,362	17,809	20,646	23,934	32,166
Payroll & Payroll Tax	53,017	55,138	57,343	59,637	62,022	75,460	91,808	111,699	165,342
Repairs & Maintenance	37,167	38,654	40,200	41,808	43,480	52,900	64,361	78,305	115,911
Utilities	10,090	10,494	10,913	11,350	11,804	14,361	17,473	21,258	31,467
Water, Sewer & Trash	20,004	20,804	21,636	22,502	23,402	28,472	34,640	42,145	62,386
Insurance	13,638	14,184	14,751	15,341	15,955	19,411	23,617	28,733	42,532
Property Tax	38,268	39,799	41,391	43,046	44,768	54,467	66,268	80,625	119,345
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
TOTAL EXPENSES	\$225,414	\$234,217	\$243,446	\$253,039	\$263,011	\$319,112	\$387,226	\$469,935	\$692,356
NET OPERATING INCOME	\$145,038	\$145,301	\$147,458	\$149,592	\$151,699	\$161,651	\$170,109	\$176,169	\$175,955
DEBT SERVICE									
First Lien Financing	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249
Second Lien	58,816	58,816	58,816	58,816	58,816	58,816	58,816	58,816	58,816
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$26,973	\$27,236	\$29,393	\$31,527	\$33,634	\$43,586	\$52,044	\$58,104	\$57,889
DEBT COVERAGE RATIO	1.23	1.23	1.25	1.27	1.28	1.37	1.44	1.49	1.49

HTC ALLOCATION ANALYSIS -Park Place, Cleveland, HTC 9% #08304

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$50,000	\$117,260				
Original Closing Costs	\$106,615	(\$1,442,165)				
Granted HUD Loan		\$1,548,780				
Purchase of buildings	\$2,171,676	\$2,104,416	\$2,171,676	\$2,104,416		
Off-Site Improvements						
Sitework	\$507,757	\$620,876			\$507,757	\$620,876
Construction Hard Costs	\$2,003,917	\$1,827,937			\$2,003,917	\$1,827,937
Contractor Fees	\$329,800	\$329,800			\$329,800	\$329,800
Contingencies	\$115,000	\$115,000			\$115,000	\$115,000
Eligible Indirect Fees	\$309,988	\$309,988			\$309,988	\$309,988
Eligible Financing Fees	\$10,000	\$10,000			\$10,000	\$10,000
All Ineligible Costs	\$23,910	\$23,910				
Developer Fees				\$315,662		\$482,040
Developer Fees	\$812,000	\$797,703	\$323,670		\$488,330	
Development Reserves	\$29,133	\$49,632				
TOTAL DEVELOPMENT COSTS	\$6,469,796	\$6,413,136	\$2,495,346	\$2,420,078	\$3,764,792	\$3,695,641

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$2,495,346	\$2,420,078	\$3,764,792	\$3,695,641
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$2,495,346	\$2,420,078	\$4,894,229	\$4,804,333
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$2,495,346	\$2,420,078	\$4,894,229	\$4,804,333
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$88,585	\$85,913	\$407,200	\$399,721

Syndication Proceeds	0.7899	\$699,751	\$678,644	\$3,216,560	\$3,157,479
Total Tax Credits (Eligible Basis Method)				\$495,785	\$485,633
Syndication Proceeds				\$3,916,310	\$3,836,123
Requested Tax Credits				\$512,972	
Syndication Proceeds				\$4,052,077	
Gap of Syndication Proceeds Needed					\$4,093,266
Total Tax Credits (Gap Method)					\$518,186



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 07/14/08 PROGRAM: HTC 9% FILE NUMBER: 08304

DEVELOPMENT

Park Place

Location: 100 Campbell Street Region: 6
 City: Cleveland County: Liberty Zip: 77327 QCT DDA
 Key Attributes: Multifamily, Intergenerational, Rural, Acquisition / Rehabilitation

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$512,972			\$422,404		

CONDITIONS

- 1 Receipt, review and acceptance by commitment of a plan from the Applicant to meet the Department's requirements for intergenerational housing.
- 2 Receipt, review, and acceptance, by Cost Certification, of a letter from a Certified Public Accountant allocating which portions of site work costs should be included in Eligible Basis and which ones may be ineligible.
- 3 Receipt, review, and acceptance, by Cost Certification, of documentation that the term of the primary mortgage to U.S. Bank has been extended to at least 15 years.
- 4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.
- 5 If the rates or terms of the proposed financing or syndication change, the transaction should be reevaluated, and an adjustment to the credit allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	21
60% of AMI	60% of AMI	44

PROS

- The proposed rehabilitation will extend the affordability and useful life of a 35-year-old property with 60 existing units.

CONS

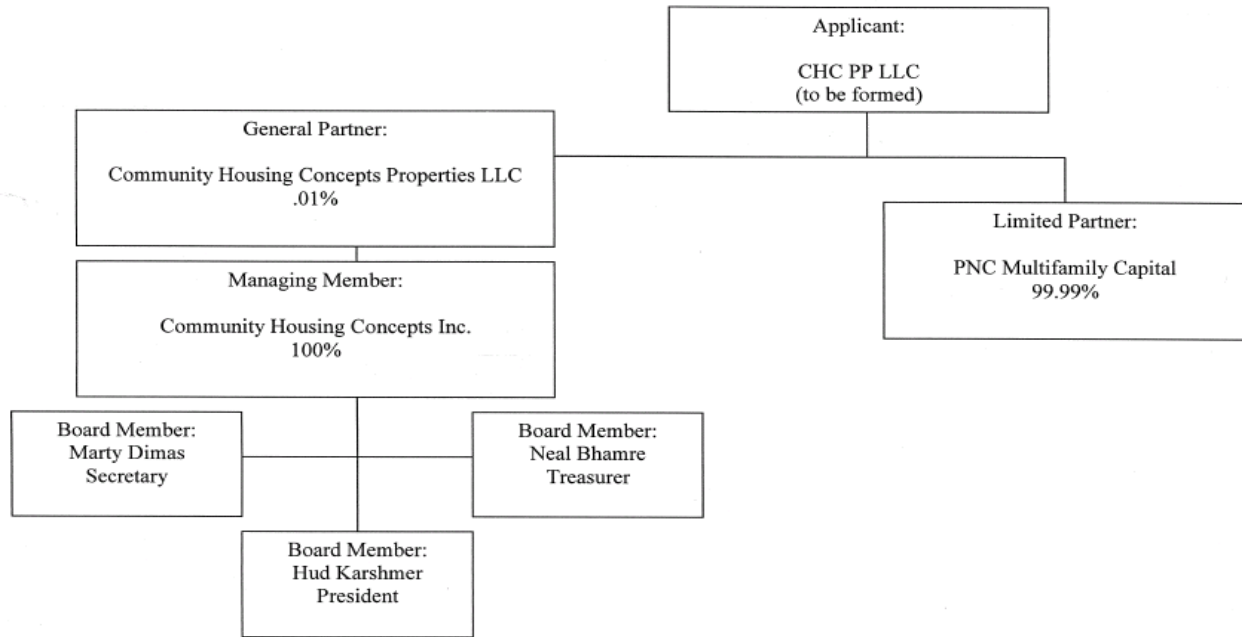
- A portion of the Applicant's tax credit request is to fund acquisition cost which was already funded by a HUD loan that HUD granted to the Non-profit.
- The proposed rehabilitation requires an extraordinary amount of site work cost for a fully developed site.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Chad Asarch Phone: (303) 322-8888 Fax: (303) 322-2320
 Email: chad@steelellc.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Community Housing Concepts Properties, LLC	N/A	None
Community Housing Concepts, Inc.	N/A	
Hud Karshmer	N / A	
Marty Dimas	N / A	
Neal Bhamre	N / A	

IDENTITIES of INTEREST

- The Applicant, Developer, and Property Manager are related entities. These are common relationships for HTC-funded developments.
- Community Housing Concepts, Inc. (CHC), the 100% Managing Member of the GP, is a Qualifying Non-Profit under the HUD Mark-to-Market (M2M) program. Hud Karshmer, the president of CHC, is also a 1/3 member of Steele Properties, LLC, the for-profit Developer, and a principal in the Monroe Group, the Property Manager .

Rehabilitation

A Property Condition Assessment (PCA) was provided by Aestimo, Inc. "The property was reportedly developed in a single phase in 1982 and includes a total of 60 dwelling units in twenty-one one-story apartment buildings ... The overall condition is fair, considering its age and usage ... A significant renovation is planned for the property and reportedly will include renovations and upgrades to the parking areas, landscaping, perimeter fencing, leasing office, community room, and common area; replace doors, windows, window frames, siding, fascia, soffits, roofs, gutters and downspouts; replace all appliances, cabinets, toilets, bathtubs, and bathroom hardware, interior lighting, and smoke detectors, and improve ADA accessibility of common areas and interior units." The PCA identifies \$2.5 million in immediate renovations to be completed as part of the developer's scope of work, as well as \$559K in capital requirements over a 30 year period.

The Department's definition of intergenerational housing includes requirements that the property: "Have separate and specific leasing offices and leasing personnel exclusively for the age restricted Units" and "Have separate and specific entrances, and other appropriate security measures for the age restricted Units." The renovation plan reflects new fencing some of which is presumed to secure the senior portion of the development, however the fencing plan or plan for additional security for the senior portion of the development has not been clearly identified. The current budget includes over \$400K for auxiliary buildings, however plans for such buildings were not provided nor are they reflected on the site plan.

The existing office is in the senior portion of the property, and while the Applicant has indicated that the Senior residents will have key card access to the main building, if only one office building exists then the nonsenior residents will have to have the same access. The laundry facility is located at the center of the family portion of the property, which will require seniors to go quite a distance and out of the secured senior portion of the property to do their laundry if they do not have their own equipment.

The Department has funded relatively few intergenerational transactions in the past and none that included the rehabilitation of existing units such as the subject. It would appear that the proposed development has not yet fully contemplated the provision of separate entrances and security measures for age restricted units if all residents must pass through the senior portion of the development in order to gain access to the leasing offices, and senior residents have to leave the senior portion of the property to use the laundry room.

In follow-up correspondence the Applicant has certified that separate facilities will be provided but gave little detail and indicated that the information provided in the deficiency response was subject to change. Therefore this report is conditioned upon receipt, review and acceptance by commitment of a detailed plan from the Applicant including revised site and building plans as needed to meet the Department's requirements for intergenerational housing. The cost of such remedy is not known nor is the source of funding to compensate for such cost. Thus, any remedy that involves a change to the site plan should be re-evaluated by the underwriting staff.

SITE ISSUES

Total Size:	<u>8.726</u> acres	Scattered site?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Flood Zone:	<u>X</u>	Within 100-yr floodplain?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Zoning:	<u>R - 2</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No <input type="checkbox"/> N/A

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/23/2008

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: Trailer Park , Easy Street East: Field
 South: Wooded Area West: Park, City

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: URS Date: 3/7/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- Lead-containing materials were banned from use in public water systems in 1986, including plumbing connections. URS collected drinking water samples at the subject property as part of a prior assessment conducted in September 2007 to evaluate whether lead concentrations above the action level established by the US EPA were present. The EPA action level is 0.015 mg/L. Lead concentrations in drinking water samples collected from the subject property did not exceed the US EPA action level.
- The ESA reported that the Flood Insurance Rate Map published by FEMA in 1996 indicated that the subject property was located in Zone AE, which are areas subject to 100-year flood. However, in a letter dated May 28, 2008, the ESA provider reported that "Based on a review of the May 2, 2008 FEMA Floodplain map for the area of the subject property, the site appears to be completely located within Zone X, which are areas designated as outside of the 100-year floodplain." A copy of the revised map was provided.

Comments:

This assessment has revealed no evidence of recognized environmental conditions associated with the subject site.

MARKET HIGHLIGHTS

Provider: Gill Group, Inc. Date: 3/17/2008
 Contact: Samuel Gill Phone: (573) 624-6614 Fax: (573) 624-2942
 Number of Revisions: none Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 748 sq. miles 15 mile radius

The Primary Market Area consists of the following census tracts:

48291700100	48291700400	48339692800	48339693000	48407200101
48291700200	48291700500	48339692900	48339694000	48407200200
48291700300	48339692700			

The PMA had a 2007 population of 82,608, with 28,492 households.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA				SMA
Name	File #	Total Units	Comp Units	
None				

INCOME LIMITS						
Liberty						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	\$12,850	\$14,700	\$16,500	\$18,350	\$19,800	\$21,300
50	\$21,400	\$24,450	\$27,500	\$30,550	\$33,000	\$35,450
60	\$25,680	\$29,340	\$33,000	\$36,660	\$39,600	\$42,540

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MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR 30% Senior	29	18		47	2		4%
1 BR 50% Senior	51	36		87	15		17%
1 BR 60% Senior	59	43		102	11		11%
1 BR 50% Family	156	62		218	3		1%
1 BR 60% Family	183	73		256	5		2%
2 BR 30% Family	30	-3		27	1		4%
2 BR 50% Family	68	50		118	3		3%
2 BR 60% Family	88	51		139	12		9%
3 BR 60% Family	94	84		178	8		4%

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR 30% Senior	106	13		119	2		2%
1 BR 50% Senior	56	7		63	18		29%
1 BR 60% Senior	58	9		67	8		12%
1 BR 50% Family							
1 BR 60% Family	46	3		50	8		16%
2 BR 30% Senior	11	1		12	1		8%
2 BR 50% Senior	14	2		16	3		19%
2 BR 60% Family	78	0		78	12		15%
3 BR 60% Family	169	0		169	8		5%

FAMILY HOUSEHOLD DEMAND						
	Target Households	Household Size	Income Eligible	Tenure	Demand	
PMA DEMAND from TURNOVER						
Market Analyst p. 110				1,457	25%	364
Underwriter	100%	28,508		3,718	25%	929
PMA DEMAND from HOUSEHOLD GROWTH						
Market Analyst p. 121						344
Underwriter		0%	684	95%	649	63% 410 18% 76

INCLUSIVE CAPTURE RATE -- FAMILY						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 121	32	0		32	708	5%
Underwriter	28	0		28	1,066	3%

This section intentionally left blank.

SENIOR HOUSEHOLD DEMAND						
	Target Households	Household Size	Income Eligible	Tenure	Demand	
PMA DEMAND from TURNOVER						
Market Analyst p. 121				237	25%	59
Underwriter	0% 10,877	95%		967	25%	76
PMA DEMAND from HOUSEHOLD GROWTH						
Market Analyst p. 121						43
Underwriter		95% 249	95% 236	78% 184	12%	22
INCLUSIVE CAPTURE RATE -- SENIOR						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 121	28	0		28	102	27%
Underwriter	32	0		32	98	33%

Capture Rate Analysis

The market study was based on an incorrect mix of units types, in the number of family units and senior units as well as the mix of income and rent restrictions. The Market Analyst concluded an inclusive capture rate of 5% for 32 family units and 27% for 28 senior units. The underwriting analysis determined an inclusive capture rate of 3% for 28 family units and 33% for 32 senior units. The maximum capture rates for rural developments and developments targeting seniors is 75%. But regardless, the capture rate limits do not apply to developments that are at least 80% occupied. The subject is currently 98% occupied and the existing tenants are expected to remain during and after the rehabilitation. Therefore, the capture rate is not a meaningful measure of the project's feasibility.

Absorption Projections:

"The subject is an existing development that contains 60 units. The property is currently 98 percent occupied with one two-bedroom vacant. The subject will be renovated. However, no displacement of tenants will be required. Therefore, after researching the vacancy rates of the existing units in the area, it is firmly believed that the existing development will maintain its stabilized occupancy level." (p. 64)

Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 651 SF 30%	485	485	\$500	\$485	\$0
1 BR 651 SF 50%	485	485	\$500	\$485	\$0
1 BR 651 SF 60%	485	485	\$500	\$485	\$0
2 BR 960 SF 30%	606	606	\$560	\$606	\$0
2 BR 960 SF 50%	606	606	\$560	\$606	\$0
2 BR 852 SF 60%	606	606	\$560	\$606	\$0
3 BR 1,119 SF 60%	723	723	\$645	\$723	\$0

Market Impact:

"The existing development will not have an adverse impact on the market area. Its one-, two-, and three-bedroom units are suitable in the market." (p. 64)

Comments:

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

This section intentionally left blank.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 66 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 1.2 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the subject property is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/3/2008

The Applicant's projected operating income is based on rents defined by a Section 8 Full Mark-to-Market Housing Assistance Payment (HAP) contract with HUD. All units in the development are subject to this contract, under which tenants are required to pay up to 30% of their household income, and HUD makes up the difference up to the contract rent for the unit. While different units have income limits set at 30%, 50% and 60% of AMI, the contract rent only varies by floorplan. The contract rents have been used in the underwriting analysis. The Applicant has included secondary non-rental income of \$4.25 per unit per month, and allowed for losses due to vacancy and collection equal to 7.0% of potential income; the underwriting analysis has assumed the standard minimum non-rental income of \$5.00 per unit, and losses of 7.5%. Overall, the Applicant's projected effective gross income is within 1% of the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 7/3/2008

The Applicant's projected annual operating expenses total \$3,757 per unit. This is within 1% of the underwriting estimate of \$3,720, based on historical expenses of the property, the TDHCA database, IREM averages, and other sources. Specific line items where the Applicant's projection varies significantly from the underwriting estimate include management fees (the Applicant's figure is lower by \$9K), repairs and maintenance (the Applicant's figure is higher by \$14K), and property tax (the Applicant's figure is higher by \$7K).

The Applicant's projected property tax is higher than the subject's historical tax liability; and, since the Sole Managing Member of the General Partner of the Applicant is a non-profit, the subject property will likely qualify for a 50% tax exemption. The Underwriter's analysis has assumed full property taxes; however, should the development receive a 50% property tax exemption based on the non-profit status of the managing member of the GP, this would impact the cashflow of the property. The current assessed value (\$20K per unit) is less than the income method would suggest (\$27K per unit), such that a 50% exemption would be mostly offset by the potential increase in assessed value.

Conclusion:

The Applicant's projected effective gross income, annual operating expenses, and net operating income (NOI) are each within 5% of the underwriting estimates. As a result, the Applicant's figures will be used to determine debt capacity and financial feasibility. The Applicant's estimates and a recalculated proposed debt service result in a first year debt coverage ratio (DCR) of 1.26, within the underwriting guidelines of 1.15 and 1.35.

As referenced previously, the development is part of the Mark-to-Market (M2M) program. The goal of this program is to reposition a property financially and physically to provide long term affordable housing. The M2M program allows HUD to restructure the debt on properties that are FHA insured, where project-based Section 8 HAP contract rents are above market. At the conclusion of the M2M debt restructure, above-market rents are reduced to market, and generally a new, smaller first mortgage is established. The amount of the restructured M2M debt is not forgiven, but rather the project carries this amount as additional debt in second and third mortgages that are payable out of available cash flow over time or at the time the project is sold or refinanced.

It is worth noting that two separate debt service payments are reflected in the subject application. The first debt service corresponds to the new primary mortgage loan of \$796K from U.S. Bank. The second debt service of near equal amount corresponds to the second and third mortgage notes that were assigned by HUD to Community Housing Concepts, Inc. (CHC) in the total amount of \$1,523,870. The second and third mortgage notes are cash flow loans payable to CHC, Inc., the managing member of the GP. While the Applicant reflected debt service on all loan amounts, only the primary mortgage to U.S. Bank carries an actual obligation for payment. Therefore, if this analysis were to consider only the primary mortgage debt service along with the Applicant's Year One proforma, the DCR for the property would be 2.57, which is significantly above the Department's maximum guideline of 1.35.

However, the Applicant provided documentation explaining that in exchange for the HUD assignments to CHC, Inc. for a nominal transfer fee, the non-profit is obligated to use any cash flow received for the payment of the second and third loans, which would otherwise be paid to HUD in the absence of assignment, to provide additional services to the property. Therefore, the Applicant's debt service amount of \$58,812 for the assigned notes appears to reflect the amount that would be re-invested into the property in the form of services for the tenants. To the extent that these notes are included as a development cost, it is appropriate to reflect them as a source of funds and show them as part of the debt service. As such, the Underwriter has reflected this amount in debt service for the purposes of determining debt capacity.

Feasibility:

The Applicant's projections and proposed financing structure are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. The Underwriter's calculated debt service on the primary mortgage amount (based on the terms reflected in the financing commitment) is higher than the Applicant's estimate reflected in the Application, resulting in an actual Year One DCR of 1.23. This analysis indicates continued positive cash flow, that remains above 1.15 throughout the proforma period. The project can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	<u>National Valuation Consultants, Inc.</u>	Date:	<u>10/4/2007</u>
Number of Revisions:	<u>1</u>	Date of Last Applicant Revision:	<u>3/21/2008</u>
Land Only:	8.73 acres	\$50,000	As of: <u>3/21/2008</u>
Existing Buildings: (as-is)		<u>\$2,150,000</u>	As of: <u>10/4/2007</u>
Total Development: (as-is)		<u>\$2,200,000</u>	As of: <u>10/4/2007</u>

Comments:

The appraisal cites seven comparable sales to determine land value. These comparables are literally all over the map, scattered from Orange County to Fort Worth to Corpus Christi; and the reported prices range from \$0.12 per square foot to \$1.27. The Appraiser concluded a value of \$0.13 per square foot. The Underwriter questioned the relevance of such widespread comparables. The Appraiser responded that 360 sales were identified dating back to 2000; the list was narrowed to 20 based on relevance, and that the seven eventually used were the only sales for which details could be confirmed. This explanation is rather dubious given the Department's extensive web site listings of new tax credit developments in the Galveston and Harris County areas.

ASSESSED VALUE

Land Only:	8.73 acres	<u>\$117,260</u>	Tax Year:	<u>2008</u>
Existing Buildings:		<u>\$1,086,570</u>	Valuation by:	<u>Liberty County CAD</u>
Total Assessed Value:		<u>\$1,203,830</u>	Tax Rate:	<u>2.575</u>

EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed Acreage: 8.7267
 Deed Execution Date 10/31/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$2,221,676 Other: _____
 Seller: Park Run Apartments, Ltd. Related to Development Team? Yes No

Comments:

The original purchase of the subject property was part of an eight property acquisition between AIMCO (seller) and Community Housing Concepts, (buyer). The sales price for Park Place was \$2,221,676 or \$37,028/unit. As discussed previously, the property came under HUD's Mark to Market (M2M) program in 2004, in which the debt burden was restructured to bring the cash flow in line with the market value of the property. HUD paid down the primary mortgage on the property to \$250,000, and created two additional notes payable to HUD from cash flow: a Mortgage Restructuring Note (the Second Note), in the amount of \$1,148,000; and a Contingent Repayment Note (the Third Note), in the amount of \$523,992.

Prior to the acquisition of the property by the GP of the Applicant, HUD assigned the second and third notes to the GP, which in turn assigned the notes to the Sole Managing Member of the GP. The GP then acquired the property with a first mortgage for \$796,000 (thereby adding \$546,000 in primary debt). The settlement statement identifies a purchase price of \$2,221,676, comprised of three main components: the new first loan for \$796K, and the second and third notes. There is no relationship disclosed between the buyer and the seller; however according to his bio, Chad Asarch, one of the Principals of the Developer, was an employee of the seller or a related entity until 2006. This is not considered to be an identity of interest transaction.

There is, however, a question as to whether the value of the second and third loans that were granted by HUD to the General Partner are to be included in determining the acquisition basis for the development. The Applicant contends that the loans remain real and actual obligations that were obtained for valuable consideration and, therefore, should be included in the development's basis for acquisition. But the fact that the notes were acquired with restrictions does not change the fact that they were acquired at no cost beyond the assignment fee.

HUD assigned/granted the second and third notes to the GP of the Applicant, which in turn transferred them to its parent; therefore, receiving a subsidy such as tax credits to compensate for the value of a note for which the Applicant (or its related entities) did not pay, does not appear to be a prudent use of the Department's funds. In fact it would appear to be a double subsidy on the acquisition. The Underwriter acknowledges that as part of the assignment by HUD for these notes the Applicant has agreed to a number of restrictions including a 50-year affordability period and an agreement to reinvest any amount of debt service associated with these notes back into the property to provide needed services to the tenants. These restrictions do not increase the cost of the acquisition or even amount to a cost of the acquisition; they may restrict the overall value of what was received, but the notes were still received at no cost beyond the transfer fee.

The eligibility of the second and third notes has been discussed at length with the Applicant. It is the Underwriter's conclusion that, other than any transfer fee, the amounts of the second and third loans be disallowed from the development's acquisition basis so that the Applicant is not compensated for the acquisition again; it is arguable the notes should be excluded from the transaction in total because the notes were not obtained for any value but for a transfer fee. The transfer fee of \$62,867 and the interest on the note paid by the seller at closing (\$17,481) have been factored into the Underwriter's acquisition basis; the subordinate notes have been included in the total cost but not in the tax credit eligible basis. The effective sales price for basis purposes (including land) is \$2,221,676 minus \$1,548,780 or \$672,896.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: _____

Acquisition Value:

The Applicant claimed a total acquisition cost of \$2,328,291. This amount consists of the \$2,221,676 contract sales price as reflected in the settlement statement plus \$106,615 in closing costs. Of the \$2,221,676 contract sales price, the Applicant allocated 2% (\$50,000) to land, based on the appraised value, and 98% (\$2,171,676) to buildings.

The 2008 Real Estate Analysis Rules state: "In the case where the land value indicated by either the appraisal or tax assessment is greater than the prorata land value attributed to the sales price ... the greater of the land value in the appraisal or tax assessment is deducted from the sales price to determine the acquisition basis (of the buildings)". Therefore, the Underwriter deducted the assessed value of \$117,260 from \$672,896 (the effective sales price for basis purposes, as explained above) to determine an eligible building acquisition basis of \$555,636.

Sitework Cost:

The development cost schedule submitted by the Applicant claimed site work costs of \$508K, or \$8,463 per unit. This is below the underwriting limit of \$9,000 per unit. The Applicant's total is 18% less than the site work costs of \$621K indicated in the Property Condition Assessment (after the PCA estimate for expansion of the community building and laundry room were shifted to direct construction for consistency with the development cost schedule). The PCA value will be used for underwriting purposes. The PCA value for site work amounts to \$10,348 per unit.

The 2008 QAP requires that "*If projected site work costs include unusual or extraordinary items or exceed \$9,000 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible.*" The PCA provider is a Professional Engineer, and the PCA includes the Engineer's seal, so this requirement has been met. A condition of this report will be receipt, review, and acceptance, by cost certification, of a letter from a certified public accountant allocating which portions of site work costs should be included in Eligible Basis and which ones may be ineligible.

Direct Construction Cost:

The development cost schedule submitted by the Applicant claimed direct construction costs of \$2.0 million, 10% greater than the total indicated by the PCA. The PCA value will be used for underwriting purposes.

Interim Interest Expense:

The Applicant has not claimed any eligible interim interest expense.

Contingency & Fees:

The Applicant applied the entire eligible developer fee to the rehabilitation cost; this inappropriately applies the 30% boost and 9% credits to the entire fee amount. Department rules require that developer fee be allocated proportionately between acquisition and rehabilitation costs. The underwriting analysis has reallocated the eligible developer fee accordingly.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. Thus, the Underwriter's development cost schedule, as derived from the PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis. The rehabilitation cost basis of \$3,695,641 is increased by 30% due to the location in both a Qualified Census Tract and a Difficult Development Area; the adjusted basis of \$4,804,333 supports an annual allocation of \$399,721 in 9% credits. The acquisition basis of \$638,982 supports an annual allocation of \$22,684 in 4% credits. The total of \$422,404 will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 7/9/2008

Source: Southeast Texas Housing Finance Corp. Type: Interim Financing

Principal: \$321,100 Interest Rate: AFR Fixed Term: 12 months

Comments:

The Applicant provided a Certificate of Intent to Apply for interim financing from Southeast Texas Housing Finance Corp.

Source: Lee Mendel Type: Interim Financing

Principal: \$128,440 Interest Rate: TBD Fixed Term: 12 months

Comments:

The Applicant provided a commitment letter for private interim financing, "the terms of which will be determined should the application receive an award."

Source: U.S. Bank Type: Permanent Financing

Principal: \$796,000 Interest Rate: 6.32% Fixed Amort: 360 months

Comments:

The acquisition of the property occurred on October 31, 2007. The Applicant provided a promissory note for a first lien mortgage with U. S. Bank in the amount of \$796,000, at 6.32%, amortized based on a 30-year amortization, with a balloon payment due after five years. The Applicant was informed that the Department requires permanent financing to carry a term of at least 15 years; the Applicant subsequently provided a letter from U.S. Bank stating "only in the event we approve of the Transaction under the terms set forth in our prior letter ... then as part of such approval we also would approve extending the term of the loan to fifteen years". A condition of this report will be receipt, review, and acceptance, by Cost Certification, of documentation that the term of the first mortgage loan to U.S. Bank has been extended to at least 15 years.

Source: Community Housing Concepts, Inc. Type: Permanent Financing

Principal: \$1,038,887 Interest Rate: 1.0% Fixed Amort: 360 months

Comments:

A Mortgage Restructuring Note, originated in 2004 in the principal amount of \$1,148,000, payable to HUD from available cash flow, at 1% interest over 30 years; the note has been assigned to Community Housing Concepts, Inc., the parent of the General Partner, who, in turn, is serving as lender for this note.

Source: Community Housing Concepts, Inc. Type: Permanent Financing

Principal: \$484,983 Interest Rate: 1.0% Fixed Amort: 360 months

Comments:

A Contingent Repayment Note, originated in 2004 in the principal amount of \$523,992, payable to HUD from available cash flow, at 1% interest over 30 years; the note has been assigned to Community Housing Concepts, Inc., the parent of the General Partner, who, in turn, is serving as lender for this note.

Source: PNC MultiFamily Capital Type: Syndication

Proceeds: \$4,052,077 Syndication Rate: 79% Anticipated HTC: \$ 512,972

Comments:

If the syndication price increases to 91.4 cents or greater, the proceeds would exceed the gap in financing, and the allocation should be adjusted accordingly. If the syndication price falls to 78 cents or less, the additional funds required would exceed the deferrable developer fee, and the transaction would have to be characterized as infeasible.

Amount: \$50,000

Type: Deferred Developer Fees

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the primary mortgage debt of \$796,000 and the two cash flow notes totaling \$1,523,870 indicates the need for \$3,860,949 in gap funds. Based on the submitted syndication terms, a tax credit allocation of 488,776 annually would be required to fill this gap in financing. The three possible tax credit allocation amounts are:

Allocation Determined by Eligible Basis:	\$422,404
Allocation Requested by Applicant:	\$512,972
Allocation Determined by Gap in Financing:	\$488,776

The allocation amount determined by eligible basis is recommended. An annual allocation of \$422,404 results in total equity proceeds of \$3,336,664 at a syndication price of \$0.79 per tax credit dollar. The underwriting analysis indicates the need for \$524,285 in additional funds. Deferred developer fees in this amount appear to be repayable within fifteen years of stabilized operation.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>July 14, 2008</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>July 14, 2008</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>July 14, 2008</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Park Place, Cleveland, HTC 9% #08304

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
Elderly										
TC 30%	2	1	1	651	\$344	\$485	\$970	\$0.75	\$82.00	\$38.00
TC 50%	18	1	1	651	\$573	\$485	\$8,730	\$0.75	\$82.00	\$38.00
TC 60%	8	1	1	651	\$687	\$485	\$3,880	\$0.75	\$82.00	\$38.00
TC 30%	1	2	1	960	\$412	\$606	\$606	\$0.63	\$82.00	\$38.00
TC 50%	3	2	1	960	\$687	\$606	\$1,818	\$0.63	\$82.00	\$38.00
Family										
TC 60%	8	1	1	651	\$687	\$485	\$3,880	\$0.75	\$82.00	\$38.00
TC 60%	12	2	1	852	\$825	\$606	\$7,272	\$0.71	\$95.00	\$42.00
TC 60%	8	3	1	1,119	\$953	\$723	\$5,784	\$0.65	\$135.00	\$48.00
TOTAL:	60		AVERAGE:	774		\$549	\$32,940	\$0.71	\$91.67	\$40.13

INCOME

Total Net Rentable Sq Ft: **46,452**

POTENTIAL GROSS RENT

Secondary Income: laundry 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	6.29%	\$387	0.50
Management	6.25%	384	0.50
Payroll & Payroll Tax	13.59%	836	1.08
Repairs & Maintenance	6.23%	383	0.49
Utilities	3.71%	228	0.29
Water, Sewer, & Trash	5.57%	343	0.44
Property Insurance	4.91%	302	0.39
Property Tax 2.575	8.40%	517	0.67
Reserve for Replacements	4.88%	300	0.39
TDHCA Compliance Fees	0.65%	40	0.05
Other:	0.00%	0	0.00
TOTAL EXPENSES	60.49%	\$3,720	\$4.80
NET OPERATING INC	39.51%	\$2,430	\$3.14

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$395,280	\$395,280
Secondary Income: laundry	3,600	3,060
Other Support Income:	0	
POTENTIAL GROSS INCOME	\$398,880	\$398,340
Vacancy & Collection Loss	(29,916)	(27,888)
Employee or Other Non-Rental Units or Concessions	0	
EFFECTIVE GROSS INCOME	\$368,964	\$370,452

COUNTY	IREM REGION	COMPT. REGION
Liberty	Houston	6
\$4.25	Per Unit Per Month	
\$0.00	Per Unit Per Month	
-7.00%	of Potential Gross Income	

DEBT SERVICE

US Bank	16.06%	\$987	\$1.28
M2M 2nd & 3rd Notes CF to GP	15.94%	\$980	\$1.27
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	7.51%	\$462	\$0.60

	TDHCA	APPLICANT
US Bank	\$59,249	\$56,532
M2M 2nd & 3rd Notes CF to GP	58,816	58,812
Additional Financing	0	
NET CASH FLOW	\$27,716	\$29,694

	PER SQ FT	PER UNIT	% OF EGI
US Bank	\$1.22	\$942	15.26%
M2M 2nd & 3rd Notes CF to GP	\$1.27	\$980	15.88%
Additional Financing	\$0.00	\$0	0.00%
NET CASH FLOW	\$0.64	\$495	8.02%

AGGREGATE DEBT COVERAGE RATIO

1.23 1.26

RECOMMENDED DEBT COVERAGE RATIO

1.23

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		37.67%	\$38,805	\$50.12
Off-Sites		0.00%	0	0.00
Sitework		10.05%	10,348	13.37
Direct Construction		29.57%	30,466	39.35
Contingency 4.70%		1.86%	1,917	2.48
Contractor's Fees 13.47%		5.34%	5,497	7.10
Indirect Construction		5.02%	5,166	6.67
Ineligible Costs		0.39%	399	0.51
Developer's Fees 15.00%		9.15%	9,423	12.17
Interim Financing		0.16%	167	0.22
Reserves		0.80%	827	1.07
TOTAL COST		100.00%	\$103,014	\$133.06
Construction Cost Recap		46.82%	\$48,227	\$62.29

	TDHCA	APPLICANT
Acquisition Cost (site or bldg)	\$2,328,291	\$2,328,291
Off-Sites	0	0
Sitework	620,876	507,757
Direct Construction	1,827,937	2,003,917
Contingency	115,000	115,000
Contractor's Fees	329,800	329,800
Indirect Construction	309,988	309,988
Ineligible Costs	23,910	23,910
Developer's Fees	565,386	812,000
Interim Financing	10,000	10,000
Reserves	49,632	29,133
TOTAL COST	\$6,180,819	\$6,469,796
Construction Cost Recap	\$2,893,613	\$2,956,474

	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$50.12	\$38,805	35.99%
Off-Sites	0.00	0	0.00%
Sitework	10.93	8,463	7.85%
Direct Construction	43.14	33,399	30.97%
Contingency	2.48	1,917	1.78%
Contractor's Fees	7.10	5,497	5.10%
Indirect Construction	6.67	5,166	4.79%
Ineligible Costs	0.51	399	0.37%
Developer's Fees	17.48	13,533	12.55%
Interim Financing	0.22	167	0.15%
Reserves	0.63	486	0.45%
TOTAL COST	\$139.28	\$107,830	100.00%
Construction Cost Recap	\$63.65	\$49,275	45.70%

SOURCES OF FUNDS

US Bank	12.88%	\$13,267	\$17.14
M2M 2nd & 3rd Notes CF to GP	24.65%	\$25,398	\$32.81
HTC Syndication Proceeds	65.56%	\$67,535	\$87.23
Deferred Developer Fees	1.58%	\$1,631	\$2.11
Additional (Excess) Funds Req'd	-4.68%	(\$4,816)	(\$6.22)
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED
US Bank	\$796,000	\$796,000	\$796,000
M2M 2nd & 3rd Notes CF to GP	1,523,870	1,523,870	1,523,870
HTC Syndication Proceeds	4,052,077	4,052,077	3,336,664
Deferred Developer Fees	97,849	97,849	524,285
Additional (Excess) Funds Req'd	(288,977)	0	0
TOTAL SOURCES	\$6,180,819	\$6,469,796	\$6,180,819

Developer Fee Available
\$565,386
% of Dev. Fee Deferred
93%
15-Yr Cumulative Cash Flow
\$580,885

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Park Place, Cleveland, HTC 9% #08304

PAYMENT COMPUTATION

Primary	\$796,000	Amort	360
Int Rate	6.32%	DCR	2.46

Secondary	\$1,523,870	Amort	360
Int Rate	1.00%	Subtotal DCR	1.23

Additional		Amort	
Int Rate		Aggregate DCR	1.23

RECOMMENDED FINANCING STRUCTURE APPLICABLE

Primary Debt Service	\$59,249
Secondary Debt Service	58,816
Additional Debt Service	0
NET CASH FLOW	\$26,973

Primary	\$796,000	Amort	360
Int Rate	6.32%	DCR	2.45

Secondary	\$1,523,870	Amort	360
Int Rate	1.00%	Subtotal DCR	1.23

Additional		Amort	360
Int Rate	6.32%	Aggregate DCR	1.23

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	\$395,280	\$407,138	\$419,353	\$431,933	\$444,891	\$515,751	\$597,896	\$693,126	\$931,503
Secondary Income	3,060	3,152	3,246	3,344	3,444	3,993	4,629	5,366	7,211
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	398,340	410,290	422,599	435,277	448,335	519,743	602,525	698,492	938,714
Vacancy & Collection Loss	(27,888)	(30,772)	(31,695)	(32,646)	(33,625)	(38,981)	(45,189)	(52,387)	(70,404)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$370,452	\$379,518	\$390,904	\$402,631	\$414,710	\$480,763	\$557,336	\$646,105	\$868,311
EXPENSES at 4.00%									
General & Administrative	\$19,107	\$19,871	\$20,666	\$21,493	\$22,352	\$27,195	\$33,087	\$40,256	\$59,588
Management	13,723	14,059	14,481	14,915	15,362	17,809	20,646	23,934	32,166
Payroll & Payroll Tax	53,017	55,138	57,343	59,637	62,022	75,460	91,808	111,699	165,342
Repairs & Maintenance	37,167	38,654	40,200	41,808	43,480	52,900	64,361	78,305	115,911
Utilities	10,090	10,494	10,913	11,350	11,804	14,361	17,473	21,258	31,467
Water, Sewer & Trash	20,004	20,804	21,636	22,502	23,402	28,472	34,640	42,145	62,386
Insurance	13,638	14,184	14,751	15,341	15,955	19,411	23,617	28,733	42,532
Property Tax	38,268	39,799	41,391	43,046	44,768	54,467	66,268	80,625	119,345
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
TOTAL EXPENSES	\$225,414	\$234,217	\$243,446	\$253,039	\$263,011	\$319,112	\$387,226	\$469,935	\$692,356
NET OPERATING INCOME	\$145,038	\$145,301	\$147,458	\$149,592	\$151,699	\$161,651	\$170,109	\$176,169	\$175,955
DEBT SERVICE									
First Lien Financing	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249	\$59,249
Second Lien	58,816	58,816	58,816	58,816	58,816	58,816	58,816	58,816	58,816
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$26,973	\$27,236	\$29,393	\$31,527	\$33,634	\$43,586	\$52,044	\$58,104	\$57,889
DEBT COVERAGE RATIO	1.23	1.23	1.25	1.27	1.28	1.37	1.44	1.49	1.49

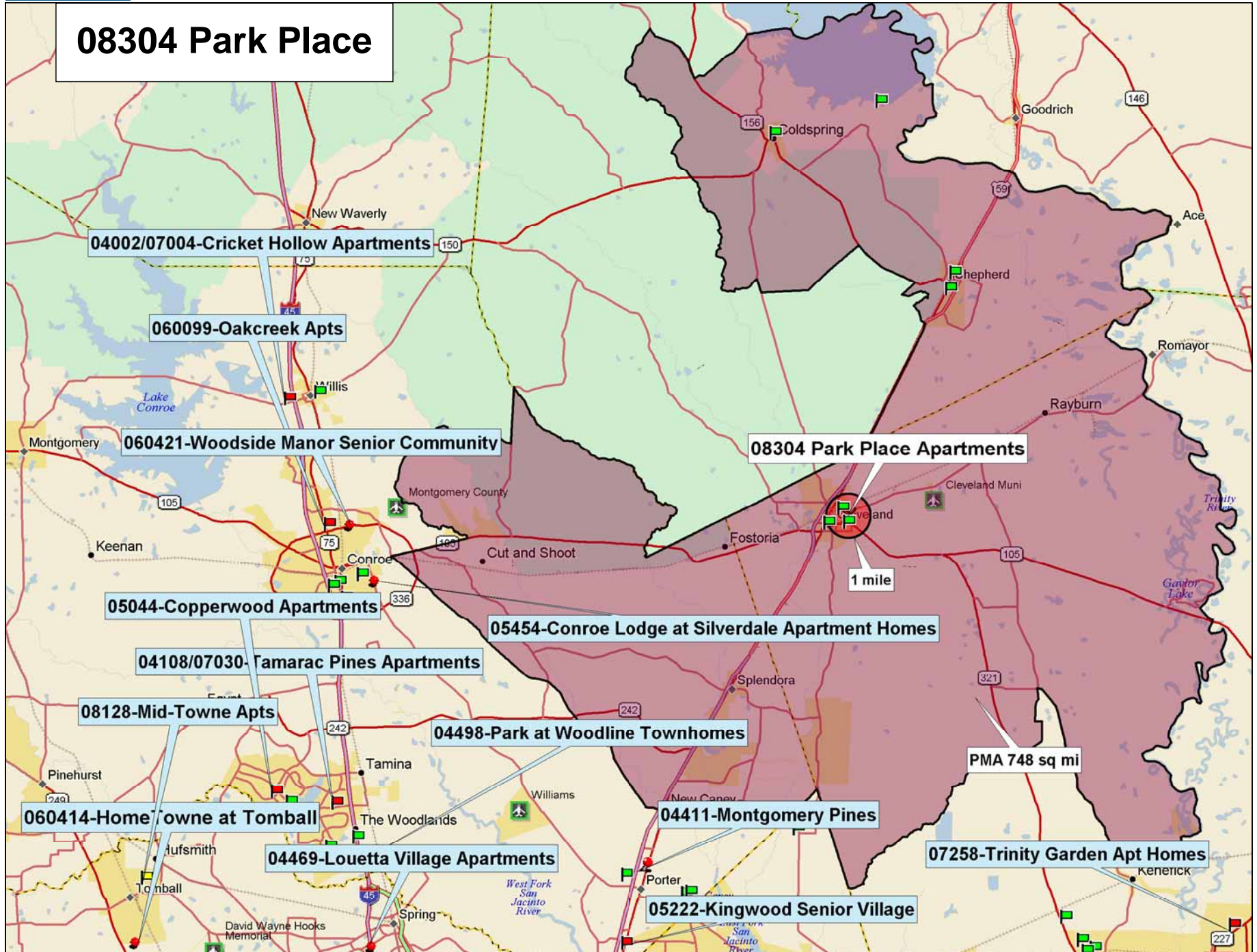
HTC ALLOCATION ANALYSIS -Park Place, Cleveland, HTC 9% #08304

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$50,000	\$117,260				
Original Closing Costs	\$106,615	\$106,615				
Granted HUD Loan		\$1,548,780				
Purchase of buildings	\$2,171,676	\$555,636	\$2,171,676	\$555,636		
Off-Site Improvements						
Sitework	\$507,757	\$620,876			\$507,757	\$620,876
Construction Hard Costs	\$2,003,917	\$1,827,937			\$2,003,917	\$1,827,937
Contractor Fees	\$329,800	\$329,800			\$329,800	\$329,800
Contingencies	\$115,000	\$115,000			\$115,000	\$115,000
Eligible Indirect Fees	\$309,988	\$309,988			\$309,988	\$309,988
Eligible Financing Fees	\$10,000	\$10,000			\$10,000	\$10,000
All Ineligible Costs	\$23,910	\$23,910				
Developer Fees				\$83,345		\$482,040
Developer Fees	\$812,000	\$565,386	\$323,670		\$488,330	
Development Reserves	\$29,133	\$49,632				
TOTAL DEVELOPMENT COSTS	\$6,469,796	\$6,180,819	\$2,495,346	\$638,982	\$3,764,792	\$3,695,641

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$2,495,346	\$638,982	\$3,764,792	\$3,695,641
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$2,495,346	\$638,982	\$4,894,229	\$4,804,333
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$2,495,346	\$638,982	\$4,894,229	\$4,804,333
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			\$88,585	\$22,684	\$407,200	\$399,721

Syndication Proceeds	0.7899	\$699,751	\$179,185	\$3,216,560	\$3,157,479
Total Tax Credits (Eligible Basis Method)				\$495,785	\$422,404
Syndication Proceeds				\$3,916,310	\$3,336,664
Requested Tax Credits				\$512,972	
Syndication Proceeds				\$4,052,077	
Gap of Syndication Proceeds Needed					\$3,860,949
Total Tax Credits (Gap Method)					\$488,776

08304 Park Place



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Applicant Evaluation

Project ID **08304**

Name **Park Place**

City: **Cleveland**

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

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

Portfolio Management and Compliance

Total # of MF awards monitored: 0

Projects in Material Noncompliance

Projects grouped by score 0-9: 0

Total # of MF awards not yet monitored or pending review: 0

Yes No

10-19: 0

20-29: 0

SF Contract Experience Yes No

Total # of MF Projects in Material Noncompliance: 0

Total monitored with a score 0-29: 0

Total # of SF Contracts: 0

Completed by: J. Taylor

Reviewer: Wendy Quackenbush

Date 5/21/2008

Date 5/21/2008

Single Audit

Single audit review not applicable

Late single audit certification form (see comments)

Single audit review found no unresolved issues

Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos

Date 5/27/2008

Comments (if applicable):

Financial Administration Loan Servicing

No delinquencies found

Delinquencies found (see comments)

Reviewer Candace Christiansen

Date 5/23/2008

Comments (if applicable):

Financial Administration Financial Services

No delinquencies found

Delinquencies found (See Comments)

Reviewer Monica Guerra

Date 5/27/2008

Comments (if applicable):