TDHCA #
02036
Region 10
At Risk
Set-Aside
DEVELOPMENT NAME: Gateway East Apartments
TDHCA #: 02036

REGION: 10
SITE ADDRESS: 1222 Giles
CITY: El Paso
COUNTY: El Paso
ZIP CODE: 79915

ALLOCATION OVER 10 YEARS: $3,946,620
DEVELOPMENT TYPE: Family
TOTAL PROJECT UNITS: 104

GROSS/NET RENTABLE: 1.00
AVERAGE SQUARE FEET/UNIT: 882

COST PER NET RENTABLE SQUARE FOOT: $67.40

NET OPERATING INCOME: $256,055

DEVELOPMENT LOCATION AND DESIGNATIONS

DDA
TTC

SPECIAL NEEDS: 6 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Gateway Affordable Housing, L.P.
Principal Names:
Preservation Partners of El Paso, Inc.
Preservation Partners of El Paso, Inc.
NA
NA
NA

Principal Contact:
Daniel F. O'Dea 100 %
W. Douglas Gurkin 0 %
NA 0 %
NA 0 %
NA 0 %

Percentage Ownership:

TAX CREDIT ALLOCATION INFORMATION

ANNUAL CREDIT ALLOCATION RECOMMENDATION: $394,662
CREDITS REQUESTED: $394,320
ELIGIBLE BASIS AMOUNT: $394,662

BUILDING INFORMATION

TOTAL DEVELOPMENT COST: $6,184,979
GROSS BUILDING SQUARE FEET: 92,125
TOTAL NRA SF: 91,760
GROSS/NET RENTABLE: 1.00
AVERAGE SQUARE FEET/UNIT: 882
COST PER NET RENTABLE SQUARE FOOT: $67.40

INCOME AND EXPENSE INFORMATION

EFFECTIVE GROSS INCOME: $620,224
TOTAL EXPENSES: $364,169
NET OPERATING INCOME: $256,055
ESTIMATED 1ST YEAR DEBT COVERAGE RATIO: 1.10

DEVELOPMENT TEAM

Developer: Preservation Partners, Inc.
Market Analyst: The Danter Company, Inc.
Housing GC: DM Jones Construction, Inc.
Originator/UW: NA
Infrastructure GC: NA
Appraiser: Property Advisors
Cost Estimator: NA
Attorney: Claudia Crocker, Attorney at Law
Architect: AG Associates Architects
Supp Services: Greater El Paso Housing Dev. Corp.
Property Manager: Marcrum Management Company
Accountant: Thomas Stephen & Company, LLP
Engineer: NA
Syndicator: Related Capital Company
Permanent Lender: American Mortgage Acceptance

DEPARTMENT EVALUATION

Points Awarded: 104
Site Review: Acceptable
Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommended
PUBLIC COMMENT SUMMARY

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: 3  Opposition: 0

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

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of the implementation of an Operations and Maintenance (O&M) plan to facilitate the in-place management of identified asbestos-containing material per the Environmental Site Assessment recommendation.

Receipt, review, and acceptance of documentation from the general contractor acknowledging the potential deferral of up to $50K in contractor fees with payment of same to come out of cash flow.

Receipt, review, and acceptance of documentation of the revised and approved HAP contract and rental assistance rents by or as part of documentation substantiating the closing of the construction loan.

Receipt, review, and acceptance of documentation of how the IRP will remain in effect, and certification by a third party CPA as to the acceptability and detail of the methodology and calculations used to keep the IRP and/or IRP loan from reducing eligible basis or reducing the applicable percentage. This condition should be met by or as part of the documentation substantiating the closing of the construction loan.

Receipt, review, and acceptance of revised permanent loan commitments reflecting a reduction in the total debt service not to exceed $232,726 per year.

Should the terms of the proposed debt or the key assumptions regarding the IRP, HAP contract or syndication be altered, the conclusions, recommendations and conditions of this report should be re-evaluated by the Underwriter.

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

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

☐ To serve a greater number of lower income families for fewer credits
☐ To serve a greater number of lower income families for a longer period of time
☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development is in the At-Risk Development Set Aside. Because the At-Risk Set Aside is undersubscribed it is necessary that all At Risk Developments recommended by Underwriting be recommended to the Board.

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

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

☐ BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):
Project Name: Gateway East Apartments

Michael E. Jones, Chairman of the Board
Compliance Status Summary

Project ID #: 02036  
LIHTC 9% ✔  LIHTC 4% □

Project Name: Gateway East Apartments  
HOME □  HTF □

Project City: El Paso  
BOND □  SECO □

Housing Compliance Review

- Project(s) in material non-compliance □
- No previous participation □
- Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

- # reviewed 0  
- # not yet monitored or pending review 3
- # of projects grouped by score 0-9: 0  
- 10-19: 0  
- 20-29: 0

- Members of the development team have been disbarred by HUD □
- National Previous Participation Certification Received No
- Non-Compliance Reported □

Completed by Jo En Taylor  
Completed on 04/24/2002

Single Audit

- Status of Findings (any outstanding single audit issues are listed below)
- Single audit not applicable ✔  
- no outstanding issues □  
- outstanding issues □

Comments:

Completed by Lucy Trevino  
Completed on 05/23/2002

Program Monitoring

- Status of Findings (any unresolved issues are listed below)
- Monitoring review not applicable ✔  
- Monitoring review pending □
- reviewed; no unresolved issues □  
- reviewed; unresolved issues found □

Comments:

Completed by Ralph Hendrickson  
Completed on 04/30/2002
<table>
<thead>
<tr>
<th><strong>Community Affairs</strong></th>
<th>Status of Findings (any unresolved issues are listed below)</th>
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<tbody>
<tr>
<td>monitoring review not applicable ✓</td>
<td>monitoring review pending □</td>
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<tr>
<td>reviewed; no unresolved issues □</td>
<td>reviewed; unresolved issues found □</td>
</tr>
<tr>
<td><strong>Comments:</strong></td>
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<tr>
<td><strong>Completed by</strong></td>
<td><strong>Completed on</strong></td>
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<table>
<thead>
<tr>
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<th>Status of Findings (any unresolved issues are listed below)</th>
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<tr>
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<td>monitoring review pending □</td>
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<tr>
<td><strong>Completed by</strong></td>
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<table>
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<td>reviewed; unresolved issues found □</td>
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<tr>
<td><strong>Comments:</strong></td>
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<tr>
<td><strong>Completed by</strong></td>
<td><strong>Completed on</strong> 06/06/2002</td>
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<table>
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<td>monitoring review pending □</td>
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<tr>
<td>reviewed; no unresolved issues □</td>
<td>reviewed; unresolved issues found □</td>
</tr>
<tr>
<td><strong>Comments:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Completed by</strong></td>
<td><strong>Completed on</strong></td>
</tr>
</tbody>
</table>

**Executive Director:** Edwina Carrington  
**Date Signed:** June 10, 2002
**DEVELOPMENT NAME**

Gateway East Apartments

**APPLICANT**

| Name: Gateway Affordable Housing, L.P. | Type: | ☒ For Profit | ☐ Non-Profit | ☐ Municipal | ☐ Other |
| Address: 204 East 8th Street | City: Georgetown | State: TX |
| Zip: 78626 | Contact: Michelle Grandt | Phone: (512) 863-7666 | Fax: (512) 863-8656 |

**PRINCIPALS of the APPLICANT**

| Name: Preservation Partners of El Paso, Inc. | (%): .01 | Title: General Partner |
| Name: Related Capital Company | (%): 99.99 | Title: Limited Partner |
| Name: Daniel F. O'Dea | (%): n/a | Title: Pres of GP/co-owner of Dev |
| Name: W. Douglas Gurkin | (%): n/a | Title: VP of GP/co-owner of Dev |

**GENERAL PARTNER**

| Name: Preservation Partners of El Paso, Inc. | Type: | ☒ For Profit | ☐ Non-Profit | ☐ Municipal | ☐ Other |
| Address: 204 East 8th Street | City: Georgetown | State: TX |
| Zip: 78626 | Contact: Daniel F. O'Dea | Phone: (512) 863-7666 | Fax: (512) 863-8656 |

**PROPERTY LOCATION**

| Location: 1222 Giles | ☐ QCT | ☒ DDA |
| City: El Paso | County: El Paso | Zip: 79915 |

**REQUEST**

| Amount | Interest Rate | Amortization | Term |
| $394,320 | N/A | N/A | N/A |

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

Proposed Use of Funds: Acquisition/Rehab

Set-Aside: ☒ General | ☐ Rural | ☐ Non-Profit

**SITE DESCRIPTION**

| Size: 6.84 acres | 297,950 square feet | Zoning/ Permitted Uses: C-1 |
| Flood Zone Designation: Not in flood zone | Status of Off-Sites: Fully Improved |
**DESCRIPTION of IMPROVEMENTS**

- **Total Units:** 104
- **# Rental Buildings:** 7
- **# Common Area Bldgs:** 0
- **# of Floors:** 2
- **Age:** 31 yrs
- **Vacant:** 3 at 12/12/2001

<table>
<thead>
<tr>
<th>Number</th>
<th>Bedrooms</th>
<th>Bathroom</th>
<th>Size in SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>1</td>
<td>1</td>
<td>627</td>
</tr>
<tr>
<td>64</td>
<td>2</td>
<td>1</td>
<td>885</td>
</tr>
<tr>
<td>16</td>
<td>3</td>
<td>1.5</td>
<td>1005</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
<td>1.5</td>
<td>1026</td>
</tr>
</tbody>
</table>

- **Net Rentable SF:** 90,960*
- **Av Un SF:** 875*
- **Common Area SF:** 1,165
- **Gross Bldg SF:** 92,125

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**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a slab on grade, 15% brick veneer/10% siding/75% Stucco siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, cable, ceiling fans, laminated counter tops

**ON-SITE AMENITIES**

1,165 SF leasing office and laundry facilities building, equipped children’s play area, basketball courts

- **Uncovered Parking:** 176 spaces
- **Carports:** n/a spaces
- **Garages:** n/a spaces

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**OTHER SOURCES of FUNDS**

**INTERIM TO PERMANENT FINANCING**

- **Source:** American Mortgage Acceptance Corporation
- **Contact:** Steve Wendel
- **Principal Amount:** $2,600,000
- **Interest Rate:** 7.91%
- **Amortization:** 30 yrs
- **Term:** 18 yrs
- **Commitment:** Conditional
- **Annual Payment:** $226,980
- **Lien Priority:** 1st
- **Commitment Date:** 03/20/2002

**INTERIM TO PERMANENT FINANCING**

- **Source:** American Mortgage Acceptance Corporation
- **Contact:** Steve Wendel
- **Principal Amount:** $380,000
- **Interest Rate:** 9%
- **Amortization:** 11 yrs
- **Term:** 11 yrs
- **Commitment:** Conditional
- **Annual Payment:** $54,541
- **Lien Priority:** 2nd
- **Commitment Date:** 03/20/2002

**LIHTC SYNDICATION**

- **Source:** Related Capital Company
- **Contact:** Justin Ginsberg
- **Address:** 625 Madison Avenue, City: New York
- **State:** NY, Zip: 10022, Phone: (212) 421-5333, Fax: (212) 751-3550
- **Net Proceeds:** $2,997,000
- **Net Syndication Rate (per $1.00 of 10-yr LIHTC):** 76¢
Commitment: Conditional  Date: 03/20/2002

Additional Information: Net proceeds based on annual LIHTC allocation of $394,320.

APPLICANT EQUITY

Amount: $206,879  Source: Deferred developer fee
Amount: $100  Source: Cash Equity

VALUATION INFORMATION

APRAISED VALUE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Date of Valuation</th>
</tr>
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<tbody>
<tr>
<td>Land Only</td>
<td>$280,800</td>
<td>02/13/2002</td>
</tr>
<tr>
<td>Existing Building: as is without IRRP*</td>
<td>$2,044,200</td>
<td>02/13/2002</td>
</tr>
<tr>
<td>Value of IRRP</td>
<td>$375,000</td>
<td>02/13/2002</td>
</tr>
<tr>
<td>Total Property as is w/IRRP</td>
<td>$2,700,000</td>
<td>02/13/2002</td>
</tr>
</tbody>
</table>

Appraiser: Property Advisors  City: Columbus  Phone: (614) 431-3332
*as calculated by underwriter

ASSESSED VALUE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Date of Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$387,072</td>
<td>2002</td>
</tr>
<tr>
<td>Building</td>
<td>$1,016,629</td>
<td>El Paso County Appraisal District</td>
</tr>
<tr>
<td>Total Assessed Value</td>
<td>$1,403,701</td>
<td>2.869</td>
</tr>
<tr>
<td>*2000 total assessed value was $1,715,960</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract
Contract Expiration Date: 08/30/2002  Anticipated Closing Date: 08/01/2002
Acquisition Cost: $2,700,000  Other Terms/Conditions: $20,000 earnest money deposit
Seller: El Paso-Gateway East, Ltd.  Related to Development Team Member: No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Gateway East Apartments is a proposed acquisition and rehabilitation development of 104 units of affordable housing located in eastern El Paso. The development was built in 1971 and is comprised of 7 residential buildings as follows:
- (1) Building Type A with sixteen 1-bedroom units;
- (4) Building Type B with sixteen 2-bedroom units;
- (1) Building Type C with sixteen 3-bedroom units; and
- (1) Building Type D with eight 4-bedroom units;
Based on the site plan the apartment buildings are distributed evenly throughout the site/arranged in several groups separated by parking lots, with the community building located near the entrance to the site. The 1165-square foot community building plan includes the leasing office and a 540-square foot laundry facility.

Existing Subsidies: The development currently operates under the HUD Section 236 and HUD Section 8 programs. A total of 84 units are under the HUD Section 8 Rental Assistance and the remaining 20 units are under a project-based HUD Section 8 HAP contract. The Applicant intends to extinguish the 236 loan but continue both rent programs as well as the interest rate reduction program which provides an interest rate subsidy for the 236 loan.

Development Plan: The buildings are currently 97% occupied based on the submitted rent roll as of December 12, 2001. The age of the buildings and scope of rehabilitation suggest the property is in a
moderately deteriorated state. The architect’s scope of work includes: paint interior and exterior of buildings, remove and replace roof shingles, replace carpet throughout, replace heating and cooling units, replace light fixtures, replace all counter tops and cabinets, replace refrigerators, replace ranges, replace garbage disposals, install dishwashers in all two-, three-, and four-bedroom units; renovate community building and leasing office, renovate playground and upgrade landscaping.

The Applicant submitted a tenant relocation plan in the LIHTC application, which indicates that there will be approximately 15-20 vacant units at the time of construction commencement in which to begin interior rehabilitation. Each of the interior turns is expected to take approximately one week to complete. Gateway Affordable Housing, L.P. will distribute a letter to all residents by the end of July informing them of the scope of the improvements to be completed. The letter will offer the residents either a bonded moving company to transfer them to the new unit, or offer the tenants $250 upon the timely completion of the move themselves. There will be a $50 utility transfer charge for the telephone that will also be paid for by Gateway Affordable Housing, L.P. Four days prior to the tenant’s move date, management will provide them with 15 boxes of three varying sizes. During the rehabilitation phase, management will be instructed to cease taking new leases. New leases will be taken as work begins on the last building units. The contractor estimates that 20 units per month is a conservative interior completion production. The Applicant has allocated $335/unit for relocation costs.

**Supportive Services:** The Applicant has contracted with The Greater El Paso Housing Development Corporation to provide the following supportive services to tenants: homebuyer education services. These services will be provided at no cost to tenants. The Applicant has agreed to pay $1,000 per year for these support services.

**Schedule:** The Applicant anticipates construction to begin in August of 2002, to be completed in July of 2003, to be placed in service in August of 2003, and to be substantially leased-up in October of 2003.

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**INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<table>
<thead>
<tr>
<th>Type of Demand</th>
<th>Market Analyst Units of Demand</th>
<th>% of Total Demand</th>
<th>Underwriter (annual) Units of Demand</th>
<th>% of Total Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Growth</td>
<td>0</td>
<td>42</td>
<td>3,394</td>
<td>101%</td>
</tr>
<tr>
<td>Resident Turnover</td>
<td>0</td>
<td>0%</td>
<td>3,394</td>
<td>101%</td>
</tr>
<tr>
<td>Other Sources: Total income qualified renter households</td>
<td>4,753 to 5,138</td>
<td>100%</td>
<td>3,352</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL DEMAND</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td><strong>3,352</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
The Market Analyst does not specifically calculate a capture rate as defined by the Department. The analyst does suggest “The projects will represent a rental housing alternative for 12.8% to 17.4% of all income-appropriate renter households…” (p. IV-25) The Underwriter calculated a concentration capture rate of 3% based upon data supplied in the market study. With a 90%+ current occupied status, the concentration issue in this case is irrelevant.

Market Rent Comparables: The market analyst surveyed 53 comparable apartment projects totaling 7,544 units in the market area. (p. IV-7)

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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<tr>
<td>1-Bedroom (TC40%)</td>
<td>$271</td>
<td>$411</td>
<td>-$140</td>
<td>$425</td>
<td>-$154</td>
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<tr>
<td>1-Bedroom (TC50%)</td>
<td>$339</td>
<td>$411</td>
<td>-$72</td>
<td>$425</td>
<td>-$86</td>
</tr>
<tr>
<td>1-Bedroom (TC60%)</td>
<td>$407</td>
<td>$411</td>
<td>-$4</td>
<td>$425</td>
<td>-$18</td>
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<tr>
<td>2-Bedroom (TC50%)</td>
<td>$407</td>
<td>$471</td>
<td>-$64</td>
<td>$500</td>
<td>-$93</td>
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<tr>
<td>2-Bedroom (TC60%)</td>
<td>$489</td>
<td>$490</td>
<td>-$1</td>
<td>$500</td>
<td>-$11</td>
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<tr>
<td>3-Bedroom (TC50%)</td>
<td>$470</td>
<td>$471</td>
<td>-$1</td>
<td>$600</td>
<td>-$130</td>
</tr>
<tr>
<td>4-Bedroom (TC40%)</td>
<td>$564</td>
<td>$566</td>
<td>-$2</td>
<td>$600</td>
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<tr>
<td>4-Bedroom (TC50%)</td>
<td>$525</td>
<td>$526</td>
<td>-$1</td>
<td>$660</td>
<td>-$135</td>
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<tr>
<td>4-Bedroom (TC60%)</td>
<td>$630</td>
<td>$631</td>
<td>-$1</td>
<td>$660</td>
<td>-$30</td>
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</table>

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

Submarket Vacancy Rates: “The overall market is 94.8% occupied. Vacancies are relatively low in the market area, and the market appears limited by supply rather than demand.” (p. IV-8)

Absorption Projections: “When responding to only income qualified tenants, absorption is expected to average 12 to 14 units per month, resulting in a 7.0 to 8.5-month absorption period to achieve a 95% occupancy level” (p. IV-42)

The Underwriter found the market study to be provide sufficient information to make a funding determination. An appraisal was also provided to substantiate the value of the buildings versus land for the acquisition. The appraisal was performed by Andrew J. Moye, MAI, with Property Advisors. The Appraiser’s conclusions for the value of the land and total property appear to be reasoned and justified.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: El Paso is located in west Texas, approximately 43 miles southeast from Las Cruces, New Mexico in El Paso County. The site is a rectangularly-shaped parcel located on the east side of the city of El Paso, within 8 miles from the central business district. The site is situated on the southeast corner of the Gateway Blvd. East (I-10) and Giles intersection.

Population: The estimated 2001 population of the El Paso site effective market area (EMA) was 81,353 and is expected to increase by -3.5% to approximately 78,498 by 2006. Within the primary market area there were estimated to be 23,288 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located is predominately commercial and retail. Adjacent land uses include:
- North: commercial properties and restaurants, established single-family homes
- South: park, established single-family homes
- East: retail establishments, medical buildings, restaurants, hotels and commercial properties
- West: restaurants, commercial properties

Site Access: Access to the property is from the east or west along Gateway East Blvd, east or west along
Giles Road. The development has four main entries, two from the east or west from Gateway East Blvd., and two from the east or west from Giles Road. Interstate Highway 10 borders the apartment complex, which provides connections to all other major roads serving the El Paso area.

**Public Transportation:** According to the market analyst, Sun Metro is the mode of public transportation available in the Site EMA, however, proximity to the nearest bus stop is unknown.

**Shopping & Services:** The site is within 0.1 miles of 1 major grocery/supermarket, within 0.2 miles of a shopping center, within 3.5 miles of recreational facilities and library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

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

A Phase I Environmental Site Assessment report dated February 15, 2002 was prepared by HBC Engineering, Inc. and contained the following findings and recommendations:

**Findings:**

**Asbestos-Containing Materials (ACM):** “Three (3) of the homogeneous materials sampled in the apartment buildings and laundry room were found to contain asbestos. 1)Resilient Floor Tile & Mastic..., 2)Exterior Soffit..., 3)Textured Drywall Construction. The asbestos-containing building materials were quantified on-site at the time of inspection. There exists approximately 85,500 square feet of resilient flooring materials utilized throughout the complex. Approximately 12,000 square feet of asbestos-containing cementious fiber board (Transite) was observed on the ceiling throughout the soffit and porch overhangs. Lastly, the approximately 37,800 square feet of texture applied to drywall construction appeared to be utilized in units within Buildings A and B. Please note that it should be assumed that the drywall construction of the walls and ceilings of the units within Building B are asbestos-containing based on their date of construction, type of construction and visual observations.” (p. 23)

**Recommendations:** “No further investigation is recommended. The implementation of an Operations and Maintenance (O&M) Plan would facilitate the in-place management of identified asbestos-containing materials. However, if renovation or demolition activities are proposed for the on-site building structures, it is recommended that the asbestos-containing materials identified at the site be removed, and the removal activities be conducted by trained and licensed asbestos abatement personnel under the requirements of the Texas Department of Health Texas Asbestos Health Protection Rules.” (p.25) These conclusions will be a condition of the report.

### OPERATING PROFORMA ANALYSIS

**Income:** The Applicant’s rent projections are $1 less than the maximum rents allowed under LIHTC guidelines for each income level served. The Underwriter used the current HAP contract rents for 20 of the units that are enrolled in this program and the LIHTC maximum rents for the other 84 units in order to calculate the development’s potential gross rent. The Applicant’s estimate is based strictly on current LIHTC rent limits. The project based HAP rents are higher than the lowest LIHTC rents and are achievable based on LIHTC rules. As a result, the Applicant’s potential gross rent estimate is $12K or 2% lower than the Underwriter’s estimate. Using the current HAP rents results in $12,972 more in rental income for the development than originally estimated by the Applicant. The current HAP rents are $411 for 14 of the one-bedroom units and $471 for 6 of the two-bedroom units. The current actual rents are $401 for one bedroom units, $459 for two bedrooms, $496 for three bedrooms and $544 for four bedrooms. Thus the new proposed rent schedule reflects a nominal overall 4% increase in potential gross rent. The Applicant’s estimate of secondary income is in line with TDHCA underwriting guidelines. The Applicant utilized a slightly lower vacancy and collection loss rate of 6.69%. The Underwriter and the Applicant also included the IRP payment in other support income. As a result, the Applicant’s effective gross income estimate is $6,700 less than the Underwriter’s estimate, but still within the 5% tolerance range.

**Expenses:** The Applicant’s estimate of total operating expense is $46K or 13% lower than the Underwriter’s estimate. The Underwriter compared line item expenses to both the database-derived estimate and the historical operating statement for this development. Historically, this development has operated at an
unusually high cost of $5,094 per unit. The Applicant has significantly understated the development’s operating expense estimate for several line items when compared to the TDHCA database, IREM and the historical expenses. The Underwriter also adjusted the utility expense compared to the typical development due to the fact that this development is an all bills paid operation. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the Underwriter’s minimum estimates, particularly: management ($6K lower), payroll and payroll tax ($24K lower), repairs and maintenance ($8K lower), utilities ($45K lower), water, sewer, and trash ($15K higher), and property insurance ($9K higher). **Conclusion:** The Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Based on the Underwriter’s pro forma and the proposed financing structure, the development would have a debt coverage ratio (DCR) of 0.91, which is below the minimum standard of 1.10. Therefore, the maximum total debt service for this project should be limited to $232,726 by a reduction of the permanent loan amount.

### CONSTRUCTION COST ESTIMATE EVALUATION

**Land Value:** The Applicant submitted a Real Estate Contract wherein the Applicant is purchasing the property for $2,700,000. The Applicant’s claimed acquisition cost for the land of $280,800 is the same as the appraised value for the land. The appraiser used adequate comparables to document this value. The appraiser concluded that the market value for the entire property, including the IRRP is $2,700,000, which is equal to the sales price. The proposed acquisition is an arm’s length transaction.

**Sitework Cost:** Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of $1,346 per unit which is consistent with the architect’s estimate in the proposed work write-up.

**Direct Construction Cost:** The Applicant’s submitted direct costs in the cost breakdown is not consistent with the Proposed Work Write Up for Rehabilitation Developments certified by a third party under Exhibit 102E of the Application. Line item costs appear to differ in the following areas: Specialties are estimated at $38,000 in the Applicant’s cost schedule, while the third party work write up indicates a cost of $5,000; Cabinet costs are estimated at $35,000 per the Applicant, while the third party work write up indicates a cost of $3,000; Equipment for persons w/disabilities costs were estimated at $17,007 per the Applicant, while the third party work write up indicates a cost of $16,000. Also, there is an additional $1,000 included in the work write up labeled “Miscellaneous” that is not included in the Applicant’s cost schedule. For purposes of this analysis, the Underwriter utilized the third party Proposed Work Write Up cost estimates and the Applicant’s cost breakdown costs appear to be 5% higher.

**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 when based on the cost breakdown figures but are slightly overstated when compared to the work write-up estimates. The Applicant’s proposed contingency cost was overstated by $30,007 compared to the 10% allowance for rehabilitation developments. As a result, the Applicant’s developer fees were also overstated by $13,543.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate derived from the work write-up, therefore, the Applicant’s project cost schedule estimate will be used as adjusted to determine the development’s eligible basis and total funding need. As a result, an annual tax credit allocation of $394,662 is derived from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant’s costs to determine the recommended credit amount. It should also be noted that this is $342 more than initially requested despite the reductions in basis discussed above due to the Applicant’s use of a lower applicable percentage of 3.55% rather than the 3.67% underwriting rate for acquisition eligible basis.

### FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from three sources: an IRP loan, a permanent loan, syndicated LIHTC equity, the Applicant’s cash equity and deferred developer’s fees.

**IRP Loan and Permanent Loan:** There is a commitment for interim to permanent financing through American Mortgage Acceptance Corporation. This financing would be broken down into two loans: an IRP loan and a permanent financing loan.

The IRP (Interest Rate Reduction Payment) is what will remain, along with the HAP contract after the...
existing 236 loan is decoupled. The 236 loan will be extinguished but the federal assistance payments to help reduce the effective interest rate will be maintained. The IRP loan commits up to $380,000 in funds at a fixed interest rate of 9% with a term of 11 years. The permanent loan commits up to $2,600,000 in funds at a fixed interest rate of 7.91% with amortization over a period of 30 years and a term of 18 years. Both of these loans would be used for construction financing and will then convert to permanent financing upon stabilization. Based on the Underwriter’s proforma and the proposed financing structure, the development would have a debt coverage ratio (DCR) of 0.91, which is below the program minimum standard of 1.10. In order to raise the development’s DCR to the minimum 1.10, the annual debt service must be limited to $232,726. The final IRP loan amount will depend on how many of the IRP payments are left at the time the loan closes. In addition, the final interest rate on both loans may depend in part on a determination as to the effect the IRP loan will have on eligible basis.

Since the IRP is a federal loan subsidy it and/or any loan proceeds derived from it will be regarded as federal below market rate funds and will either need to be reduced from basis or will limit the credit for the whole development to the 4% credit unless the funds may be regarded as non-below market rate if the overall effective interest rate on the total new debt is above AFR (the applicable federal rate) at the time the transaction closes. Based on an analysis of both the proposed structure and the Underwriter’s revised structure the overall interest rate would be at least 8.21% and therefore over the AFR. However, this method of avoiding the federal taint of the IRP has yet to be clearly shown to be acceptable to the IRS. Therefore, it remains possible that the IRP loan in its entirety must be moved from basis and thus a further reduction in credits will be required. Receipt, review and acceptance of documentation of how the IRP will remain in effect, and final commitments for both permanent loans at the time of construction loan closing, is a condition of this report. In addition, certification by a third party CPA as to the methodology and calculations used to keep the IRP and/or IRP loan from reducing eligible basis or the applicable percentage should be required.

**LIHTC Syndication:** Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $2,997,000 based on a syndication factor of 76%. The funds would be disbursed in a six-phased pay-in schedule:

1. 20% or $599,400 upon admission of Investor to Project Partnership (the “Closing”);
2. 20% or $599,400 at completion of 25% of construction as determined by the Investors construction consultant;
3. 20% or $599,400 at completion of 50% of construction as determined by the Investors construction consultant;
4. 15% or $449,550 at completion of 75% of construction as determined by the Investors construction consultant;
5. 5% or $149,850 upon the completion of construction (“Completion”); and
6. 20% or $599,400 upon the attainment of Rental Achievement.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $206,879 amount to 27% of the total fees. However, based on the Underwriter’s analysis using the Applicant’s total development cost estimate, the developer will have to defer 100% of the developer fees plus $54K in contractor fees. Receipt, review and acceptance of documentation from the general contractor acknowledging the potential deferral of such fees is a condition of this report.

**Financing Conclusions:** The Applicant’s estimate, adjusted for overstated fees and contingency costs, was used to determine the development’s eligible basis and recommended tax credit allocation of $394,662 annually for ten years, or $342 more than requested. This net increase is due to the Applicant’s use of a lower acquisition applicable percentage of 3.55% instead of the current underwriting rate of 3.67%. As discussed in the operating proforma analysis section of this report, the development’s debt coverage ratio is below the Department’s minimum standard and, therefore, it is recommended that the annual debt service be limited to $232,726, which will result in a significantly lower permanent debt amount. Based on the Underwriter’s analysis, the developer will need to defer $764,683 in fees, or $557,804 more than anticipated. The deferred fee appears to be repayable from development cashflow in 15 years. This deferral will include a small portion of contractor fees and if it should increase further by more than $10K due to a further reduction in the loan amount or syndication proceeds the transaction would be deemed infeasible by TDHCA underwriting standards.
REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple and all units are of average size for market rate and LIHTC units. Each unit has a semi-private exterior entry that is off an interior breezeway that is shared with other units. The units are in two-story structures with mixed brick veneer/HarkiPlank siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

None noted.

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

Financial Highlights:
- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Developer, Preservation Partners, Inc., submitted an unaudited financial statement as of March 20, 2002 reporting total assets of $556K and consisting of $10K in cash, $472K in accounts receivable and $74K in other current assets.

Background & Experience:
- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed numerous affordable housing projects totaling approximately 504 units since 1998.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant’s estimated operating expenses and proforma NOI are more than 5% outside of the Underwriter’s verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental risks exist regarding potential asbestos in the flooring, soffit and drywall.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $394,662 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of the implementation of an Operations and Maintenance (O&M) Plan to facilitate the in-place management of identified asbestos-containing materials per the Environmental Site Assessment recommendation.
3. Receipt, review and acceptance of documentation from the general contractor acknowledging the potential deferral of up to $50K in contractor fees with payment of same to come out of cash flow.
4. Receipt, review and acceptance of documentation of the revised and approved HAP contract and rental assistance rents by or as part of documentation substantiating the closing of the construction loan.
5. Receipt, review and acceptance of documentation of how the IRP will remain in effect, and
certification by a third party CPA as to the acceptability and detail of the methodology and calculations used to keep the IRP and/or IRP loan from reducing eligible basis or reducing the applicable percentage. This condition should be met by or as part of the documentation substantiating the closing of the construction loan.

6. Review of this development’s score for including 40% and 50% of AMGI units, based on the Underwriter’s conclusion that deferred developer fee exceeds 50% of the eligible developer fees.

7. Receipt, review, and acceptance of revised permanent loan commitments reflecting a reduction in the total debt service not to exceed $232,726 per year.

8. Should the terms of the proposed debt or the key assumptions regarding the IRP, HAP contract or syndication be altered, the conclusions, recommendations and conditions of this report should be re-evaluated by the Underwriter.

<table>
<thead>
<tr>
<th>Associate Underwriter:</th>
<th>Date: May 17, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raquel Morales</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Director of Credit Underwriting:</th>
<th>Date: May 17, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tom Gouris</td>
<td></td>
</tr>
</tbody>
</table>
## Gateway East Apartments, El Paso, LIHTC #02036

### Potential Gross Rent

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Number</th>
<th>Bed</th>
<th>No. of Baths</th>
<th>Size in SF</th>
<th>Gross Rent per Sq Ft</th>
<th>Rent per Unit</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
<th>Total Rent</th>
<th>Total Rent per Unit</th>
<th>Total Rent per Month</th>
<th>% of EGI</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCD60</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1,055</td>
<td>$471</td>
<td>$471</td>
<td>$5,662</td>
<td>$605,439</td>
<td>724,217</td>
<td>7.89</td>
<td>6,964</td>
<td>11.71%</td>
</tr>
<tr>
<td>TCD90</td>
<td>3</td>
<td>3</td>
<td>1.5</td>
<td>1,055</td>
<td>$471</td>
<td>$471</td>
<td>$5,662</td>
<td>$605,439</td>
<td>724,217</td>
<td>7.89</td>
<td>6,964</td>
<td>11.71%</td>
</tr>
<tr>
<td>TCD96</td>
<td>1</td>
<td>4</td>
<td>1.5</td>
<td>1,026</td>
<td>$471</td>
<td>$471</td>
<td>$5,662</td>
<td>$605,439</td>
<td>724,217</td>
<td>7.89</td>
<td>6,964</td>
<td>11.71%</td>
</tr>
</tbody>
</table>

**Total:** 104

**AVERAGE:** 882

**INCOME**

- **Total Net Rentable Sq Ft:** $1,760

**POTENTIAL GROSS RENT**

- Secondary Income: $1,240, $1,240
- Other Support Income: $58,212, $58,212

**POTENTIAL GROSS INCOME**

- $760,512, $767,990

**EFFECTIVE GROSS INCOME**

- $620,224, $613,524

**EXPENSES**

<table>
<thead>
<tr>
<th>Description</th>
<th>PER SQ FT</th>
<th>PER UNIT</th>
<th>PER SF</th>
<th>PER SF</th>
<th>% of EGI</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>4.55%</td>
<td>$270</td>
<td>$0.31</td>
<td>$28,122</td>
<td>12,480</td>
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<tr>
<td>Management</td>
<td>5.00%</td>
<td>296</td>
<td>0.34</td>
<td>31,011</td>
<td>24,989</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>9.00%</td>
<td>537</td>
<td>0.61</td>
<td>55,836</td>
<td>32,000</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>5.49%</td>
<td>328</td>
<td>0.37</td>
<td>36,080</td>
<td>26,000</td>
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<tr>
<td>Utilities</td>
<td>13.84%</td>
<td>825</td>
<td>0.94</td>
<td>85,812</td>
<td>40,000</td>
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<tr>
<td>Water, Sewer, &amp; Trash</td>
<td>4.80%</td>
<td>286</td>
<td>0.32</td>
<td>29,760</td>
<td>45,000</td>
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<tr>
<td>Property Insurance</td>
<td>2.55%</td>
<td>149</td>
<td>0.17</td>
<td>15,518</td>
<td>25,000</td>
</tr>
<tr>
<td>Property Tax</td>
<td>7.94%</td>
<td>473</td>
<td>0.54</td>
<td>49,230</td>
<td>50,000</td>
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<tr>
<td>Reserve for Replacements</td>
<td>5.03%</td>
<td>300</td>
<td>0.34</td>
<td>31,200</td>
<td>31,200</td>
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</table>

**Other Expenses:**

- Supplies & Cos: 35, 0.04

**TOTAL EXPENSES**

- $364,169, $304,289

**NET OPERATING INC**

- $256,055, $209,235

**DEBT SERVICE**

- AMAC: $226,980, $226,980
- AMAC - IRP Loan: $58,541, $58,541
- Other Income: $0

**NET CASH FLOW**

- $2,926, $2,926

**AGGREGATE DEBT COVERAGE RATIO**

- 11.0

**ALTERNATIVE DEBT COVERAGE RATIO**

- 13.0

## Construction Cost

<table>
<thead>
<tr>
<th>Description</th>
<th>Factor</th>
<th>Amount</th>
<th>Description</th>
<th>Factor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost (site or land)</td>
<td>44.38%</td>
<td>$25,962</td>
<td>Direct Construction</td>
<td>21.29%</td>
<td>$1,295,372</td>
</tr>
<tr>
<td>Off-Sites</td>
<td>0.00%</td>
<td>0.00</td>
<td>Contingency</td>
<td>10.00%</td>
<td>1,360,379</td>
</tr>
<tr>
<td>Sitework</td>
<td>2.30%</td>
<td>1,346</td>
<td>Contractor's G &amp; A</td>
<td>2.00%</td>
<td>914</td>
</tr>
<tr>
<td>Developer's Profit</td>
<td>9.55%</td>
<td>5,822</td>
<td>Interim Financing</td>
<td>3.22%</td>
<td>1,883</td>
</tr>
<tr>
<td>Interim Financing</td>
<td>3.22%</td>
<td>1,883</td>
<td>TOTAL COST</td>
<td>100.00%</td>
<td>$6,083,998</td>
</tr>
<tr>
<td>Recap-Hard Construction Costs</td>
<td>56.49%</td>
<td>$19,114</td>
<td>SOURCES OF FUNDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMAC</td>
<td>42.74%</td>
<td>$25,000</td>
<td>LIHTC Syndication Proceeds</td>
<td>6.25%</td>
<td>$3,654</td>
</tr>
<tr>
<td>AMAC - IRP Loan</td>
<td>6.25%</td>
<td>$3,654</td>
<td>Deferred Developer Fees</td>
<td>3.40%</td>
<td>$1,989</td>
</tr>
<tr>
<td>Cash Equity</td>
<td>0.00%</td>
<td>0.00</td>
<td>Additional (excess) Funds Req</td>
<td>-1.64%</td>
<td>(991)</td>
</tr>
</tbody>
</table>

**SOURCES OF FUNDS**

- **ANALYSIS:**
  - AMAC: $2,926, $2,926
  - AMAC - IRP Loan: $2,926, $2,926
  - LIHTC Syndication Proceeds: $2,997,000, $2,997,000
  - Deferred Developer Fees: $1,989, $1,989
  - Cash Equity: $0
  - TOTAL SOURCES: $6,083,998, $6,083,998

**TDHCA APPLICANT**

- $599,820, $586,888

**VACANCY & COLLECTION LOSS % of Potential Gross Income:**

- $50,288, $44,016

**Potential Gross Rent:**

- $599,820, $586,888

**Other Support Income:** (IRP Pmt)

- $58,212, $58,212

**AMAC-IRP Loan**

- 6.25% $3,654 $4.14 $380,000 $380,000 $380,000

**Recommendation:**

- 6.00% $3,826 $4.14 $380,000 $380,000 $380,000

**ALTERNATIVE DEBT COVERAGE RATIO:**

- 11.0

**CONSTRUCTION COST**

- Recap-Hard Construction Costs: $25,000, $25,000

**AMAC:**

- 42.74% $25,000 $28.33 $2,600,000 $2,600,000

**AMAC - IRP Loan:**

- 6.25% $3,654 $4.14 $380,000 $380,000

**LIHTC Syndication Proceeds:**

- 6.25% $3,654 $4.14 $380,000 $380,000

**Deferred Developer Fees:**

- 3.40% $1,989 $2.25 $206,879 $206,879

**Cash Equity:**

- 0.00% $0.00 $0.00 $100 $100

**TOTAL SOURCES:**

- $6,083,998 $6,083,998

**SUMMARY:**

- AMAC: $2,926, $2,926
- AMAC - IRP Loan: $2,926, $2,926
- LIHTC Syndication Proceeds: $2,997,000, $2,997,000
- Deferred Developer Fees: $1,989, $1,989
- Cash Equity: $0
- TOTAL SOURCES: $6,083,998 $6,083,998
## MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

### Gateway East Apartments, El Paso, LIHTC #02036

### DIRECT CONSTRUCTION COST ESTIMATE

**Residential Cost Handbook**

**Average Quality Multiple Residence Basis**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>UNITS/SQ FT</th>
<th>PER SF</th>
<th>AMOUNT</th>
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</thead>
<tbody>
<tr>
<td>Base Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exterior Wall Finish</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roofing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subfloor</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Floor Cover</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Porches/Balconies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plumbing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Built-In Appliances</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stairs/Fireplaces</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floor Insulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heating/Cooling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garages/Carports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
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</table>

**DIRECT CONSTRUCTION COST ESTIMATE**

**PAYMENT COMPUTATION**

<table>
<thead>
<tr>
<th>Primary</th>
<th>2,600,000</th>
<th>Term</th>
<th>360</th>
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<tbody>
<tr>
<td>Int Rate</td>
<td>7.91%</td>
<td>DCR</td>
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**Secondary**

<table>
<thead>
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<th>$380,000</th>
<th>Term</th>
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</thead>
<tbody>
<tr>
<td>Int Rate</td>
<td>9.00%</td>
<td>Subtotal DCR</td>
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</table>

**Additional**

| | | | |
| Int Rate | | Aggregate DCR | 0.91 |

**RECOMMENDED FINANCING STRUCTURE:**

**Primary Debt Service**

$178,185

**Secondary Debt Service**

$54,231

**Additional Debt Service**

0

**NET CASH FLOW**

$323,316

### RECOMMENDED FINANCING STRUCTURE:

**Primary**

$2,441,762 | Term | 360 |

| Int Rate | 7.91% | DCR | 1.44 |

**Secondary**

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<tr>
<th>$380,000</th>
<th>Term</th>
<th>360</th>
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<tr>
<td>Int Rate</td>
<td>9.00%</td>
<td>Subtotal DCR</td>
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**Additional**

| | | | |
| Int Rate | | Aggregate DCR | 1.10 |

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

<table>
<thead>
<tr>
<th>INCOME</th>
<th>at 3.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
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<tr>
<td>POTENTIAL GROSS RENT</td>
<td>$599,820</td>
<td>$617,815</td>
<td>$636,349</td>
<td>$655,440</td>
<td>$675,103</td>
<td>$782,829</td>
<td>$907,282</td>
<td>$1,051,788</td>
<td>$1,051,788</td>
<td>$1,143,025</td>
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<tr>
<td>Secondary Income</td>
<td>12,480</td>
<td>12,854</td>
<td>13,240</td>
<td>13,637</td>
<td>14,046</td>
<td>14,606</td>
<td>15,284</td>
<td>16,877</td>
<td>20,000</td>
<td>29,410</td>
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<td>Other Support Income:</td>
<td>(1)</td>
<td>58,212</td>
<td>59,958</td>
<td>61,757</td>
<td>63,610</td>
<td>65,518</td>
<td>70,593</td>
<td>81,401</td>
<td>102,075</td>
<td>137,180</td>
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<tr>
<td>POTENTIAL GROSS INCOME</td>
<td>670,512</td>
<td>696,627</td>
<td>711,346</td>
<td>732,687</td>
<td>754,667</td>
<td>874,666</td>
<td>1,041,210</td>
<td>1,175,747</td>
<td>1,580,105</td>
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<td>Vacancy &amp; Collection Loss:</td>
<td>(50,288)</td>
<td>(51,797)</td>
<td>(53,351)</td>
<td>(54,951)</td>
<td>(56,600)</td>
<td>(58,353)</td>
<td>(60,166)</td>
<td>(62,041)</td>
<td>(68,181)</td>
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<tr>
<td>Other Support Income:</td>
<td>(1)</td>
<td>58,212</td>
<td>59,958</td>
<td>61,757</td>
<td>63,610</td>
<td>65,518</td>
<td>70,593</td>
<td>81,401</td>
<td>102,075</td>
<td>137,180</td>
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<tr>
<td>EFFECTIVE GROSS INCOME</td>
<td>$620,224</td>
<td>$638,830</td>
<td>$657,995</td>
<td>$677,735</td>
<td>$698,366</td>
<td>$802,313</td>
<td>$903,069</td>
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<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>at 4.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>$28,122</td>
<td>$29,247</td>
<td>$30,417</td>
<td>$31,633</td>
<td>$32,899</td>
<td>$34,062</td>
<td>$34,688</td>
<td>$35,249</td>
<td>$37,703</td>
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<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>55,836</td>
<td>58,069</td>
<td>60,392</td>
<td>62,807</td>
<td>65,320</td>
<td>68,471</td>
<td>69,689</td>
<td>71,637</td>
<td>173,142</td>
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<td>Repairs &amp; Maintenance</td>
<td>34,080</td>
<td>35,443</td>
<td>36,861</td>
<td>38,335</td>
<td>39,869</td>
<td>41,888</td>
<td>43,906</td>
<td>46,242</td>
<td>70,818</td>
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<td>Utilities</td>
<td>85,812</td>
<td>89,245</td>
<td>92,814</td>
<td>96,527</td>
<td>100,388</td>
<td>104,388</td>
<td>108,499</td>
<td>112,147</td>
<td>180,793</td>
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<td>Water, Sewer &amp; Trash</td>
<td>29,760</td>
<td>30,950</td>
<td>32,188</td>
<td>33,476</td>
<td>34,858</td>
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<td>37,689</td>
<td>39,197</td>
<td>267,618</td>
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<td>Insurance</td>
<td>15,518</td>
<td>16,139</td>
<td>16,784</td>
<td>17,456</td>
<td>18,154</td>
<td>18,932</td>
<td>19,714</td>
<td>20,576</td>
<td>92,811</td>
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<td>Property Tax</td>
<td>49,230</td>
<td>51,200</td>
<td>53,248</td>
<td>55,378</td>
<td>57,593</td>
<td>60,070</td>
<td>62,551</td>
<td>65,021</td>
<td>63,721</td>
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<td>Reserve for Replacements</td>
<td>31,200</td>
<td>32,448</td>
<td>33,746</td>
<td>35,096</td>
<td>36,500</td>
<td>38,161</td>
<td>40,047</td>
<td>42,080</td>
<td>153,533</td>
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<td>Other</td>
<td>3,600</td>
<td>3,744</td>
<td>3,894</td>
<td>4,050</td>
<td>4,211</td>
<td>4,389</td>
<td>4,578</td>
<td>4,780</td>
<td>97,302</td>
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<tr>
<td>TOTAL EXPENSES</td>
<td>$364,169</td>
<td>$378,426</td>
<td>$393,243</td>
<td>$408,644</td>
<td>$424,644</td>
<td>$441,650</td>
<td>$459,829</td>
<td>$514,650</td>
<td>$523,829</td>
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</tr>
</tbody>
</table>

**NET OPERATING INCOME**

$256,055 | $260,405 | $265,772 | $270,491 | $273,416 | $274,601 | $276,651 | $279,245 | $286,056 |

**NET CASH FLOW**

$23,028 | $27,679 | $32,026 | $36,365 | $40,690 | $44,675 | $48,588 | $52,074 | $58,348 |

**DEBT COVERAGE RATIO**

1.10 | 1.12 | 1.14 | 1.16 | 1.17 | 1.27 | 1.35 | 1.42 | 1.50 |
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>APPLICANT'S TOTAL AMOUNT</th>
<th>TDHCA TOTAL AMOUNT</th>
<th>APPLICANT'S TOTAL ACQUISITION ELIGIBLE BASIS</th>
<th>TDHCA TOTAL ACQUISITION ELIGIBLE BASIS</th>
<th>APPLICANT'S TOTAL REHAB/NEW ELIGIBLE BASIS</th>
<th>TDHCA TOTAL REHAB/NEW ELIGIBLE BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Acquisition Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of land</td>
<td>$280,800</td>
<td>$280,800</td>
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<tr>
<td>Purchase of buildings</td>
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<td>$2,419,200</td>
<td>$2,419,200</td>
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<tr>
<td>(2) Rehabilitation/New Construction Cost</td>
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<tr>
<td>Off-site work</td>
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<td>$140,000</td>
<td>$140,000</td>
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<td>New structures/rehabilitation fees</td>
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<td>$1,295,372</td>
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<td>$1,360,000</td>
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<tr>
<td>(3) Construction Hard Costs</td>
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<td></td>
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<tr>
<td>Contractor overhead</td>
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<td>$28,707</td>
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<td>$30,008</td>
<td>$28,707</td>
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<td>Contractor profit</td>
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<td>$88,122</td>
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<td>$95,023</td>
<td>$86,122</td>
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<tr>
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<td>$90,023</td>
<td>$86,122</td>
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<tr>
<td>(5) Contingencies</td>
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<td></td>
<td>$150,038</td>
<td>$143,537</td>
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<td>(6) Eligible Indirect Fees</td>
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<td>$262,340</td>
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<td></td>
<td>$262,340</td>
<td>$262,340</td>
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<tr>
<td>(7) Eligible Financing Fees</td>
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<td>$195,820</td>
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<td></td>
<td>$195,820</td>
<td>$195,820</td>
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<tr>
<td>(8) All Inseligible Costs</td>
<td>$351,124</td>
<td>$351,124</td>
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<tr>
<td>(9) Developer Fees</td>
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<td>$362,880</td>
<td>$347,794</td>
<td>$347,794</td>
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<tr>
<td>(10) Development Reserve</td>
<td>$69,144</td>
<td>$69,144</td>
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<tr>
<td>TOTAL DEVELOPMENT COSTS</td>
<td>$6,184,919</td>
<td>$6,083,988</td>
<td>$6,182,080</td>
<td>$6,182,080</td>
<td>$6,666,424</td>
<td>$6,573,124</td>
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</table>

**Deduct from Basis:**
- All grant proceeds used to finance costs in eligible basis
- B.R.A. loans used to finance cost in eligible basis
- Non-qualified non-recourse financing
- Non-qualified portion of higher quality units (42(d)(13))
- Historic Credits (on residential portion only)

**TOTAL ELIGIBLE BASIS:**
- $2,782,080
- $2,782,080
- $2,666,424
- $2,573,724

**TOTAL ADJUSTED BASIS:**
- $2,782,080
- $2,782,080
- $3,466,352
- $3,345,842

**Applicable Fraction:**
- 100%
- 100%
- 100%
- 100%

**Applicable Percentage:**
- 3.67%
- 3.67%
- 8.44%
- 8.44%

**TOTAL AMOUNT OF TAX CREDITS:**
- $102,102
- $102,102
- $252,500
- $252,500

**Syndication Proceeds:**
- 0.7599
- $775,900
- $775,900
- $2,223,234
- $2,145,942

**Total Credit Amount:**
- $394,662
- $384,491
- $394,662
- $384,491

**Total Syndication Proceeds:**
- $2,999,135
- $2,921,842
- $2,999,135
- $2,921,842
TDHCA #
02051
Region 10
General Set-Aside
DEVELOPMENT NAME: Pueblo Montana

TDHCA #: 02051

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 10
Site Address: 14000 Block of Montana
City: El Paso
County: El Paso
Zip Code: 79936

Allocation over 10 Years: $2,284,650
Development Type: Family

GROSS/NET RENTABLE: 1.03

AVERAGE SQUARE FEET/UNIT: 1,000

COST PER NET RENTABLE SQUARE FOOT: $64.77

Net Operating Income: $56,889

DEVELOPMENT LOCATION AND DESIGNATIONS

DDA
TTC
Special Needs: 3 Units for Handicapped/Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Name: Pueblo Montana Ltd.

Principal Names:
Tropicana Building Corporation
Lower Valley Housing Corporation
NA
NA
NA

Principal Contact:
Bobby Bowling, IV
Nancy Hanson
NA
NA
NA

Percentage Ownership:
95 %
5 %
0 %
0 %
0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: $228,465
Allocation over 10 Years: $2,284,650
Credits Requested: $234,001
Eligible Basis Amount: $228,465
Equity/Gap Amount: $23,606

UNIT INFORMATION

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<tr>
<th>Eff</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
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<td>50%</td>
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<td>5</td>
<td>3</td>
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<td>16</td>
<td>12</td>
<td>8</td>
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<td>Owner/Employee Units:</td>
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<td>Total Project Units:</td>
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</table>

BUILDING INFORMATION

Total Development Cost: $2,331,680
Gross Building Square Feet: 37,000
Total NRA SF: 36,000
Gross/Net Rentable: 1.03
Average Square Feet/Unit: 1,000
Cost Per Net Rentable Square Foot: $64.77
Credits per Low Income Unit: $6,346

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $164,091
Total Expenses: $107,202
Net Operating Income: $56,889
Estimated 1st Year Debt Coverage Ratio: 1.10

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Pueblo Montana, Ltd.
Housing GC: Tropicana Building Corporation
Infrastructure GC: NA
Cost Estimator: Tropicana Building Corporation
Architect: David Marquez A & E
Property Manager: Tropicana Properties
Engineer: Conde, Inc.
Syndicator: Boston Capital Corporation

Market Analyst: Zacour and Associates
Originator/UW: NA
Appraiser: Zacour and Associates
Attorney: Lee and Healy, LLP
Supp Services: C.J. Treehouse
Accountant: Thomas V. Stephen & Company
Permanent Lender: Bank of America

DEPARTMENT EVALUATION

Points Awarded: 146
Site Review: Poor
Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommended

6/17/02 10:42 AM
Receipt, review, and acceptance of documentation clarifying where the leasing and administrative functions for this development will take place;
Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $51,718; and or alternative financing structure acceptable to the Department.
Should the terms of the proposed permanent debt be different than 8% interest over 30 years amortization, the previous condition and credit allocation should be re-evaluated by the underwriter.

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation clarifying where the leasing and administrative functions for this development will take place;
Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $51,718; and or alternative financing structure acceptable to the Department.
Should the terms of the proposed permanent debt be different than 8% interest over 30 years amortization, the previous condition and credit allocation should be re-evaluated by the underwriter.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

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

☐ To serve a greater number of lower income families for fewer credits
☐ To serve a greater number of lower income families for a longer period of time
☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development was one of the highest scoring developments in Region 10.

Brooke Boston, Acting LIHTC Co-Manager Date David Burrell, Director of Housing Programs Date

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

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

__________________________________________________________

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

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

Approved Credit Amount: Date of Determination:

__________________________________________________________

Michael E. Jones, Chairman of the Board Date
Compliance Status Summary

Project ID #: 02051    LIHTC 9% ✔  LIHTC 4% □
Project Name: Pueblo Montana Apartments    HOME □  HTF □
Project City: El Paso    BOND □  SECO □

Housing Compliance Review

Project(s) in material non-compliance     □
No previous participation     □

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed       1          # not yet monitored or pending review       3
# of projects grouped by score      0-9: 1          10-19: 0          20-29: 0
Members of the development team have been disbarred by HUD     □
National Previous Participation Certification Received     N/A
Non-Compliance Reported     □
Completed by Jo En Taylor          Completed on 05/21/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable ✔  no outstanding issues □  outstanding issues □
Comments:
Completed by Lucy Trevino          Completed on 05/30/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ✔  monitoring review pending □
reviewed; no unresolved issues □  reviewed; unresolved issues found □
Comments:
Completed by Ralph Hendrickson          Completed on 05/30/2002
<table>
<thead>
<tr>
<th>Department</th>
<th>Status of Findings (any unresolved issues are listed below)</th>
<th>Monitoring Review</th>
<th>Comments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Affairs</td>
<td>Monitoring review not applicable ✓</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Monitoring review pending □</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reviewed; no unresolved issues □</td>
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</tr>
<tr>
<td></td>
<td>Reviewed; unresolved issues found □</td>
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<td>Completed by __________________________</td>
<td>Completed on _______</td>
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<tr>
<td>Housing Finance</td>
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<td>Monitoring review pending □</td>
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<tr>
<td></td>
<td>Reviewed; no unresolved issues □</td>
<td>Reviewed; unresolved issues found □</td>
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<tr>
<td></td>
<td>Completed by __________________________</td>
<td>Completed on _______</td>
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<td>Housing Programs</td>
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<td></td>
<td>Reviewed; no unresolved issues ✓</td>
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<td></td>
<td>Completed by C.Hudson</td>
<td>Completed on 06/06/2002</td>
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<td>Multifamily Finance</td>
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<td>Monitoring review pending □</td>
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<td></td>
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<td>Reviewed; unresolved issues found □</td>
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<td>Completed by __________________________</td>
<td>Completed on _______</td>
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</table>

**Executive Director:** Edwina Carrington  **Date Signed:** June 10, 2002
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: May 17, 2001  PROGRAM: 9% LIHTC  FILE NUMBER: 02051

DEVELOPMENT NAME

Pueblo Montana Apartments

APPLICANT

Name: Pueblo Montana, Ltd.  Type: ☒ For Profit  ☐ Non-Profit  ☐ Municipal  ☐ Other
Address: 5819 Sun Valley  City: El Paso  State: TX  Zip: 79924  Contact: Bobby Bowling IV  Phone: (915) 821-3550  Fax: (915) 821-3556

PRINCIPALS of the APPLICANT

Name: Pueblo Montana General Partnership  (%): 0.01  Title: Managing General Partner
Name: The Richman Group Capital Corporation  (%): 99.99  Title: Limited Partner
Name: Tropicana Building Corporation (TBC)  (%): N/A  Title: 95% owner of General Partner
Name: Lower Valley Housing Corporation (LVHC)  (%): N/A  Title: 5% owner of General Partner
Name: R.L. Bowling IV  (%): N/A  Title: Pres. & 25% owner of TBC
Name: R.L. Bowling III  (%): N/A  Title: V. P. & 25% owner of TBC
Name: Randall J. Bowling  (%): N/A  Title: Treas. & 25% owner of TBC
Name: Gregory B. Bowling  (%): N/A  Title: Sec. & 25% owner of TBC
Name: Nancy Hanson  (%): N/A  Title: Executive Director of LVHC

GENERAL PARTNER

Name: Pueblo Montana General Partnership  Type: ☒ For Profit  ☐ Non-Profit  ☐ Municipal  ☐ Other
Address: 5819 Sun Valley  City: El Paso  State: TX  Zip: 79924  Contact: Bobby Bowling IV  Phone: (915) 821-3550  Fax: (915) 821-3556

PROPERTY LOCATION

Location: 14000 Block of Montana  ☐ QCT  ☒ DDA
City: El Paso  County: El Paso  Zip: 79936

REQUEST

<table>
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<th>Amount</th>
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<th>Amortization</th>
<th>Term</th>
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</table>

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

Proposed Use of Funds: New construction  Set-Aside: ☒ General  ☐ Rural  ☐ Non-Profit
SITEL DESCRIPTION

Size: 2.61 acres 113,692 square feet  Zoning/ Permitted Uses: C-3, multifamily permitted
Flood Zone Designation: Zone C  Status of Off-Sites: Partially improved

DESCRIPTION of IMPROVEMENTS

Total Units: 36  # Rental Buildings: 9  # Common Area Bldngs: 1  # of Floors: 1  Age: 0 yrs  Vacant: N/A at / / 

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<tr>
<th>Number</th>
<th>Bedrooms</th>
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<tr>
<td>8</td>
<td>4</td>
<td>2</td>
<td>1,200</td>
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Net Rentable SF: 36,000  Av Un SF: 1,000  Common Area SF: 1,000*  Gross Bldng SF: 37,000

Property Type: ☒ Multifamily  ☐ SFR Rental  ☐ Elderly  ☐ Mixed Income  ☐ Special Use

* This building is identified as a “Community Center” in the architectural drawings and a daycare center in the application

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 100% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

1,000 SF daycare facility/community building with laundry facilities, restrooms, daycare facility, equipped children's play area, perimeter fencing with limited access gate, and picnic area.

Uncovered Parking: 72 spaces  Carports: 0 spaces  Garages: 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Bank of America  Contact: Valerie Williams
Principal Amount: $900,000  Interest Rate: 8.5%
Additional Information:
Amortization: N/A yrs  Term: 2 yrs  Commitment: ☐ None  ☐ Firm  ☒ Conditional

LONG TERM/PERMANENT Financing

Source: Bank of America  Contact: Valerie Williams
Principal Amount: $590,181  Interest Rate: 8.5%
Additional Information:
Amortization: 30 yrs  Term: 18 yrs  Commitment: ☐ None  ☐ Firm  ☒ Conditional
Annual Payment: $54,456  Lien Priority: 1st  Commitment Date 2/26/2002
LIHTC SYNDICATION

Source: The Richman Group Capital Corporation  
Contact: Peter McHugh

Address: 599 West Putnam Avenue  
City: Greenwich

State: CT  
Zip: 06830  
Phone: (203) 869-0900  
Fax: (203) 869-1034

Net Proceeds: $1,754,832  
Net Syndication Rate (per $1.00 of 10-yr LIHTC): 75¢

Commitment:  
Firm  
Conditional  
Date: 2/14/2002

Additional Information: Commitment letter reflects proceeds of $1,754,832 based on credits of $2,340,010

APPLICANT EQUITY

Amount: $175  
Source: Deferred developer fee

Amount: $5,000  
Source: Alianza Para El Desarrollo Comunitario, Inc. (GRANT)

VALUATION INFORMATION

APRAISED VALUE

Land Only: $213,000  
Date of Valuation: 2/23/2002

Appraiser: Zacour & Associates, Inc.  
City: El Paso  
Phone: (915) 581-1141

ASSESSED VALUE

Land: 2.61 acres  
$28,429  
Assessment for the Year of: 2001

Building: N/A  
Valuation by: El Paso County Appraisal District

Total Assessed Value: 2.61 acres  
$28,428  
Tax Rate: 2.953

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 12/31/2002  
Anticipated Closing Date: 12/31/2002

Acquisition Cost: $120,000  
Other Terms/Conditions: $100 earnest money

Seller: Tropicana Building Corporation  
Related to Development Team Member: Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

Pueblo Montana Apartments was submitted and underwritten in the 2001 LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

- Receipt, review, and acceptance of a third party engineer’s certification of the estimated costs of the off-site water improvements or verification from the Applicant that these costs will be borne by the adjacent subdivision development;
- Receipt, review, and acceptance of an interim construction loan commitment consistent with the terms in the application; and,
- Receipt, review and acceptance of individual floorplans, with accurate, legible scales, for the individual unit types and common area building as well as an elevation drawing of the proposed common area building.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Pueblo Montana Apartments is a proposed new construction project of 36 units of affordable housing located in east El Paso. The project is comprised of nine residential buildings as follows:

- (4) Building Style A with four 2-bedroom/1-bath units
- (3) Building Style B with four 3-bedroom/2-bath units
- (2) Building Style C with four 4-bedroom/2-bath units

Based on the site plan, the apartment buildings are arranged in two rows on either side of a central parking lot. A 1,000-square foot daycare/community building is to be located near the center of the site. The daycare/community building is planned to have a kitchen, restrooms, and a single washer and dryer. The building contains one large room with no separate office space. Therefore, it is assumed that the building will be used exclusively as a daycare facility and that the development may not have an on-site manager/leasing agent.

**Supportive Services**: The Applicant has contracted with C.J. Tree House, Inc., dba Children’s Academy of El Paso, to provide after-school daycare and transportation services for up to seventeen children living within the project, for an annual payment of $17,000. The Applicant has also contracted with The Greater El Paso Housing Development Corporation to provide seminars on how to purchase a home through a pre-qualification workshop, for an annual payment of $500. These services will be provided at no cost to tenants.

**Schedule**: The Applicant anticipates construction to begin in December of 2002, to be completed in December of 2003, to be substantially leased-up in March of 2004, and to be placed in service in April of 2004.

**POPULATIONS TARGETED**

**Income Set-Aside**: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 36 of the units will be reserved for low-income tenants. 1 of the units (3% of the total) will be reserved for households earning 30% or less of AMGI, 1 of the units (3% of the total) will be reserved for households earning 40% or less of AMGI, 15 of the units (42% of the total) will be reserved for households earning 50% or less of AMGI, and the remaining 19 units will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides**: Three units (8%) will be handicapped-accessible.

**Compliance Period Extension**: The Applicant has also elected to extend the compliance period an additional twenty-five years.

**MARKET HIGHLIGHTS**

A market feasibility study dated February 23, 2002 was prepared by Zacour and Associates, Inc. and highlighted the following findings:

**Definition of Market/Submarket**: “The focus of this market study is Census Tracts 43.03, 43.05, 43.06, 43.07, 43.09, 43.10, 43.11, 43.12, 43.13, 43.14, 43.15, 43.16, 103.03, 103.07, 103.11, 103.12, 103.13, 103.14, 103.15, 103.16, 103.17. These tracts constitute the majority of city’s East Planning Area and their geographic boundaries may generally be described as: Montana Avenue to the north, Interstate 10 to the south, El Paso city limits to the east, and McRae Drive to the west. The subject neighborhood is located in the east sector of the City of El Paso. It lies approximately twelve miles east of the El Paso Central Business District.” (p. 25)

<table>
<thead>
<tr>
<th>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</th>
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<tr>
<td>Type of Demand</td>
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<tr>
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<tr>
<td>Cost Burdened Renters</td>
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<tr>
<td>TOTAL ANNUAL DEMAND</td>
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</table>

**Capture Rate**: The Underwriter calculated a concentration capture rate of 5.19% based upon a supply of unstabilized comparable affordable units of 56 with Bienvivir Parkside Senior Community LIHTC #01116 divided by a demand of 1,772. (p. 68)

**Market Rent Comparables**: The market analyst surveyed ten comparable apartment projects totaling 1,508 units in the market area.
RENT ANALYSIS (net tenant-paid rents)

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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<tbody>
<tr>
<td>2-Bedroom (50%)</td>
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<td>$325</td>
<td>$0</td>
<td>$455</td>
<td>-$130</td>
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<tr>
<td>2-Bedroom (60%)</td>
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<td>$407</td>
<td>$0</td>
<td>$455</td>
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<td>-$155</td>
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<td>3-Bedroom (60%)</td>
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<td>$470</td>
<td>$0</td>
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<td>-$60</td>
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<tr>
<td>4-Bedroom (30%)</td>
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<td>$205</td>
<td>$0</td>
<td>$635</td>
<td>-$325</td>
</tr>
<tr>
<td>4-Bedroom (40%)</td>
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<td>$310</td>
<td>$0</td>
<td>$635</td>
<td>-$325</td>
</tr>
<tr>
<td>4-Bedroom (50%)</td>
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<td>$415</td>
<td>$0</td>
<td>$635</td>
<td>-$220</td>
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<tr>
<td>4-Bedroom (60%)</td>
<td>$520</td>
<td>$520</td>
<td>$0</td>
<td>$635</td>
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</table>

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

Submarket Vacancy Rates: “Occupancy rates in the East have also been historically favorable for most of the past ten years. The occupancy rate for the East has remained stable during the 1990s. The current occupancy rate of 90% is the same as the current citywide average. Similar to citywide, occupancy rates can be projected to stay in the 90% range.” (p. 51)

Absorption Projections: “The East historically has absorbed all units constructed, which historically was 50 units per year. However, due to the lack of new complexes constructed in the area during the past two years, pent-up demand will create a greater absorption rate. Based on the analysis of the Franklin Apartment complex data, where 25 units were absorbed per month, it would appear reasonable that the proposed apartment project could be absorbed at a minimum rate of 10 units per month. Thus, the estimated absorption period for the proposed 36-unit project is three to four months” (p. 52)

Additional Information: “With approximately 21% of all housing units being located in the Market Study area, it is estimated that 459 dwellings are substandard.” (p. 67)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a nearly rectangular-shaped parcel located in eastern El Paso, approximately twelve miles from the central business district. The site is situated on the south side of Montana Avenue (US Highway 62), one-half mile west of Joe Battle Boulevard (Loop 375).

Population: The estimated 2000 population of the East Planning Area was 153,194 and is expected to increase by 22% to approximately 186,384 by 2005. Within the primary market area there were estimated to be 51,299 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly single-family residential and vacant land, with some commercial. Adjacent land uses include:
- North: Montana Avenue with vacant land beyond
- South: Vacant land
- East: Vacant land and commercial
- West: Salvage yard

Site Access: Access to the property is currently from the east or west from Montana Avenue (Highway 62). As proposed, the project is to have one main entry from the north off of Montana Avenue. Highway 62 provides connections to all other major roads serving the El Paso area.

Public Transportation: Public transportation to the area is provided by Sun Metro buses.

Shopping & Services: The subject property is located in an area where a significant amount of commercial and residential development has occurred in the past five years. There are schools, churches, entertainment and recreation facilities, and health care and commercial services all located within a short driving distance of the site.

Site Inspection Findings: TDHCA staff members performed a site inspection on May 10, 2001 and found
the location to be acceptable for the proposed development.

**Highlights of Soils & Hazardous Materials Report(s)**

Soil Mechanics International prepared a Phase I Environmental Site Assessment report dated March 22, 2001. Carlos Figueroa, the engineer that conducted the investigation concluded, “while our study found no conclusive evidence that the sites are contaminated or that they contain contamination, we recommend that the properties be closely monitored (pg. 4).” Thus this recommendation, if not altered by a subsequent report or letter from this engineer or another duly qualified ESA inspector, is added as a condition of this report.

**Operating Proforma Analysis**

**Income:** The 2002 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly.

**Expenses:** The Applicant’s total expense estimate of $2,743 per unit is 8% less than the TDHCA database-derived estimate of $2,978 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: general and administrative ($3.8K lower), management ($5.4K lower), repairs and maintenance ($2.6K lower), utilities ($1.7K higher), water, sewer, and trash ($1.9K higher), and property tax ($2.7K lower).

**Conclusion:** The Applicant’s estimated total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.04 is slightly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $51,718 in order to provide an acceptable DCR of 1.10.

**Construction Cost Estimate Evaluation**

**Land Value:** The Applicant’s proposed site cost of $120K ($3.33/SF or $45,977/acre) is supported by the appraisal value of $213K. However, the seller, Tropicana Building Corporation, is 95% owner of the General Partner and acquired the site as part of a larger 33.625-acre parcel in August 2000 at a cost of $656,344. This amounts to a prorated cost of $19,519 per acre or $50,946 for the subject 2.61 acres. The assessed value for the 2.61 acres is a much lower $10,892 per acre. The Applicant provided documentation of holding costs and improvements made to the adjacent site that would provide justification for a significant portion of the proposed transfer price. The Underwriter used a total substantiated acquisition and holding costs of $101,492 for the 2.61 acres. Since this is still less than the $120,000 transfer price proposed, the applicant’s total funding sources needed of $2,350,188 should be reduced by the difference of $18,508 if the Applicant’s costs are used to determine the total cost of the development.

**Sitework Cost:** The Applicant’s claimed sitework costs of $6,250 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is only $46K, or 3.6%, lower than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant’s contractor’s fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant’s developer fees, however, exceed 15% of the Applicant’s eligible basis and therefore the eligible portion of the Applicant’s developer fee must be reduced by $47,929.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate and is therefore generally acceptable but will be adjusted for overstated acquisition costs and eligible basis will be adjusted for overstated developer fees. As a result, an adjusted eligible basis of $2,082,259 is used to determine a credit allocation of $228,465.

**Financing Structure Analysis**

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan, private grants, syndicated LIHTC equity, and deferred developer’s
fees.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Bank of America in the amount of $900,000 during the interim period and $1,523,260 at conversion to permanent. However, the Applicant plans to use only $590,181 of the available permanent funds. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent at a fixed interest rate.

**Private Grant:** There is a commitment letter for $5,000 in the form of a Grant from Alianza Para El Desarrollo Comunitario, Inc. This is to provide subsidy for 30% AMFI housing.

**LIHTC Syndication:** The Richman Group Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,754,832 based on a syndication factor of 75%. The funds would be disbursed in a four-phased pay-in schedule:
1. 25% paid at closing;
2. 50% paid in monthly installments on a draw basis as needed for development costs incurred;
3. 10% paid upon the latest of the following: (i) Completion of construction of the Apartment Complex and receipt of certificates of occupancy for all units, (ii) Preliminary low-income Housing Tax Credit certification, (iii) Receipt of a payoff letter from the contractor for the Apartment Complex (the Contractor) which states that upon receipt of installment No. 3 the construction contract will be paid in full by the installment No. 3 or the contractor will defer any amounts owed to it to receipt of installment No. 4, (iv) Receipt of an estoppel letter from each lender to the Partnership, (v) Receipt of certificates of insurance complying with the requirements described herein;
4. 15% Paid upon the latest of the following: (i) Achievement of Breakeven Operations, (ii) Receipt of an estoppel letter from each lender to the Partnership, (iii) Receipt of final Low-Income Housing Tax Credit certification, and (iv) Receipt of form 8609.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $175 amount to less than 1% of the total fees.

**Financing Conclusions:** Based on the Applicant’s total development cost, the LIHTC allocation should not exceed $228,465 annually for ten years, resulting in syndication proceeds of approximately $1,713,320, or $41,512 less than anticipated. The lower recommended tax credit allocation is also due to the Applicant’s use of a slightly higher applicable percentage rate of 8.45% rather than 8.44%. The Underwriter has adjusted the Applicant’s total development need for funds to reflect an acquisition cost of $101,492 as substantiated by submitted holding costs.

Also noted above, the Underwriter’s proforma and the Applicant’s proposed permanent financing structure results in a debt coverage ratio that falls below the Department’s minimum guideline of 1.10. This indicates a need to limit the development’s annual debt service to not more than $51,718 by lowering the interest rate, extending the term or reducing the loan amount. The interest rate proposed is 50 basis points higher than the anticipated maximum market interest rate of 8% and using this maximum rate and the remainder of the proposed loan terms, results in a reduction of the principal amount to $587,364.

Based upon this financing structure, the developer will be required to defer $25,997 in fees, or 8% of total qualified developer fees. Deferred fees in this amount are anticipated to be repayable within four years.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are simple and functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered porch with a small outdoor storage closet. Each unit has a semi-private exterior entry that is shared with one other unit. The units are in one-story fourplex structures with stucco exterior finish and hipped roofs. As stated above, the daycare/community building is planned to have a kitchen, restrooms, and a single washer and dryer. The building contains one large room with no separate office space. Therefore, it is assumed that the building will be used exclusively as a daycare facility and that the development will not have an on-site manager/leasing agent. Receipt, review, and acceptance of documentation clarifying where the leasing and administrative function will physically take place are a condition of this report.

**IDENTITIES of INTEREST**

The principals of Tropicana Building Corporation (TBC) are 95% owners of the General Partner also own the
Developer, General Contractor, Cost Estimator, and Property Management Company. These are common relationships and generally do not appear to be prohibited by the LIHTC program. Tropicana Building Corporation (TBC) is also the seller of the land. Any potential excess profit from the identity of interest land sale in this case will be mitigated by the increase in the amount of deferred developer’s fee and/or the exclusion of such profit from the Underwriter’s gap analysis as discussed above.

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

#### Financial Highlights:
- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Tropicana Building Corporation, the Developer, General Contractor, and 95% owner of the General Partner, submitted an unaudited financial statement as of 12/8/01 reporting total assets of $5.6M and consisting of $303K in cash, $43K in receivables, $26K in stocks and securities, $5M in real property, $144K in machinery, equipment, and fixtures, and $81K in other assets. Liabilities totaled $5.5M, resulting in a net worth of $73K.

#### Background & Experience:
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Tropicana Building Corporation, the Developer, General Contractor, and 95% owner of the General Partner, submitted a TDHCA-issued “Certificate of Experience” dated December 12, 2001.
- The 95% owner of the General Partner/Developer/Contractor, Tropicana Building Corporation, listed participation in the development of four previous affordable housing projects of 92 units.
- The board members of the 5% owner of the General Partner, the Lower Valley Housing Corporation, listed participation in the development of three previous affordable housing projects of 84 units.

### SUMMARY OF SALIENT RISKS AND ISSUES
- The Applicant’s operating expenses and operating proforma are more than 5% outside of the Underwriter’s verifiable range(s).
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

### RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $228,465 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

### CONDITIONS

1. Receipt, review, and acceptance of documentation clarifying where the leasing and administrative functions for this development will take place;
2. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $51,718; and
3. Should the terms of the proposed permanent debt be different than 8% interest over 30 years amortization, the previous condition and credit allocation should be re-evaluated by the underwriter.
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Underwriter: Carl Hoover  Date: May 17, 2002
Credit Underwriting Supervisor: Lisa Vecchietti  Date: May 17, 2002
Director of Credit Underwriting: Tom Gouris  Date: May 17, 2002
### MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

#### Pueblo Montana, El Paso, LIHTC #02051

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<th>Number</th>
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<th>No. of Baths</th>
<th>Size in SF</th>
<th>Gross Rent Limit</th>
<th>Rent per Unit</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
<th>Tnt Pd Util</th>
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<td>TC (50%)</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>1,000</td>
<td>$315</td>
<td>$2,190</td>
<td>$70.00</td>
<td>$0.41</td>
<td>$98.00</td>
<td>15.00</td>
</tr>
<tr>
<td>TC (30%)</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>1,200</td>
<td>$205</td>
<td>$1,245</td>
<td>$100.00</td>
<td>$0.33</td>
<td>$111.00</td>
<td>15.00</td>
</tr>
<tr>
<td>TC (40%)</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>1,200</td>
<td>$310</td>
<td>$2,190</td>
<td>$100.00</td>
<td>$0.33</td>
<td>$111.00</td>
<td>15.00</td>
</tr>
<tr>
<td>TC (30%)</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>1,000</td>
<td>$415</td>
<td>$3,290</td>
<td>$105.00</td>
<td>$0.34</td>
<td>$111.00</td>
<td>15.00</td>
</tr>
<tr>
<td>TC (40%)</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>1,000</td>
<td>$520</td>
<td>$3,920</td>
<td>$105.00</td>
<td>$0.34</td>
<td>$111.00</td>
<td>15.00</td>
</tr>
</tbody>
</table>

**TOTAL:** 36

**AVERAGE:**
- **$1,000**
- **$494**
- **$401**
- **$14,423**
- **$0.40**
- **$93.56**
- **$15.00**

### INCOME

- **TDHCA APPLICANT**
  - **POTENTIAL GROSS RENT** $173,076
  - **SECONDARY INCOME**
    - **Per Unit Per Month:** $10.00
    - **4,320**
  - **Secondary Income Per Unit Per Month:** $10.00
  - **OTHER SUPPORT INCOME**
    - **Per Unit Per Month:** $10.00
    - **4,320**
  - **TOTAL INCOME** $177,396

- **Vacancy & Collection Loss**
  - **% of Potential Gross Income:** -7.50%
  - **($13,305)**

- **EFFECTIVE GROSS INCOME** $164,091

### EXPENSES

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Factor</th>
<th>% of EGI</th>
<th>PER UNIT</th>
<th>PER SF</th>
<th>PER SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>5.95%</td>
<td>$271</td>
<td>$0.27</td>
<td>$9,765</td>
<td>$6,000</td>
</tr>
<tr>
<td>Management</td>
<td>8.30%</td>
<td>376</td>
<td>0.38</td>
<td>13,621</td>
<td>8,205</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>3.29%</td>
<td>150</td>
<td>0.15</td>
<td>5,399</td>
<td>6,000</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>8.55%</td>
<td>390</td>
<td>0.39</td>
<td>14,026</td>
<td>11,400</td>
</tr>
<tr>
<td>Utilities</td>
<td>6.28%</td>
<td>286</td>
<td>0.29</td>
<td>10,306</td>
<td>8,400</td>
</tr>
<tr>
<td>Water, Sewer, &amp; Trash</td>
<td>3.95%</td>
<td>180</td>
<td>0.18</td>
<td>6,480</td>
<td>8,400</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>3.51%</td>
<td>160</td>
<td>0.16</td>
<td>5,760</td>
<td>5,760</td>
</tr>
<tr>
<td>Property Tax</td>
<td>9.72%</td>
<td>443</td>
<td>0.44</td>
<td>15,946</td>
<td>13,275</td>
</tr>
<tr>
<td>Reserve for Repairs</td>
<td>4.39%</td>
<td>200</td>
<td>0.20</td>
<td>7,200</td>
<td>9,000</td>
</tr>
<tr>
<td>Other Expenses: Compliance</td>
<td>11.40%</td>
<td>519</td>
<td>0.52</td>
<td>18,700</td>
<td>18,700</td>
</tr>
</tbody>
</table>

**TOTAL EXPENSES:** 65.33%

**NET OPERATING INC:** 34.67%

### DEBT SERVICE

- **Bank of America** 33.19%
  - **$1,513**
  - **$1,513**

- **Alianza Para El Desarrollo Co** 0.00%
  - **$0**
  - **0**

- **LIHTC Syndication Proceeds** 0.00%
  - **$0**
  - **0**

**TOTAL SOURCES:** $2,336,743

**NET CASH FLOW:** 1.48%

**AGGREGATE DEBT COVERAGE RATIO:** 1.04

**ALTERNATIVE DEBT COVERAGE RATIO:** 1.10

### CONSTRUCTION COST

<table>
<thead>
<tr>
<th>Description</th>
<th>Factor</th>
<th>% of TOTAL</th>
<th>PER UNIT</th>
<th>PER SF</th>
<th>PER SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost</td>
<td>4.34%</td>
<td>$2,819</td>
<td>$2.82</td>
<td>$101,492</td>
<td>$120,000</td>
</tr>
<tr>
<td>Off-Sites</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sitework</td>
<td>9.63%</td>
<td>6,250</td>
<td>6.25</td>
<td>225,000</td>
<td>225,000</td>
</tr>
<tr>
<td>Direct Construction</td>
<td>55.21%</td>
<td>35,836</td>
<td>35.84</td>
<td>1,290,080</td>
<td>1,244,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>General Contractor's G</td>
<td>5.82%</td>
<td>2,448</td>
<td>2.45</td>
<td>88,140</td>
<td>88,140</td>
</tr>
<tr>
<td>Contractor's G</td>
<td>9.72%</td>
<td>2,278</td>
<td>2.28</td>
<td>82,000</td>
<td>82,000</td>
</tr>
<tr>
<td>Contractor's G</td>
<td>1.59%</td>
<td>1,032</td>
<td>1.03</td>
<td>37,135</td>
<td>42,604</td>
</tr>
<tr>
<td>Developer's G &amp; A</td>
<td>13.00%</td>
<td>6,705</td>
<td>6.70</td>
<td>241,376</td>
<td>276,924</td>
</tr>
<tr>
<td>Interim Financing</td>
<td>3.33%</td>
<td>1,500</td>
<td>1.50</td>
<td>54,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Reserves</td>
<td>2.57%</td>
<td>1,667</td>
<td>1.67</td>
<td>60,000</td>
<td>60,000</td>
</tr>
</tbody>
</table>

**TOTAL COST:** 100.00%

**Recap-Hard Construction Costs:** 75.68%

**SOURCES OF FUNDS**

- **TDHCA**
  - **$101,492**
  - **$120,000**

- **APPLICANT**
  - **$1,513**
  - **$1,513**

**AGGREGATE DEBT COVERAGE RATIO:** 1.04

**ALTERNATIVE DEBT COVERAGE RATIO:** 1.10

**CONSTRUCTION COST**

### SOURCES OF FUNDS

- **TDHCA**
  - **$16,394**
  - **$16,394**

- **APPLICANT**
  - **$5,000**
  - **5,000**

**Deferred Developer Fees** 0.01%

**Additional (excess) Funds Req** -0.58%

**TOTAL SOURCES**

**TDHCA**

**APPLICANT**

**AGGREGATE DEBT COVERAGE RATIO:** 1.04

**ALTERNATIVE DEBT COVERAGE RATIO:** 1.10
### Residential Cost Handbook

**Average Quality Multiple Residence Basis**

#### DIRECT CONSTRUCTION COST ESTIMATE

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>UNITS/SQ FT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Cost</td>
<td></td>
<td></td>
<td>$40.90</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td>$1,472,419</td>
</tr>
<tr>
<td>Exterior Wall Finish</td>
<td>0.00</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>Elderly</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Roofing</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subfloor</td>
<td>(1.96)</td>
<td>(70,560)</td>
<td>0</td>
</tr>
<tr>
<td>Floor Cover</td>
<td>1.82</td>
<td>65,520</td>
<td>0</td>
</tr>
<tr>
<td>Porches/Balconies</td>
<td>1.97</td>
<td>71,033</td>
<td>0</td>
</tr>
<tr>
<td>Plumbing</td>
<td>0.98</td>
<td>35,100</td>
<td>0</td>
</tr>
<tr>
<td>Built-In Appliances</td>
<td>1.55</td>
<td>55,800</td>
<td>0</td>
</tr>
<tr>
<td>Stairs/Fireplaces</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Floor Insulation</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Heating/Cooling</td>
<td>1.41</td>
<td>50,760</td>
<td>0</td>
</tr>
<tr>
<td>Garages/Carports</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Comm 4/6 ft Aux Bldgs</td>
<td>0.81</td>
<td>65,286</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>48.48</td>
<td>1,475,162</td>
<td>0</td>
</tr>
<tr>
<td>Current Cost Multiplier</td>
<td>1.04</td>
<td>69,814</td>
<td>0</td>
</tr>
<tr>
<td>Local Multiplier</td>
<td>0.87</td>
<td>(60,303)</td>
<td>(260,846)</td>
</tr>
<tr>
<td><strong>TOTAL DIRECT CONSTRUCTION COSTS</strong></td>
<td>48.48</td>
<td>1,044,219</td>
<td>0</td>
</tr>
<tr>
<td>Dikes, slopes, surveys, etc</td>
<td>3.05%</td>
<td>(1.58)</td>
<td>(61,605)</td>
</tr>
<tr>
<td>Interim Construction I</td>
<td>3.38%</td>
<td>(1.49)</td>
<td>(53,604)</td>
</tr>
<tr>
<td>Contractor's OH &amp; Prof</td>
<td>11.50%</td>
<td>(5.07)</td>
<td>(182,652)</td>
</tr>
<tr>
<td><strong>NET DIRECT CONSTRUCTION COSTS</strong></td>
<td>35.84</td>
<td>$1,290,080</td>
<td>0</td>
</tr>
</tbody>
</table>

#### OPERATING INCOME & EXPENSE PROFORMA:

**RECOMMENDED FINANCING STRUCTURE:**

**Primary Debt Service**

- $51,718

**Secondary Debt Service**

- 0

**Additional Debt Service**

- 0

**NET CASH FLOW**

- $5,170

**DEBT SERVICE**

**First Lien Financing**

- $51,718

**Second Lien**

- 0

**Other Financing**

- 0

**NET CASH FLOW**

- $5,170

**DEBT COVERAGE RATIO**

- 1.10
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>APPLICANT’S TOTAL AMOUNTS</th>
<th>TDHCA TOTAL AMOUNTS</th>
<th>APPLICANT’S REHAB/NEW ELIGIBLE BASIS</th>
<th>TDHCA REHAB/NEW ELIGIBLE BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Acquisition Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of land</td>
<td>$120,000</td>
<td>$101,492</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Rehabilitation/New Construction Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site work</td>
<td>$225,000</td>
<td>$225,000</td>
<td>$225,000</td>
<td>$225,000</td>
</tr>
<tr>
<td>Off-site improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Construction Hard Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New structures/rehabilitation</td>
<td>$1,244,000</td>
<td>$1,290,080</td>
<td>$1,244,000</td>
<td>$1,290,080</td>
</tr>
<tr>
<td>(4) Contractor Fees &amp; General Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractor overhead</td>
<td>$29,380</td>
<td>$29,380</td>
<td>$29,380</td>
<td>$29,380</td>
</tr>
<tr>
<td>Contractor profit</td>
<td>$88,140</td>
<td>$88,140</td>
<td>$88,140</td>
<td>$88,140</td>
</tr>
<tr>
<td>General requirements</td>
<td>$88,140</td>
<td>$88,140</td>
<td>$88,140</td>
<td>$88,140</td>
</tr>
<tr>
<td>(5) Contingencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Eligible Indirect Fees</td>
<td>$82,000</td>
<td>$82,000</td>
<td>$82,000</td>
<td>$82,000</td>
</tr>
<tr>
<td>(7) Eligible Financing Fees</td>
<td>$54,000</td>
<td>$54,000</td>
<td>$54,000</td>
<td>$54,000</td>
</tr>
<tr>
<td>(8) All Ineligible Costs</td>
<td>$40,000</td>
<td>$40,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(9) Developer Fees</td>
<td></td>
<td></td>
<td></td>
<td>$271,599</td>
</tr>
<tr>
<td>Developer overhead</td>
<td>$42,604</td>
<td>$37,135</td>
<td></td>
<td>$37,135</td>
</tr>
<tr>
<td>Developer fee</td>
<td>$276,924</td>
<td>$241,376</td>
<td></td>
<td>$241,376</td>
</tr>
<tr>
<td>(10) Development Reserves</td>
<td>$60,000</td>
<td>$60,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL DEVELOPMENT COSTS</td>
<td>$2,350,188</td>
<td>$2,336,743</td>
<td>$2,082,259</td>
<td>$2,135,251</td>
</tr>
</tbody>
</table>

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                          | $2,082,259 | $2,135,251 |
| High Cost Area Adjustment                     | 130%        | 130%        |
| TOTAL ADJUSTED BASIS                          | $2,706,937 | $2,775,826 |
| Applicable Fraction                           | 100%        | 100%        |
| TOTAL QUALIFIED BASIS                         | $2,706,937 | $2,775,826 |
| Applicable Percentage                         | 8.44%       | 8.44%       |
| TOTAL AMOUNT OF TAX CREDITS                   | $228,465    | $234,280    |

Syndication Proceeds 0.7499 $1,713,320 $1,756,922
TDHCA #
02052

Region 10

General
Set-Aside
LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: Burgundy Palms
TDHCA #: 02052

DEVELOPMENT LOCATION AND DESIGNATIONS
Region: 10
Site Address: Northwest Corner of Burgundy and Betel
City: El Paso
County: El Paso
Zip Code: 79907

Allocation over 10 Years: $6,188,430
Development Type: Family

GROSS/NET RENTABLE: 1.03
Average Square Feet/Unit: 980
Cost Per Net Rentable Square Foot: $62.63
Net Operating Income: $144,449

DEVELOPMENT LOCATION AND DESIGNATIONS
DDA ☑
TTC ☑
DDA ☐
QCT ☐

Special Needs: 8 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION
Owner Entity Name: Burgundy Palms, Ltd.
Principal Names: Tropicana Building Corporation
Principal Contact: Bobby Bowling, IV
Percentage Ownership: 49%

Eligible Basis Amount: $618,843
Annual Credit Allocation Recommendation: $618,843
Allocation over 10 Years: $6,188,430
Credits Requested: $639,769
Effective Gross Income: $458,796
Total Expenses: $314,347
Estimated 1st Year Debt Coverage Ratio: 1.10

UNIT INFORMATION

Eff 1 BR 2 BR 3 BR 4 BR 5 BR Total
30% 0 0 0 0 1 0 1
40% 0 0 0 0 1 0 1
50% 0 0 18 12 10 0 40
60% 0 0 34 20 4 0 58
MR 0 0 0 0 0 0 0
Total 0 0 52 32 16 0 100

Total LI Units: 100
Owner/Employee Units: 0
Total Project Units: 100
Applicable Fraction: 100.00

BUILDING INFORMATION
Total Development Cost: $6,137,267
Gross Building Square Feet: 101,000
Total NRA SF: 98,000
Gross/Net Rentable: 1.03
Average Square Feet/Unit: 980
Cost Per Net Rentable Square Foot: $62.63
Credits per Low Income Unit: $6,188

INCOME AND EXPENSE INFORMATION
Effective Gross Income: $458,796
Total Expenses: $314,347
Net Operating Income: $144,449

DEPARTMENT EVALUATION
Points Awarded: 141
Site Review: Acceptable
Underwriting Finding: AC

Note: "NA" = Not Yet Available

DEVELOPMENT TEAM
Developer: Burgundy Palms, Ltd.
Housing GC: Tropicana Building Corporation
Infrastructure GC: NA
Cost Estimator: Tropicana Building Corporation
Architect: David Marquez A & E
Property Manager: Tropicana Properties
Engineer: Conde, Inc.
Syndicator: Boston Capital Corporation
Market Analyst: Zacour and Associates
Originator/UW: NA
Appraiser: Zacour and Associates
Attorney: Lee and Healy, LLP
Supp Services: C.J. Treehouse
Accountant: Thomas V. Stephen & Company
Permanent Lender: Bank of America

DEPARTMENT EVALUATION
Points Awarded: 141
Site Review: Acceptable
Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommended
PUBLIC COMMENT SUMMARY
Note: "O" = Opposed, "S" = Support, "NC" or Blank = No comment
# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: 6  Opposition: 0
A resolution was passed by the local government in support of the development.

CONDITIONS TO COMMITMENT
Per the ESA provided by the Applicant, and unless an alternative opinion is provided by a duly qualified ESA inspector the site should be "monitored closely."
Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $131,321.
Should the terms of the proposed permanent debt be different than 8% interest over a 30 year amortization, the previous condition and credit allocation should be re-evaluated by the underwriter.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:
- Score
- To serve a greater number of lower income families for fewer credits
- To serve a greater number of lower income families for a longer period of time
- To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
- To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development was one of the highest scoring developments in Region 10.

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:
The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):
Approved Credit Amount: Date of Determination:

6/17/02 10:46 AM
Compliance Status Summary

Project ID #: 02052  LIHTC 9% ✔  LIHTC 4% □

Project Name: Burgundy Palms  HOME □  HTF □

Project City: El Paso  BOND □  SECO □

Housing Compliance Review

- Project(s) in material non-compliance □
- No previous participation □

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

<table>
<thead>
<tr>
<th># reviewed</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td># not yet monitored or pending review</td>
<td>3</td>
</tr>
<tr>
<td># of projects grouped by score</td>
<td>0-9: 1  10-19: 0  20-29: 0</td>
</tr>
</tbody>
</table>

- Members of the development team have been disbarred by HUD □
- National Previous Participation Certification Received N/A
- Non-Compliance Reported □

Completed by Jo En Taylor  Completed on 05/21/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

- single audit not applicable ✔
- no outstanding issues □
- outstanding issues □

Comments:

Completed by Lucy Trevino  Completed on 05/30/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

- monitoring review not applicable ✔
- monitoring review pending □
- reviewed; no unresolved issues □
- reviewed; unresolved issues found □

Comments:

Completed by Ralph Hendrickson  Completed on 05/30/2002
### Community Affairs

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### Housing Finance

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### Housing Programs

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### Multifamily Finance

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<td>reviewed; unresolved issues found</td>
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Comments:

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<th>Completed by</th>
<th>Completed on</th>
</tr>
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Executive Director: Edwina Carrington  
Date Signed: June 10, 2002
**Texas Department of Housing and Community Affairs**

**Multi Family Credit Underwriting Analysis**

**Date:** May 17, 2002  
**Program:** 9% LIHTC  
**File Number:** 02052

### Development Name

Burgundy Palms

### Applicant

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burgundy Palms, Ltd.</td>
<td>For Profit</td>
<td>5819 Sun Valley</td>
<td>El Paso</td>
<td>TX</td>
</tr>
<tr>
<td><strong>Contact</strong></td>
<td><strong>Phone</strong></td>
<td><strong>Fax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bobby Bowling IV</td>
<td>(915) 821-3550</td>
<td>(915) 821-3556</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PRINCIPALS of the Applicant

<table>
<thead>
<tr>
<th>Name</th>
<th>(%)</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVP Non-Profit Corporation</td>
<td>0.0051</td>
<td>Managing General Partner</td>
</tr>
<tr>
<td>Tropicana Building Corporation</td>
<td>0.0049</td>
<td>Other General Partner</td>
</tr>
<tr>
<td>R.L. Bowling IV</td>
<td>N/A</td>
<td>Pres. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>R.L. Bowling III</td>
<td>N/A</td>
<td>V. P. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>Randall J. Bowling</td>
<td>N/A</td>
<td>Treas. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>Gregory B. Bowling</td>
<td>N/A</td>
<td>Sec. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>The Richman Group Capital Corp.</td>
<td>99.99</td>
<td>Limited Partner</td>
</tr>
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### Managing General Partner

<table>
<thead>
<tr>
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<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVP Non-Profit Corporation</td>
<td>For Profit</td>
<td>151 South Prado Road</td>
<td>El Paso</td>
<td>TX</td>
</tr>
<tr>
<td><strong>Contact</strong></td>
<td><strong>Phone</strong></td>
<td><strong>Fax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valerie Funk</td>
<td>(915) 858-0607</td>
<td>(915) 858-0607</td>
<td></td>
<td></td>
</tr>
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### General Partner

<table>
<thead>
<tr>
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<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
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</thead>
<tbody>
<tr>
<td>Tropicana Building Corporation</td>
<td>For Profit</td>
<td>5819 Sun Valley</td>
<td>El Paso</td>
<td>TX</td>
</tr>
<tr>
<td><strong>Contact</strong></td>
<td><strong>Phone</strong></td>
<td><strong>Fax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bobby Bowling IV</td>
<td>(915) 821-3550</td>
<td>(915) 821-3556</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Property Location

<table>
<thead>
<tr>
<th>Location</th>
<th>QCT</th>
<th>DDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest corner of Burgundy and Betel Street</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City</th>
<th>County</th>
<th>Zip</th>
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</thead>
<tbody>
<tr>
<td>El Paso</td>
<td>El Paso</td>
<td>79907</td>
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### Request

<table>
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<tr>
<th>Amount</th>
<th>Interest Rate</th>
<th>Amortization</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>$639,769</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
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</table>

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

**Proposed Use of Funds:** New construction

**Set-Aside:** General
SITE DESCRIPTION

Size: 7.46 acres 324,958 square feet  Zoning/ Permitted Uses: A-2/multifamily
Flood Zone Designation: AH* Status of Off-Sites: Partially Improved

* Zone AH: Areas of 100-year flood; Flood depths of 1 to 3 feet (usually areas of ponding); Base flood elevations determined
* Letter from Conde, Inc.: States that the subject property is in the process of filing a CLOMR (Conditional Letter of Map Revision) with FEMA showing that the property will be graded such that the property will be removed from the 100 year Flood Zone.

DESCRIPTION of IMPROVEMENTS

<table>
<thead>
<tr>
<th>Total Units: 100</th>
<th># Rental Buildings: 25</th>
<th># Common Area Bldgs: 1</th>
<th># of Floors: 1</th>
<th>Age: n/a yrs</th>
<th>Vacant: n/a at / /</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Bedrooms</td>
<td>Bathrooms</td>
<td>Size in SF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>2</td>
<td>1</td>
<td>900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>3</td>
<td>2</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>4</td>
<td>2</td>
<td>1,200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net Rentable SF: 98,000  Av Un SF: 980  Common Area SF: 3,000  Gross Bldg SF: 101,000

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer and connections, laminated counter tops, individual water heaters, evaporative cooling

ON-SITE AMENITIES

Community room/daycare, management offices, kitchen, restrooms, equipped children’s play area, perimeter fencing

Uncovered Parking: 200 spaces  Carports: n/a spaces  Garages: n/a spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

<table>
<thead>
<tr>
<th>Source: Bank of America</th>
<th>Contact: Valerie Williams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount: $2,400,000</td>
<td>Interest Rate: 8.5%</td>
</tr>
<tr>
<td>Additional Information:</td>
<td>Amortization: n/a yrs  Term: 2 yrs  Commitment: ☒ Conditional</td>
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</tbody>
</table>

LONG TERM/PERMANENT FINANCING

<table>
<thead>
<tr>
<th>Source: Bank of America</th>
<th>Contact: Valerie Williams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount: $1,523,260</td>
<td>Interest Rate: 8.5% as of February 25, 2002</td>
</tr>
<tr>
<td>Additional Information:</td>
<td>Amortization: 30 yrs  Term: 30 yrs  Commitment: ☒ Conditional</td>
</tr>
<tr>
<td>Annual Payment: $140,551</td>
<td>Lien Priority: 1st Commitment Date 02/ 26/ 2002</td>
</tr>
</tbody>
</table>
LIHTC SYNDICATION

Source: The Richman Group Capital Corporation  Contact: Peter McHugh
Address: 599 West Putnam Avenue  City: Greenwich
State: CT  Zip: 06830  Phone: (203) 869-0900  Fax: (203) 869-1034
Net Proceeds: $4,797,788  Net Syndication Rate (per $1.00 of 10-yr LIHTC) 75¢
Commitment  ☑ LOI ☑ Firm ☑ Conditional Date: 02/14/2002
Additional Information: Commitment letter reflects proceeds of $4,797,788 based on credits of $6,397,690

APPLICANT EQUITY

Amount: $480  Source: Deferred Developer Fee
Amount: $5,000  Source: Alianza Para El Desarrollo Comunitario, Inc. (GRANT)

VALUATION INFORMATION

APPRaised VALUE

Land Only: $585,000  Date of Valuation: 02/14/2002

ASSESSED VALUE

Tax Rate: 2.943815  Valuation by: City/County of El Paso Consolidated Tax Office

Evidence of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (7.46 acres)
Contract Expiration Date: 12/31/2002  Anticipated Closing Date: 12/31/2002
Acquisition Cost: $380,000  Other Terms/Conditions: $100 earnest money
Seller: Tropicana Homes, Inc.  Related to Development Team Member: Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

Burgundy Palms was submitted and underwritten in the 2001 LIHTC cycle. The underwriting analysis recommended the project be declined due to the following conditions:
- The project is located entirely within the 100-year floodplain and the Applicant did not provide a sufficient mitigation plan

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Burgundy Palms is a proposed new construction development of 100 units of affordable income housing located in southeast El Paso. The development is comprised of 25 residential buildings as follows:
- (13) Building Type 2 B/R with four two-bedroom units;
- (8) Building Type 3 B/R with four three-bedroom units;
- (4) Building Type 4 B/R with four four-bedroom units;
Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building located near the Burgundy Drive entrance to the site. The 3000-square foot community building plan includes the management office, a 1,313-square foot community room,
kitchen, and restrooms. **Supportive Services:** The Applicant has contracted with CJ Treehouse, Inc. (dba Children’s Academy of El Paso) to provide daycare for a period of five years. In return for this service, the provider will have control of the common area building Monday through Friday from 6:30 am to 6:30 pm on a rent-free basis. Daycare services will be provided for up to 41 children living within the project for an annual payment of $41,000. The service provider will also share 50% of the utility expenses for the building. The daycare services will be provided at no additional charge to participating tenants. In addition, The Greater El Paso Housing Development Corporation will provide two seminars annually on pre-qualification for homeownership for a fee of $500 per year. **Schedule:** The Applicant anticipates construction to begin in December of 2002, to be completed in December of 2003, to be placed in service in April of 2004, and to be substantially leased-up in March of 2004. **POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. One of the units (1%) will be reserved for households earning 30% or less of AMGI, one unit (1%) will be reserved for households earning 40% or less of AMGI, 40 units (40%) will be reserved for households earning 50% or less of AMGI, and 58 units (58%) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Eight units (8%) will be reserved for households with handicapped/developmentally-disabled individuals.

**Compliance Period Extension:** The Applicant has also elected to extend the compliance period an additional 25 years.

**MARKET HIGHLIGHTS**

A market feasibility study dated February 14, 2002 was prepared by Zacour and Associates, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** “The focus of this market study is Census Tracts 38.03, 38.04, 39.01, 39.02, 39.03, 40.02, 40.03, 40.04, 41.03, 41.04, 41.05, 41.06, and 41.07. These tracts constitute the majority of city’s Lower Valley Planning Area and their geographic boundaries may generally be described as: Interstate 10 to the north; Rio Grande to the south; the eastern boundary of census Tract 40.02 to the east; and the western boundaries of Census Tracts 38.03 and 41.06 to the west.” (p. 24)

**Total Regional Market Demand for Rental Units:** “It is estimated that there is still a need for 4,583 housing units to meet the needs of those people below the poverty level income range. The 2000 Census shows that 31% of the residents of this area are renters. Therefore, it is estimated that at least 1,421 units out of the needed 4,583 housing units would need to be apartments or other types of rental property.” (p. 64)

<table>
<thead>
<tr>
<th>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</th>
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<tr>
<td><strong>Type of Demand</strong></td>
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<tr>
<td>-------------------</td>
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<tr>
<td>Cost Burdened Renters</td>
</tr>
<tr>
<td>Growth/Household Change</td>
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<tr>
<td>Substandard Households</td>
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<tr>
<td><strong>TOTAL ANNUAL DEMAND</strong></td>
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</tbody>
</table>

Ref: p. 65

**Capture Rate:** “MSA Segment Capture Rate of 5.96%” (p. 65)

**Market Rent Comparables:** The market analyst surveyed 11 comparable apartment projects totaling 1,596 units in the market area. (p. 46)
# RENT ANALYSIS (net tenant-paid rents)

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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<tbody>
<tr>
<td>2-Bedroom (50%)</td>
<td>$325</td>
<td>$325</td>
<td>$0</td>
<td>$522</td>
<td>-$197</td>
</tr>
<tr>
<td>2-Bedroom (60%)</td>
<td>$407</td>
<td>$407</td>
<td>$0</td>
<td>$522</td>
<td>-$115</td>
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<tr>
<td>3-Bedroom (50%)</td>
<td>$375</td>
<td>$375</td>
<td>$0</td>
<td>$540</td>
<td>-$165</td>
</tr>
<tr>
<td>3-Bedroom (60%)</td>
<td>$470</td>
<td>$470</td>
<td>$0</td>
<td>$540</td>
<td>-$70</td>
</tr>
<tr>
<td>4-Bedroom (30%)</td>
<td>$205</td>
<td>$205</td>
<td>$0</td>
<td>$648</td>
<td>-$443</td>
</tr>
<tr>
<td>4-Bedroom (40%)</td>
<td>$310</td>
<td>$310</td>
<td>$0</td>
<td>$648</td>
<td>-$338</td>
</tr>
<tr>
<td>4-Bedroom (50%)</td>
<td>$415</td>
<td>$415</td>
<td>$0</td>
<td>$648</td>
<td>-$233</td>
</tr>
<tr>
<td>4-Bedroom (60%)</td>
<td>$520</td>
<td>$520</td>
<td>$0</td>
<td>$648</td>
<td>-$128</td>
</tr>
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</table>

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

**Submarket Vacancy Rates:** “Occupancy rates dropped below 93% in early 1999, and have since leveled off at 93% over the past three quarters. The occupancy rate for the Lower Valley has averaged 96.8% during the 1990’s. The current occupancy rate of 91.10% is only slightly higher than the city-wide average.” (p. 47)

**Absorption Projections:** “It would appear reasonable that the proposed apartment project could be absorbed at a rate of 20 units per month. Thus, the estimated absorption period for the proposed project is five months.” (p. 48)

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

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## SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The proposed site is located in the Lower Valley Planning Area of the City of El Paso, 10 miles east of the Central Business District and just inside the city’s outer loop (Loop 375). More specifically, the site lies at the northwest quadrant of the intersection of Betel Drive and proposed extension of Burgundy Drive, between Zaragoza Road and Avenue of the Americas. The municipal address of the property is 9395 Betel Road. The City of El Paso lies in the extreme westerly section of the State of Texas on the United States/Mexico border approximately 264 miles from Albuquerque, New Mexico and 565 miles from Dallas, Texas.

**Population:** “In the ten years between 1980 and 1990, the population of the Lower Valley area increased by 13,607 persons. However, the population decreased by a total of 5,829 persons during the last decade. It is believed this trend will continue and the population for the area will continue to decrease unless steps are taken to revitalize the area. This increase equates to an average annual loss rate of 0.54% per year over the past ten years. It is important to note that the Census statistics do not reflect the population of undocumented workers and their dependents who reside in the lower Valley area. Therefore, it is reasonable to assume that the actual population of the market study is higher than estimated.” (p. 30)

**Adjacent Land Uses:** Adjacent land uses include vacant tracts and multifamily/single family housing and an existing church building.

**Site Access:** Betel and Burgundy Drives are secondary roadways providing access to the surrounding neighborhoods. Burgundy Drive currently dead-ends at the subject property; however, plans call for the extension of this roadway north to Interstate 10. Interstate Highway 10 traverses the city in the northwest to southeast direction and provides a connection to the entire country via the interstate system. Other interstate routes include I-25 in Las Cruces and I-110, which runs to the Mexican border.

**Public Transportation:** Intracity bus service is provided by Sun Metro, which links most areas of the city. The distance to the nearest bus stop from the site is unknown.

**Shopping & Services:** The City’s health care facilities include thirteen private medical centers. Approximately 530 churches represent more than 60 denominations and cultural activities include the El Paso Symphony Orchestra, the Chamizal National Memorial, the El Paso del Norte Outdoor Drama Amphitheater and the El Paso Museum of Art. The city provides over 1,800 acres of public parks and recreational areas.
The public school system, with approximately 157 schools, comes under the supervision of nine districts. Upper level education is provided locally by the University of Texas at El Paso. The El Paso Community College has six campuses. The Texas Tech University School of Medicine is also located in El Paso and New Mexico State University is located forty-three miles north in Las Cruces, New Mexico. Fire and police protection within the city are provided by the City of El Paso.

**Special Adverse Site Characteristics:** The irregularly shaped tract parallels the Juan De Herrera Lateral on the north, which is a raised ditch used to channel irrigation to surrounding rural areas. According to the Federal Emergency Management Agency Flood Insurance Rate Map, Community Panel Number 480214 0048 B dated October 15, 1982, the site is located in both a 100-year and 500-year flood hazard area. These designations are defined as Zone A and Zone X500 on the Flood Map. According to flood zone definitions, Zone AH are areas of 100-year flood with flood depths of 1 to 3 feet (usually areas of ponding) where base flood elevations are determined, and Zone X500 are areas of 500-year flood, areas of 100-year flood with average depths of less than one foot or drainage areas less than one square mile, and areas protected by levees from 100-year flood. The ESA indicates that the entire site is in the AH portion of the flood plan but makes no mention of mitigation or concerns with water flow on the site. A mitigation plan has been provided in this application by Conde, Inc. (Engineering/Planning/Surveying) stating that the site in question will be removed from the Flood Zone by grading the site to the proposed Grading Plan prepared for the subject property. The Grading Plan was submitted to TDHCA and was approved for the CLOMR by FEMA. The CLOMR indicates that by following the grading plan as submitted the entire site will be removed from the AH designation of the Flood Zone to a proposed Flood Zone of B which is out of the 100 year flood zone.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 19, 2000 and found the location to be acceptable for the proposed development. The inspector noted the site generally has good access and one of the adjacent streets was in the process of being paved. He also noted that the area is affected by potential flooding, but the Applicant had indicated plans to fill the site to raise it above the 100-year floodplain.

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

Soil Mechanics International prepared a Phase I Environmental Site Assessment report dated March 22, 2001. Carlos Figueroa, the engineer that conducted the investigation concluded, “while our study found no conclusive evidence that the sites are contaminated or that they contain contamination, we recommend that the properties be closely monitored (pg. 4). Thus this recommendation, if not altered by a subsequent report or letter from this engineer or another duly qualified ESA inspector, is added as a condition of this report.

**OPERATING PROFORMA ANALYSIS**

**Income:** The 2002 maximum rent limits were used by the Applicant in setting the rents and these rents are achievable per the Market Study. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly.

**Expenses:** The Applicant’s total expense estimate of $2,884 per unit is 8% less than the TDHCA database-derived estimate of $3,143 per unit for comparably-sized projects. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative ($9.7K lower), management ($8.9K lower), payroll ($3.9K lower), repairs and maintenance ($5.3K lower), utilities ($23.6K higher), trash ($10.8K lower), property tax ($11.2K lower)

**Conclusion:** The Applicant’s estimated total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.03 is slightly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $131,321 in order to provide an acceptable 1.10 DCR.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The Applicant’s proposed site cost of $380K ($3.88/SF or $50,938/acre) is supported by the appraisal value of $585K. The seller, Patriot Castner Joint Venture is an entity comprised of several individuals, one of which is Tropicana Building Corporation, 49% owner of the General Partner. The Joint
Venture acquired the site as part of a larger 18.5-acre parcel in October 1999 at a cost of $304,875. This amounts to a prorated cost of $16,480 per acre or $125,913 for the subject 7.46 acres. The assessed value for the 7.46 acres is $17,128 per acre. The Applicant provided documentation of holding costs and improvements made to the adjacent site that would provide justification for a higher non-arm’s-length sale price. The Underwriter used a total substantiated acquisition and holding cost is $190,738 for the 7.46 acres since this is still less than the $380,000 transfer price claimed by the Applicant, the Applicant’s total development funding sources needed, $6,326,528 should be reduced by the difference of $189,262. If the Applicants costs are used to determine the total cost of the development.

**Sitework Cost:** The Applicant’s claimed sitework costs of $6,360 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is $128K lower than or within 5% of the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant’s contractor’s and developer’s fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant’s developer fees, however, exceed 15% of the Applicant’s adjusted eligible basis and therefore the eligible portion of the Applicant’s developer fee must be reduced by $131,041.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate and is therefore generally acceptable. The Applicant’s tax credit calculation, as adjusted, is used to establish the eligible basis method of determining the credit amount. As a result, an adjusted eligible basis of $5,692,988 is used to determine a qualified credit allocation of $624,635 from this method. This will be compared to the gap method below to provide a final recommendation.

### FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan, private grants, syndicated LIHTC equity, and deferred developer’s fees.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Bank of America in the amount of $2,400,000 during the interim period and $1,523,260 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 30 years for the permanent at a fixed interest rate. While the commitment letter indicates an underwriting rate of 8.5% it also provides a chart of forward rate lock options all of which are well below the 8% maximum underwriting rate guideline for the 2002 application cycle.

**Private Grant:** There is a commitment letter for $5,000 in the form of a Grant from Alianza Para El Desarrollo Comunitario, Inc. This is to provide subsidy for 30% AMFI housing.

**LIHTC Syndication:** The Richman Group Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,797,788 based on a syndication factor of 75%. The funds would be disbursed in a four-phased pay-in schedule:
1. 25% paid at closing;
2. 50% paid in monthly installments on a draw basis as needed for development costs incurred;
3. 10% paid upon the latest of the following: (i) Completion of construction of the Apartment Complex and receipt of certificates of occupancy for all units, (ii) Preliminary low-income Housing Tax Credit certification, (iii) Receipt of a payoff letter from the contractor for the Apartment Complex (the Contractor) which states that upon receipt of installment No. 3 the construction contract will be paid in full by the installment No. 3 or the contractor will defer any amounts owed to it to receipt of installment No. 4, (iv) Receipt of an estoppel letter from each lender to the Partnership, (v) Receipt of certificates of insurance complying with the requirements described herein;
4. 15% Paid upon the latest of the following: (i) Achievement of Breakeven Operations, (ii) Receipt of an estoppel letter from each lender to the Partnership, (iii) Receipt of final Low-Income Housing Tax Credit certification, and (iv) Receipt of form 8609.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $480 amount to less than 1% of the total fees.

**Financing Conclusions:** Since the Applicant’s total development costs were within 5% of the Underwriter’s
estimate, the Applicant’s adjusted development costs were used to determine eligible basis. The applicable percentage rate was adjusted downward from the 8.45% indicated in the application in order to reflect the current underwriting rate of 8.44%. These adjustments combined to decrease the recommended tax credit allocation to $624,635 per year, resulting in syndication proceeds of approximately $4,684,291. However, this is $43,432 more than the gap requirement based on the reduction in need for funds of $189,262 in unsubstantiated acquisition and holding costs of the land, and the revised loan estimate. Therefore, the maximum potential tax credit allocation for this project should be reduced to not more than $618,843 or $21,979 less than requested.

The Applicant initially anticipated the need to defer $480 in developer fee, but based on the Underwriter’s analysis, it is anticipated there will not be a need to defer a portion of the developer fee. In the event of a cost overrun, there will be a sufficient amount of developer fee to defer.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are simple and functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and each has a covered porch with a small outdoor storage closet. Each unit has a semi-private exterior entry that is shared with one other unit. The units are in one-story fourplex structures with stucco exterior finish and hipped roofs.

**IDENTITIES of INTEREST**

The principals of Tropicana Building Corporation (TBC) are 95% owners of the General Partner and also own the Developer, General Contractor, Cost Estimator, and Property Management Company. These are common relationships and generally do not appear to be prohibited by the LIHTC program. Tropicana Building Corporation (TBC) is also the seller of the land. Any potential excess profit from the identity of interest land sale will be mitigated by the increase in the amount of deferred developer’s fee and the exclusion of such profit from the Underwriter’s gap analysis as discussed above.

**APPLICANTS/PRINCIPALS’ FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**
- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Tropicana Building Corporation, the Developer, General Contractor, and 49% owner of the General Partner, submitted an unaudited financial statement as of 12/8/01 reporting total assets of $5.6M and consisting of $303K in cash, $43K in receivables, $26K in stocks and securities, $5M in real property $144K in machinery, equipment, and fixtures, and $81K in other assets. Liabilities totaled $5.5M, resulting in a net worth of $73K.
- TVP Non-Profit Corporation the 51% owner of the General Partner, submitted an unaudited financial statement as of 12/20/01 reporting total assets of $1.1M and consisting of $170K in cash, $2K in receivables, $711M in real property $2K in machinery, equipment, and fixtures, and $223K in other assets. Liabilities totaled $532K, resulting in a net worth of $591K.

**Background & Experience:**
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 49% owner of the General Partner/Developer/Contractor, Tropicana Building Corporation, listed participation in the development of four previous affordable housing projects of 92 units.
SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant’s estimated operating expenses/operating proforma are more than 5% outside of the Underwriter’s verifiable ranges.
- The seller of the property has an identity of interest with the Applicant.
- The site is currently located within the 100 year flood plain, though an acceptable plan for mitigation has been provided.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $618,843 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Per the ESA provided by the Applicant, and unless an alternative opinion is provided by a duly qualified ESA inspector the site should be “monitored closely.”
2. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $131,321, and
3. Should the terms of the proposed permanent debt be different than 8% interest over a 30 year amortization, the previous condition and credit allocation should be re-evaluated by the underwriter.

Underwriter: Carl Hoover Date: May 17, 2002
Credit Underwriting Supervisor: Lisa Vecchietti Date: May 17, 2002
Director of Credit Underwriting: Tom Gouris Date: May 17, 2002
## MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

**Burgundy Palms, El Paso, LIHTC #02052**

### Type of Unit Number Bedrooms No. of Baths Size in SF Gross Rent Lic. Net Rent per Unit Rent per Month Rent per SF Tnt Pd Util Trash Only

<table>
<thead>
<tr>
<th>Type</th>
<th>No.</th>
<th>Bedrooms</th>
<th>No. of Baths</th>
<th>Size in SF</th>
<th>Gross Rent Lic.</th>
<th>Net Rent per Unit</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
<th>Tnt Pd Util</th>
<th>Trash Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC (50%)</td>
<td>18</td>
<td>2</td>
<td>1</td>
<td>900</td>
<td>$408</td>
<td>$325</td>
<td>$3,850</td>
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<td>TC (50%)</td>
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<td>$407</td>
<td>$315</td>
<td>4,500</td>
<td>$0.38</td>
<td>$86.00</td>
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</tr>
<tr>
<td>TC (50%)</td>
<td>12</td>
<td>2</td>
<td>1</td>
<td>1,000</td>
<td>$471</td>
<td>$373</td>
<td>5,400</td>
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<tr>
<td>TC (50%)</td>
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<td>2</td>
<td>1</td>
<td>1,200</td>
<td>$516</td>
<td>$405</td>
<td>6,200</td>
<td>$0.44</td>
<td>$98.00</td>
<td>$15.00</td>
</tr>
<tr>
<td>TC (50%)</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>1,000</td>
<td>$470</td>
<td>$373</td>
<td>4,500</td>
<td>$0.38</td>
<td>$86.00</td>
<td>$15.00</td>
</tr>
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</tr>
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<td>4,500</td>
<td>$0.38</td>
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<td>$15.00</td>
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<tr>
<td>TC (50%)</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>1,200</td>
<td>$516</td>
<td>$405</td>
<td>6,200</td>
<td>$0.44</td>
<td>$98.00</td>
<td>$15.00</td>
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<td>2</td>
<td>1,200</td>
<td>$516</td>
<td>$405</td>
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<td>$0.44</td>
<td>$98.00</td>
<td>$15.00</td>
</tr>
<tr>
<td>TC (50%)</td>
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<td>4</td>
<td>2</td>
<td>1,200</td>
<td>$470</td>
<td>$373</td>
<td>4,500</td>
<td>$0.38</td>
<td>$86.00</td>
<td>$15.00</td>
</tr>
</tbody>
</table>

**Total:**

100

**Average:**

980 $495 $403 $40,333 $0.41 $91.64 $15.00

### INCOME

**TDHCA APPLICANT**

**POTENTIAL GROSS RENT**

<table>
<thead>
<tr>
<th>TDHCA</th>
<th>APPLICANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>$483,996</td>
<td>$483,996</td>
</tr>
</tbody>
</table>

**Secondary Income**

| Per Unit Per Month | $10.00 |

**Vacancy & Collection Loss**

| % of Potential Gross Income | -7.50% |

**Employee or Other Non-Rental Units or Concessions**

| 0 |

**POTENTIAL GROSS INCOME**

| $495,996 |

**EFFECTIVE GROSS INCOME**

| $458,796 |

### EXPENSES

**% of EGI**

<table>
<thead>
<tr>
<th>PER UNIT</th>
<th>PER SQ FT</th>
<th>PER UNIT</th>
<th>% of EGI</th>
</tr>
</thead>
</table>

**General & Administrative**

| 7.34% | $337 | $0.34 |

**Management**

| 6.95% | 319 | 0.33 |

**Payroll & Payroll Tax**

| 5.21% | 239 | 0.24 |

**Repairs & Maintenance**

| 8.62% | 395 | 0.40 |

**Utilities**

| 6.11% | 280 | 0.29 |

**Trash**

| 3.92% | 180 | 0.18 |

**Property Insurance**

| 3.43% | 158 | 0.16 |

**Property Tax**

| 12.74% | 584 | 0.60 |

**Reserve for Repairs**

| 4.36% | 200 | 0.20 |

**Support Services & Compliance**

| 5.83% | 451 | 0.46 |

**Total Expenses**

| 68.52% | $3,143 | $3.21 |

**NET OPERATING INC**

| 31.48% | $1,444 | $1.47 |

**DEBT SERVICE**

<table>
<thead>
<tr>
<th>TDHCA</th>
<th>APPLICANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>$1,406</td>
</tr>
<tr>
<td>Alianza Para El Desarrollo Co</td>
<td>$0.00</td>
</tr>
<tr>
<td>LIHTC Syndication Proceeds</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**NET CASH FLOW**

| 0.85% | $39 | $0.04 |

**AGGREGATE DEBT COVERAGE RATIO**

| 1.10 |

### CONSTRUCTION COST

**Description**

<table>
<thead>
<tr>
<th>Factor</th>
<th>% of TOTAL</th>
</tr>
</thead>
</table>

**Acquisition Cost (site or building)**

| 3.10% | $1,907 | $1.95 |

**Off-Sites**

| 0.00% | 0.00% |

**Sitelist**

| 10.34% | 6,360 | 6.49 |

**Direct Construction**

| 57.43% | 35,339 | 36.06 |

**Contingency**

| 0.00% | 0.00% |

**General Contractor**

| 5.82% | 2,425 | 2.47 |

**Contractor’s G & A**

| 1.94% | 808 | 0.82 |

**Contractor’s Prx**

| 5.82% | 2,425 | 2.47 |

**Indirect Construction**

| 3.09% | 1,900 | 1.94 |

**Ineligible Expenses**

| 0.74% | 455 | 0.46 |

**Developer’s G & A**

| 2.00% | 1,016 | 1.04 |

**Developer’s Profi**

| 13.00% | 6,602 | 6.74 |

**Interim Financing**

| 2.49% | 1,530 | 1.56 |

**Reserves**

| 1.25% | 770 | 0.79 |

**TOTAL COST**

| 100.00% | $6,153,763 | $62.79 |

**Recap-Hard Construction Costs**

| 76.96% | $47,357 | $48.32 |

**SOURCES OF FUNDS**

<table>
<thead>
<tr>
<th>TDHCA</th>
<th>APPLICANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>$15,233</td>
</tr>
<tr>
<td>Alianza Para El Desarrollo Co</td>
<td>$50.00</td>
</tr>
<tr>
<td>LIHTC Syndication Proceeds</td>
<td>$47,978</td>
</tr>
<tr>
<td>Deferred Developer Fees</td>
<td>$5.00</td>
</tr>
<tr>
<td>Additional (excess) Funds Req</td>
<td>($1,728)</td>
</tr>
</tbody>
</table>

**TOTAL SOURCES**

| $6,153,763 | $6,326,528 | $63,265 | 100.00% |

**Total Net Rentable Sq Ft**

| 98,000 |
### MULTIFAMILY FINANCIAL ASSISTANCE REQUEST

#### Burgundy Palms, El Paso, LIHTC #02052

### DIRECT CONSTRUCTION COST ESTIMATE

**Residential Cost Handbook**

**Burgundy Palms, El Paso, LIHTC #02052**

### DIRECT CONSTRUCTION COST ESTIMATE

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>UNITS/SQ FT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Cost</td>
<td></td>
<td></td>
<td>$41.05</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td>$4,023,302</td>
</tr>
<tr>
<td>Exterior Wall Finish</td>
<td>50.00</td>
<td>$20,000</td>
<td></td>
</tr>
<tr>
<td>Elderly</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Roofing</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Subfloor</td>
<td>(1.96)</td>
<td>($382,080)</td>
<td></td>
</tr>
<tr>
<td>Floor Cover</td>
<td>1.82</td>
<td>178,360</td>
<td></td>
</tr>
<tr>
<td>Porches/Balconies</td>
<td>2.28</td>
<td>223,451</td>
<td></td>
</tr>
<tr>
<td>Plumbing</td>
<td>0.86</td>
<td>84,240</td>
<td></td>
</tr>
<tr>
<td>Built-In Appliances</td>
<td>1.58</td>
<td>155,000</td>
<td></td>
</tr>
<tr>
<td>Stairs/Fireplaces</td>
<td>0.00</td>
<td>0</td>
<td></td>
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<tr>
<td>Floor Insulation</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Heating/Coating</td>
<td>1.41</td>
<td>136,180</td>
<td></td>
</tr>
<tr>
<td>Garages/Carports</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Comm 4/6 of Aux Bldg</td>
<td>1.74</td>
<td>170,586</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td></td>
<td></td>
<td>$4,023,302</td>
</tr>
</tbody>
</table>

### PAYMENT COMPUTATION

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>Additional</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Int Rate</strong></td>
<td>8.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>360</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DCR</strong></td>
<td>1.03</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### RECOMMENDED FINANCING STRUCTURE:

- **Primary Debt Service**: $131,312
- **Secondary Debt Service**: 0
- **Additional Debt Service**: 0
- **NET CASH FLOW**: $13,129

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

#### Year 0

<table>
<thead>
<tr>
<th>INCOME at 3.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POTENTIAL GROSS RENT</strong></td>
<td>$483,996</td>
<td>$498,516</td>
<td>$513,471</td>
<td>$528,875</td>
<td>$544,742</td>
<td>$631,505</td>
<td>$732,087</td>
<td>$848,690</td>
</tr>
<tr>
<td>Secondary Income</td>
<td>12,000</td>
<td>12,360</td>
<td>12,731</td>
<td>13,113</td>
<td>13,506</td>
<td>15,657</td>
<td>18,151</td>
<td>21,042</td>
</tr>
<tr>
<td>Other Support Income:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>POTENTIAL GROSS INCOME</strong></td>
<td>$495,996</td>
<td>$510,876</td>
<td>$526,202</td>
<td>$541,988</td>
<td>$558,248</td>
<td>$647,162</td>
<td>$750,238</td>
<td>$865,732</td>
</tr>
<tr>
<td><strong>Vacancy &amp; Collection Loss</strong></td>
<td>(37,200)</td>
<td>(38,316)</td>
<td>(39,465)</td>
<td>(40,649)</td>
<td>(41,869)</td>
<td>(48,537)</td>
<td>(56,268)</td>
<td>(65,230)</td>
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<tr>
<td><strong>Effective Gross Income</strong></td>
<td>$458,796</td>
<td>$472,560</td>
<td>$486,737</td>
<td>$501,339</td>
<td>$516,379</td>
<td>$598,625</td>
<td>$693,971</td>
<td>$801,184</td>
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</table>

#### Year 1

<table>
<thead>
<tr>
<th>EXPENSES at 4.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>33,698</td>
<td>35,046</td>
<td>36,448</td>
<td>37,906</td>
<td>39,422</td>
<td>47,963</td>
<td>58,355</td>
<td>70,997</td>
</tr>
<tr>
<td>Management</td>
<td>31,884</td>
<td>32,840</td>
<td>33,826</td>
<td>34,840</td>
<td>35,886</td>
<td>41,601</td>
<td>48,227</td>
<td>55,909</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>23,889</td>
<td>24,844</td>
<td>25,838</td>
<td>26,871</td>
<td>27,946</td>
<td>34,001</td>
<td>41,367</td>
<td>50,330</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>39,543</td>
<td>41,125</td>
<td>42,770</td>
<td>44,481</td>
<td>46,260</td>
<td>56,283</td>
<td>68,476</td>
<td>83,312</td>
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<tr>
<td>Utilities</td>
<td>28,042</td>
<td>29,164</td>
<td>30,330</td>
<td>31,543</td>
<td>32,805</td>
<td>39,912</td>
<td>48,559</td>
<td>59,080</td>
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<td>Water, Sewer &amp; Trash</td>
<td>18,000</td>
<td>18,720</td>
<td>19,469</td>
<td>20,248</td>
<td>21,057</td>
<td>25,620</td>
<td>31,170</td>
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<td>Insurance</td>
<td>15,753</td>
<td>16,383</td>
<td>17,038</td>
<td>17,720</td>
<td>18,428</td>
<td>22,421</td>
<td>27,279</td>
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<td>Property Tax</td>
<td>58,438</td>
<td>60,776</td>
<td>63,207</td>
<td>65,735</td>
<td>68,364</td>
<td>83,176</td>
<td>101,196</td>
<td>123,120</td>
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<td>Reserve for Replacements</td>
<td>20,000</td>
<td>20,800</td>
<td>21,632</td>
<td>22,497</td>
<td>23,397</td>
<td>28,466</td>
<td>34,634</td>
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<td>Other</td>
<td>45,100</td>
<td>46,904</td>
<td>48,780</td>
<td>50,731</td>
<td>52,761</td>
<td>59,084</td>
<td>64,191</td>
<td>70,099</td>
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<td><strong>TOTAL EXPENSES</strong></td>
<td>$314,347</td>
<td>$326,602</td>
<td>$339,337</td>
<td>$352,573</td>
<td>$366,327</td>
<td>$444,634</td>
<td>$537,362</td>
<td>$651,015</td>
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<td><strong>NET OPERATING INCOME</strong></td>
<td>$144,450</td>
<td>$145,958</td>
<td>$147,400</td>
<td>$148,766</td>
<td>$150,052</td>
<td>$154,991</td>
<td>$156,609</td>
<td>$153,487</td>
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#### DEBT SERVICE

<table>
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<tr>
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<th>Primary</th>
<th>Secondary</th>
<th>Additional</th>
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<td>First Lien Financing</td>
<td>$131,321</td>
<td>$131,321</td>
<td>$131,321</td>
</tr>
<tr>
<td>Second Lien</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>NET CASH FLOW</strong></td>
<td>$13,129</td>
<td>$14,637</td>
<td>$16,079</td>
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</table>

#### DEBT COVERAGE RATIO

| Ratio | 1.10 | 1.11 | 1.12 | 1.13 | 1.14 | 1.18 | 1.19 | 1.17 | 0.95 |
# LIHTC Allocation Calculation - Burgundy Palms, El Paso, LIHTC #02052

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>APPLICANT'S TOTAL AMOUNTS</th>
<th>TDHCA TOTAL AMOUNTS</th>
<th>APPLICANT'S REHAB/NEW ELIGIBLE BASIS</th>
<th>TDHCA REHAB/NEW ELIGIBLE BASIS</th>
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<tbody>
<tr>
<td>(1) Acquisition Cost</td>
<td></td>
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<tr>
<td>Purchase of land</td>
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<td>$190,738</td>
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<tr>
<td>Purchase of buildings</td>
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<td>(2) Rehabilitation/New Construction Cost</td>
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<tr>
<td>On-site work</td>
<td>$636,000</td>
<td>$636,000</td>
<td>$636,000</td>
<td>$636,000</td>
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<tr>
<td>Off-site improvements</td>
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<td>(3) Construction Hard Costs</td>
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<td>New structures/rehabilitation ha</td>
<td>$3,405,600</td>
<td>$3,533,893</td>
<td>$3,405,600</td>
<td>$3,533,893</td>
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<td>(4) Contractor Fees &amp; General Requirements</td>
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<td>Contractor overhead</td>
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<td>$80,832</td>
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<td>$242,496</td>
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<td>(5) Contingencies</td>
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<td>(6) Eligible Indirect Fees</td>
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<td>$190,000</td>
<td>$190,000</td>
<td>$190,000</td>
<td>$190,000</td>
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<tr>
<td>(7) Eligible Financing Fees</td>
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<tr>
<td>$153,000</td>
<td>$153,000</td>
<td>$153,000</td>
<td>$153,000</td>
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<tr>
<td>(8) All Ineligible Costs</td>
<td>$45,500</td>
<td>$45,500</td>
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<td>(9) Developer Fees</td>
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<td>Developer overhead</td>
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<td>$116,481</td>
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<td>(10) Development Reserves</td>
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<td>$77,000</td>
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<td>TOTAL DEVELOPMENT COSTS</td>
<td>$6,326,528</td>
<td>$6,153,763</td>
<td>$5,692,988</td>
<td>$5,840,525</td>
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</table>

**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**
- $5,692,988
- $5,840,525

**High Cost Area Adjustment**
- 130%

**TOTAL ADJUSTED BASIS**
- $7,400,884
- $7,592,683

**Applicable Fraction**
- 100%

**TOTAL QUALIFIED BASIS**
- $7,400,884
- $7,592,683

**Applicable Percentage**
- 8.44%

**TOTAL AMOUNT OF TAX CREDITS**
- $624,635
- $640,822

**Syndication Proceeds**
- 0.7499
- $4,684,291
- $4,805,687

**Actual Gap of Need**
- $4,640,859

**Gap-Driven Allocation**
- $618,843
Development Name: Castner Palms

TDHCA #: 02053

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 10
Site Address: 9700 block of Cohen Ave.
City: El Paso
County: El Paso
Zip Code: 79924

Allocation over 10 Years: $6,246,350
Development Type: Family

DEVELOPMENT TEAM

Developer: Castner Palms, Ltd.
Housing GC: Tropicana Building Corporation
Infrastructure GC: NA
Cost Estimator: Tropicana Building Corporation
Architect: David Marquez A & E
Property Manager: Tropicana Properties
Engineer: Conde, Inc.
Syndicator: Boston Capital Corporation

Market Analyst: Zacour and Associates
Originator/UW: NA
Appraiser: Zacour and Associates
Attorney: Lee and Healy, LLP
Supp Services: C.J. Treehouse
Accountant: Thomas V. Stephen & Company
Permanent Lender: Bank of America

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommended

DEPARTMENT EVALUATION

Points Awarded: 141
Site Review: Acceptable
Underwriting Finding: AC

Net Operating Income: $144,449

1 BR
2 BR
3 BR
4 BR
5 BR
Total

30%
40%
50%
60%
Eff
58
50%
40%
34
20
18
12
10
8
0

Total LI Units: 100
Owner/Employee Units: 0
Total Project Units: 100
Applicable Fraction: 100.00

LIHTC Primary Set Aside: G
Additional Elderly Set Aside: 
Purpose / Activity: NC
Development Type: Family

Owner Entity Name: Castner Palms, Ltd.
Principal Contact: Bobby Bowling, IV
Percentage Ownership: 95 %

Total Development Cost: $6,191,713
Total NRA SF: 101,000
Total Expenses: $314,347
Net Operating Income: $144,449
Estimated 1st Year Debt Coverage Ratio: 1.10

Credits Requested: $639,769
Eligible Basis Amount: $624,635
Equity/Gap Amount: $626,041

Tropicana Building Corporation
Lower Valley Housing Corporation
NA
NA
NA

Notes: *NA* = Not Yet Available

Tropicana Building Corporation
Bobby Bowling, IV
95 %

Site Address: 9700 block of Cohen Ave.

Set Asides: AR=At Risk, NP=Nonprofit, G=General, R=Rural
Purposes: N=New Construction, A=Acquisition, R=Rehabilitation

Special Needs: 8 Units for Handicapped/Developmentally Disabled
2002 Development Profile and Board Summary (Continued)

Project Name: Castner Palms

PUBLIC COMMENT SUMMARY
Note: “O” = Opposed, “S” = Support, “NC” or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: 6  Opposition: 0

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

CONDITIONS TO COMMITMENT

Per the ESA provided by the Applicant, and unless an alternative opinion is provided by a duly qualified ESA inspector the site should be "monitored closely."

Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than $131,321.

Should the terms of the proposed permanent debt be different than 8% interest over a 30 year amortization, the previous condition and credit allocation should be re-evaluated.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

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

☐ To serve a greater number of lower income families for fewer credits
☐ To serve a greater number of lower income families for a longer period of time
☐ To ensure the Development’s consistency with local needs or its impact as part of a revitalization or preservation plan
☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development was one of the highest scoring developments in Region 10.

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

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

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

☐ BOARD OF DIRECTOR’S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):

Approved Credit Amount: ___________________________ Date of Determination: ___________________________

__________________________________________________________
Michael E. Jones, Chairman of the Board

## Compliance Status Summary

**Project ID #:** 02053  
**LIHTC 9% ✓**  **LIHTC 4% □**

**Project Name:** Castner Palms  
**HOME □**  **HTF □**

**Project City:** El Paso  
**BOND □**  **SECO □**

### Housing Compliance Review

- Project(s) in material non-compliance □
- No previous participation □

- Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

- Projects Monitored by the Department
  - # reviewed 1  # not yet monitored or pending review 3
  - # of projects grouped by score 0-9: 1 10-19: 0 20-29: 0

- Members of the development team have been disbarred by HUD □
- National Previous Participation Certification Received N/A
- Non-Compliance Reported □

**Completed by** Jo En Taylor  **Completed on** 05/21/2002

### Single Audit

- Status of Findings (any outstanding single audit issues are listed below)
  - single audit not applicable ✓  no outstanding issues □  outstanding issues □

**Comments:**

**Completed by** Lucy Trevino  **Completed on** 05/30/2002

### Program Monitoring

- Status of Findings (any unresolved issues are listed below)
  - monitoring review not applicable ✓  monitoring review pending □
  - reviewed; no unresolved issues □  reviewed; unresolved issues found □

**Comments:**

**Completed by** Ralph Hendrickson  **Completed on** 05/30/2002
<table>
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</tr>
<tr>
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<td>reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐</td>
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<tr>
<td>Comments:</td>
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<tr>
<td>Completed by</td>
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<tr>
<td>Comments:</td>
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<td>Completed by</td>
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<tr>
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<td>Comments:</td>
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<td>Completed on</td>
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<tr>
<td>Comments:</td>
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<tr>
<td>Completed by</td>
<td></td>
</tr>
<tr>
<td>Completed on</td>
<td></td>
</tr>
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</table>

Executive Director: Edwina Carrington        Date Signed: June 10, 2002
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: May 17, 2002  PROGRAM: 9% LIHTC  FILE NUMBER: 02053

**DEVELOPMENT NAME**

Castner Palms

**APPLICANT**

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Castner Palms LTD.</td>
<td></td>
<td>5819 Sun Valley</td>
<td>El Paso</td>
<td>TX</td>
<td>79924</td>
<td>Bobby Bowling IV</td>
<td>(915) 821-3550</td>
<td>(915) 821-3556</td>
</tr>
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</table>

**PRINCIPALS of the APPLICANT**

<table>
<thead>
<tr>
<th>Name</th>
<th>(%):</th>
<th>Title</th>
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<tbody>
<tr>
<td>Tropicana Building Corporation (TBC)</td>
<td>0.0095</td>
<td>Managing General Partner</td>
</tr>
<tr>
<td>Lower Valley Housing Corporation</td>
<td>0.0005</td>
<td>Other General Partner</td>
</tr>
<tr>
<td>R.L. Bowling IV</td>
<td>N/A</td>
<td>Pres. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>R.L. Bowling III</td>
<td>N/A</td>
<td>V. P. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>Randall J. Bowling</td>
<td>N/A</td>
<td>Treas. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>Gregory B. Bowling</td>
<td>N/A</td>
<td>Sec. &amp; 25% owner of TBC</td>
</tr>
<tr>
<td>The Richman Group Capital Corporation</td>
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<td>Limited Partner</td>
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**MANAGING GENERAL PARTNER**

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<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
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<td>Tropicana Building Corporation</td>
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<td>Bobby Bowling IV</td>
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<td>(915) 821-3556</td>
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**GENERAL PARTNER**

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<thead>
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<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
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</thead>
<tbody>
<tr>
<td>Lower Valley Housing Corp.</td>
<td></td>
<td>215 West Main</td>
<td>Fabens</td>
<td>TX</td>
<td>79838</td>
<td>Nancy Hanson</td>
<td>(915) 764-3413</td>
<td>(915) 764-3413</td>
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**PROPERTY LOCATION**

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<thead>
<tr>
<th>Location</th>
<th>City</th>
<th>County</th>
<th>Zip</th>
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<tbody>
<tr>
<td>9700 Block of Cohen Avenue (Formerly Community Avenue)</td>
<td>El Paso</td>
<td>El Paso</td>
<td>79924</td>
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**REQUEST**

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<th>Amount</th>
<th>Interest Rate</th>
<th>Amortization</th>
<th>Term</th>
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<td>$639,769</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
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</table>

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

Proposed Use of Funds: New construction  Set-Aside: General  Rural  Non-Profit
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

SITE DESCRIPTION

Size: 7.39 acres 321,908 square feet  Zoning/ Permitted Uses: C-1, C-3
Flood Zone Designation: C  Status of Off-Sites: Partially Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 100  # Rental Buildings: 25  # Common Area Bldgs: 1  # of Floors: 1  Age: n/a yrs  Vacant: n/a at / /

<table>
<thead>
<tr>
<th>Number</th>
<th>Bedrooms</th>
<th>Bathrooms</th>
<th>Size in SF</th>
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<tbody>
<tr>
<td>52</td>
<td>2</td>
<td>1</td>
<td>900</td>
</tr>
<tr>
<td>32</td>
<td>3</td>
<td>2</td>
<td>1,000</td>
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<tr>
<td>16</td>
<td>4</td>
<td>2</td>
<td>1,200</td>
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</table>

Net Rentable SF: 98,000  Av Un SF: 980  Common Area SF: 3,000  Gross Bldng SF: 101,000

Property Type: ✔ Multifamily  ☐ SFR Rental  ☐ Elderly  ☐ Mixed Income  ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS
Wood frame on a post-tensioned concrete slab on grade, stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES
Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer and connections, laminated counter tops, individual water heaters, evaporative cooling

ON-SITE AMENITIES
Community room/daycare, management offices, kitchen, restrooms, equipped children's play area, perimeter fencing

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING
Source: Bank of America  Contact: Valerie Williams
Principal Amount: $2,400,000  Interest Rate: 8.5%
Additional Information:
Amortization: n/a yrs  Term: 2 yrs  Commitment: ☑ Conditional

LONG TERM/PERMANENT FINANCING
Source: Bank of America  Contact: Valerie Williams
Principal Amount: $1,523,260  Interest Rate: 8.5% as of February 25, 2002
Additional Information:
Amortization: 30 yrs  Term: 30 yrs  Commitment: ☑ Conditional
Annual Payment: $140,551  Lien Priority: 1st  Commitment Date: 02/26/2002
LIHTC SYNDICATION

Source: The Richman Group Capital Corporation  
Contact:  
Peter McHugh  
Address: 599 West Putnam Avenue  
City:  
Greenwich  
State: CT  
Zip: 06830  
Phone: (203) 869-0900  
Fax: (203) 869-1034  
Net Proceeds: $4,797,788  
Net Syndication Rate (per $1.00 of 10-yr LIHTC) 75¢  
Commitment  
Firm  
Conditional  
Date: 02/14/2002  
Additional Information: Commitment letter reflects proceeds of $4,797,788 based on credits of $6,397,690

APPLICANT EQUITY

Amount: $480  
Source: Deferred Developer Fee  
Amount: $5,000  
Source: Alianza Para El Desarrollo Comunitario, Inc. (GRANT)

VALUATION INFORMATION

APPRaised VALUE

Land Only: $644,000  
Date of Valuation: 02/26/2002  
Appraiser: Zacour & Associates, Inc.  
City: El Paso  
Phone: (915) 581-1141  
ASSEssed VALUE

Land: 32.22 acres  
$1,403,315  
Assessment for the Year of: 2000  
Land: 1.0 acres prorate  
$43,554  
Valuation by: El Paso CAD  
Land: Total 7.39 acres  
$321,865  
Tax Rate: 2.877639

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (7.39 acres)  
Contract Expiration Date: 12/31/2002  
Anticipated Closing Date: 12/31/2002  
Acquisition Cost: $380,000  
Other Terms/Conditions:  
$100 earnest money  
Seller: Patriot Castner Joint Venture  
Related to Development Team Member: Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

Castner Palms was submitted and underwritten in the 2001 LIHTC cycle. The underwriting analysis recommended the project be approved with an LIHTC Allocation not to exceed $568,701 annually for ten years.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Castner Palms is a proposed new construction development of 100 units of affordable income housing located in southeast El Paso. The development is comprised of 25 residential buildings as follows:  
- (13) Building Type 2 B/R with four two-bedroom units;  
- (8) Building Type 3 B/R with four three-bedroom units;  
- (4) Building Type 4 B/R with four four-bedroom units;  
Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building located near the rear of the development. The 3000-square foot community building plan includes the management office, a 1,313-square foot community room, kitchen, and
Supportive Services: The Applicant has contracted with CJ Treehouse, Inc. (dba Children’s Academy of El Paso) to provide daycare for a period of five years. In return for this service, the provider will have control of the common area building Monday through Friday from 6:30 am to 6:30 pm on a rent-free basis. Daycare services will be provided for up to 41 children living within the project for an annual payment of $41,000. The service provider will also share 50% of the utility expenses for the building. The daycare services will be provided at no additional charge to participating tenants. In addition, The Greater El Paso Housing Development Corporation will provide two seminars annually on pre-qualification for homeownership for a fee of $500 per year.

Schedule: The Applicant anticipates construction to begin in December of 2002, to be completed in December of 2003, to be placed in service in April of 2004, and to be substantially leased-up in March of 2004.

**POPULATIONS TARGETED**

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income/elderly tenants. One of the units (1%) will be reserved for households earning 30% or less of AMGI, one unit (1%) will be reserved for households earning 40% or less of AMGI, 40 units (40%) will be reserved for households earning 50% or less of AMGI, and 58 units (58%) will be reserved for households earning 60% or less of AMGI.

Special Needs Set-Asides: Eight units (8%) will be reserved for households with handicapped/developmentally-disabled individuals.

Compliance Period Extension: The Applicant has also elected to extend the compliance period an additional 25 years.

**MARKETHIGHLIGHTS**

A market feasibility study dated February 19, 2002 was prepared by Zacour and Associates, Inc. and highlighted the following findings:

Definition of Market/Submarket: “The focus of this market study is Census Tracts 1.01, 1.06, 1.07, 1.08, 1.09, 1.10, 1.11, 1.12, 2.03, 2.04, 2.05, 2.06, 3.01, 3.02, 4.01, 4.02, 4.03, 4.04, 102.06, and 102.07. These tracts constitute the majority of city’s Northeast Planning Area and their geographic boundaries may generally be described as: The Texas-New Mexico state line to the north; Fred Wilson Road to the south; The Fort Bliss Military Reservation to the east; and the Franklin Mountains State Park to the west.” (p. 24)

Total Regional Market Demand for Rental Units: “It is estimated that there is still a need for 3,085 housing units to meet the needs of those people below the poverty level income range. The 2000 Census shows that 34% of the residents of this area are renters. Therefore, it is estimated that at least 1,050 units out of the needed 3,085 housing units would need to be apartments or other types of rental property.” (p. 70)

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY |
|------------------|------------------|------------------|
| **Type of Demand** | **Units of Demand** | **% of Total Demand** |
| Cost Burdened Renters | 1,050 | 72% |
| Growth/Household Change | 45 | 3% |
| Substandard Households | 372 | 25% |
| **TOTAL ANNUAL DEMAND** | **1,467** | **100%** |

Ref: p. 71

Capture Rate: “MSA Segment Capture Rate of 12.4%” (p. 71) This is based upon the inclusion of 82 additional unstabilized units in this market area.

Market Rent Comparables: The market analyst surveyed 8 comparable apartment projects totaling 1,071 units in the market area. (p. 51)
### RENT ANALYSIS (net tenant-paid rents)

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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<tr>
<td>2-Bedroom (50%)</td>
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<td>$325</td>
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<td>$540</td>
<td>-$215</td>
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<tr>
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<td>$407</td>
<td>$0</td>
<td>$540</td>
<td>-$113</td>
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<td>3-Bedroom (50%)</td>
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<td>$205</td>
<td>$0</td>
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<td>-$515</td>
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<td>4-Bedroom (40%)</td>
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<td>$310</td>
<td>$0</td>
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<td>-$410</td>
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<tr>
<td>4-Bedroom (50%)</td>
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<td>$0</td>
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<td>-$305</td>
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<tr>
<td>4-Bedroom (60%)</td>
<td>$520</td>
<td>$520</td>
<td>$0</td>
<td>$720</td>
<td>-$200</td>
</tr>
</tbody>
</table>

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

**Submarket Vacancy Rates:** “The occupancy rate for the northeast has fluctuated from as low as 85% to as high as 98% during the 1990’s. The current occupancy rate of 87% is lower than the current city-wide average. Apartment complexes in the vicinity of the subject which were surveyed have higher occupancy rates than those throughout the whole area.” (p. 52)

**Absorption Projections:** “It is projected that the average absorption rate for the subject would be 12 to 15 units per month. At this rate, the subject’s estimated absorption period should be seven to nine months.” (p. 61)

**Known Planned Development:** “Additionally, the following low-income housing units have been approved but have not yet been constructed in the market study area: Patriot Hills 22 units, Cooperstown 16 units, Cooperstown South 20 units, Arrowhead Place 24 units.” (p. 71) Adding the proposed 100 units provides total planned units of 182.

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The proposed site is located in the Northeast sector of the City of El Paso. The North-South Freeway provides direct access to the El Paso Central Business district via Interstate 10 which is about 10 miles south of the subject property. From a residential standpoint, this area of El Paso appeals to Fort Bliss military personnel and the civilian workers who make up approximately seven percent of El Paso’s total work force. The City of El Paso lies in the extreme westerly section of the State of Texas on the United States/Mexico border approximately 264 miles from Albuquerque, New Mexico and 565 miles from Dallas, Texas.

**Population:** “Since 1980, the population of the subject census tracts increased by 27,789 persons. The population of the market area grew at an annual rate of 0.71% per year from 1990 through 2000. The most growth appears to have occurring in those census tracts with the greatest supply of developable land. If the population of the market study area grows at the projected rate of 0.75% per annum, there will be an additional 3,531 persons residing in the study area by the year 2005 and an additional 3,666 persons by the year 010. However, it is unlikely this population growth can be sustained without the addition of new housing units within the market study areas.” (p. 33)

**Adjacent Land Uses:** The subject neighborhood appears to be in a stage of moderate growth. There are an increasing number of residential subdivisions located in the northern part of the neighborhood, and the completion of several major roadway projects have made the neighborhood more accessible. Recent community developments within the neighborhood include a new 10,000 seat sports complex and public golf course. Commercial development is also evident throughout the subject neighborhood, particularly along Dyer Street, the North-south Freeway, and Woodrow Bean Road (Trans Mountain Road/Loop 375). (p. 26)

**Site Access:** “The subject site is located on the north side of Cohen Avenue to the west of Kenworthy Drive.
The subject is also just to the east of Gateway Boulevard North and the south of Trans Mountain Road (Loop 375), which provides access to both the east and west side of the city.” (p.62)

Public Transportation: Intracity bus service is provided by Sun Metro, which links most areas of the city. The distance to the nearest bus stop from the site is unknown.

Shopping & Services: “The site is surrounded by commercial development, is near single-family homes and is in close proximity to churches, schools and parks. Commercial services are located along Gateway Boulevard North, Dyer Street, McCombs Street, Trans Mountain road, Fairbanks Drive and Kenworthy Drive. Medical office buildings are located on Kenworthy Drive. Thus, the subject site is accessible to major roadway, commercial services, schools, medical services and churches.” (p. 62)

Site Inspection Findings: A Credit Underwriting Division/TDHCA staff members performed a site inspection on May 10, 2001 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Soil Mechanics International prepared a Phase I Environmental Site Assessment report dated March 22, 2001. Carlos Figueroa, the engineer that conducted the investigation concluded, “while our study found no conclusive evidence that the sites are contaminated or that they contain contamination, we recommend that the properties be closely monitored (pg. 4). Thus this recommendation, if not altered by a subsequent report or letter from this engineer or another duly qualified ESA inspector, is added as a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The 2002 maximum rent limits were used by the Applicant in setting the rents and these rents are achievable per the Market Study. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly.

Expenses: The Applicant’s total expense estimate of $2,884 per unit is 8% less than the TDHCA database-derived estimate of $3,143 per unit for comparably-sized projects. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative ($9.7K lower), management ($8.9K lower), payroll ($3.9K lower), repairs and maintenance ($5.3K lower), utilities ($23.6K higher), trash ($10.8K lower), property tax ($11.2K lower)

Conclusion: The Applicant’s estimated total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.03 is slightly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $131,321 in order to achieve an acceptable 1.10 DCR.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant’s proposed site cost of $380K ($3.88/SF or $50,938/acre) is supported by the appraisal value of $644K. The seller, Patriot Castner Joint Venture is an entity comprised of several individuals, one of which is Tropicana Building Corporation, 49% owner of the General Partner. The Joint Venture acquired the site as part of a larger 61.7901-acre parcel in May 1994 at a cost of $1,450,000. This amounts to a prorated cost of $23,467 per acre or $173,421 for the subject 7.39 acres. The assessed value for the 7.39 acres is $43,544 per acre. The Applicant provided documentation of holding costs and improvements made to the adjacent site that would provide justification for a higher non-arm’s-length sale price. The Underwriter used a total substantiated acquisition and holding cost of $245,185 for the 7.39 acres since this is still less than the $380,000 transfer price claimed by the Applicant, the Applicant’s total development funding sources needed, $6,326,528, should be reduced by the difference of $134,815.

Sitework Cost: The Applicant’s claimed site costs of $6,360 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant’s direct construction cost estimate is $128K lower than or within 5% of the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant’s contractor’s fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant’s developer fees,
however, exceed 15% of the Applicant’s adjusted eligible basis and therefore the eligible portion of the Applicant’s developer fee must be reduced by $131,041.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate and is therefore generally acceptable. Therefore, the Applicant’s total development cost, as adjusted, is used to establish the eligible basis method of determining the credit amount. As a result, an adjusted eligible basis of $5,692,988 is used to determine a credit allocation of $624,635 from this method. This will be compared to the gap method below to provide a final recommendation.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan, private grant, syndicated LIHTC equity, and deferred developer’s fees.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Bank of America in the amount of $2,400,000 during the interim period and $1,523,260 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 30 years for the permanent at a fixed interest rate. While the commitment letter indicates an underwriting rate of 8.5% it also provides a chart of forward rate lock options, all of which are well below the 8% maximum underwriting rate guideline for the 2002 application cycle.

**Private Grant:** There is a commitment letter for $5,000 in the form of a Grant from Alianza Para El Desarrollo Comunitario, Inc. This is to provide subsidy for 30% AMFI housing.

**LIHTC Syndication:** The Richman Group Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,797,788 based on a syndication factor of 75%. The funds would be disbursed in a four-phased pay-in schedule:

1. 25% paid at closing;
2. 50% paid in monthly installments on a draw basis as needed for development costs incurred;
3. 10% paid upon the latest of the following: (i) Completion of construction of the Apartment Complex and receipt of certificates of occupancy for all units, (ii) Preliminary low-income Housing Tax Credit certification, (iii) Receipt of a payoff letter from the contractor for the Apartment Complex (the Contractor) which states that upon receipt of installment No. 3 the construction contract will be paid in full by the installment No. 3 or the contractor will defer any amounts owed to it to receipt of installment No. 4, (iv) Receipt of an estoppel letter from each lender to the Partnership, (v) Receipt of certificates of insurance complying with the requirements described herein;
4. 15% Paid upon the latest of the following: (i) Achievement of Breakeven Operations, (ii) Receipt of an estoppel letter from each lender to the Partnership, (iii) Receipt of final Low-Income Housing Tax Credit certification, and (iv) Receipt of form 8609.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $480 amount to less than 1% of the total fees.

**Financing Conclusions:** Based on the underwriter’s proforma, the proposed debt cannot be adequately serviced at a 1.10 DCR. This analysis indicates that the debt service should be limited to not more than $131,321, which will result in a reduction in the total potential debt amount. It has also been noted that the underwriting rate indicated by the lender, 8.5%, is significantly higher than the forward commitment rates quoted in the letter and the 8% maximum guideline. Thus the underwriter used a 8% interest rate 30 year amortization assumption to estimate the permanent debt amount and size the gap of funds needed. Since the Applicant’s total development costs were within 5% of the Underwriter’s estimate, the Applicant’s adjusted development costs were used to determine eligible basis. The applicable percentage rate was adjusted downward from 8.45% in order to reflect the current underwriting rate of 8.44%. These adjustments combined to decrease the recommended tax credit allocation to $624,635 per year, resulting in syndication proceeds of approximately $4,684,291.

The Applicant initially anticipated the need to defer $480 in developer fee, but based on the Underwriter’s analysis, it is now anticipated that the need to defer developer fees will increase to $11,015. In the event of a cost overrun, there will be a sufficient amount of developer fee to defer.
The exterior elevations are simple and functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered porch with a small outdoor storage closet. Each unit has a semi-private exterior entry that is shared with one other unit. The units are in one-story fourplex structures with stucco exterior finish and hipped roofs.

IDENTITIES of INTEREST

The principals of Tropicana Building Corporation (TBC) are 95% owners of the General Partner and also own the Developer, General Contractor, Cost Estimator, and Property Management Company. These are common relationships and generally do not appear to be prohibited by the LIHTC program. Tropicana Building Corporation (TBC) is also the seller of the land. Any potential excess profit from the identity of interest land sale will be mitigated by the increase in the amount of deferred developer’s fee or the exclusion of such profit from the Underwriter’s gap analysis as discussed above.

APPLICANTS’/PRINCIPALS’ FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:
- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Tropicana Building Corporation, the Developer, General Contractor, and 49% owner of the General Partner, submitted an unaudited financial statement as of 12/8/01 reporting total assets of $5.6M and consisting of $303K in cash, $43K in receivables, $26K in stocks and securities, $5M in real property $144K in machinery, equipment, and fixtures, and $81K in other assets. Liabilities totaled $5.5M, resulting in a net worth of $73K.
- Lower Valley Housing Corporation the 51% owner of the General Partner, submitted an unaudited financial statement as of 12/19/01 reporting total assets of $4.2M and consisting of $68K in cash, $885K in receivables, $3.2M in real property $19.3 in machinery, equipment, and fixtures, and $8.9K in other assets. Liabilities totaled $3.8M, resulting in a net worth of $327K.

Background & Experience:
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 49% owner of the General Partner/Developer/Contractor, Tropicana Building Corporation, listed participation in the development of four previous affordable housing projects of 92 units.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant’s estimated operating expenses/operating proforma are more than 5% outside of the Underwriter’s verifiable ranges.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $624,635 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Per the ESA provided by the Applicant, and unless an alternative opinion is provided by a duly qualified ESA inspector the site should be “monitored closely.”
2. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in
the debt service to not more than $131,321, and
3. Should the terms of the proposed permanent debt be different than 8% interest over a 30 year amortization, the previous condition and credit allocation should be re-evaluated.

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<tr>
<th>Underwriter:</th>
<th>Date: May 17, 2002</th>
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<tbody>
<tr>
<td>Carl Hoover</td>
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<th>Credit Underwriting Supervisor:</th>
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<td>Lisa Vecchietti</td>
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<th>Director of Credit Underwriting:</th>
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<tr>
<td>Tom Gouris</td>
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### MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

**Castner Palms, El Paso, LIHTC #02053**

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<th>Type of Unit</th>
<th>Number</th>
<th>Bedrooms</th>
<th>No. of Bath</th>
<th>Size in SF</th>
<th>Gross Rent Lmt.</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
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**TOTAL:** 100

**AVERAGE:**

- **580**
- **$495**
- **$403**
- **$40,333**
- **0.41**
- **$91.64**
- **$15.00**

**INCOME**

- **Potential Gross Rent:** $483,996
- **Secondary Income:** $10,000
- **Potential Gross Income:** $495,996

**EXPENSES**

- **Vacancy & Collection Loss:** -7.50%
- **Total Expenses:** 68.52%
- **Effective Gross Income:** $458,796

**DEBT SERVICE**

- **Bank of America:** 30.63%
- **Alianza Para El Desarrollo Co:** 0.00%
- **LIHTC Syndication Proceeds:** 0.00%
- **Net Cash Flow:** 0.85%

**CONSTRUCTION COST**

- **Acquisition Cost:** 3.95%
- **Off-Sites:** 0.00%
- **Sitework:** 10.24%
- **Direct Construction:** 56.92%
- **Contingency:** 0.00%
- **General:** 5.82%
- **Contractor's G & A:** 3.91%
- **Contractor's Prof:** 5.82%
- **Indirect Construction:** 0.00%
- **Developer's G & A:** 2.00%
- **Developer's Prof:** 13.00%
- **Interim Financing:** 2.46%
- **Reserves:** 1.24%
- **TOTAL COST:** 100.00%

**Recap-Hard Construction Costs**

- **Emphasis:** $6,208,210
- **SOURCES OF FUNDS**
- **Recommended:**
  - **Bank of America:** $1,523,260
  - **Alianza Para El Desarrollo Co:** $5,000
  - **LIHTC Syndication Proceeds:** $4,797,888
  - **Deferred Developer Fees:** $480
  - **Additional (excess) Funds:** $6,208,210

**AGGREGATE DEBT COVERAGE RATIO**

- **AGGREGATE DEBT COVERAGE RATIO:** 1.03
- **ALTERNATIVE DEBT COVERAGE RATIO:** 1.10

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**Notes:**

- TDHCA APPLICANT
- Project ID: 02053
- Print Date: 6/14/02 6:00 PM
## MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

**Castner Palms, El Paso, LIHTC #02053**

### DIRECT CONSTRUCTION COST ESTIMATE

**Residential Cost Handbook**

#### Average Quality Multiple Residence Basis

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<th>FACTOR</th>
<th>UNITS/SQ FT</th>
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#### Adjustments

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<td>2</td>
<td>0</td>
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<tr>
<td>Elderly</td>
<td>0.00</td>
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<td></td>
</tr>
<tr>
<td>Roofing</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Subfloor</td>
<td>1.96</td>
<td>192,080</td>
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</tr>
<tr>
<td>Floor Cover</td>
<td>1.62</td>
<td>178,360</td>
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<td>Porches/Balconies $28.10</td>
<td>7952</td>
<td>2.28</td>
<td>223,451</td>
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<td>Plumbing</td>
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<td>Built-In Appliances $1,550</td>
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<td>155,000</td>
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<td>Stairs/Fireplaces</td>
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<td>Roofing</td>
<td>0.00</td>
<td>0</td>
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<tr>
<td>Exterior Wall Finish</td>
<td>0.00</td>
<td>0</td>
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<tr>
<td>Elderly</td>
<td>0.00</td>
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<tr>
<td>Roofing</td>
<td>0.00</td>
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#### Additional

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<tr>
<th>Item</th>
<th>Factor</th>
<th>Amount</th>
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<tr>
<td>Comm &amp;/or Aux Bldgs</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Comm &amp;/or Aux Bldgs $56.86</td>
<td>3,000</td>
<td>1.74</td>
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<tr>
<td>Ceiling (1.96)</td>
<td>(192,080)</td>
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**RECOMMENDED FINANCING STRUCTURE:**

**Primary Debt Service**

<table>
<thead>
<tr>
<th>INT RATE</th>
<th>DCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.50%</td>
<td>1.03</td>
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**Secondary Debt Service**

<table>
<thead>
<tr>
<th>INT RATE</th>
<th>DCR</th>
</tr>
</thead>
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<td>0.00%</td>
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### PAYMENT COMPUTATION

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<th>INT RATE</th>
<th>DCR</th>
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<td>Primary</td>
<td>8.50%</td>
<td>1.03</td>
</tr>
<tr>
<td>Secondary</td>
<td>0.00%</td>
<td>0</td>
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<tr>
<td>Additional</td>
<td>6.79%</td>
<td>1.03</td>
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### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

<table>
<thead>
<tr>
<th>INCOME at 3.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
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<tbody>
<tr>
<td><strong>POTENTIAL GROSS RENT</strong></td>
<td>$483,996</td>
<td>$498,516</td>
<td>$513,471</td>
<td>$528,875</td>
<td>$544,742</td>
<td>$631,505</td>
<td>$732,087</td>
<td>$848,690</td>
<td>$1,140,568</td>
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<td><strong>Secondary Income</strong></td>
<td>12,000</td>
<td>12,360</td>
<td>12,731</td>
<td>13,113</td>
<td>13,506</td>
<td>15,657</td>
<td>18,151</td>
<td>21,042</td>
<td>28,279</td>
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<td><strong>Other Support Income</strong>:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>POTENTIAL GROSS INCOME</strong></td>
<td>$495,996</td>
<td>$510,876</td>
<td>$526,202</td>
<td>$541,988</td>
<td>$558,248</td>
<td>$647,162</td>
<td>$750,238</td>
<td>$869,732</td>
<td>$1,168,847</td>
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<tr>
<td><strong>Vacancy &amp; Collection Loss</strong></td>
<td>(32,000)</td>
<td>(33,660)</td>
<td>(35,348)</td>
<td>(37,102)</td>
<td>(39,000)</td>
<td>(47,820)</td>
<td>(56,620)</td>
<td>(65,420)</td>
<td>(80,160)</td>
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<tr>
<td><strong>Interest Construction</strong></td>
<td>(3.85%)</td>
<td>(4.10%)</td>
<td>(4.36%)</td>
<td>(4.62%)</td>
<td>(4.90%)</td>
<td>(5.76%)</td>
<td>(6.63%)</td>
<td>(7.49%)</td>
<td>(8.36%)</td>
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<tr>
<td><strong>Contractor's OH &amp; Profit</strong></td>
<td>11.50%</td>
<td>(500,336)</td>
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| **NET DIRECT CONSTRUCTION COSTS** | $36.06 | $3,533,893 |

<table>
<thead>
<tr>
<th>EXPENSES at 3.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General &amp; Administrative</strong></td>
<td>33,698</td>
<td>35,046</td>
<td>36,448</td>
<td>37,906</td>
<td>39,422</td>
<td>47,963</td>
<td>58,355</td>
<td>70,997</td>
<td>105,093</td>
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<tr>
<td><strong>Management</strong></td>
<td>31,884</td>
<td>32,840</td>
<td>33,826</td>
<td>34,840</td>
<td>35,886</td>
<td>41,601</td>
<td>48,227</td>
<td>55,909</td>
<td>75,136</td>
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<tr>
<td><strong>Payroll &amp; Payroll Tax</strong></td>
<td>23,889</td>
<td>24,844</td>
<td>25,838</td>
<td>26,871</td>
<td>27,946</td>
<td>34,001</td>
<td>41,367</td>
<td>50,330</td>
<td>74,500</td>
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<tr>
<td><strong>Repairs &amp; Maintenance</strong></td>
<td>39,543</td>
<td>41,125</td>
<td>42,770</td>
<td>44,481</td>
<td>46,260</td>
<td>56,283</td>
<td>68,476</td>
<td>83,312</td>
<td>123,322</td>
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<tr>
<td><strong>Utilities</strong></td>
<td>28,042</td>
<td>29,164</td>
<td>30,330</td>
<td>31,543</td>
<td>32,805</td>
<td>39,912</td>
<td>48,559</td>
<td>59,080</td>
<td>87,453</td>
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<tr>
<td><strong>Water, Sewer &amp; Trash</strong></td>
<td>18,000</td>
<td>18,720</td>
<td>19,469</td>
<td>20,248</td>
<td>21,057</td>
<td>25,620</td>
<td>31,170</td>
<td>37,923</td>
<td>56,136</td>
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<tr>
<td><strong>Insurance</strong></td>
<td>15,753</td>
<td>16,383</td>
<td>17,038</td>
<td>17,720</td>
<td>18,428</td>
<td>22,421</td>
<td>27,297</td>
<td>33,188</td>
<td>49,127</td>
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<td><strong>Property Tax</strong></td>
<td>58,438</td>
<td>60,776</td>
<td>63,207</td>
<td>65,735</td>
<td>68,364</td>
<td>83,176</td>
<td>101,196</td>
<td>123,120</td>
<td>182,484</td>
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<td><strong>Reserve for Replacements</strong></td>
<td>20,000</td>
<td>20,800</td>
<td>21,632</td>
<td>22,497</td>
<td>23,397</td>
<td>28,466</td>
<td>34,634</td>
<td>42,137</td>
<td>62,373</td>
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<tr>
<td><strong>Other</strong></td>
<td>45,100</td>
<td>46,904</td>
<td>48,780</td>
<td>50,731</td>
<td>52,761</td>
<td>64,191</td>
<td>78,099</td>
<td>95,019</td>
<td>140,651</td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$314,347</td>
<td>$326,602</td>
<td>$339,337</td>
<td>$352,573</td>
<td>$366,327</td>
<td>$443,634</td>
<td>$537,162</td>
<td>$651,015</td>
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<tr>
<td><strong>NET OPERATING INCOME</strong></td>
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<td>$148,958</td>
<td>$157,400</td>
<td>$168,766</td>
<td>$180,552</td>
<td>$254,993</td>
<td>$393,971</td>
<td>$504,502</td>
<td>$1,081,184</td>
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**DEBT SERVICE**

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<tr>
<th>DEBT SERVICE</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Second Lien</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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**NET CASH FLOW**

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<th>NET CASH FLOW</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Second Lien</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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**DEBT COVERAGE RATIO**

<table>
<thead>
<tr>
<th>DEBT COVERAGE RATIO</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
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<tr>
<td><strong>1.10</strong></td>
<td>1.17</td>
<td>0.95</td>
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<tr>
<td>CATEGORY</td>
<td>APPLICANT’S TOTAL AMOUNTS</td>
<td>TDHCA TOTAL AMOUNTS</td>
<td>APPLICANT’S REHAB/NEW ELIGIBLE BASIS</td>
<td>TDHCA REHAB/NEW ELIGIBLE BASIS</td>
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<tr>
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<tr>
<td>(1)</td>
<td>Acquisition Cost</td>
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<tr>
<td>Purchase of land</td>
<td>$380,000</td>
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<td>Purchase of buildings</td>
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<tr>
<td>(2)</td>
<td>Rehabilitation/New Construction Cost</td>
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<td>On-site work</td>
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<tr>
<td>Off-site improvements</td>
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<td>(3)</td>
<td>Construction Hard Costs</td>
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<td>New structures/rehabilitation</td>
<td>$3,405,600</td>
<td>$3,533,893</td>
<td>$3,405,600</td>
<td>$3,533,893</td>
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<td>(4)</td>
<td>Contractor Fees &amp; General Requirements</td>
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<td>Contractor overhead</td>
<td>$80,832</td>
<td>$80,832</td>
<td>$80,832</td>
<td>$80,832</td>
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<tr>
<td>Contractor profit</td>
<td>$242,496</td>
<td>$242,496</td>
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<td>(5)</td>
<td>Contingencies</td>
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<td>(6)</td>
<td>Eligible Indirect Fees</td>
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<td>$190,000</td>
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<td>(7)</td>
<td>Eligible Financing Fees</td>
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<td>All Ineligible Costs</td>
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<td>$45,500</td>
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<td>$45,500</td>
<td>$45,500</td>
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<td></td>
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</tr>
<tr>
<td>(9)</td>
<td>Developer Fees</td>
<td></td>
<td></td>
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<tr>
<td>Developer overhead</td>
<td>$116,481</td>
<td>$101,574</td>
<td>$101,574</td>
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<tr>
<td>Developer fee</td>
<td>$757,124</td>
<td>$660,233</td>
<td>$660,233</td>
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<tr>
<td>(10)</td>
<td>Development Reserves</td>
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<td></td>
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<tr>
<td>$77,000</td>
<td>$77,000</td>
<td>$77,000</td>
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</tr>
<tr>
<td>TOTAL DEVELOPMENT COSTS</td>
<td>$6,326,528</td>
<td>$6,208,210</td>
<td>$5,692,988</td>
<td>$5,840,525</td>
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</tbody>
</table>

**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 | $5,692,988 | $5,840,525 |
| TOTAL ADJUSTED BASIS | $7,400,884 | $7,592,683 |
| Applicable Fraction | 100% | 100% |
| TOTAL QUALIFIED BASIS | $7,400,884 | $7,592,683 |
| Applicable Percentage | 8.44% | 8.44% |
| TOTAL AMOUNT OF TAX CREDITS | $624,635 | $640,822 |

Syndication Proceeds | 0.7499 | $4,684,291 | $4,805,687 |
Actual Gap of Need | $4,684,291 |
Gap-Driven Allocation | $624,635 |
TDHCA #
02061
Region 10
Rural Set-Aside
DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 10
Site Address: 12682 Rio Negro Dr.
City: Clint
County: El Paso
Zip Code: 79836

Allocation over 10 Years: $1,601,730
Development Type: Family

Gross/Net Rentable: 1.06
Average Square Feet/Unit: 1,016
Cost Per Net Rentable Square Foot: $81.15
Net Operating Income: $37,552

DEVELOPMENT LOCATION AND DESIGNATIONS

Owner Entity Name: Painted Desert Townhomes, Ltd.
Principal Names: Investment Builders, Inc.
Principal Contact: Ike J. Monty
Percentage Ownership: 100%

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: $160,173
Credits Requested: $161,276
Eligible Basis Amount: $160,173
Equity/Gap Amount: $169,925

Total Development Cost: $1,649,596

UNIT INFORMATION

<table>
<thead>
<tr>
<th>Eff</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>40%</td>
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<td>1</td>
<td>0</td>
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<td>14</td>
<td>6</td>
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</table>

Total LI Units: 20
Owner/Employee Units: 0
Total Project Units: 20
Applicable Fraction: 100.00

BUILDING INFORMATION

Gross Building Square Feet: 21,528
Total NRA SF: 20,328
Gross/Net Rentable: 1.06
Average Square Feet/Unit: 1,016
Cost Per Net Rentable Square Foot: $81.15
Credits per Low Income Unit: $8,009

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $92,685
Total Expenses: $55,133
Net Operating Income: $37,552
Estimated 1st Year Debt Coverage Ratio: 1.25

DEVELOPMENT TEAM

Developer: Investment Builders, Inc.
Housing GC: Investment Builders, Inc.
Infrastructure GC: NA
Cost Estimator: Investment Builders, Inc.
Architect: McCormick Architecture, LLC
Property Manager: Alpha-Barnes Real Estate Services
Engineer: Conde Engineering, Inc.
Syndicator: MuniMae Midland, LLC

Market Analyst: Ipser & Assoc.
Originator/UW: NA
Appraiser: Zacour & Assoc.
Attorney: Locke Liddell & Sapp LLP
Supp Services: YWCA Consumer Credit Counseling Services
Accountant: Robert H. Woolley Jr., CPA
Permanent Lender: MuniMae Midland, LLC

DEPARTMENT EVALUATION

Points Awarded: 121
Site Review: Acceptable
Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommended
2002 Development Profile and Board Summary (Continued)

Project Name: Painted Desert Townhomes, Ltd.  
Project Number: 02061

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

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): 
Support: 3  Opposition: 0

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

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation verifying the resolution of issues listed in title commitment.

Receipt, review, and acceptance of documentation verifying that a limited program of sampling and analysis has been conducted to confirm the presence or absence of chemical or biological impacts on both soil and shallow groundwater at the site as recommended in ESA I.

Receipt, review, and acceptance of a letter from the water and waste water service provider clarifying the actual distance to the nearest water and waste water lines that can adequately service the proposed development. If such lines are not currently available directly at the site, the letter should include an estimated time frame for construction of adequate linkages, an estimated cost of such linkages, and an estimate of the portion of the cost that will be borne by the developer. This condition should be met prior to carry over.

Receipt, review, and acceptance of permanent financing commitments reflecting a total annual debt service of at least $30,041.

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation verifying the resolution of issues listed in title commitment.

Receipt, review, and acceptance of documentation verifying that a limited program of sampling and analysis has been conducted to confirm the presence or absence of chemical or biological impacts on both soil and shallow groundwater at the site as recommended in ESA I.

Receipt, review, and acceptance of a letter from the water and waste water service provider clarifying the actual distance to the nearest water and waste water lines that can adequately service the proposed development. If such lines are not currently available directly at the site, the letter should include an estimated time frame for construction of adequate linkages, an estimated cost of such linkages, and an estimate of the portion of the cost that will be borne by the developer. This condition should be met prior to carry over.

Receipt, review, and acceptance of permanent financing commitments reflecting a total annual debt service of at least $30,041.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

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

☐ To serve a greater number of lower income families for fewer credits
☐ To serve a greater number of lower income families for a longer period of time
☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
☐ To serve a greater number of lower income families for a longer period of time

Comment: This development was one of the higher scoring developments in the Rural Set Aside statewide and is needed to meet the Rural Set Aside.

Brooke Boston, Acting LIHTC Co-Manager  
Date  
David Burrell, Director of Housing Programs  
Date

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

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

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

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

Approved Credit Amount: 
Date of Determination:

Michael E. Jones, Chairman of the Board  
Date
Compliance Status Summary

Project ID #: 02061
LIHTC 9% ✓ LIHTC 4%

Project Name: Painted Desert Townhomes
HOME ❑ HTF ❑

Project City: Clint
BOND ❑ SECO ❑

Housing Compliance Review

- Project(s) in material non-compliance ❑
- No previous participation ❑

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

- # reviewed 20
- # not yet monitored or pending review 16
- # of projects grouped by score 0-9: 19 10-19: 1 20-29: 0

- Members of the development team have been disbarred by HUD ❑
- National Previous Participation Certification Received N/A
- Non-Compliance Reported

Completed by Jo En Taylor
Completed on 05/10/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

- Single audit not applicable ❑ no outstanding issues ❑ outstanding issues ✓

Comments: Delinquent Single Audits were submitted 5/13/2002 (see next 2 pages)

Completed by Lucy Trevino
Completed on 05/23/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

- Monitoring review not applicable ❑
- Monitoring review pending ❑
- Reviewed; no unresolved issues ✓
- Reviewed; unresolved issues found ❑

Comments: 6

Completed by Ralph Hendrickson
Completed on 05/01/2002
**Community Affairs**  
Status of Findings (any unresolved issues are listed below)

- Monitoring review not applicable □
- Monitoring review pending □
- Reviewed; no unresolved issues □
- Reviewed; unresolved issues found □

Comments:

Completed by __________________________  
Completed on __________________________

---

**Housing Finance**  
Status of Findings (any unresolved issues are listed below)

- Monitoring review not applicable □
- Monitoring review pending □
- Reviewed; no unresolved issues □
- Reviewed; unresolved issues found □

Comments:

Completed by __________________________  
Completed on __________________________

---

**Housing Programs**  
Status of Findings (any unresolved issues are listed below)

- Monitoring review not applicable □
- Monitoring review pending □
- Reviewed; no unresolved issues □
- Reviewed; unresolved issues found □

Comments:

Completed by E. Weilbaecher  
Completed on 06/06/2002

---

**Multifamily Finance**  
Status of Findings (any unresolved issues are listed below)

- Monitoring review not applicable □
- Monitoring review pending □
- Reviewed; no unresolved issues □
- Reviewed; unresolved issues found □

Comments:

Completed by __________________________  
Completed on __________________________

---

**Executive Director:** Edwina Carrington  
**Date Signed:** June 10, 2002
**TX Department of Housing and Community Affairs**

**Multi Family Credit Underwriting Analysis**

**DATE:** May 28, 2002  
**PROGRAM:** 9% LIHTC  
**FILE NUMBER:** 02061

---

**Development Name**

Painted Desert Townhomes

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**Applicant**

- **Name:** Painted Desert Townhomes, Ltd.  
- **Address:** 8800 Yermoland Drive, Suite A  
- **City:** El Paso  
- **State:** TX  
- **Zip:** 79907  
- **Contact:** Ike J Monty  
- **Phone:** (915) 599-1245  
- **Fax:** (915) 594-0434

**Principals of the Applicant**

- **Name:** Investment Builders, Inc.  
- **%:** 0.01  
- **Title:** Managing General Partner

- **Name:** MuniMae Midland, LLC  
- **%:** 99.99  
- **Title:** Limited Partner

- **Name:** Ike J Monty  
- **%:** N/A  
- **Title:** 100% owner of GP

**General Partner**

- **Name:** Investment Builders, Inc.  
- **Address:** 8800 Yermoland Drive, Suite A  
- **City:** El Paso  
- **State:** TX  
- **Zip:** 79907  
- **Contact:** Ike J Monty  
- **Phone:** (915) 599-1245  
- **Fax:** (915) 594-0434

---

**Property Location**

- **Location:** 12682 Rio Negro Drive  
- **QCT:** ☐  
- **DDA:** ☒  
- **City:** Clint  
- **County:** El Paso  
- **Zip:** 79836

---

**Request**

- **Amount:** $161,276  
- **Interest Rate:** N/A  
- **Amortization:** N/A  
- **Term:** N/A

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

**Proposed Use of Funds:** New construction

**Set-Aside:** General ☐  
Rural ☒  
Non-Profit ☐

---

**Site Description**

- **Size:** 1.804 acres  
- **Flood Zone Designation:** Zone X  
- **Zoning/Permitted Uses:** N/A (County of El Paso)

---

**Status of Off-Sites:** Partially Improved
DESCRIPTION of IMPROVEMENTS

<table>
<thead>
<tr>
<th>Number</th>
<th>Bedrooms</th>
<th>Bathroom</th>
<th>Size in SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>2</td>
<td>2</td>
<td>942</td>
</tr>
<tr>
<td>12</td>
<td>2</td>
<td>2.5</td>
<td>942</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>2.5</td>
<td>1,190</td>
</tr>
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Net Rentable SF: 20,328  
Av Un SF: 1,016  
Common Area SF: 1,200  
Gross Bldng SF: 21,528

Property Type: ☒ Multifamily  ☐ SFR Rental  ☐ Elderly  ☐ Mixed Income  ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS
Wood frame on a post-tensioned concrete slab on grade, 90% stucco exterior wall covering with 10% wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES
Carpeting & VCT/ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters, evaporative cooling

ON-SITE AMENITIES
Community room, management offices, laundry facilities, kitchen, restrooms, central mailroom, equipped children's play area, perimeter fencing with limited access gate

Uncovered Parking: 42 spaces  
Carports: N/A spaces  
Garages: N/A spaces

OTHER SOURCES of FUNDS
INTERIM to PERMANENT FINANCING

Source: MunieMae Midland, LLC  
Contact: Daniel J Flick

Principal Amount: $322,000  
Interest Rate: Lender rate + 40 bps; 120 bps collar; underwritten at 8%

Additional Information: $572,337 interim loan for 24 months at WSJ + 1%, minimum 6%

Amortization: 30 yrs  Term: 15 yrs  Commitment: ☐ None  ☒ Firm  ☐ Conditional

Annual Payment: $28,364  Lien Priority: 1st  Commitment Date: 02/19/2002

LIHTC SYNDICATION

Source: MunieMae Midland, LLC  
Contact: Mark R George

Address: 33 N Garden Ave, Suite 1200  
City: Clearwater

State: FL  Zip: 33755  Phone: (727) 461-4801  Fax: (727) 443-6067

Net Proceeds: $1,241,698  Net Syndication Rate (per $1.00 of 10-yr LIHTC) 77¢

Commitment ☒ Proposal ☐ Firm ☐ Conditional  Date: 02/25/2002

Additional Information:

APPLICANT EQUITY

Amount: $85,898  Source: Deferred developer fee
Texas Department of Housing and Community Affairs
Credit Underwriting Analysis

Valuation Information

<table>
<thead>
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<th>Assessed Value</th>
<th>Value Information</th>
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<tr>
<td>Land: 1.807 acres</td>
<td>$19,678</td>
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<tr>
<td>Building: to be demolished</td>
<td>$8,843</td>
</tr>
<tr>
<td>Total Assessed Value</td>
<td>$28,521</td>
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</tbody>
</table>

Assessment for the Year of: 2001
Valuation by: El Paso County Appraisal District
Tax Rate: 2.769201

Evidence of Site or Property Control

Type of Site Control: Earnest money contract
Contract Expiration Date: 08/31/2002
Anticipated Closing Date: 08/31/2002
Acquisition Cost: $100,000
Other Terms/Conditions: $5K earnest money; $1.28 per square foot
Seller: Juan Antonio Casteneda
Related to Development Team Member: No

Review of Previous Underwriting Reports

No previous reports.

Proposal and Development Plan Description

Description: Painted Desert Townhomes is a proposed new construction development of 20 units of affordable housing located in Clint, El Paso County. The development is comprised of four residential buildings as follows:
- One Building Type A with six two-bedroom units;
- One Building Type B with four two-bedroom units;
- One Building Type C with six three-bedroom units; and
- One Building Type E with two two-story two-bedroom units and two one-story two-bedroom units;
Based on the site plan the townhomes are distributed evenly throughout the site, with the community building located near the entrance to the site. The 1,200 square foot community building plan includes a large community room, kitchen, restroom and laundry as well as a leasing/management office.
It should be noted that the site is in a rather remote location that is characterized by the site inspector as only 30% developed. The inspector noted that the site does not visibly appear to be served by water and sewer. The letter of services provided by Lily Terrazas of the Lower Valley Water District vaguely indicates “that we have both water and waste water service lines in the area.” Receipt review and acceptance by our organization of a letter from the water district reflecting the actual distance to the nearest water and waste water lines that can adequately service the proposed development is a condition of this report. If such lines are not currently available at the site, the letter should include an estimated time frame for construction of adequate linkages, an estimated cost of such linkages and an estimate of the portion of the cost that will be borne by the developer of this property.

Supportive Services: The Applicant has contracted with several local service agencies to provide the supportive services to tenants. The YWCA Consumer Credit Counseling Service agrees to provide budget and credit counseling; Laubach Literacy Council of El Paso agrees to provide literacy training; Terra del Sol will provide computer training and homebuyer education; and Santa Lucia Community Development Organization will include the youth residing at the subject in its Youth Build Program. Each service will be provided for a period of five years and a fee of $25 per month, or a total annual fee of $1,500. However, the Applicant has included an annual cost of $2,060 for supportive services.

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

Populations Targeted

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI)
set-aside. All of the units (100% of the total) will be reserved for low-income tenants. One of the units will be reserved for households earning 40% or less of AMGI, eight of the units (40%) will be reserved for households earning 50% or less of AMGI, and 11 units (55%) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** One unit will be handicapped-accessible and one unit will be equipped for tenants with hearing or visual impairments.

**Compliance Period Extension:** The Applicant has elected to extend the compliance period an additional 25 years.

### MARKET HIGHLIGHTS

A market feasibility study dated March 18, 2002 was prepared by Ipser and Associates and highlighted the following findings:

**Definition of Market/Submarket:** “Data for the El Paso East CCD [County Census Division] along with El Paso County data are presented in this section to identify the characteristics of the subject’s surroundings that influence the subject’s marketability. Data for the subject’s neighborhood, defined as the Town of Clint, is also presented…The primary market area is defined as the City of Clint, with the secondary market area extending across most of the El Paso East CCD.” (p. 2-5)

**Total Demand for Rental Units:** “A major factor in demand for the affordable rental housing in the subject’s defined market is the area’s population and job growth, along with the aging of some of the existing housing stock.” (p. 2-12)

| ANNUAL INCOME-ELIGIBLE El Paso East CCD DEMAND SUMMARY |
|---------------------------------|----------------|----------------|
| Type of Demand                  | Units of Demand| % of Total Demand |
| Household Growth                | 83             | 21%             |
| Resident Turnover               | 270            | 70%             |
| Other Sources (10%)             | 35             | 9%              |
| **TOTAL ANNUAL DEMAND**         | **388**        | **100%**        |

Ref: p. 3-4

**Capture Rate:** “At this time Clint has an insufficient number and percentage of multifamily units, thus, there is no concern regarding concentration of income limited housing.” (p. 2-18) The analyst did, however, calculate a capture rate of 6.33% based on demand in the El Paso CCD for 388 units and other units allocated or under construction in the area of 72 units. (p. 3-5) The Underwriter recalculated the capture rate based on the analyst’s demand to be 23.7% (20+72/388).

**Market Rent Comparables:** “The comparable market data used in this report consists of 238 units in Fabens and Horizon City, including 3 private market, conventional complexes (166 units), one LIHTC property (48 units), and one RD-USDA rental-assisted development (24 units). Additionally, the 23 properties in southeast El Paso contain a total of 2,769 units.” (p. 2-21)

<table>
<thead>
<tr>
<th>RENT ANALYSIS (net tenant-paid rents)</th>
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<tr>
<td><strong>Unit Type (% AMI)</strong></td>
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<tr>
<td>2-Bedroom (40%)</td>
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<td>2-Bedroom (50%)</td>
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<td>2-Bedroom (60%)</td>
</tr>
<tr>
<td>3-Bedroom (50%)</td>
</tr>
<tr>
<td>3-Bedroom (60%)</td>
</tr>
</tbody>
</table>

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

**Submarket Vacancy Rates:** “Overall, among a total of 28 locations in Fabens, Horizon City and southeast El Paso, the physical occupancy was 93.7%, and the economic or leased occupancy was 95.6%.” (p. 2-22)

**Absorption Projections:** “The subject’s absorption is estimated at approximately 8 to 10 units per month.
For the Subject’s 20 units, about 2 months will be required for initial absorption to reach 92.5% or higher occupancy.” (p. 2-25)

**Known Planned Development:** Seventy-two units are expected in Horizon City and Socorro. (p. 3-4) The Underwriter has identified these units as the 36-unit Western Whirlwind and the 36-unit Mission Pass. These are the only known developments currently under construction in the market analyst-defined market area (El Paso East CCD). Two new construction developments have also applied for tax credits in the current cycle. Both of these developments are located outside the El Paso East CCD and, therefore, should not affect the potential capture rate for the subject.

**Effect on Existing Housing Stock:** “The construction of the proposed development will have no impact on the market. Relocations are expected from Clint’s and the surrounding communities’ older housing to the new superior units, particularly those in poor condition.” (p. 2-13)

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

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** The subject lies on the north side of Ranch Road 1110 and the west side of Rio Negro Drive on the outside edge of the incorporated limits of Clint, which places it in the unincorporated community of San Elizario. Clint is located in the southeastern portion of El Paso County, 20 miles southeast of El Paso’s downtown.

**Population:** The El Paso East CCD, with a 2000 population of 104,049, accounted for 15.3% of the county’s population, while Clint, with a 2000 population of 980 persons, accounted for only 0.1% of the county’s total. Despite the growth in the El Paso East CCD, Clint has been losing population. However, the market analyst believes that with active new development, Clint could turn the losses to growth. Population in the El Paso East CCD is expected to increase to 136,449 and Clint is expected to have a total population of 1,032 by 2005. The final 2000 Census reported 25,953 households in the El Paso East CCD and 308 households in Clint.

**Adjacent Land Uses:** The surrounding area to the north, west and east contains single family homes and mobile homes scattered over a very low density. To the south is open land.

**Site Access:** Access to the subject is from Rio Negro Drive, immediately north of FM 1110. FM 1110 is an east-west thoroughfare through Clint and Elizario. Approximately 0.9 miles east, FM 1110 crosses State Highway 20, an old route into downtown El Paso.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The subject is located within the Clint Independent School District. The elementary school, junior high, high school and school district administration offices are within 2 miles. El Paso Community College-Mission Del Paso Campus is approximately 11 miles north. The public library is less than 2 miles from the subject site. The area’s commercial and institutional development is primarily along Alameda Avenue in Clint, along Socorro Road in San Elizario and some along Ranch Road 1110. There are several convenience stores and small grocery stores in Clint and San Elizario. The closest supermarket is located seven miles north of the site in Socorro. The closest pharmacy is eight miles south in Fabens. A wide variety of health care services are available in El Paso.

**Special Adverse Site Characteristics:** The title commitment lists several liens against a John A Casteneda and indicates that if this person is one and the same as Juan A Casteneda, the seller of the subject property, the liens listed must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of these issues is a condition of this report. In addition, the access to water and waste water services in this remotely located site are in question and should be re-confirmed.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 4, 2002 and found the location to be acceptable for the proposed development. The inspector rated the overall linkage features of the site as fair with proximity to grocery and recreational facilities receiving poor ratings as did visibility and appeal to potential residents. The inspector also noted that this project will be the first new construction in the area in some time. It would appear from the inspector’s report that development of the site at this time may be considered pioneering.
A Phase I Environmental Site Assessment report dated March 18, 2002 was prepared by AMEC Earth & Environmental, Inc. and contained the following findings and recommendations:

“During the course of this assessment, no direct evidence was found to indicate that hazardous materials are present in the soil or groundwater at the development site. Our review of data available from regulatory agencies indicates that the development site is not currently subject to any environmental agency activities. Our review of available regulatory data also suggests that adjacent properties are unlikely to have adversely impacted the on-site environment.” (EXECUTIVE SUMMARY)

“A building was constructed on the subject site in 1973 and was utilized as a Laundromat for 11 years. For a short period of time, a soil analysis facility occupied the building…Given the history of use of the building and the presence of septic tanks at the site, there is a slight possibility for chemical or biological soil impacts on the subject property. It is recommended that a limited program of sampling and analysis be conducted to confirm the presence or absence of such impacts in both soil and shallow groundwater at the site. There also exists a potential for unidentified subsurface features related to septic tanks and leach fields. These structures can likely be easily managed and properly disposed during preliminary site development/demolition activities.

As with any parcel with history of agricultural land use, a slight potential exists for pesticide, herbicide and fertilizer residuals to be encountered in soils. Although not specifically recommended, baseline sampling would be required to quantify the concentrations of these chemical compounds.” (p. 13) Therefore, receipt, review and acceptance of the results of the limited sampling proposed is a condition of this report.

### OPERATING PROFORMA ANALYSIS

| Income: | The Applicant utilized the 2002 LIHTC rent limits in calculating the development's potential gross rental income. Both the Applicant’s secondary income and vacancy assumptions were also inline with the Underwriter’s estimates. |
| Expenses: | The Applicant’s total operating expense figure is $5K, or 9%, less than the Underwriter’s TDHCA database-derived estimate. Several of the Applicant’s line-item expenses also differed by more than 5% or $1,500 as compared to the Underwriter’s line-items, including: property insurance ($4K higher), and property tax ($3K higher). In addition, the annual fee reflected in supportive services contracts totals only $1,500, yet the Applicant included a cost of $2,060. The underwriting analysis only includes only the $1,500 total fee. |
| Conclusion: | Overall, the Applicant’s net operating income (NOI) is not within 5% of the Underwriter’s estimate and, therefore, the Underwriter’s NOI is used to determine the development’s ability to service debt. The Underwriter’s proforma and the proposed financing structure result in a debt coverage ratio (DCR) that exceeds the Department’s maximum DCR guideline of 1.25. In order to limit the development’s DCR to a maximum of 1.25, the development’s annual debt service must be at least $30,041. |

### CONSTRUCTION COST ESTIMATE EVALUATION

| Land Value: | The acquisition price is assumed be reasonable since the acquisition is an arm’s-length transaction. |
| Sitework Cost: | The Applicant’s claimed sitework costs of $4,650 per unit are considered reasonable compared to historical sitework costs for multifamily projects. |
| Direct Construction Cost: | The Applicant’s direct construction cost estimate is just over 5% lower than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate. |
| Fees: | The Applicant’s general requirements, contractor’s general and administrative fees, and contractor’s profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. In addition, their contingency cost exceeds the 5% maximum guideline for new construction developments. Consequently the Applicant’s eligible costs in these areas have been reduced with the overage, $8,310, effectively moved to ineligible costs. |
| Conclusion: | The Applicant’s total development cost estimate is within 5% of the underwriter’s estimate; therefore, the Applicant’s estimate, adjusted for overstated contractor fees and contingency cost, will be used to determine the development’s eligible basis and total funding need. |
The Applicant intends to finance the development with three types of financing: a conventional interim to permanent loan, syndicated LIHTC equity, and deferred developer’s fees.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through MunieMae Midland, LLC in the amount of $572,337 during the interim period and $322,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 15 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate calculated by adding 40 basis points to the lender’s index rate. The lender’s current underwriting rate of 8.0% is used in this analysis.

**LIHTC Syndication:** MunieMae Midland, LLC has also offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,241,698 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:
1. 70% upon admission to the partnership, closing of the construction loan and development land acquisition;
2. 20% upon completion of the development and receipt of cost and credit certifications; and
3. 10% upon closing of the permanent loan, receipt of Form 8609, 90% physical occupancy for three consecutive months, and 1.15 debt service coverage for ninety days.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $85,898 amount to 47% of the total proposed fees.

**Financing Conclusions:** As stated above, the Applicant’s total development cost estimate, adjusted for overstated contractor fees and contingency cost, was used to calculate the developments eligible basis. The adjusted basis resulted in a recommended annual tax credit allocation of $160,173, which is $1,103 less than requested. In addition to an overstated basis estimate, the Applicant utilized an overstated applicable percentage of 8.45% rather than the current underwriting rate of 8.44%.

The Underwriter’s proforma and the proposed financing structure result in a debt coverage ratio (DCR) that exceeds the Department’s maximum DCR guideline of 1.25. In order to limit the development’s DCR to a maximum of 1.25, the development’s annual debt service must be at least $30,041. The proposed permanent financing terms and the minimum annual debt service result in a permanent loan of $341,175, which is $19,175 more than proposed. This difference reduces deferred developer fees to a total of $75,213, which appear to be repayable from cashflow within 10 years of stabilized operation.

**REVIEW of ARCHITECTURAL DESIGN**

The submitted architectural plans indicate attractive stucco exterior for both the residential and community buildings. The unit floorplans offer washer/dryer closets and adequate storage.

**IDENTITIES of INTEREST**

The Applicant, developer, general contractor and cost estimator are related entities. These are common identities of interest for LIHTC-funded developments.

**APPLICANTS/PRINCIPALS’ FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**
- The Applicant is a single-purpose entity to be formed for the purpose of receiving assistance from TDHCA and, therefore, has no material financial statements.
- The General Partner, Investment Builders, Inc., submitted a financial statement as of September 30, 2001 reporting total assets of $7.9M consisting of cash, receivables, prepaid expenses, property and equipment, partnership interests, investments in developments, and deferred developer fees. Liabilities totaled $7.1M, resulting in stockholders’ equity of $793K.
- Ike J Monty, 100% owner of the General Partner, also submitted a personal financial statement.

**Background & Experience:**
- The Applicant is a new entity formed for the sole purpose of developing the project.
- The General Partner has completed 28 affordable housing developments since 1996. The majority of the developments are located in El Paso and funded with LIHTC proceeds. At least five of the developments on the previous participation list included disclosures of some form of non-compliance that may or may
not have been corrected. Therefore this report, as all underwriting analysis reports, is subject to a review of the developer’s compliance scores for previous developments to determine eligibility for this application cycle.
SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant’s estimated operating expenses and operating proforma are more than 5% outside of the Underwriter’s verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum tax credit rents can be achieved in this market.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $160,173 ANNually FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation verifying the resolution of issues listed in title commitment;
2. Receipt, review and acceptance of documentation verifying that a limited program of sampling and analysis has been conducted to confirm the presence or absence of chemical or biological impacts on both soil and shallow groundwater at the site as recommended in ESA I;
3. Receipt, review and acceptance of a letter from the water and waste water service provider clarifying the actual distance to the nearest water and waste water lines that can adequately service the proposed development. If such lines are not currently available directly at the site, the letter should include an estimated time frame for construction of adequate linkages, an estimated cost of such linkages, and an estimate of the portion of the cost that will be borne by the developer. This condition should be met prior to carry over; and
4. Receipt, review and acceptance of permanent financing commitments reflecting a total annual debt service of at least $30,041.
### Painted Desert Townhomes, Clint, LIHTC 02061

#### Comparative Analysis

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Number</th>
<th>Bed/Bath</th>
<th>Size in SF</th>
<th>Gross Rent $</th>
<th>Rent per Unit</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
<th>Rent Pd Util Wtr, Swr, Trsh</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC 40%</td>
<td>1</td>
<td>2/2</td>
<td>942</td>
<td>$327</td>
<td>$267</td>
<td>$267</td>
<td>$0.28</td>
<td>$60.00 $28.00</td>
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<tr>
<td>TC 50%</td>
<td>1</td>
<td>2/2</td>
<td>942</td>
<td>$348</td>
<td>$287</td>
<td>$287</td>
<td>$0.33</td>
<td>$60.00 $28.00</td>
</tr>
<tr>
<td>TC 50%</td>
<td>2</td>
<td>2/2</td>
<td>942</td>
<td>$348</td>
<td>$287</td>
<td>$287</td>
<td>$0.33</td>
<td>$60.00 $28.00</td>
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<tr>
<td>TC 50%</td>
<td>3</td>
<td>2/2</td>
<td>1,190</td>
<td>$403</td>
<td>$327</td>
<td>$327</td>
<td>$0.34</td>
<td>$68.00 $32.00</td>
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<td>942</td>
<td>$348</td>
<td>$287</td>
<td>$287</td>
<td>$0.34</td>
<td>$60.00 $28.00</td>
</tr>
<tr>
<td>TC 60%</td>
<td>3</td>
<td>3/2</td>
<td>1,190</td>
<td>$498</td>
<td>$403</td>
<td>$403</td>
<td>$0.42</td>
<td>$68.00 $32.00</td>
</tr>
</tbody>
</table>

**TOTAL:** 20

**AVERAGE:**
- Gross Rent: $8,150
- Rent per Unit: $408
- Rent per Month: $348
- Rent per SF: $0.40
- Rent Pd Util Wtr, Swr, Trsh: $29.20

### Income

**TDHCA APPLICANT**
- Potential Gross Rent: $97,800
- Secondary Income Per Unit Per Month: $10.00
- Other Support Income: $0
- Potential Gross Income: $100,200

**Vacancy & Collection Loss % of Potential Gross Income:** -7.50%

**Effective Gross Income:** $92,685

### Expenses

#### General & Administrative
- % of EGI: 5.08%
- Per Unit: $235
- Per SF: $0.23

#### Management
- % of EGI: 5.00%
- Per Unit: 232
- Per SF: 0.23

#### Payroll & Payroll Tax
- % of EGI: 7.55%
- Per Unit: 350
- Per SF: 0.34

#### Repairs & Maintenance
- % of EGI: 8.49%
- Per Unit: 498
- Per SF: 0.42

#### Utilities
- % of EGI: 7.56%
- Per Unit: 350
- Per SF: 0.34

#### Water, Sewer, & Trash
- % of EGI: 3.51%
- Per Unit: 163
- Per SF: 0.16

#### Property Insurance
- % of EGI: 3.20%
- Per Unit: 149
- Per SF: 0.15

**TOTAL EXPENSES:**
- % of Effective Gross Income: 64.78%
- Total: $2,757
- Per Unit: $2.71

**Net Operating Income:**
- % of Effective Gross Income: 35.22%
- Total: $1,878
- Per Unit: $1.85

### Debt Service

#### First Lien Mortgage
- % of EGI: 30.59%
- Total: $1,418
- Per Unit: $1.39

#### Additional Financing
- % of EGI: 0.00%
- Total: $0
- Per Unit: $0.00

**Net Cash Flow:**
- % of EGI: 9.93%
- Total: $460
- Per Unit: $0.45

### Construction Costs

#### Description
<table>
<thead>
<tr>
<th>Factor</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost</td>
<td>5.92%</td>
</tr>
<tr>
<td>Off-Sites</td>
<td>0.00%</td>
</tr>
<tr>
<td>Sitework</td>
<td>5.51%</td>
</tr>
<tr>
<td>Direct Construction</td>
<td>50.16%</td>
</tr>
<tr>
<td>Contingency</td>
<td>5.00%</td>
</tr>
<tr>
<td>General Contractor</td>
<td>3.22%</td>
</tr>
<tr>
<td>Contractor's G &amp; A</td>
<td>1.93%</td>
</tr>
<tr>
<td>Contractor's Prof</td>
<td>4.61%</td>
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<tr>
<td>Developer's G &amp; A</td>
<td>6.30%</td>
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<tr>
<td>Developer's Prof</td>
<td>9.22%</td>
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<tr>
<td>Interim Financing</td>
<td>6.16%</td>
</tr>
<tr>
<td>Reserves</td>
<td>1.18%</td>
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<tr>
<td>TOTAL COST</td>
<td>100.00%</td>
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</tbody>
</table>

**Recap - Hard Construction Costs**
- $55,766

### Sources of Funds

#### Recommended
<table>
<thead>
<tr>
<th>Source</th>
<th>% of Total</th>
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</thead>
<tbody>
<tr>
<td>TDHCA</td>
<td>$16,100</td>
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<tr>
<td>Applicant</td>
<td>$11,049</td>
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<tr>
<td>Recapt - Hard Construction Costs</td>
<td>$55,766</td>
</tr>
</tbody>
</table>

**Recap - Total Sources**
- $1,689,034
- $1,649,596

**Recommendations**
- First Lien Mortgage: $16,100
- Additional Financing: $0
- LIHTC Syndication Proceeds: $62,085
- Deferred Developer Fees: $5,000
- Additional (excess) Funds Req: $0

**Total Sources:** $1,689,034

**To Be Determined:**
- 0

**Total Net Rentable Sq Ft:** 20,328

**Print Date:** 6/14/02 6:44 PM
MULTIFAMILY FINANCIAL ASSISTANCE REQUEST
Painted Desert Townhomes, Clint, LIHTC 02061

DIRECT CONSTRUCTION COST ESTIMATE
Residential Cost Handbook

Average Quality Townhome Residence Basis

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>UNITS/SQ FT</th>
<th>PER SF</th>
<th>AMOUNT</th>
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</thead>
<tbody>
<tr>
<td>Base Cost</td>
<td>$46.41</td>
<td>$943,457</td>
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<tr>
<td>Adjustments</td>
<td></td>
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<td></td>
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<tr>
<td>Exterior Wall Finish</td>
<td>0.00</td>
<td>20</td>
<td></td>
<td>400</td>
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<tr>
<td>Elderly</td>
<td>0.00</td>
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</tr>
<tr>
<td>Roofing</td>
<td>0.00</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Subfloor</td>
<td>(2.23)</td>
<td>(45,331)</td>
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<td></td>
</tr>
<tr>
<td>Floor Cover</td>
<td>2.43</td>
<td>49,197</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Porches/Balconies</td>
<td>$28.10</td>
<td>670</td>
<td>18,822</td>
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<tr>
<td>Plumbing</td>
<td>$675</td>
<td>38</td>
<td>24,300</td>
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<tr>
<td>Built-In Appliances</td>
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<td>20</td>
<td>40,000</td>
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<tr>
<td>Stairs/Fireplaces</td>
<td>0.00</td>
<td>0</td>
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<tr>
<td>Floor Insulation</td>
<td>1.83</td>
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<tr>
<td>Heating/Cooling</td>
<td>0.00</td>
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<td></td>
<td>0</td>
</tr>
<tr>
<td>Garages/Carports</td>
<td>0.00</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Comm 4/0/ Aus Bldg</td>
<td>$65.29</td>
<td>1,200</td>
<td>78,348</td>
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<tr>
<td>Other</td>
<td>0.00</td>
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<td></td>
<td>0</td>
</tr>
<tr>
<td>SUBTOTAL</td>
<td>56.38</td>
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Current Cost Multiplier: 1.04

1.04

$1,146,193

PAYMENT COMPUTATION

<table>
<thead>
<tr>
<th>PRIMARY</th>
<th>PAYMENT COMPUTATION</th>
<th>SECONDARY</th>
<th>PAYMENT COMPUTATION</th>
<th>ADDITIONAL</th>
<th>PAYMENT COMPUTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int Rate</td>
<td>8.00%</td>
<td>Term</td>
<td>360</td>
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<tr>
<td>DCR</td>
<td>1.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal DCR</td>
<td>1.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int Rate</td>
<td>0.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate DCR</td>
<td>1.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service: $30,041
Secondary Debt Service: 0
Additional Debt Service: 0
NET CASH FLOW: $7,511

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

POTENTIAL GROSS RENT

<table>
<thead>
<tr>
<th>YEAR</th>
<th>$97,800</th>
<th>$100,734</th>
<th>$103,756</th>
<th>$106,869</th>
<th>$110,075</th>
<th>$112,640</th>
<th>$117,931</th>
<th>$127,607</th>
<th>$147,931</th>
<th>$171,493</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR</td>
<td>$92,685</td>
<td>$95,466</td>
<td>$98,330</td>
<td>$101,279</td>
<td>$104,156</td>
<td>$107,033</td>
<td>$110,910</td>
<td>$120,787</td>
<td>$140,194</td>
<td>$162,524</td>
</tr>
</tbody>
</table>

SUPPORT & OTHER INCOME:

| Year | $2,400 | $2,472 | $2,546 | $2,623 | $2,701 | $3,131 | $3,630 | $4,208 | $5,656 |

POTENTIAL GROSS INCOME

| YEAR | $100,200 | $103,206 | $106,302 | $109,491 | $112,776 | $116,063 | $119,350 | $122,637 | $125,924 | $129,211 |

VACANCY & COLLECTION LOSS:

| YEAR | $7,515 | $7,740 | $7,973 | $8,212 | $8,458 | $8,704 | $9,050 | $9,396 | $9,742 | $10,088 |

EFFECTIVE GROSS INCOME

| YEAR | $92,685 | $95,466 | $98,330 | $101,279 | $104,156 | $107,033 | $110,910 | $120,787 | $140,194 | $162,524 |

GENERAL & ADMINISTRATIVE COSTS

| Year | $4,705 | $4,893 | $5,089 | $5,293 | $5,504 | $5,697 | $5,890 | $6,093 | $6,296 | $6,500 |

MANAGEMENT

| Year | $4,634 | $4,773 | $4,916 | $5,064 | $5,216 | $5,368 | $5,520 | $5,672 | $5,824 | $6,026 |

PAYROLL & PAYROLL TAX

| Year | $7,000 | $7,280 | $7,571 | $7,874 | $8,178 | $9,178 | $10,178 | $11,178 | $12,178 | $13,178 |

REPAIRS & MAINTENANCE

| Year | $7,865 | $8,180 | $8,507 | $8,848 | $9,201 | $9,565 | $9,929 | $10,359 | $10,799 | $11,240 |

UTILITIES

| Year | $3,819 | $3,972 | $4,131 | $4,296 | $4,466 | $4,635 | $4,804 | $5,073 | $5,342 | $5,611 |

WATER, SEWER & TRASH

| Year | $7,008 | $7,288 | $7,580 | $7,883 | $8,186 | $8,489 | $8,792 | $9,095 | $9,398 | $9,701 |

INSURANCE

| Year | $3,252 | $3,438 | $3,625 | $3,815 | $4,005 | $4,195 | $4,385 | $4,575 | $4,765 | $4,955 |

PROPERTY TAX

| Year | $9,879 | $10,274 | $10,670 | $11,067 | $11,464 | $11,861 | $12,258 | $12,655 | $13,052 | $13,450 |

RESERVE FOR REPLACEMENTS

| Year | $4,000 | $4,160 | $4,326 | $4,499 | $4,675 | $4,852 | $5,030 | $5,208 | $5,386 | $5,564 |

OTHER

| Year | $3,270 | $3,438 | $3,625 | $3,815 | $4,005 | $4,195 | $4,385 | $4,575 | $4,765 | $4,955 |

TOTAL EXPENSES

| Year | $55,133 | $57,292 | $59,536 | $61,886 | $64,239 | $66,592 | $68,946 | $71,300 | $73,656 | $76,012 |

NET OPERATING INCOME

| Year | $37,552 | $38,173 | $38,793 | $39,411 | $40,025 | $41,050 | $42,077 | $43,104 | $44,131 | $45,158 |

NET CASH FLOW

| Year | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 |

DEBT SERVICE

| Year | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 | $30,041 |

DEBT COVERAGE RATIO

| Year | 1.25 | 1.27 | 1.29 | 1.31 | 1.33 | 1.35 | 1.37 | 1.39 | 1.41 | 1.43 |

TCSheet Version Date 4/23/01
Page 2
02061PaintedDesert.XLS Print Date 6/14/02 6:44 PM
## LIHTC Allocation Calculation - Painted Desert Townhomes, Clint, LIHTC 0

### Acquisition Cost

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of land</td>
<td>$100,000</td>
<td>$100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Rehabilitation/New Construction Cost

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site work</td>
<td>$93,000</td>
<td>$93,000</td>
<td>$93,000</td>
<td>$93,000</td>
</tr>
<tr>
<td>Off-site improvements</td>
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<td></td>
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<td></td>
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</tbody>
</table>

### Construction Hard Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>New structures/rehabilitation</td>
<td>$803,110</td>
<td>$847,206</td>
<td>$803,110</td>
<td>$847,206</td>
</tr>
</tbody>
</table>

### Contractor Fees & General Requirements

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor overhead</td>
<td>$18,129</td>
<td>$18,129</td>
<td>$17,922</td>
<td>$18,129</td>
</tr>
<tr>
<td>Contractor profit</td>
<td>$54,387</td>
<td>$54,387</td>
<td>$53,767</td>
<td>$54,387</td>
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<tr>
<td>General requirements</td>
<td>$54,387</td>
<td>$54,387</td>
<td>$53,767</td>
<td>$54,387</td>
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<tr>
<td>Contingencies</td>
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<td>$47,010</td>
<td>$44,806</td>
<td>$47,010</td>
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### Eligible Indirect Fees

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
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<tbody>
<tr>
<td>Eligible Indirect Fees</td>
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<td>$106,000</td>
<td>$106,000</td>
<td>$106,000</td>
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### Eligible Financing Fees

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
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<td>Eligible Financing Fees</td>
<td>$104,000</td>
<td>$104,000</td>
<td>$104,000</td>
<td>$104,000</td>
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### All Ineligible Costs

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<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer overhead</td>
<td>$61,038</td>
<td>$61,038</td>
<td>$61,038</td>
<td>$61,038</td>
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<tr>
<td>Developer fee</td>
<td>$122,075</td>
<td>$122,075</td>
<td>$122,075</td>
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</tbody>
</table>

### Development Reserves

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Reserves</td>
<td>$20,000</td>
<td>$20,000</td>
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<td></td>
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</table>

### TOTAL DEVELOPMENT COSTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
<th>Applicant's Rehab/New Eligible Basis</th>
<th>TDHCA Rehab/New Eligible Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Costs</td>
<td>$1,649,596</td>
<td>$1,689,034</td>
<td>$1,459,834</td>
<td>$1,507,582</td>
</tr>
</tbody>
</table>

### 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
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<tbody>
<tr>
<td>High Cost Area Adjustment</td>
<td>$1,459,834</td>
<td>$1,507,582</td>
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### TOTAL ADJUSTED BASIS

<table>
<thead>
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<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
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<tbody>
<tr>
<td>Applicable Fraction</td>
<td>$1,897,784</td>
<td>$1,959,856</td>
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### TOTAL QUALIFIED BASIS

<table>
<thead>
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<tr>
<td>Applicable Percentage</td>
<td>$1,897,784</td>
<td>$1,959,856</td>
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</table>

### TOTAL AMOUNT OF TAX CREDITS

<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Total Amounts</th>
<th>TDHCA Total Amounts</th>
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</thead>
<tbody>
<tr>
<td>Syndication Proceeds</td>
<td>0.7699</td>
<td>$1,233,209</td>
</tr>
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</table>
TDHCA #
02067
Region 10
General Set-Aside
DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 10  
Site Address: 11520 Vista Del Sol Dr.  
City: El Paso  
County: El Paso  
Zip Code: 79936

Allocation over 10 Years: $2,355,050  
Development Type: Family

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 10  
Site Address: 11520 Vista Del Sol Dr.  
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Allocation over 10 Years: $2,355,050  
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Zip Code: 79936

Allocation over 10 Years: $2,355,050  
Development Type: Family

Owner Entity Name: Meadowbrook Townhomes, Ltd.

Principal Names: Investment Builders, Inc.

Principal Contact: Ike J. Monty  
Percentage Ownership: 100%

TRADE NAME: Meadowbrook Townhomes, Ltd.

FULL NAME: Meadowbrook Townhomes, Ltd.

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Development Type: Family
Public Comment Summary

Note: “O” = Opposed, “S” = Support, “NC” or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: 1  Opposition: 0

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

Local/State/Federal Officials w/ Jurisdiction: Comment from Other Public Official

<table>
<thead>
<tr>
<th>Local Official</th>
<th>Comment from Other Public Official</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ramond C. Caballero, Mayor, S</td>
<td></td>
</tr>
<tr>
<td>Joseph C. Pickett, Dist. 79 S</td>
<td></td>
</tr>
<tr>
<td>Eliot Shapleigh, Dist. 29</td>
<td></td>
</tr>
</tbody>
</table>

Alternate Recommendation:

Recommendation by Program Manager and Director of Housing Programs is Based On:

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

☐ To serve a greater number of lower income families for fewer credits
☐ To serve a greater number of lower income families for a longer period of time
☐ To ensure the Development’s consistency with local needs or its impact as part of a revitalization or preservation plan
☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development was one of the highest scoring developments in Region 10.

Brooke Boston, Acting LIHTC Co-Manager  Date  David Burrell, Director of Housing Programs  Date

Recommendation by the Executive Award and Review Advisory Committee is Based On:

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

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

☐ Board of Director’s Approval and Description of Discretionary Factors (If Applicable):

Approved Credit Amount:  Date of Determination:

Michael E. Jones, Chairman of the Board  Date
Compliance Status Summary

Project ID #: 02067
LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Meadowbrook Townhomes
HOME ☐ HTF ☐

Project City: El Paso
BOND ☐ SECO ☐

### Housing Compliance Review

- Project(s) in material non-compliance ☐
- No previous participation ☐

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

- # reviewed 20
- # not yet monitored or pending review 16

- # of projects grouped by score
  - 0-9: 19
  - 10-19: 1
  - 20-29: 0

- Members of the development team have been disbarred by HUD ☐

- National Previous Participation Certification Received N/A

- Non-Compliance Reported

Completed by Jo En Taylor
Completed on 04/29/2002

### Single Audit

- Status of Findings (any outstanding single audit issues are listed below)

  - single audit not applicable ☐
  - no outstanding issues ☐
  - outstanding issues ☑

- Comments: Delinquent Singe Audits were submitted 5-13-2002 (see next 2 pages)

Completed by Lucy Trevino
Completed on 05/23/2002

### Program Monitoring

- Status of Findings (any unresolved issues are listed below)

  - monitoring review not applicable ☐
  - monitoring review pending ☐

  - reviewed; no unresolved issues ☑
  - reviewed; unresolved issues found ☐

- Comments:

Completed by Ralph Hendrickson
Completed on 05/01/2002
<table>
<thead>
<tr>
<th>Department</th>
<th>Status of Findings (any unresolved issues are listed below)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Affairs</strong></td>
<td>monitoring review not applicable ✔ monitoring review pending □ reviewed; no unresolved issues □ reviewed; unresolved issues found □</td>
</tr>
<tr>
<td></td>
<td>Comments:</td>
</tr>
<tr>
<td></td>
<td>Completed by ________________  Completed on ________________</td>
</tr>
<tr>
<td><strong>Housing Finance</strong></td>
<td>monitoring review not applicable □ monitoring review pending □ reviewed; no unresolved issues □ reviewed; unresolved issues found □</td>
</tr>
<tr>
<td></td>
<td>Comments:</td>
</tr>
<tr>
<td></td>
<td>Completed by ________________  Completed on ________________</td>
</tr>
<tr>
<td><strong>Housing Programs</strong></td>
<td>monitoring review not applicable □ monitoring review pending □ reviewed; no unresolved issues ✔ reviewed; unresolved issues found □</td>
</tr>
<tr>
<td></td>
<td>Comments:</td>
</tr>
<tr>
<td></td>
<td>Completed by E. Weilbaecher  Completed on 06/06/2002</td>
</tr>
<tr>
<td><strong>Multifamily Finance</strong></td>
<td>monitoring review not applicable □ monitoring review pending □ reviewed; no unresolved issues □ reviewed; unresolved issues found □</td>
</tr>
<tr>
<td></td>
<td>Comments:</td>
</tr>
<tr>
<td></td>
<td>Completed by ________________  Completed on ________________</td>
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</table>

**Executive Director:** Edwina Carrington  **Date Signed:** June 10, 2002
### DEVELOPMENT NAME

Meadowbrook Townhomes

### APPLICANT

<table>
<thead>
<tr>
<th>Name</th>
<th>Meadowbrook Townhomes, Ltd</th>
<th>Type:</th>
<th>For Profit</th>
<th>☒</th>
<th>Non-Profit</th>
<th>☐</th>
<th>Municipal</th>
<th>☐</th>
<th>Other</th>
<th>☐</th>
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</thead>
<tbody>
<tr>
<td>Address</td>
<td>8800 Yermoland Drive, Suite A</td>
<td>City:</td>
<td>El Paso</td>
<td>☒</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zip:</td>
<td>79907</td>
<td>State:</td>
<td>TX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contact</td>
<td>Ike J Monty</td>
<td>Phone:</td>
<td>(915) 599-1245</td>
<td>Fax:</td>
<td>(915) 594-0434</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

### PRINCIPALS of the APPLICANT

<table>
<thead>
<tr>
<th>Name</th>
<th>Investment Builders, Inc.</th>
<th>(%)</th>
<th>0.01</th>
<th>Title:</th>
<th>Managing General Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>MuniMae Midland, LLC</td>
<td>(%)</td>
<td>99.99</td>
<td>Title:</td>
<td>Limited Partner</td>
</tr>
<tr>
<td>Name</td>
<td>Ike J Monty</td>
<td>(%)</td>
<td>N/A</td>
<td>Title:</td>
<td>100% owner of GP</td>
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### GENERAL PARTNER

<table>
<thead>
<tr>
<th>Name</th>
<th>Investment Builders, Inc.</th>
<th>Type:</th>
<th>For Profit</th>
<th>☒</th>
<th>Non-Profit</th>
<th>☐</th>
<th>Municipal</th>
<th>☐</th>
<th>Other</th>
<th>☐</th>
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<tbody>
<tr>
<td>Address</td>
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<td>City:</td>
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<td>☒</td>
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<tr>
<td>Zip:</td>
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<td>State:</td>
<td>TX</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Contact</td>
<td>Ike J Monty</td>
<td>Phone:</td>
<td>(915) 599-1245</td>
<td>Fax:</td>
<td>(915) 594-0434</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

### PROPERTY LOCATION

<table>
<thead>
<tr>
<th>Location</th>
<th>11520 Vista Del Sol Drive</th>
<th>QCT</th>
<th>☐</th>
<th>DDA</th>
<th>☒</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>El Paso</td>
<td>County:</td>
<td>El Paso</td>
<td>Zip:</td>
<td>79936</td>
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### REQUEST

<table>
<thead>
<tr>
<th>Amount</th>
<th>$239,536</th>
<th>Interest Rate</th>
<th>N/A</th>
<th>Amortization</th>
<th>N/A</th>
<th>Term</th>
<th>N/A</th>
</tr>
</thead>
</table>

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

**Proposed Use of Funds:**
New construction

### SITE DESCRIPTION

<table>
<thead>
<tr>
<th>Size:</th>
<th>1.67* acres</th>
<th>72,745 square feet</th>
<th>Zoning/ Permitted Uses:</th>
<th>C1/Commercial District**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flood Zone Designation:</td>
<td>Zone C</td>
<td>Status of Off-Sites:</td>
<td>Raw Land</td>
<td></td>
</tr>
</tbody>
</table>

* Currently land locked; Davis Street Corporation (identity of interest seller) is responsible for construction of ROW
** Allows multifamily developments, not to exceed 29 units per acre
DESCRIPTION of IMPROVEMENTS

<table>
<thead>
<tr>
<th>Total Units: 25</th>
<th># Rental Buildings: 6</th>
<th># Common Area Bldgs: 0</th>
<th># of Floors: 2</th>
<th>Age: N/A yrs</th>
<th>Vacant: N/A at / /</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Bedrooms</th>
<th>Bathroom</th>
<th>Size in SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>3</td>
<td>2.5</td>
<td>1,190</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1,190</td>
</tr>
<tr>
<td>15</td>
<td>4</td>
<td>3.5</td>
<td>1,295</td>
</tr>
</tbody>
</table>

Net Rentable SF: 31,325 Av Un SF: 1,253 Common Area SF: 800 Gross Bldng SF: 32,125

Property Type: ☑ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS
Wood frame on a post-tensioned concrete slab on grade, 90% stucco exterior wall covering with 10% wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES
Carpeting & VCT/ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters, evaporative cooling

ON-SITE AMENITIES
Community room, management office, laundry facilities, kitchen, restrooms, equipped children's play area, perimeter fencing with limited access gate

Uncovered Parking: 52 spaces Carports: N/A spaces Garages: N/A spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

Source: MuniMae Midland Contact: Daniel J Flick
Principal Amount: $503,000 Interest Rate: Bank Index + 40 bps; 125 bps spread; 8% underwriting rate
Additional Information: $874,953 interim loan for 24 mo @ WSJ Prime + 1%, minimum of 6%
Amortization: 30 yrs Term: 15 yrs Commitment: ☑ Firm ☐ None ☐ Conditional
Annual Payment: $44,605 Lien Priority: 1st Commitment Date: 02/20/2002

LIHTC SYNDICATION

Source: MuniMae Midland, LLC Contact: Mark R George
Address: 33 N Garden Avenue, Suite 1200 City: Clearwater
State: FL Zip: 33755 Phone: (727) 461-4807 Fax: (727) 443-6067
Net Proceeds: $1,844,244 Net Syndication Rate (per $1.00 of 10-yr LIHTC): 77¢
Commitment ☐ None ☑ Firm ☐ Conditional Date: 02/25/2002
Additional Information:

APPLICANT EQUITY

Amount: $117,244 Source: Deferred developer fee
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

VALUATION INFORMATION

APPRaised VALUE

<table>
<thead>
<tr>
<th>Land Only:</th>
<th>$189,000</th>
<th>Date of Valuation:</th>
<th>03/01/2002</th>
</tr>
</thead>
</table>

ASSESSED VALUE

<table>
<thead>
<tr>
<th>Land: 16.205 acres</th>
<th>$1,572,331</th>
<th>Valuation by:</th>
<th>El Paso County Appraisal District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prorota 1 acre:</td>
<td>$97,028</td>
<td>Tax Rate:</td>
<td>2.953003</td>
</tr>
<tr>
<td>Prorated Value: 1.67 acres</td>
<td>$162,036</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EVIDENCE of SITE or PROPERTY CONTROL

<table>
<thead>
<tr>
<th>Type of Site Control:</th>
<th>Earnest money contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Expiration Date:</td>
<td>08/31/2002</td>
</tr>
<tr>
<td>Anticipated Closing Date:</td>
<td>08/31/2002</td>
</tr>
<tr>
<td>Acquisition Cost:</td>
<td>$174,240</td>
</tr>
<tr>
<td>Other Terms/Conditions:</td>
<td>$100 earnest money</td>
</tr>
<tr>
<td>Seller: Davis Street Corporation*</td>
<td>Related to Development Team Member: Yes</td>
</tr>
</tbody>
</table>

* Ike J Monty is President of Davis Street Corporation and Investment Builders, Inc.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Meadowbrook is a proposed new construction development of 25 units of affordable housing located in east El Paso. The development is comprised of six rows of three- to four-bedroom townhomes. Based on the site plan the townhomes are distributed evenly throughout the site, with the office attached to a residential building and located near the entrance. The 800 square foot community building plan includes a large community room, kitchen, restroom and laundry as well as a leasing/management office.

Supportive Services: The Applicant has contracted with several local service agencies to provide the supportive services to tenants. The YWCA Consumer Credit Counseling Service agrees to provide budget and credit counseling; Laubach Literacy Council of El Paso agrees to provide literacy training; Tierra del Sol will provide computer training and homebuyer education; and Santa Lucia Community Development Organization will include the youth residing at the subject in its Youth Build Program. Each service will be provided for a period of five years and a fee of $25 per month, or a total annual fee of $1,500. However, the Applicant has included an annual cost of $2,060 for supportive services.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Eight of the units (32%) will be reserved for households earning 40% or less of AMGI, five of the units (20%) will be reserved for households earning 50% or less of AMGI, and 12 units (48%) will be reserved for households earning 60% or less of AMGI.

Special Needs Set-Asides: Two units will be handicapped-accessible and one unit will be equipped for tenants with hearing or visual impairments.

Compliance Period Extension: The Applicant has elected to extend the compliance period an additional 25 years.
A market feasibility study dated February 15, 2002 was prepared by Prior & Associates and highlighted the following findings:

**Definition of Market/Submarket:** “The subject is located near the boundary of the city’s eastern section, which is recognized by the El Paso Apartment Association as the east submarket. For this reason, the subject’s market area includes the eastern section of the city. The market area…approximate boundaries are, North: Fort Bliss and El Paso International Airport, South: Interstate 10, East: Joe Battle Boulevard (El Paso City Limits), and West: US Highway 62.” (p. IV-1)

<table>
<thead>
<tr>
<th>Type of Demand</th>
<th>Market Analyst</th>
<th>Underwriter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of Demand</td>
<td>% of Total Demand</td>
<td>Units of Demand</td>
</tr>
<tr>
<td>Household Growth</td>
<td>94 2%</td>
<td>74 1.5%</td>
</tr>
<tr>
<td>Resident Turnover</td>
<td>4,892 98%</td>
<td>4,986 98.5%</td>
</tr>
<tr>
<td>TOTAL ANNUAL DEMAND</td>
<td>4,986 100%</td>
<td>5,060 100%</td>
</tr>
</tbody>
</table>

Ref: p. IX-2

**Capture Rate:** “…the subject would have to attract 0.5% of the primary market area’s tenants in its proposed price range to attain full occupancy.” (p. IX-1) The Underwriter calculated a concentration capture rate of 5% based upon a revised supply of unstabilized comparable affordable units including the subject of 159 divided by a revised demand of 5,060.

**Market Rent Comparables:** The market analyst surveyed nine comparable apartment projects and five single-family homes. “All of the surveyed four-bedroom units are occupied single-family home rentals.” (p. VII-7)

**RENT ANALYSIS (net tenant-paid rents)**

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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</thead>
<tbody>
<tr>
<td>3-Bedroom (40%)</td>
<td>$308</td>
<td>$308</td>
<td>0</td>
<td>$698</td>
<td>-$390</td>
</tr>
<tr>
<td>3-Bedroom (50%)</td>
<td>$402</td>
<td>$402</td>
<td>0</td>
<td>$698</td>
<td>-$296</td>
</tr>
<tr>
<td>3-Bedroom (60%)</td>
<td>$497</td>
<td>$497</td>
<td>0</td>
<td>$698</td>
<td>-$201</td>
</tr>
<tr>
<td>4-Bedroom (40%)</td>
<td>$342</td>
<td>$342</td>
<td>0</td>
<td>$805</td>
<td>-$463</td>
</tr>
<tr>
<td>4-Bedroom (50%)</td>
<td>$447</td>
<td>$447</td>
<td>0</td>
<td>$805</td>
<td>-$358</td>
</tr>
<tr>
<td>4-Bedroom (60%)</td>
<td>$552</td>
<td>$552</td>
<td>0</td>
<td>$805</td>
<td>-$253</td>
</tr>
</tbody>
</table>

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

**Submarket Vacancy Rates:** “The average vacancy rate in the city of El Paso fluctuated between 8.0% and 10.0% during the past two years. The average vacancy rate in 14 surveyed projects, which include nine multifamily projects and five single family homes, was 6.9% in January 2002.” (p. vi)

**Absorption Projections:** Not discussed in submitted market study.

**Known Planned Development:** “There are no apartment projects under construction in the market area. Other than the subject, there are two age-restricted projects planned in the market area. These projects, which are both proposed by the subject’s sponsor, will have a total of 112 units that will be restricted to seniors 55 years of age or older.” (p. vi) The analyst also lists several proposed and existing LIHTC projects, including: Lee Seniors (19 units), Western Eastside Senior (19 units) Bienvivir Parkside Senior (36 units), and Jardin Sereno Senior (28 proposed units that are the subject of another 9% LIHTC application). (p. VII-3) The analyst also did not include Eldorado Place II (32 units).

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

Location: The subject is located near the intersection of Vista Del Sol and George Dieter in the east portion of El Paso, approximately four miles northeast of the CBD. El Paso is located along Interstate 10, 634 miles west of Dallas.

Population: The development market area has 143,942 residents. Claritas, Inc. projects that the PMA’s population will increase 1.5% per year to 154,783 by 2006. The PMA is projected to gain 966 households per year through 2006. This increase is 38.8% of the total for the El Paso MSA.

Adjacent Land Uses: Adjacent land uses include:
- North: Vista Del Sol Drive, convalescent center, residential neighborhood
- South: Market-rate apartment complex, Scott Simpson Drive, nursing home
- East: Park, James Chisum Drive, residential neighborhood
- West: Shopping Center, George Dieter Drive, private school

Site Access: The site is directly accessed from Vista Del Sol. Interstate 10, 2 miles south of the subject, connects El Paso with Dallas, Phoenix, Arizona, Las Cruces, New Mexico and Interstate 25, which extends northward.

Public Transportation: Intracity bus service is provided by Sun Metro, which links most areas of the city. The nearest bus stop is at George Dieter and Vista Del Sol, 20 yards form the subject.

Shopping & Services: A large grocery store, shopping center, public library, two medical facilities, and two childcare facility are located within two miles of the subject. Approximately three miles north is the YMCA and 8.3 miles northwest is the El Paso San Juan Senior Center. The subject is in the Socorro School District and residents will be served by Vista Del Sol Elementary (0.9 miles), Desert View Middle School (0.7 miles) and Montwood High School (3.2 miles). The closest four-year college is located 0.7 miles north and El Paso Community College is 9.2 miles west.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 15, 2002 was prepared by AMEC Earth & Environmental, Inc. and contained the following findings and recommendations:

“…there are no recognized environmental conditions on the subject property which would preclude further site development. As noted above, minor de minimus conditions exists as a result of past dumping on the subject property. It is recommended that all deleterious materials encountered be removed from the site and disposed of according to applicable regulations.”

OPERATING PROFORMA ANALYSIS

Income: The Applicant utilized 2002 LIHTC rent limits in calculating the development’s potential gross rent. In addition, the Applicant’s secondary income and vacancy assumptions are inline with underwriting guidelines.

Expenses: The Applicant’s total operating expense figure is comparable to the Underwriter’s TDHCA database derived estimate. However, the Applicant’s water, sewer and trash estimate is $3K lower and property tax estimate is $2K higher than the Underwriter’s estimates.

Conclusion: Overall, the Applicant’s net operating income is within 5% of the Underwriter’s estimate; therefore, the Applicant’s proforma should be used to determine the development’s ability to service debt. Both the Applicant’s and the Underwriter’s proformas result in a debt coverage ratio (DCR) that is within the Department’s guideline of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: Ike J Monty, president and owner of Investment Builders, Inc., the general partner, is also president of Davis Street Corporation, the current owner of the subject site. In compliance with the 2002 QAP, the Applicant has supplied documentation verifying the original acquisition price of the property and subsequent holding costs. These costs total $117,551, which is $57K less than indicated in the submitted cost schedule (E102B). The Underwriter has maintained the proposed acquisition cost of $174,240 in the
Applicant’s total development cost estimate, while including only the verifiable acquisition and holding costs of $117,551 in the TDHCA total development cost estimate. Should the Applicant’s costs be used to size the development, the difference in acquisition costs will be reduced from the anticipated sources of funds.

**Sitework Cost:** The Applicant’s claimed sitework costs of $5,782 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is comparable (within 5%) to the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate.

**Fees:** The Applicant’s general requirements, contractor’s general and administrative fees, and contractor’s profit exceed, by a modest amount, the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant’s eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. In addition, the Applicant included $25K ($21,250 in eligible basis) in soft cost contingencies as an indirect construction cost. The Underwriter added this to contingency costs that are limited to 5% of site work and direct construction costs. As a result, the contingency cost is overstated by $34,156.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s estimate; therefore, the Applicant’s estimate, adjusted for overstated land cost and fees, will be used to determine the development’s eligible basis and permanent financing need. The adjusted basis of $2,146,420 indicates an annual tax credit allocation of $235,505.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing: a conventional interim to permanent loan, syndicated LIHTC equity and deferred developer’s fees.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through MuniMae Midland, LLC in the amount of $874,953 during the interim period and $503,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 15 years for the permanent. The interest rate during the construction period will be based on the Wall Street Journal Prime rate plus 1%, or a minimum of 6%. The permanent interest rate will be based on the Bank’s index plus a spread of 40 basis points underwritten at 8%. The loan will be amortized over 30 years.

**LIHTC Syndication:** Midland Equity Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,844,244 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:
1. 70% upon admission to partnership, closing of construction loan and acquisition;
2. 20% upon completion of construction and cost certification; and
3. 10% upon closing of permanent loan, receipt of Forms 8609, 90% physical occupancy for three consecutive months and 1.15 debt coverage ratio for ninety days.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $117,244 amount to 43% of the total proposed fees.

**Financing Conclusions:** As stated above, the Applicant’s total development cost estimate, adjusted for overstated fees and contingency cost, was used to determine the development’s eligible basis and recommended tax credit award of $235,505 annually for ten years, or $4,031 less than requested. A portion of this difference can be attributed to the Applicant’s use of a slightly overstated applicable percentage. Based on the current syndication commitment, the recommended credit amount would result in proceeds of $1,813,208. Based on the Applicant’s total development cost estimate, less the difference in the proposed and verifiable land costs of $56,689, the developer would need to defer $91,591 in fees, or $25,654 less than anticipated. The deferred fee appears to be repayable from development cashflow within the 10 years of stabilized operation.

**REVIEW of ARCHITECTURAL DESIGN**

The submitted architectural plans indicate attractive stucco exterior for both the residential and community buildings. The unit floorplans offer washer/dryer closets and adequate storage.

**IDENTITIES of INTEREST**

The Applicant, developer, general contractor and cost estimator are related entities. These are common
identities of interest for LIHTC-funded developments. Ike J Monty, president and owner of Investment Builders, Inc., the general partner, is also president of Davis Street Corporation, the current owner of the subject site. This identity of interest land sale was discussed in more detail in the construction cost estimate evaluation section of this report.

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

**Financial Highlights:**
- The Applicant is a single-purpose entity to be formed for the purpose of receiving assistance from TDHCA and, therefore, has no material financial statements.
- The General Partner, Investment Builders, Inc., submitted a financial statement as of September 30, 2001 reporting total assets of $7.9M consisting of cash, receivables, prepaid expenses, property and equipment, partnership interests, investments in developments, and deferred developer fees. Liabilities totaled $7.1M, resulting in stockholders’ equity of $793K.
- Ike J Monty, 100% owner of the General Partner, also submitted a personal financial statement upon request.

**Background & Experience:**
- The Applicant is a new entity formed for the sole purpose of developing the project.
- The General Partner has completed 28 affordable housing developments since 1996. The majority of the developments are located in El Paso and funded with LIHTC proceeds. At least five of the developments on the previous participation list included disclosures of some form of non-compliance that may not have yet been cured. Therefore this report, as well as underwriting reports for all the applications in this allocation cycle, is subject to a review of the developer’s compliance scores on previous developments to determine eligibility for this application cycle.

**SUMMARY OF SALIENT RISKS AND ISSUES**
- The seller of the property has an identity of interest with the Applicant.

**RECOMMENDATION**

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $235,505 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of an acceptable TDHCA site inspection report.

<table>
<thead>
<tr>
<th>Credit Underwriting Supervisor:</th>
<th>Date: May 28, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisa Vecchietti</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Director of Credit Underwriting:</th>
<th>Date: May 28, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tom Gouris</td>
<td></td>
</tr>
</tbody>
</table>
**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Meadowbrook Townhomes, El Paso, LIHTC 02067**

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Number</th>
<th>No. of Bedrooms</th>
<th>No. of Baths</th>
<th>Size in SF</th>
<th>Gross Rent Lmt.</th>
<th>Rent per Unit</th>
<th>Rent per Month</th>
<th>Rent per SF Tnt. Pd Util Wtr, Swr, Trsh</th>
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</thead>
<tbody>
<tr>
<td>TC 40%</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1,190</td>
<td>377</td>
<td>$308</td>
<td>$308</td>
<td>$0.26 $69.00 $32.00</td>
</tr>
<tr>
<td>TC 50%</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1,190</td>
<td>402</td>
<td>$308</td>
<td>$308</td>
<td>$0.26 $69.00 $32.00</td>
</tr>
<tr>
<td>TC 40%</td>
<td>2</td>
<td>2.5</td>
<td>2</td>
<td>1,190</td>
<td>402</td>
<td>$308</td>
<td>$308</td>
<td>$0.26 $69.00 $32.00</td>
</tr>
<tr>
<td>TC 60%</td>
<td>1</td>
<td>3</td>
<td>2.5</td>
<td>1,190</td>
<td>402</td>
<td>$308</td>
<td>$308</td>
<td>$0.26 $69.00 $32.00</td>
</tr>
<tr>
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<td>5</td>
<td>3</td>
<td>2</td>
<td>1,190</td>
<td>402</td>
<td>$308</td>
<td>$308</td>
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<tr>
<td>TC 50%</td>
<td>3</td>
<td>3</td>
<td>2.5</td>
<td>1,190</td>
<td>402</td>
<td>$308</td>
<td>$308</td>
<td>$0.26 $69.00 $32.00</td>
</tr>
<tr>
<td>TC 60%</td>
<td>4</td>
<td>3</td>
<td>2.5</td>
<td>1,190</td>
<td>402</td>
<td>$308</td>
<td>$308</td>
<td>$0.26 $69.00 $32.00</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**INCOME**

- **Total Net Rentable Sq Ft**: 31,325
- **POTENTIAL GROSS RENT**
  - Secondary Income: Per Unit Per Month: $0.00
  - Other Support Income: (describe) $0.00
- **POTENTIAL GROSS INCOME**: $133,536
- **Vacancy & Collection Loss**: % of Potential Gross Income: -7.50% (10,240) (10,236) -7.50% of Potential Gross Rent
- **Employee or Other Non-Rental Units or Concessions**: $0.00
- **EFFECTIVE GROSS INCOME**: $126,296

**EXPENSES**

- **General & Administrative**: 4.66% $235 $0.19 $6,550 $6,550 $0.21 $262 5.19%
- **Management**: 5.00% 253 0.20 6,315 6,300 0.20 252 4.99%
- **Payroll & Payroll Tax**: 6.93% 350 0.28 8,750 9,440 0.30 378 7.47%
- **Repairs & Maintenance**: 8.83% 466 0.36 11,156 10,890 0.35 378 8.62%
- **Utilities**: 4.54% 230 0.18 5,738 5,310 0.17 212 4.20%
- **Water, Sewer, & Trash**: 8.31% 420 0.34 10,500 7,420 0.24 297 5.87%
- **Property Insurance**: 3.97% 200 0.16 5,012 6,210 0.20 248 4.92%
- **Property Tax**: 9.34% 472 0.38 11,796 13,850 0.44 554 10.97%
- **Reserve for Replacements**: 3.96% 200 0.16 5,000 5,000 0.16 200 3.96%
- **Supp.Serv/comp/sec**: 2.75% 139 0.11 3,470 4,030 0.13 161 3.19%
- **TOTAL EXPENSES**: 58.29% $2,945 $2.35 $73,619 $75,000 $2.39 $3,000 59.38%

**NET OPERATING INC**: 41.71% $2,107 $1.68 $52,677 $51,300 $1.64 $2,052 40.62%

**DEBT SERVICE**

- **First Lien Mortgage**: 35.07% $1,772 $1.41 $44,290 $44,605 $1.42 $1,784 35.32%
- **Additional Financing**: 0.00% $0 $0.00 00 $0.00 $0 0.00%

**NET CASH FLOW**: 6.64% $335 $0.27 $8,387 $6,695 $0.21 $268 5.30%

**AGGREGATE DEBT COVERAGE RATIO**: 1.19

**CONSTRUCTION COST**

<table>
<thead>
<tr>
<th>Description</th>
<th>Factor</th>
<th>% of TOTAL</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
</tr>
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<tbody>
<tr>
<td>Acquisition Cost</td>
<td>4.90%</td>
<td>$4,702</td>
<td>$3.75</td>
<td>$117,551</td>
</tr>
<tr>
<td>Off-Sites</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sitework</td>
<td>6.03%</td>
<td>5,782</td>
<td>4.61</td>
<td>144,560</td>
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<tr>
<td>Direct Construction</td>
<td>53.08%</td>
<td>50,916</td>
<td>40.64</td>
<td>1,272,905</td>
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<tr>
<td>Contingency</td>
<td>5.00%</td>
<td>2,837</td>
<td>2.26</td>
<td>70,873</td>
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<tr>
<td>General Require</td>
<td>5.96%</td>
<td>3,382</td>
<td>2.70</td>
<td>84,539</td>
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<tr>
<td>Contractor's G</td>
<td>1.99%</td>
<td>1,127</td>
<td>0.90</td>
<td>28,180</td>
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<tr>
<td>Contractor's Pr.</td>
<td>5.96%</td>
<td>3,382</td>
<td>2.70</td>
<td>84,539</td>
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<tr>
<td>Indirect Construction</td>
<td>3.71%</td>
<td>3,554</td>
<td>2.84</td>
<td>90,661</td>
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<tr>
<td>Developer's G &amp; A</td>
<td>4.77%</td>
<td>3,627</td>
<td>2.84</td>
<td>90,661</td>
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<tr>
<td>Developer's Profit</td>
<td>9.53%</td>
<td>7,253</td>
<td>5.79</td>
<td>181,322</td>
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<td>Interim Financing</td>
<td>5.34%</td>
<td>5,120</td>
<td>4.09</td>
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<tr>
<td>Reserves</td>
<td>1.46%</td>
<td>1,400</td>
<td>1.12</td>
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<td><strong>TOTAL COST</strong></td>
<td>100.00%</td>
<td>$95,916</td>
<td>$76.55</td>
<td>$2,397,902</td>
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**Recap-Hard Construction Costs**

- **Total Net Rentable Sq Ft**: 31,325
- **$67,424 $53.81 $1,685,596 $1,695,493 $54.13 $67,820 68.80%**

**SOURCES OF FUNDS**

- **First Lien Mortgage**: 20.98% $20,120 $16.06 $503,000 $503,000 $503,000
- **Additional Financing**: 0.00% 0 0.00 0 0 0
- **LIHTC Syndication Proceeds**: 76.91% $73,770 $58.87 1,844,244 1,844,244 1,813,208
- **Deferred Developer Fees**: 4.89% 84,690 33.74 117,244 117,244 91,591
- **Additional (excess) Funds Req**: -2.78% ($4,464) ($2.13) ($2,663) $0 0

**TOTAL SOURCES**: $2,397,902 $2,464,488 $58,580 100.00%
**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

**Average Quality Townhome Residence Basis**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>UNITS/SQ FT</th>
<th>PER SF</th>
<th>AMOUNT</th>
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<tbody>
<tr>
<td>Base Cost</td>
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<tr>
<td>Adjustments</td>
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<td></td>
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<tr>
<td>Exterior Wall Finish</td>
<td>0.00</td>
<td>(20)</td>
<td>0.00</td>
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<tr>
<td>Roofing</td>
<td>0.00</td>
<td>(20)</td>
<td>0.00</td>
<td>0</td>
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<tr>
<td>Subfloor</td>
<td>1.21</td>
<td>(37,755)</td>
<td>503,000</td>
<td>1,393,828</td>
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<tr>
<td>Floor Cover</td>
<td>2.43</td>
<td>76,120</td>
<td>2.43</td>
<td>76,120</td>
</tr>
<tr>
<td>Porches/Balconies</td>
<td>28.10</td>
<td>1653.5</td>
<td>2.66</td>
<td>32,082</td>
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<tr>
<td>Plumbing</td>
<td>2.50</td>
<td>78,300</td>
<td>2.50</td>
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<td>Built-In Appliances</td>
<td>2.00</td>
<td>25</td>
<td>1.60</td>
<td>50,000</td>
</tr>
<tr>
<td>Stairs/Fireplaces</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Floor Insulation</td>
<td>1.83</td>
<td>57,325</td>
<td>1.83</td>
<td>57,325</td>
</tr>
<tr>
<td>Garages/Carsports</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
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<tr>
<td>Comm 4/0 or Aux Bldg</td>
<td>65.29</td>
<td>800</td>
<td>1.67</td>
<td>52,229</td>
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<tr>
<td>Other</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
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<tr>
<td><strong>TOTAL DIRECT CONSTRUCTION COSTS</strong></td>
<td>54.98</td>
<td>1,722,126</td>
<td>54.98</td>
<td>1,722,126</td>
</tr>
</tbody>
</table>

**PAYMENT COMPUTATION**

**Primary**

- **Primary Debt Service**: $44,290
- **Secondary Debt Service**: 0
- **Additional Debt Service**: 0
- **NET CASH FLOW**: 0

**RECOMMENDED FINANCING STRUCTURE**

**Plumbing**

- **$675**: 116 (2.50) 78,300
- **Built-In Appliances**

**Additional**

- **$1,844,244**: 0

**TOTAL DIRECT CONSTRUCTION COSTS**

- **$50.03**: 1,272,905

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

**INCOME**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>POTENTIAL BAG RENT</td>
<td>$133,536</td>
<td>$133,536</td>
<td>$133,536</td>
<td>$133,536</td>
<td>$133,536</td>
<td>$133,536</td>
<td>$133,536</td>
<td>$133,536</td>
<td>$133,536</td>
</tr>
<tr>
<td>Secondary Income</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Other Support Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>POTENTIAL GROSS INCOME</td>
<td>$136,536</td>
<td>$136,536</td>
<td>$136,536</td>
<td>$136,536</td>
<td>$136,536</td>
<td>$136,536</td>
<td>$136,536</td>
<td>$136,536</td>
<td>$136,536</td>
</tr>
<tr>
<td>Effective Gross Income</td>
<td>$126,296</td>
<td>$126,296</td>
<td>$126,296</td>
<td>$126,296</td>
<td>$126,296</td>
<td>$126,296</td>
<td>$126,296</td>
<td>$126,296</td>
<td>$126,296</td>
</tr>
</tbody>
</table>

**EXPENSES**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>55,881</td>
<td>56,117</td>
<td>56,361</td>
<td>56,616</td>
<td>56,880</td>
<td>58,371</td>
<td>59,185</td>
<td>60,423</td>
<td>60,293</td>
</tr>
<tr>
<td>Management</td>
<td>6,315</td>
<td>6,504</td>
<td>6,699</td>
<td>6,900</td>
<td>7,107</td>
<td>7,375</td>
<td>7,696</td>
<td>8,057</td>
<td>8,456</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>8,750</td>
<td>9,100</td>
<td>9,464</td>
<td>9,843</td>
<td>10,236</td>
<td>10,642</td>
<td>11,063</td>
<td>11,500</td>
<td>11,959</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>11,156</td>
<td>11,603</td>
<td>12,067</td>
<td>12,549</td>
<td>13,051</td>
<td>13,597</td>
<td>14,143</td>
<td>14,705</td>
<td>15,280</td>
</tr>
<tr>
<td>Utilities</td>
<td>5,738</td>
<td>5,967</td>
<td>6,206</td>
<td>6,454</td>
<td>6,712</td>
<td>6,995</td>
<td>7,292</td>
<td>7,599</td>
<td>7,920</td>
</tr>
<tr>
<td>Water, Sewer &amp; Trash</td>
<td>10,500</td>
<td>10,920</td>
<td>11,357</td>
<td>11,811</td>
<td>12,284</td>
<td>12,790</td>
<td>13,305</td>
<td>13,826</td>
<td>14,359</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,012</td>
<td>5,212</td>
<td>5,421</td>
<td>5,638</td>
<td>5,863</td>
<td>6,099</td>
<td>6,347</td>
<td>6,593</td>
<td>6,847</td>
</tr>
<tr>
<td>Property Tax</td>
<td>11,796</td>
<td>12,268</td>
<td>12,759</td>
<td>13,269</td>
<td>13,800</td>
<td>14,344</td>
<td>14,905</td>
<td>15,476</td>
<td>16,057</td>
</tr>
<tr>
<td>Other</td>
<td>3,470</td>
<td>3,609</td>
<td>3,753</td>
<td>4,003</td>
<td>4,263</td>
<td>4,533</td>
<td>4,814</td>
<td>5,106</td>
<td>5,409</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$73,619</td>
<td>$76,502</td>
<td>$79,495</td>
<td>$82,608</td>
<td>$85,843</td>
<td>$89,230</td>
<td>$92,740</td>
<td>$96,324</td>
<td>$100,027</td>
</tr>
<tr>
<td>NET OPERATING INCOME</td>
<td>$52,677</td>
<td>$53,585</td>
<td>$54,942</td>
<td>$55,195</td>
<td>$55,304</td>
<td>$55,506</td>
<td>$55,684</td>
<td>$55,914</td>
<td>$56,087</td>
</tr>
</tbody>
</table>

**DEBT SERVICE**

- **First Lien Financing**: $44,290 $44,290 $44,290 $44,290 $44,290 $44,290 $44,290 $44,290 $44,290
- **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**

- **$8,387**: 10,302 ($10,240) $12,014 $16,484 $30,848 $24,298 $26,588

**DEBT COVERAGE RATIO**

- **1.19**: 1.21 1.25 1.27 1.37 1.47 1.55 1.64
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>APPLICANT’S TOTAL AMOUNTS</th>
<th>TDHCA TOTAL AMOUNTS</th>
<th>APPLICANT’S REHAB/NEW ELIGIBLE BASIS</th>
<th>TDHCA REHAB/NEW ELIGIBLE BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Acquisition Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of land</td>
<td>$174,240</td>
<td>$117,551</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Rehabilitation/New Construction Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site work</td>
<td>$144,560</td>
<td>$144,560</td>
<td>$144,560</td>
<td>$144,560</td>
</tr>
<tr>
<td>Off-site improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Construction Hard Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New structures/rehabilitation</td>
<td>$1,248,370</td>
<td>$1,272,905</td>
<td>$1,248,370</td>
<td>$1,272,905</td>
</tr>
<tr>
<td>(4) Contractor Fees &amp; General Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractor overhead</td>
<td>$28,180</td>
<td>$28,180</td>
<td>$27,859</td>
<td>$28,180</td>
</tr>
<tr>
<td>Contractor profit</td>
<td>$84,539</td>
<td>$84,539</td>
<td>$83,576</td>
<td>$84,539</td>
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<tr>
<td>General requirements</td>
<td>$84,539</td>
<td>$84,539</td>
<td>$83,576</td>
<td>$84,539</td>
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<tr>
<td>(5) Contingencies</td>
<td>$105,305</td>
<td>$70,873</td>
<td>$69,647</td>
<td>$70,873</td>
</tr>
<tr>
<td>(6) Eligible Indirect Fees</td>
<td>$88,850</td>
<td>$88,850</td>
<td>$88,850</td>
<td>$88,850</td>
</tr>
<tr>
<td>(7) Eligible Financing Fees</td>
<td>$128,000</td>
<td>$128,000</td>
<td>$128,000</td>
<td>$128,000</td>
</tr>
<tr>
<td>(8) All Ineligible Costs</td>
<td>$70,922</td>
<td>$70,922</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(9) Developer Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer overhead</td>
<td>$90,661</td>
<td>$90,661</td>
<td>$90,661</td>
<td>$90,661</td>
</tr>
<tr>
<td>Developer fee</td>
<td>$181,322</td>
<td>$181,322</td>
<td>$181,322</td>
<td>$181,322</td>
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<tr>
<td>(10) Development Reserves</td>
<td>$35,000</td>
<td>$35,000</td>
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</tr>
<tr>
<td>TOTAL DEVELOPMENT COSTS</td>
<td>$2,464,488</td>
<td>$2,397,902</td>
<td>$2,146,420</td>
<td>$2,174,429</td>
</tr>
</tbody>
</table>

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**
- $2,146,420
- $2,174,429

**TOTAL ADJUSTED BASIS**
- $2,790,346
- $2,826,758

**Applicable Fraction**
- 100%
- 100%

**TOTAL QUALIFIED BASIS**
- $2,790,346
- $2,826,758

**Applicable Percentage**
- 8.44%
- 8.44%

**TOTAL AMOUNT OF TAX CREDITS**
- $235,505
- $238,578

**Syndication Proceeds**
- 0.7699
- $1,813,208
- $1,836,870