TDHCA #
02079
Region 9
General Set-Aside
**DEVELOPMENT LOCATION AND DESIGNATIONS**

- **Region:** 9
- **Site Address:** SE corner of Monahans and Terlingua
- **City:** Odessa
- **County:** Ector
- **Zip Code:** 79761

**Allocation over 10 Years:** $9,251,690

**Development Type:** Family

**Total Project Units:** 120

- **Gross/Net Rentable:** 1.02
- **Average Square Feet/Unit:** 1,012
- **Cost Per Net Rentable Square Foot:** $73.52

**Net Operating Income:** $177,083

**DEVELOPMENT LOCATION AND DESIGNATIONS**

- **Special Needs:** 9 Units for Handicapped/Developmentally Disabled

**TAX CREDIT ALLOCATION INFORMATION**

- **Annual Credit Allocation Recommendation:** $925,169
- **Allocation over 10 Years:** $9,251,690
- **Credits Requested:** $1,060,162
- **Eligible Basis Amount:** $925,169
- **Equity/Gap Amount:** $947,417

**UNIT INFORMATION**

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</table>

**BUILDING INFORMATION**

- **Total Development Cost:** $8,931,591
- **Gross Building Square Feet:** 124,480
- **Total NRA SF:** 121,480
- **Gross/Net Rentable:** 1.02
- **Average Square Feet/Unit:** 1,012
- **Cost Per Net Rentable Square Foot:** $73.52
- **Credits per Low Income Unit:** $7,710

**INCOME AND EXPENSE INFORMATION**

- **Effective Gross Income:** $602,268
- **Total Expenses:** $425,185
- **Net Operating Income:** $177,083
- **Estimated 1st Year Debt Coverage Ratio:** 1.10

**DEPARTMENT EVALUATION**

- **Points Awarded:** 143
- **Site Review:** Acceptable
- **Underwriting Finding:** AC

**DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

- **Owner Entity Name:** Arbor Terrace II, L.P.
- **Owner/Principal Information:**
  - **Principal Names:**
    - Antiqua Development II Joint Venture
    - Magill Development Company, LLP
    - Kilday Realty Corporation, Inc.
    - NA
    - NA
  - **Principal Contact:**
    - Albert E. Magill, III
    - Jennifer Magill
    - Diane Kilday
    - NA
    - NA
  - **Percentage Ownership:**
    - 100%
    - 50%
    - 50%
    -%
    -%

- **TAX CREDIT ALLOCATION INFORMATION**
  - **Annual Credit Allocation Recommendation:** $925,169
  - **Allocation over 10 Years:** $9,251,690
  - **Credits Requested:** $1,060,162
  - **Eligible Basis Amount:** $925,169
  - **Equity/Gap Amount:** $947,417

- **UNIT INFORMATION**
  - **Efficiency:**
    - 30%
    - 40%
    - 50%
    - 60%
    - MR
  - **Total LI Units:** 120
  - **Owner/Employee Units:** 0
  - **Total Project Units:** 120
  - **Applicable Fraction:** 100.00

- **BUILDING INFORMATION**
  - **Total Development Cost:** $8,931,591
  - **Gross Building Square Feet:** 124,480
  - **Total NRA SF:** 121,480
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  - **Estimated 1st Year Debt Coverage Ratio:** 1.10

- **DEVELOPMENT TEAM**
  - **Developer:** Terrace Development Limited
  - **Market Analyst:** Apt Market Data Research
  - **Incorporator:** William Taylor & Company
  - **Attorney:** Coats Rose Ryman & Lee
  - **Cost Estimator:** Thompson Nelson Group
  - **Supp Services:** Greater Opportunities of the Permian Basin, Inc.
  - **Property Manager:** Orion Management
  - **Accountant:** Novogradac & Company, LLP
  - **Engineer:** NA
  - **Syndicator:** Lend Lease Real Estate Investment
  - **Permanent Lender:** Lend Lease Real Estate Investment, Inc.

- **DEPARTMENT EVALUATION**
  - **Points Awarded:** 143
  - **Site Review:** Acceptable
  - **Underwriting Finding:** AC

- **Set Asides:**
  - LIHTC Primary Set Aside: G
  - Additional Elderly Set Aside: ☐
  - Purpose/Activity: NC
  - Development Type: Family

- **Special Needs:** 9 Units for Handicapped/Developmentally Disabled

- **1 BR, 2 BR, 3 BR, 4 BR, 5 BR:**
  - 0
  - 0
  - 0
  - 68
  - 52
  - 0

- **Gross Building Square Feet:** 124,480
- **Total NRA SF:** 121,480
- **Average Square Feet/Unit:** 1,012
- **Cost Per Net Rentable Square Foot:** $73.52
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- **Effective Gross Income:** $602,268
- **Total Expenses:** $425,185
- **Net Operating Income:** $177,083
- **Estimated 1st Year Debt Coverage Ratio:** 1.10
Receipt, review, and acceptance of documentation stating that the zoning on this subject site has been changed to General Residential (GR).

Receipt, review, and acceptance of permanent financing commitments reflecting annual debt service not to exceed $160,863 unless condition 3 is met and the supportive income of $6,672 annually can be achieved; in which case this debt service cap could increase to $166,319.

Receipt, review, and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program. Further, since this is the form of subsidy that is being used to qualify for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP section (49)(f)(7)(c)(i).

Receipt, review, and acceptance of documentation reflecting compliance with all Phase I ESA recommendations including removal of the debris and 55 gallon drum found on the site in accordance with all federal, state and local regulations.

Receipt, review, and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule.

Receipt, review, and acceptance of a third party engineer or architect's detailed site work cost breakdown to include all electrical sitework costs, plumbing site work costs and all other site work costs, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Receipt, review, and acceptance of a fixed-priced contract evidencing the developer's ability to develop these units for not more than 2% above the Underwriter's total budget or the resulting gap in costs cannot be filled with repayable deferred developer fees and the application would be deemed infeasible.

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation stating that the zoning on this subject site has been changed to General Residential (GR).

Receipt, review, and acceptance of permanent financing commitments reflecting annual debt service not to exceed $160,863 unless condition 3 is met and the supportive income of $6,672 annually can be achieved; in which case this debt service cap could increase to $166,319.

Receipt, review, and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program. Further, since this is the form of subsidy that is being used to qualify for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP section (49)(f)(7)(c)(i).

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Receipt, review, and acceptance of a fixed-priced contract evidencing the developer's ability to develop these units for not more than 2% above the Underwriter's total budget or the resulting gap in costs cannot be filled with repayable deferred developer fees and the application would be deemed infeasible.

Should the terms or interest rate on the proposed loan change an adjustment to the debt service cap and/or the fixed-price contract requirement may be needed and these conditions and recommendations 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 was the highest scoring development in Region 9.

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

6/17/02 10:47 AM
Project Name: Arbor Terrace II Apartments

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 #: 02079
LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Arbor Terrace II Apartments
HOME ☐ HTF ☐

Project City:
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 3 # not yet monitored or pending review 5
# of projects grouped by score 0-9: 3 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 05/09/2002

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 05/17/2002
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
DATE: May 29, 2002  PROGRAM: 9% LIHTC  FILE NUMBER: 02079

DEVELOPMENT NAME

Arbor Terrace II Apartments

APPLICANT

Name: Arbor Terrace II, L.P.  Type: ☒ For Profit  ☐ Non-Profit  ☐ Municipal  ☐ Other
Address: 6524 San Felipe, # 274  City: Houston  State: TX
Zip: 77057  Contact: Bert Magill  Phone: (713) 785-6006  Fax: (713) 785-6363

PRINCIPALS of the APPLICANT

Name: Antiqua Development II Joint Venture  (%): 0.01  Title: Managing General Partner
Name: Lend Lease Real Estate Investment  (%): 99.99  Title: Limited Partner
Name: Magill Development Company, LLC  Title: 50% Owner of GP
Name: Kilday Realty Corp.  Title: 50% Owner of GP
Name: Jennifer Magill  Title: 52% Owner of Magill Devel.
Name: Albert Magill  Title: 48% Owner of Magill Devel
Name: Dianne Kilday  Title: 51% Owner of Kilday Realty
Name: R. R. Kilday  Title: 49% Owner of Kilday Realty

GENERAL PARTNER

Name: Antiqua Development II Joint Venture  Type: ☒ For Profit  ☐ Non-Profit  ☐ Municipal  ☐ Other
Address: 6524 San Felipe, # 274  City: Houston  State: TX
Zip: 77057  Contact: Albert Magill III  Phone: (713) 785-6006  Fax: (713) 785-6363

PROPERTY LOCATION

Location: Southeast corner of Monahans and Terlingua  ☒ QCT  ☐ DDA
City: Odessa  County: Ector  Zip: 79761

REQUEST

Amount: $1,060,162  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: 8.5 acres 370,260 square feet  
Zoning/ Permitted Uses: MH/LI*

Flood Zone Designation: Zone Z**  
Status of Off-Sites: Partially Improved

* 2.47 acres currently zoned MH/Mobile Home and 6.03 acres currently zoned LI/Light Industrial; request for rezoning of entire 8.5 acres to GR/General Residential was approved by Planning and Zoning Commission, but must be forwarded to City Council of Odessa for final approval

** Ector County does not participate in the National flood Insurance Program, therefore the subject site is determined to lie within Zone Z. Zone Z is defined as: Areas of which flood plain levels have not been determined.

DESCRIPTION of IMPROVEMENTS

Total Units: 120
# Rental Buildings: 11
# Common Area Bldgs: 1
# of Floors: 2
Age: N/A yrs

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<th>Bathroom</th>
<th>Size in SF</th>
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<td>970</td>
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<tr>
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<tr>
<td>26</td>
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Net Rentable SF: 121,480  
Av Un SF: 1,012  
Common Area SF: 3,000  
Gross Bldng SF: 124,480

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a slab on grade, 30% brick veneer and 70% Hardiplank 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, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, cable, laminated counter tops, high speed internet access, individual water heaters

ON-SITE AMENITIES

3,000 SF community building with lounge, management offices, laundry facilities, kitchen, restrooms, library, computer center, central mailroom, swimming pool, equipped children's play area

Uncovered Parking: 270 spaces  
Carports: None spaces  
Garages: None spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Lend Lease Real Estate Investments, Inc.  
Contact: Marie Keutmann

Principal Amount: $3,967,925  
Interest Rate: Prime plus 75 bp's

Additional Information: Interest Only; $2M LOC to secure Fannie Mae Permanent Financing

Amortization: N/A yrs  
Term: 2 yrs  
Commitment: ☐ None  ☐ Firm  ☒ Conditional
LONG TERM/PERMANENT FINANCING

Source: Lend Lease Real Estate Investments, Inc.  Contact: Marie Keutmann
Principal Amount: Up to $2,000,000  Interest Rate: 8.0% lender underwriting rate

Additional Information:
Amortization: 30 yrs  Term: 18 yrs  Commitment: ☒ None ☐ Firm ☒ Conditional
Annual Payment: $176,103  Lien Priority: 1st  Commitment Date: 2/14/2002

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments, Inc.  Contact: Marie Keutmann
Address: 101 Arch Street  City: Boston
State: MA  Zip: 02110  Phone: (617) 772-9455  Fax: (617) 790-4420

Net Proceeds: $7,950,000  Net Syndication Rate (per $1.00 of 10-yr LIHTC): 75¢

Commitment ☒ None ☐ Firm ☒ Conditional  Date: 2/14/2002

Additional Information: Commitment letter reflects proceeds of $7,950,000 based on credits of $10,601,620

APPLICANT EQUITY

Amount: $185,500  Source: Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE
Land: 12.554 ac.  $185,944  Assessment for the Year of: 2002
Land: 1 ac.  $14,812  Valuation by: Ector County Appraisal District
Land: 8.5 ac. prorated  $125,902  Tax Rate: 2.89785

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (8.5 acres)
Contract Expiration Date: 10/31/2002  Anticipated Closing Date: 10/15/2002
Acquisition Cost: $175,000  Other Terms/Conditions: $2,000 earnest money
Seller: Tom M. Davis Family Trust, Tom D. O'Leary, Trustee  Related to Development Team Member: No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Arbor Terrace II Apartments is a proposed new construction development of 120 units of affordable housing located in southern Odessa. The development is comprised of 11 residential buildings as follows:
• (3) Building Type 1 with eight two-bedroom units and eight three-bedroom units;
• (1) Building Type 2 with sixteen two-bedroom units;
• (3) Building Type 3 with sixteen two-bedroom units;
• (3) Building Type 4 with eight three-bedroom units; and
• (1) Building Type 5 with four two-bedroom units and four three-bedroom units.

The submitted site plan and building configurations point to 32 two-bedroom (970SF) units, 36 two-bedroom (1,020 SF) units, 28 three-bedroom (1,010 SF) units and 24 three-bedroom (1,060 SF) units. However, the submitted rent schedule indicates 34 two-bedroom (970SF) units, 34 two-bedroom (1,020 SF) units, 26 three-bedroom (1,010 SF) units and 24 three-bedroom (1,060 SF) units. Receipt, review and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule is a condition of this report. Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,000-square foot community building plan includes the management offices, a community lounge, library, computer room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Greater Opportunities of the Permian Basin (Go, Inc. Head Start) to provide the following supportive services to tenants: career counseling, workforce development training through technology and other training mechanisms, basic skills tutoring, GED preparation classes, and referrals to residents for other social service needs. They will also coordinate after-school educational enrichment programs for children, and provide parenting seminars. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000, plus $100 per month for these support services.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI). 120 of the units (100% of the total) will be reserved for low-income tenants. Two of the units (2%) will be reserved for households earning 30% or less of AMGI, 12 of the units (10%) will be reserved for households earning 40% or less of AMGI, 48 of the units (40%) will be reserved for households earning 50% or less of AMGI, 58 units (48%) will be reserved for households earning 60% or less of AMGI.

The Housing Authority of the City of Odessa will use Housing Assistance Program Contracts to provide qualified families assistance to occupy set-aside units for 30% of median income. The Tenant-Based Assistance Housing Choice Voucher Program Contract indicates a twelve month lease term with initial rents of $475 for two-bedroom units and $556 for three-bedroom units. At the beginning of the HAP Contract term, the amount of the housing assistance payment by the PHA to the owner is $650 per month. Since this is a tenant based program, the tenant is free to choose the participating apartment development that they wish to live in. When the tenant moves out the HAP contract expires; therefore, it is unclear how the housing authority will be able to guarantee assignment of eligible voucher holders to this property for an extended period of time or beyond the normal capacities or obligations of the PHA under this contract. Receipt, review and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program is a condition of this report. Further, since this is the form of subsidy that is being used to qualify for points for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP section (49)(f)(7)(c)(i).

Special Needs Set-Asides: Nine units (8%) will be handicapped-accessible. The Applicant has also indicated that all ground floor units are accessible.

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

MARKET HIGHLIGHTS

A market feasibility study dated March 22, 2002 was prepared by Apartment MarketData Report and highlighted the following findings:

Definition of Market/Submarket: “For this analysis, we defined the Primary Market Area as Ector County. This area was utilized as it was felt that the county defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing” (p. 3)
Total Local/Submarket Demand for Rental Units: “The current supply of affordable housing in this market is far less than demand. The demand for new units in the Primary Market Area is projected to be 91-144 units per year based on the current population, household growth, and employment characteristics of the area.” (p. 74)

<table>
<thead>
<tr>
<th>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</th>
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<tbody>
<tr>
<td>Type of Demand</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Household Growth</td>
</tr>
<tr>
<td>Resident Turnover</td>
</tr>
<tr>
<td>TOTAL ANNUAL DEMAND</td>
</tr>
</tbody>
</table>

Ref: p. 7

Capture Rate: “We calculate the capture rate for the subject to be 5.7%.” (p. 7) The Underwriter calculated a concentration capture rate of 11.8% based upon a revised supply of unstabilized comparable affordable units of 248 divided by a demand of 2,105. The additional 128 units in the adjacent complex were added to the subject’s total of 120 due to the fact that the 2001 rent roll submitted in the 2001 financial statements for Arbor Terrace Phase I shows that some of the units in the development have not been rented for a full year.

Local Housing Authority Waiting List Information: “It is anticipated that many of the project’s residents will be some of the 900 households on the Odessa Housing Authority Section 8 waiting list” (p. 8)

Market Rent Comparables: The market analyst surveyed 11 comparable apartment projects totaling 985 units in the market area. “These projects were built primarily during the 1970’s and 1980’s, as new construction was limited in the 1990’s.” (p. 81)

<table>
<thead>
<tr>
<th>RENT ANALYSIS (net tenant-paid rents)</th>
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</thead>
<tbody>
<tr>
<td>Unit Type (% AMI)</td>
</tr>
<tr>
<td>2-Bedroom (30%)</td>
</tr>
<tr>
<td>2-Bedroom (50%)</td>
</tr>
<tr>
<td>2-Bedroom (60%)</td>
</tr>
<tr>
<td>3-Bedroom (30%)</td>
</tr>
<tr>
<td>3-Bedroom (40%)</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: “The current occupancy of the market area is 92.4% with competing projects averaging 94.8% as a result of ever increasing demand. Occupancy is low due to the poor condition of several rental projects in the area. Better-maintained projects are experiencing occupancies in the mid-to-upper 90% range.” (p. 8)

Absorption Projections: “Arbor Terrace I Apartments (128 units) was 100% absorbed within six months. It is anticipated that many of the project’s residents will be some of the 900 households on the Odessa Housing Authority Section 8 waiting list.” (p. 8)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Odessa is located in west Texas, approximately midway between Ft. Worth and El Paso, in Ector County. The site is an irregularly-shaped parcel located in the southern area of Odessa and is situated on the southeast corner of the intersection of Terlingua Avenue and Monahans Street.

Population: The estimated 2001 population of Ector County was 120,853 and is expected to increase by 3%
to approximately 124,237 by 2006. Within the primary market area there were estimated to be 43,258 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly older single-family homes, apartments, retail and industrial uses, churches, light office, schools, and undeveloped land. Adjacent land uses include:
- **North:** East Monahans Street and vacant land
- **South:** Vacant land
- **East:** Vacant land
- **West:** Terlingua Avenue, single family residential property and Snyder Street

**Site Access:** Access to the property is from the east or west along East Monahans Street. The development is to have one main entry from the north. The site is within ½ mile of Grandview Avenue and Dixie Avenue, two of the major north-south thoroughfares through Odessa. The site is also 0.25 miles from Interstate Highway 20, a major east-west thoroughfare that connects to Midland to the east.

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

**Shopping & Services:** Residents would have easy access to employment centers, financial centers, shopping, schools, recreational facilities, literary and cultural centers, and medical facilities offered through Odessa.

**Special Adverse Site Characteristics:**
- Ector County does not participate in the National flood Insurance Program, therefore the subject site is determined to lie within Zone Z. Zone Z is defined as: Areas of which flood plain levels have not been determined.
- Request for Zoning Amendment: A request is pending to rezone the subject site from Mobile Home (MH) and Light Industrial (LI) to General Residential (GR). Receipt, review, and acceptance of documentation stating that the zoning on this subject site has been changed to General Residential (GR) is a condition of this report.

**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 27, 2002 was prepared by Phase Engineering, Inc. and contained the following findings and recommendations:

**Findings:** “A search of federal, state and local records indicate that two RCRA Corrective Action (CORRACTS) facilities are located within the standard ASTM search radius. Also areas of dumping, including household debris and empty 55 gallon drum, were observed at the southwest site corner.”

**Recommendations:** “No recognized environmental conditions appear to exist provided the debris and 55 gallon drum are disposed of off site in accordance with all applicable federal, state and local regulations.” Compliance with all Phase I recommendations is 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 they will pay for natural gas for heating and water heating in this project, and rents and expenses were calculated accordingly. The Applicant also stated that they will receive a HAP Contract amounting to $650 per month to subsidize the units restricted at 30% of AMGI. If confirmed, this subsidy should be annualized and included as a source of secondary income in the effective gross income estimate; the Applicant included $621 per month as a source of potential rental income. As discussed above, the proposed HAP contract appears to be a tenant based program and, absent documentation that substantiates otherwise, cannot be included as a subsidy for the property because these vouchers are subject to availability and the tenant’s willingness to live at the property.

**Expenses:** The Applicant’s estimate of total operating expense is 4.9% lower than the Underwriter’s TDHCA database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative ($9K lower), payroll ($7K lower), repairs and maintenance ($7K lower), insurance ($5K lower).
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. Due primarily to the difference in expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $160,863. Should the voucher subsidy be confirmed as a project based subsidy by the PHA this debt cap could increase to $166,319.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price is assumed to be reasonable because the acquisition is an arm’s-length transaction.

Sitework Cost: The Applicant claimed sitework costs of $6,525K per unit. The Applicant further indicated that a portion of the direct costs for electrical and plumbing appear to be more appropriately described as site work costs. For example, the Applicant indicates that $155,000 of the anticipated electrical work cost is due to distribution costs associated with bringing the electrical lines to the buildings. These costs have previously been more typically borne by the utility provider, but since deregulation many of the utility providers are shifting this cost to the developer. In this case, the project engineer has indicated that Oncore Energy Delivery will credit $20,000 of this cost. However, the resulting net cost of $135,000 is still more than double the cost listed for on-site electrical in the site work section of the project cost schedule.

Similarly, the proposed plumbing costs in the direct cost estimate of $450,000 appear to be high relative to a true direct versus site work cost breakdown. Moreover, the engineer indicated in a letter dated February 18, 2002 that “the sanitary sewer main is within 80 feet of the site. It is customary for plumbing/on-site utility contractors to include short sewer main extensions and taps in their base bids… As with Arbor Terrace phase I, we will dedicate the on-site water and sewer mains to the City of Odessa.” While it is unclear where in the site work or direct cost estimate these items are included, it is likely that they should be accounted for as an off-site improvement since they will forever benefit the land and be deeded by the city.

Since the site work costs most assuredly exceed the $6,500 per unit benchmark, they require more detailed explanation and itemization by a third party engineer or architect. Moreover, the appropriateness of inclusion of these costs in eligible basis should be reviewed by a third party CPA as the portions attributed to either off-site costs, deeded to the city, or other concerns raised by recent IRS rulings must be excluded from basis. Therefore, this report is conditioned upon receipt, review and acceptance of this information and the credit amount could be reduced as a result.

Direct Construction Cost: The Applicant’s costs are more than 5% different than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate after all of the Applicant’s additional justifications were considered. This would suggest that the Applicant’s direct construction costs are significantly overstated. While the Underwriter can and will provide an alternative acceptable construction budget, successful completion of this development will require the developer and contractor to re-evaluate these costs. In fact, if a fixed-price-contract cannot be obtained to build this development for not more than 2% above the Underwriter’s total development costs, the gap that would have to be paid with deferred developer fees would likely exceed the amount repayable in 15 years. Therefore, this transaction would be characterized as infeasible.

Ineligible Costs: The Applicant incorrectly included $15,000 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant’s eligible basis.

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 based on the Applicant’s budget as these costs are multiples of the overstated direct costs. They are $226,000 overstated compared to the Underwriters costs.

Conclusion: Due to the Applicant’s higher direct construction cost, the Applicant’s total development cost is more than 5% higher than the Underwriter’s estimate. Therefore, the Underwriter’s cost estimate is used to calculate eligible basis and determine the LIHTC allocation. As a result, an adjusted eligible basis of $8,432,091 is used to determine a credit allocation of $925,169. Should the Applicant not be able to obtain a fixed-price-contract reflecting a significant hard cost reduction from the submitted application cost, this
FINANCING STRUCTURE ANALYSIS

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

The Applicant intends to use Lend Lease Real Estate Investment for all facets of financing. The interim construction loan of $3,967,925 will be provided for a term of 24 months at a rate of Prime plus 75 basis points. The permanent loan of up to $2,000,000 will be provided for a term of 15 years at a lender-determined fixed interest rate and amortized over 30 years. The lender’s underwriting rate of 8.0% was utilized in this analysis. The syndication commitment letter shows net proceeds are anticipated to be $7,950,000 based on a syndication factor of 75%. The funds would be disbursed in a seven-phased pay-in schedule:

1. 30% upon admission date, close of construction loan, receipt of permanent loan commitment;
2. 10% upon admission + 90 days;
3. 15% upon admission + 180 days;
4. 15% upon admission + 270 days;
5. 10% upon completion of construction;
6. 10% upon final closing of the permanent loan, tax credit determination;
7. 10% upon 115% debt service coverage for 3 consecutive months, receipt of form 8609.

Deferred Developer’s Fees: The Applicant’s proposed deferred developer’s fees of $185,500 amount to 16% of the total fees.

Financing Conclusions: Based on the Underwriter’s adjusted estimate of eligible basis, the LIHTC allocation should not exceed $925,169 annually for ten years, resulting in syndication proceeds of approximately $6,938,074. As stated above, the Underwriter’s estimated debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10 and, therefore, the maximum debt service for this development should be limited to $160,863. The current financing terms result in a reduced loan amount of $1,826,913. Based on the underwriting analysis, the Applicant’s deferred developer fee will also be $166,605. This amount is repayable from cashflow within ten years of stabilized operation. Should the Applicant’s final total development cost exceed the cost estimate used to determine credits in this analysis by more than 2%, additional repayable deferred developer’s fee may not be available to fund those development cost overruns.

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 porches. The submitted site plan and building configurations point to 32 two-bedroom (970SF) units, 36 two-bedroom (1,020 SF) units, 28 three-bedroom (1,010 SF) units and 24 three-bedroom (1,060 SF) units. However, the submitted rent schedule indicates 34 two-bedroom (970 SF) units, 34 two-bedroom (1,020 SF) units, 26 three-bedroom (1,010 SF) units and 26 three-bedroom (1,060 SF) units. Receipt, review and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule is a condition of this report. In addition, the smaller bedrooms in all of the units are less than 100 square feet in area. Each unit has a semi-private exterior entry that is shared with one other unit. The units are in two-story five units or more structures with mixed brick/wood siding exterior finish and hipped roofs.

IDENTITIES of INTEREST

The principals of Magill Development Company, LLC and Kilday Realty Corp. are 100% owners of the General Partnership and also own the Developer, Terrace Development Limited. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:
- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 50% Owner of the General Partner, Magill Development Company, LLC, submitted an unaudited financial statement as of January 31, 2002 reporting total assets of $1.3M and consisting of $128K in
Texas Department of Housing and Community Affairs
Credit Underwriting Analysis

Cash, $75K in receivables, $5K in office equipment, and $1.1M in partnership interests. No liabilities, resulting in a net worth of $1.3M.

- The 50% Owner of the General Partner, Kilday Realty Corp, submitted an unaudited financial statement as of December 31, 2001 reporting total assets of $119K and consisting of $47K in cash, $2K in organization costs, and $70K in business interests. No liabilities, resulting in a net worth of $119K.

Background & Experience:
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 50% Owners of the General Partner, Albert Magill and Jennifer Magill, have completed four housing developments totaling 504 units since 1996.
- The 50% Owners of the General Partner, R.R. Kilday and Dianne Kilday, have completed five housing developments totaling 750 units since 1994.

Summary of Salient Risks and Issues
- The Applicant’s operating proforma is more than 5% outside of the Underwriter’s verifiable range.
- The Applicant’s development costs differ from the Underwriter’s verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant locational risk exists regarding the property’s need to be rezoned.
- 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 $925,169 annually for ten years, subject to conditions.

Conditions

1. Receipt, review, and acceptance of documentation stating that the zoning on this subject site has been changed to General Residential (GR).
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.
3. Receipt, review and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program. Further, since this is the form of subsidy that is being used to qualify for points for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP section (49)(f)(7)(c)(i).
4. Receipt, review and acceptance of documentation reflecting compliance with all Phase I ESA recommendations including removal of the debris and 55 gallon drum found on the site in accordance with all federal, state and local regulations.
5. Receipt, review and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule.
6. Receipt, review, and acceptance of a third party engineer or architect’s detailed site work cost breakdown to include all electrical sitework costs, plumbing site work costs and all other site work costs, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.
7. Receipt, review and acceptance of a fixed-price-contract evidencing the developer’s ability to develop these units for not more than 2% above the Underwriter’s total budget or the resulting gap in costs cannot be filled with repayable deferred developer fees and the application would be
deemed infeasible.

8. Receipt, review and acceptance of permanent financing commitments reflecting annual debt service not to exceed $160,863 unless condition 3 is met and the supportive income of $6,672 annually can be achieved; in which case this debt service cap could increase to $166,319.

9. Should the terms or interest rate on the proposed loan change an adjustment to the debt service cap and/or the fixed-price-contract requirement may be needed and these conditions and recommendations should be re-evaluated.

<table>
<thead>
<tr>
<th>Associate Underwriter:</th>
<th>Date: May 29, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl Hoover</td>
<td></td>
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<tr>
<th>Credit Underwriting Supervisor:</th>
<th>Date: May 29, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisa Vecchietti</td>
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<table>
<thead>
<tr>
<th>Director of Credit Underwriting:</th>
<th>Date: May 29, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tom Gouris</td>
<td></td>
</tr>
</tbody>
</table>
### Arbor Terrace II, Odessa, LIHTC #02079

#### MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

**Type of Unit** | **Number** | **Bedrooms** | **No. of Baths** | **Size in SF** | **Gross Rent Lmt.** | **Net Rent per Unit** | **Rent per Month** | **Rent per SF** | **Bldg. CS** | **Mrq. Var.**
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---
TC (50%) | 10 | 2 | 1 | 1,010 | 480 | $380 | 5,315 | 0.37 | $156.23 | $39.40
TC (30%) | 12 | 2 | 1 | 1,010 | 414 | $326 | 4,223 | 0.22 | $155.23 | $38.90
TC (50%) | 14 | 2 | 1 | 1,010 | 576 | $476 | 7,912 | 0.47 | $156.23 | $39.40
TC (30%) | 17 | 2 | 1 | 1,010 | 482 | $382 | 5,315 | 0.37 | $156.23 | $39.40
TC (50%) | 20 | 2 | 1 | 1,010 | 576 | $476 | 7,912 | 0.47 | $156.23 | $39.40
TC (30%) | 9 | 2 | 1 | 1,010 | 482 | $382 | 5,315 | 0.37 | $156.23 | $39.40
TC (50%) | 10 | 2 | 1 | 1,010 | 576 | $476 | 7,912 | 0.47 | $156.23 | $39.40
TC (30%) | 6 | 2 | 1 | 1,010 | 482 | $382 | 5,315 | 0.37 | $156.23 | $39.40
TC (50%) | 10 | 2 | 1 | 1,010 | 576 | $476 | 7,912 | 0.47 | $156.23 | $39.40
TC (30%) | 10 | 2 | 1 | 1,010 | 576 | $476 | 7,912 | 0.47 | $156.23 | $39.40

#### TOTAL

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 120 | | | | | | | | |
| Average | 1,012 | 576 | 1,010 | 576 | $476 | 7,912 | 0.47 | $156.23 | $39.40

### INCOME

- **Total Net Rentable Sq Ft:** 121,442
- **EFFECTIVE GROSS INCOME:** $602,266
  - **Net Operating Inc:** $177,083
  - **Gross Rent Lmt:** $204,115
  - **Net Operating Income:** $177,083
  - **Gross Rent Lmt:** $204,115
  - **Debt Service:** $176,103
  - **Net Cash Flow:** $297

### DEBT SERVICE

- **Debt Service:** $176,103
- **Net Cash Flow:** $297

### CONSTRUCTION COST

- **Total Cost:** $8,931,591
- **Recap-Back Construction Costs:** $52,527
- **Sources of Funds:** $6,303,253

### ADDITIONAL REMARKS

- **Operating Expenses:**
  - **Compliance Fee:** 0.74%
  - **Property Tax:** 2.89785%
  - **Property Insurance:** 4.13%
  - **Water, Sewer, & Trash:** 5.86%
  - **Utilities:** 8.77%
  - **Repairs & Maintenance:** 7.29%
  - **Payroll & Payroll Tax:** 16.60%
  - **General & Administrative:** 6.31%
  - **Indirect Construction:** 6.19%
  - **General Requirem:** 3.06%
  - **Contingency:** 3.06%
  - **Central Contractor's Profit:** 6.00%
  - **Collector's Cert SOL:** 1.85%

### TOTAL NET CASH FLOW

- **Total Net Cash Flow:** $297
- **Operating Expenses:**
  - **Compliance Fee:** 0.74%
  - **Property Tax:** 2.89785%
  - **Property Insurance:** 4.13%
  - **Water, Sewer, & Trash:** 5.86%
  - **Utilities:** 8.77%
  - **Repairs & Maintenance:** 7.29%
  - **Payroll & Payroll Tax:** 16.60%
  - **General & Administrative:** 6.31%
  - **Indirect Construction:** 6.19%
  - **General Requirem:** 3.06%
  - **Contingency:** 3.06%
  - **Central Contractor's Profit:** 6.00%
  - **Collector's Cert SOL:** 1.85%
DIRECT CONSTRUCTION COST ESTIMATE

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>INT/REV SQ FT</th>
<th>PER SQ FT</th>
<th>AMOUNT</th>
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<td>Base Cost</td>
<td>$40.25</td>
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<td>$4,889,588</td>
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<td>Exterior Wall Finish</td>
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<td>Laidery</td>
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<td>Roofing</td>
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<td>Subfloor</td>
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<td>$521,901</td>
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<td>347,316</td>
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<td>Plumbing</td>
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<td>91,332</td>
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<td>Built-In Appliances</td>
<td>120%</td>
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<td>1.53%</td>
<td>186,000</td>
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<td>Stairs</td>
<td>0.40%</td>
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<td>48,000</td>
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<td>Floor Insulation</td>
<td>0.00%</td>
<td></td>
<td></td>
<td>0</td>
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<tr>
<td>Heating/Cooling</td>
<td>1.21%</td>
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<td></td>
<td>171,286</td>
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<td>Garage/Carports</td>
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<td>119,050</td>
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<td>Comm 4/or Aux Bldgs</td>
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<td>1.40%</td>
<td>178,586</td>
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<td>Other</td>
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<td>SUNKOTAL</td>
<td>50.69%</td>
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<td>6,137,851</td>
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<td>Local Multiplier</td>
<td>0.88%</td>
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<td>1.04%</td>
<td>(738,819)</td>
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<td>TOTAL DIRECT CONSTRUCTION COSTS</td>
<td>$46.63</td>
<td>$5,665,045</td>
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NOTES TO FINANCIAL ASSISTANCE REQUEST

Primary Debt Service $165,863
Secondary Debt Service 0
Additional Debt Service 0

NET CASH FLOW $16,220

RECOMMENDED FINANCING STRUCTURE

Primary Int Rate 8.00% DCR 1.01
Secondary Int Rate 0.00% Subtotal DCR 1.01
Additional Int Rate 0.00% Aggregate DCR 1.01

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>POTENTIAL GROSS RENT</td>
<td>$636,701</td>
<td>$655,802</td>
<td>$675,476</td>
<td>$695,740</td>
<td>$716,612</td>
<td>$830,750</td>
<td>$963,067</td>
<td>$1,116,459</td>
<td>$1,500,427</td>
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<tr>
<td>Secondary Income</td>
<td>14,400</td>
<td>14,832</td>
<td>15,277</td>
<td>15,735</td>
<td>16,207</td>
<td>18,789</td>
<td>21,781</td>
<td>25,250</td>
<td>33,935</td>
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<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>
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<tr>
<td>POTENTIAL GROSS INCOME</td>
<td>$651,101</td>
<td>$670,634</td>
<td>$690,753</td>
<td>$711,475</td>
<td>$732,820</td>
<td>$849,539</td>
<td>$984,848</td>
<td>$1,141,709</td>
<td>$1,534,362</td>
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<td>Variance &amp; Collection Loss</td>
<td>(48,833)</td>
<td>(50,298)</td>
<td>(51,806)</td>
<td>(53,361)</td>
<td>(54,961)</td>
<td>(63,715)</td>
<td>(73,864)</td>
<td>(85,628)</td>
<td>(115,077)</td>
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<tr>
<td>Total Operating Income</td>
<td>$602,268</td>
<td>$620,336</td>
<td>$638,946</td>
<td>$658,115</td>
<td>$677,859</td>
<td>$785,823</td>
<td>$910,985</td>
<td>$1,056,081</td>
<td>$1,419,285</td>
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<td>EXPENSES at 4.00%</td>
<td>$37,976</td>
<td>$39,495</td>
<td>$41,075</td>
<td>$42,718</td>
<td>$44,427</td>
<td>$55,052</td>
<td>$65,763</td>
<td>$78,011</td>
<td>$118,435</td>
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<tr>
<td>General &amp; Administrative</td>
<td>37,390</td>
<td>39,495</td>
<td>41,075</td>
<td>42,718</td>
<td>44,427</td>
<td>55,052</td>
<td>65,763</td>
<td>78,011</td>
<td>118,435</td>
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<tr>
<td>Management</td>
<td>30,113</td>
<td>31,017</td>
<td>31,947</td>
<td>32,906</td>
<td>33,893</td>
<td>39,291</td>
<td>45,549</td>
<td>52,804</td>
<td>70,964</td>
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<td>Payroll &amp; Payroll Tax</td>
<td>99,960</td>
<td>103,958</td>
<td>107,117</td>
<td>111,244</td>
<td>116,399</td>
<td>124,074</td>
<td>134,038</td>
<td>170,601</td>
<td>311,740</td>
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<td>Water, Sewer &amp; Trash</td>
<td>35,281</td>
<td>36,692</td>
<td>38,160</td>
<td>39,686</td>
<td>41,274</td>
<td>50,216</td>
<td>59,096</td>
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<td>25,900</td>
<td>26,936</td>
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<td>29,133</td>
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<td>43,125</td>
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<td>77,139</td>
<td>80,224</td>
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<td>101,509</td>
<td>123,502</td>
<td>150,258</td>
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<td>Utilities</td>
<td>53,197</td>
<td>55,325</td>
<td>57,538</td>
<td>59,839</td>
<td>62,233</td>
<td>75,716</td>
<td>92,120</td>
<td>113,078</td>
<td>195,003</td>
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<td>Other</td>
<td>4,500</td>
<td>4,680</td>
<td>4,867</td>
<td>5,062</td>
<td>5,264</td>
<td>6,405</td>
<td>7,793</td>
<td>9,481</td>
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<td>TOTAL EXPENSES</td>
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<td>$441,892</td>
<td>$459,832</td>
<td>$477,308</td>
<td>$496,571</td>
<td>$601,862</td>
<td>$725,484</td>
<td>$888,161</td>
<td>$1,303,056</td>
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<td>NET OPERATING INCOME</td>
<td>$177,083</td>
<td>$178,445</td>
<td>$179,689</td>
<td>$180,807</td>
<td>$181,787</td>
<td>$184,222</td>
<td>$181,299</td>
<td>$170,920</td>
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DEBT SERVICE

<table>
<thead>
<tr>
<th>DEBT SERVICE</th>
<th>FIRST Lien Financing</th>
<th>SECOND Lien</th>
<th>OTHER Financing</th>
<th>NET CASH FLOW</th>
<th>DEBT COVERAGE RATIO</th>
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<td>PRIMARY DEBT</td>
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<td>ADDITIONAL DEBT</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
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</tbody>
</table>
## LIHTC Allocation Calculation - Arbor Terrace II, Odessa, LIHTC #02079

### Category | Applicant's | TDHCA | Applicant's | TDHCA
---|---|---|---|---
**1) Acquisition Cost**
- Purchase of land | $175,000 | $175,000 | | 
- Purchase of buildings | | | | 
**2) Rehabilitation/New Construction Cost**
- On-site work | $783,000 | $783,000 | $783,000 | $783,000
- Off-site improvements | | | | 
**3) Construction Hard Costs**
- New structures/rehabilitation | $5,579,000 | $4,601,433 | $5,579,000 | $4,601,433
**4) Contractor Fees & General Requirements**
- Contractor overhead | $125,000 | $107,689 | $125,000 | $107,689
- Contractor profit | $380,000 | $323,066 | $380,000 | $323,066
- General requirements | $380,000 | $323,066 | $380,000 | $323,066
**5) Contingencies** | $165,000 | $165,000 | $165,000 | $165,000
**6) Eligible Indirect Fees** | $552,500 | $552,500 | $552,500 | $552,500
**7) Eligible Financing Fees** | $476,500 | $476,500 | $476,500 | $476,500
**8) All Ineligible Costs** | $174,500 | $174,500 | | 
**9) Developer Fees**
- Developer overhead | $120,000 | $146,645 | $120,000 | $146,645
- Developer fee | $1,075,000 | $953,193 | $1,075,000 | $953,193
**10) Development Reserves** | $150,000 | $150,000 | | 
**TOTAL DEVELOPMENT COSTS** | $10,135,500 | $8,931,591 | $9,636,000 | $8,432,091

**Deduct from Basis:**
- All grant proceeds used to finance costs in eligible basis
- B.M.R. loans used to finance cost in eligible basis
- Non-qualified non-recourse financing
- Non-qualified portion of higher quality units [42(d)(3)]
- Historic Credits (on residential portion only)

**TOTAL ELIGIBLE BASIS** | $9,636,000 | $8,432,091
**High Cost Area Adjustment** | 130% | 130%
**TOTAL ADJUSTED BASIS** | $12,526,800 | $10,961,718
**Applicable Fraction** | 100% | 100%
**TOTAL QUALIFIED BASIS** | $12,526,800 | $10,961,718
**Applicable Percentage** | 8.44% | 8.44%
**TOTAL AMOUNT OF TAX CREDITS** | $1,087,282 | $925,169

Syndication Proceeds | 0.7499 | $7,928,671 | $6,938,074
TDHCA #
02104
Region 9
General
Set-Aside
Development Name: Santa Rita Senior Village

Region: 9
Site Address: SE corner of E. Golf Course Rd. and Tilden St.
City: Midland
County: Midland
City: 79703

Allocation over 10 Years: $8,214,620
Development Type: Elderly

Total Project Units: 136
Gross/Net Rentable: 1.04
Average Square Feet/Unit: 753
Cost Per Net Rentable Square Foot: $78.43

Net Operating Income: $178,703

DEVELOPMENT LOCATION AND DESIGNATIONS

Special Needs: Elderly

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: $821,462
Allocation over 10 Years: $8,214,620
Credits Requested: $790,000

Eligible Basis Amount: $821,462
Equity/Gap Amount: $840,936

UNIT INFORMATION

Eff 1 BR 2 BR 3 BR 4 BR 5 BR Total
30% 0 0 0 0 0 0 0
40% 0 26 2 0 0 0 28
50% 0 41 14 0 0 0 55
60% 0 41 12 0 0 0 53
MR 0 0 0 0 0 0 0
Total 0 108 28 0 0 0 136

Total LI Units: 136
Owner/Employee Units: 0
Total Project Units: 136
Applicable Fraction: 100.00

BUILDING INFORMATION

Total Development Cost: $8,032,019
Gross Building Square Feet: 106,287
Total NRA SF: 102,416
Gross/Net Rentable: 1.04
Average Square Feet/Unit: 753
Cost Per Net Rentable Square Foot: $78.43
Credits per Low Income Unit: $6,040

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $592,824
Total Expenses: $414,121
Net Operating Income: $178,703
Estimated 1st Year Debt Coverage Ratio: 1.18

DEPARTMENT EVALUATION

Points Awarded: 135
Site Review: Acceptable
Underwriting Finding: AC

Developer: United Affordable Housing Development, LP
Housing GC: NA
Infrastructure GC: NA
Cost Estimator: NA
Architect: Beeler, Guest, Owens Architects, LP
Property Manager: Devonshire Real Estate & Asset Management
Engineer: NA
Syndicator: Lend Lease Real Estate Investments, Inc.

Market Analyst: Mark C. Temple
Originator/UW: NA
Appraiser: NA
Attorney: McWhorter, Cobb & Johnson
Supp Services: Casa de Amigos
Accountant: Thomas Stephen & Company, LLP
Permanent Lender: Lend Lease Mortgage Capital

DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
TDHCA #: 02104

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

Notes: "NA" = Not Yet Available
Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommended
## CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from the City confirming successful rezoning of the property such that the proposed development is a conforming use.

### 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:** If only the highest scoring development had been awarded in Region 9, there would have been a shortfall in the region equal to 18% of its entire regional allocation. This is the third highest shortfall among all regions statewide, so this development, as the only other development in Region 9, is recommended.

**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:

**Public Comment Summary**

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Local/State/Federal Officials w/ Jurisdiction:**

<table>
<thead>
<tr>
<th>Local Official</th>
<th>TX Rep.</th>
<th>TX Sen.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael J. Canon, Mayor</td>
<td>Tom Craddick, Dist. 82</td>
<td>Teel Bivins, Dist. 31</td>
</tr>
<tr>
<td>Dennis W. Clayton, Midland Chamber of Commerce, Manager</td>
<td>Larry Combest, US Representative, District 19, S</td>
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**Score**

<table>
<thead>
<tr>
<th>Support</th>
<th>Opposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>0</td>
</tr>
</tbody>
</table>
Compliance Status Summary

Project ID #: 02104
Project Name: Santa Rita Senior Village
Project City: Midland

LIHTC 9% ✓
LIHTC 4% □
HOME □
HTF □
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 2
# not yet monitored or pending review 3
# of projects grouped by score
0-9: 2
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 05/29/2002

Single Audit

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

single audit not applicable ✓
no outstanding issues □
outstanding issues □

Comments:

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**

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
Texas Department of Housing and Community Affairs
Multi Family Credit Underwriting Analysis

Date: May 29, 2002  Program: 9% LIHTC  File Number: 02104

Development Name
Santa Rita Senior Village

Applicant
Name: UAH Santa Rita, L.P.  Type: ☒ For Profit  ☐ Non-Profit  ☐ Municipal  ☐ Other
Address: 2400-A Roosevelt Drive  City: Arlington  State: TX
Zip: 76016  Contact: Sharon Laurence  Phone: (817) 261-5088  Fax: (817) 261-5095

Principal of the Applicant
Name: United AF Management, L.L.C.  (%) : 0.01  Title: Managing General Partner
Name: Lend Lease Real Estate Investments  (%) : 99.99  Title: Limited Partner
Name: R. Randy Stevenson  Title: 50% Owner of MGP
Name: Kent R. Hance  Title: 25% Owner of MGP
Name: Ron Hance  Title: 12.5% Owner of MGP
Name: Susan Sorrells  Title: 12.5% Owner of MGP

General Partner
Name: United AF Management, L.L.C.  Type: ☒ For Profit  ☐ Non-Profit  ☐ Municipal  ☐ Other
Address: 2400-A Roosevelt Drive  City: Arlington  State: TX
Zip: 76016  Contact: Randy Stevenson  Phone: (817) 261-5088  Fax: (817) 261-5095

Property Location
Location: South Side of East Golf Course Road just East of Tilden Street  ☒ QCT  ☐ DDA
City: Midland  County: Midland  Zip: 79703

Request

<table>
<thead>
<tr>
<th>Amount</th>
<th>Interest Rate</th>
<th>Amortization</th>
<th>Term</th>
</tr>
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<tbody>
<tr>
<td>$790,000</td>
<td>N/A</td>
<td>N/A</td>
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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  ☒ Elderly

Site Description
Size: 10.0 acres  435,600 square feet  Zoning/Permitted Uses: 2F & C3*
Flood Zone Designation: X  Status of Off-Sites: Partially Improved

* Applicant has applied for rezoning to MF-2 and City of Midland has confirmed receipt of application for rezoning; no timeline given
DESCRIPTION of IMPROVEMENTS

<table>
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<tr>
<th>Total Units</th>
<th># Rental Buildings</th>
<th># Common Area Bldgs</th>
<th># of Floors</th>
<th>Age</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>136</td>
<td>20</td>
<td>1</td>
<td>1</td>
<td>N/A yrs</td>
<td>at / /</td>
</tr>
</tbody>
</table>

Number Bedrooms Bathroom Size in SF
---|---|---|---|
108 | 1 | 1 | 716 |
28  | 2 | 2 | 896 |


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

CONSTRUCTION SPECIFICATIONS

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

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

ON-SITE AMENITIES
3,871 SF community building with community room, management offices, exercise/hobby, laundry facilities, kitchen, restrooms, business center, central mailroom, picnic pavillion, barber shop, perimeter fencing with limited access gate.

Uncovered Parking: 204 spaces  Carports: N/A spaces  Garages: N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING
Source: American State Bank of Lubbock  Contact: Clay Leaverton
Principal Amount: Up to $1,725,000  Interest Rate: Floating rate of Wall Street Journal Prime + 1%
Additional Information: Interest payable on a quarterly basis
Amortization: N/A yrs  Term: 2 yrs  Commitment: ☐ None  ☐ Firm  ☒ Conditional

LONG TERM/PERMANENT FINANCING
Source: Lend Lease Mortgage Capital  Contact: Yvette Ingram
Principal Amount: Up to $1,725,000  Interest Rate: 8.0%, underwritten interest rate
Additional Information: Fannie Mae
Amortization: 30 yrs  Term: 18 yrs  Commitment: ☐ None  ☐ Firm  ☒ Conditional
Annual Payment: $151,889  Lien Priority: 1st  Commitment Date 2/28/2002
LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments, Inc.  
Contact: Marie H. Keutmann  
Address: 101 Arch Street  
City: Boston  
State: MA  
Zip: 02110  
Phone: (617) 772-9455  
Fax: (617) 790-2002  
Net Proceeds: $5,924,000  
Net Syndication Rate (per $1.00 of 10-yr LIHTC) 75¢  
Commitment Date: 2/27/2002  
Additional Information: Commitment letter reflects proceeds of $5,924,000 based on credits of $7,900,000

APPLICANT EQUITY

Amount: $383,019  
Source: Deferred developer fee

VALUATION INFORMATION

<table>
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<tr>
<th>ASSESSED VALUE</th>
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</thead>
<tbody>
<tr>
<td>Land: 1 ac. $2,178 Valuation by: Midland County Appraisal District</td>
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<tr>
<td>Prorated Value: 10 ac. $21,780 Tax Rate: 2.604</td>
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</tbody>
</table>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract  
Contract Expiration Date: 10/15/2002  
Anticipated Closing Date: 10/15/2002  
Acquisition Cost: $160,000  
Other Terms/Conditions: $2,500 earnest money  
Seller: 1986 Children's Irrevocable Trust  
Related to Development Team Member: No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Santa Rita Senior Village is a proposed new construction development of 136 units of affordable housing located in east Midland. The development is comprised of 20 residential buildings as follows:

- (4) Building Type A with four one-bedroom units;
- (2) Building Type B with four two-bedroom units;
- (9) Building Type C with eight one-bedroom units; and
- (5) Building Type D with four one-bedroom units, four two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site and separated by parking lots, with the community building and mailboxes located near the entrance to the site. The 3,871-square foot community building plan includes the management office, a community room, exercise/hobby room, kitchen, restrooms, business center, barber shop, and laundry facilities. There is also to be a picnic pavilion.

Supportive Services: The Applicant has contracted with Casa de Amigos to provide the following supportive services to tenants: senior nutrition meals, senior activities, social services, health screening and education sessions and dental services. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of
the services and to pay $3,000 per year

**Schedule:** The Applicant anticipates construction to begin in April of 2003, to be completed in April of 2004, to be placed in service in September of 2004, and to be substantially leased-up in September 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. Twenty-eight of the units (21%) will be reserved for households earning 40% or less of AMGI, 55 units (40%) will be reserved for households earning 50% or less of AMGI, and 53 units (39%) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** There are no plans to reserve units exclusively for special needs tenants, but all units will be constructed to be easily modifiable to accommodate persons with disabilities.

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

### Market Highlights

A market feasibility study dated March 25, 2002 was prepared by Mark C. Temple, Real Estate Economist, Market Analyst and highlighted the following findings:

**Definition of Market/Submarket:** “In estimating housing demand for the subject project, it is viewed that Midland County is the primary market area.” (p. ES-6)

**Total Local/Submarket Demand for Rental Units:** “Between 2002 to 2006, it is projected there will be a total demand of 1,716 senior household units in the Midland Market Area.” (p. ES-6)

<table>
<thead>
<tr>
<th>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Demand</strong></td>
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<tr>
<td>Household Growth</td>
</tr>
<tr>
<td>Resident Turnover</td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL DEMAND</strong></td>
</tr>
</tbody>
</table>

Ref: p. ES-8 & 4-2

**Capture Rate:** “Based upon the income qualification banding methodology, the 136 Low Income Housing Tax Credit (LIHTC) units of the apartment project represents a 15.7 percent capture rate of all income appropriate senior households within the market area depending on management’s criteria for qualifying potential renters” (p. ES-8)

**Local Housing Authority Waiting List Information:** “There are currently 5 apartment projects in the Midland Market Area that provide federal subsidies. Currently, all of the projects maintain a 100 percent occupancy level with a waiting list” (p. ES-5)

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment projects totaling 1,646 units in the market area. (p. III-1)

<table>
<thead>
<tr>
<th>RENT ANALYSIS (net tenant-paid rents)</th>
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</thead>
<tbody>
<tr>
<td><strong>Unit Type (% AMI)</strong></td>
</tr>
<tr>
<td>1-Bedroom (40%)</td>
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<tr>
<td>1-Bedroom (50%)</td>
</tr>
<tr>
<td>1-Bedroom (60%)</td>
</tr>
<tr>
<td>2-Bedroom (40%)</td>
</tr>
<tr>
<td>2-Bedroom (50%)</td>
</tr>
<tr>
<td>2-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)

The average rents in this market are $386 and $517 for a one and two-bedroom unit respectively. The market
rate listed above is the adjusted market rate.

**Submarket Vacancy Rates:** “With a vacancy rate in the Market Area reported to be approximately 4.3 percent, market rents should continue to rise.” (p. ES-4)

**Absorption Projections:** “According to the Midland Chamber of Commerce and Claritas/National Planning Data Corporation present absorption trends of apartment projects located in the Midland Market Area range from 10 to 12 units per month.” (p. IV-6)

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Midland is located in west Texas, approximately halfway between Fort Worth and El Paso in Midland County. The site is a rectangular-shaped parcel located in the east area of Midland, approximately two miles from the central business district. The site is located just west of Fairgrounds Road at East Golf Course Road and Tilden Street.

**Population:** The estimated 2001 population of 455 seniors in Midland County was 21,723 and is expected to increase by 15% to approximately 24,925 by 2006. Within the primary market area there were estimated to be 15,000 households in 2006.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly mixed, with vacant land, older single family, and commercial. Adjacent land uses include:
- **North:** older single-family residential
- **South:** vacant land
- **East:** vacant land
- **West:** commercial

**Site Access:** Access to the property is from the east or west along East Golf Course Road. The development is to have one main entry, one from the north from East Golf Course Road. Access to Interstate Highway I-20 is 2.8 miles south, which provides connections to all other major roads serving the Midland area.

**Public Transportation:** Public transportation is not available in the City of Midland.

**Shopping & Services:** Accessibility to supportive retail/service facilities within the immediate Midland Market Area is considered good along the corridors of Big Sprig and Loop 250. Retail/service facilities along these major traffic corridors include grocery stores, drug stores, restaurants, financial institutions, and multipurpose stores. (p. I-3)

**Special Adverse Site Characteristics:** Applicant has applied for rezoning from 2F to MF-2 and the City of Midland has confirmed receipt of the application. A timeline for the rezoning approval process has not been submitted. Receipt, review and acceptance of documentation from the city confirming successful rezoning of the property such that the proposed development is a conforming use.

**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 14, 2002 was prepared by Barnett Engineering, Inc. and contained the following findings and recommendations:

**Findings:** Based on the results of this reconnaissance, we believe that significant surface or subsurface contamination on the subject property is unlikely. A level II survey to further examine this area for contamination is not warranted.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s potential gross rent figure is $7K less than the Underwriter’s estimate due to the Applicant’s use of overstated utility allowances in calculating net rents for the development. However, the Applicant’s secondary income and vacancy assumptions are inline with underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of $3,045 per unit is within 5% of a TDHCA database-derived estimate of $3,135 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages,
particularly general and administrative ($5.4K lower), payroll ($37.9K lower), utilities ($7K higher), property insurance ($11.1K higher), and property tax ($11.6K higher).

**Conclusion:** The Applicant’s total estimated operating expense is consistent with the Underwriter’s expectations and the Applicant’s net operating income within 5% of the Underwriter’s estimate. Therefore, the Applicant’s NOI will be used to evaluate debt service capacity. Both the Applicant’s and the Underwriter’s net operating income estimates result in a debt coverage ratio (DCR) that is within the Department’s DCR guideline of 1.10 to 1.25.

**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 $5,200 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
- **Direct Construction Cost:** The Applicant’s direct construction cost estimate is $4.3M or 1.8% lower than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate, and is regarded as reasonable as submitted.
- **Fees:** The Applicant’s contingency exceeds the 5% maximum allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant’s eligible cost in this area has been reduced by $35,205 with the overage effectively moved to ineligible costs. The Applicant’s developer fees also exceed 15% of the Applicant’s adjusted eligible basis and therefore the eligible portion of the Applicant’s developer fee must be reduced by $5,281.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant’s projected costs to a reasonable margin, the Applicant’s total cost breakdown, adjusted for overstated contingency costs and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of $7,486,890 is used to determine a credit allocation of $821,462 from this method. This is $31,462 more than initially requested due to the Applicant’s use of a lower applicable percentage of 8.2% rather than the 8.44% underwriting rate used for developments being presented to the Board in July 2002.

**FINANCING STRUCTURE ANALYSIS**

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

- **Construction Financing:** The Applicant intends to use American State Bank of Lubbock for an interim construction loan of up to $1,725,000, and to fund the remainder of the construction phase with $5,153,684 in LIHTC syndication proceeds and $1,153,335 from internal sources.
- **Permanent Financing:** Permanent mortgage financing will be provided by Lend Lease Mortgage Capital in the form of an 18-year term loan of up to $1,725,000. The interest rate is estimated by the lender to be approximately 8.0% and the loan will amortize over a full 30 years.
- **LIHTC Syndication:** Lend Lease Real Estate Investments, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,924,000 based on a syndication factor of 75%. The funds would be disbursed in a six-phased pay-in schedule:
  1. 25% upon admission to the partnership, close of construction loan, and receipt of permanent loan commitment;
  2. 25% upon admission + 90 days;
  3. 20% upon admission + 180 days;
  4. 10% upon completion;
  5. 10% upon final closing of the permanent loan, and tax credit determination;
  6. 10% upon 115% debt service coverage for 3 consecutive months, and receipt of form 8609.
- **Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $383,019 amount to 39% of the total proposed fees. However, based upon the Underwriter’s proforma; using Applicant’s income and expenses, net available cash flow appears to be able to repay this amount of deferral in between 10-15 years.
**Financing Conclusions:** Based on the Applicant’s adjusted estimate of eligible basis, the LIHTC allocation should not exceed $821,462 annually for ten years, resulting in syndication proceeds of approximately $6,160,345. Based on this increase in anticipated syndication proceeds, the Applicant’s deferred developer fee will be reduced to $146,671. Deferred developer fees in this amount appear to be repayable from cashflow within ten years of stabilized operation.

**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 patios with small outdoor storage closets. Each unit has a semi-private exterior entry that is shared with another unit. The units are in one-story four unit or more structures with mixed brick and wood siding exterior finish and gabled roofs.

**IDENTITIES of INTEREST**

The Developer, United Affordable Housing Development, L.P., is also owned by the principals of the General Partner. It should be noted that while the body of the application indicates a third party property manager, the submitted organizational chart indicates a property management firm that is related to the General Partner. These are common relationships for LIHTC-funded developments.

**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.

**Background & Experience:**
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principles of the General Partner have completed 3 LIHTC/affordable housing developments totaling 328 units since 2000.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Significant location risk exists regarding the property’s need to be rezoned.
RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $821,462 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 documentation from the City confirming successful rezoning of the property such that the proposed development is a conforming use.

<table>
<thead>
<tr>
<th>Underwriter:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl Hoover</td>
<td>May 29, 2002</td>
</tr>
</tbody>
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Credit Underwriting Supervisor:

<table>
<thead>
<tr>
<th>Lisa Vecchietti</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>May 29, 2002</td>
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Director of Credit Underwriting:

<table>
<thead>
<tr>
<th>Tom Gouris</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>May 29, 2002</td>
</tr>
</tbody>
</table>
## MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

**Santa Rita Senior Village, Midland, LIHTC #02104**

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Number</th>
<th>Bedrooms</th>
<th>No. of Baths</th>
<th>Size in SF</th>
<th>Gross Rent Lmt.</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIHTC (40%)</td>
<td>26</td>
<td>1</td>
<td>1</td>
<td>716</td>
<td>$320</td>
<td>$7,176</td>
<td>0.39</td>
</tr>
<tr>
<td>LIHTC (40%)</td>
<td>41</td>
<td>1</td>
<td>1</td>
<td>716</td>
<td>$320</td>
<td>$7,176</td>
<td>0.39</td>
</tr>
<tr>
<td>LIHTC (40%)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>896</td>
<td>$429</td>
<td>$6,006</td>
<td>0.48</td>
</tr>
<tr>
<td>LIHTC (40%)</td>
<td>12</td>
<td>2</td>
<td>2</td>
<td>896</td>
<td>$429</td>
<td>$6,006</td>
<td>0.48</td>
</tr>
</tbody>
</table>

**TOTAL:** 136

**AVERAGE:**

- **753** per unit
- **$432**
- **$387**
- **$52,620**
- **$0.51**
- **$45.44**
- **$40.26**

### Income

- **Total Potential Gross Rent**
  - TDHCA
  - Applicant
  - **$631,440**
  - **$624,576**

- **Secondary Income**
  - Per Unit Per Month: $10.00
  - **16,320**
  - **16,320**

- **Other Support Income**
  - (describe)
  - **0**

- **Potential Gross Income**
  - **$647,760**
  - **$640,896**

- **Vacancy & Collection Loss % of Potential Gross Income**
  - **-7.50%**
  - (48,582)
  - (48,072)

- **Effective Gross Income**
  - **$599,178**
  - **$592,824**

### Expenses

- **General & Administrative**
  - 6.24%
  - $37,361
  - **$31,960**

- **Management**
  - 5.00%
  - $29,959
  - **$29,641**

- **Payroll & Payroll Tax**
  - 18.26%
  - $109,388
  - **$71,500**

- **Repairs & Maintenance**
  - 7.86%
  - $47,091
  - **$51,000**

- **Utilities**
  - 3.16%
  - $18,911
  - **$26,000**

- **Water, Sewer, & Trash**
  - 9.60%
  - $57,495
  - **$55,100**

- **Property Insurance**
  - 3.14%
  - $18,797
  - **$29,920**

- **Property Tax**
  - 11.68%
  - $69,983
  - **$60,000**

- **Reserve for Repairs**
  - 4.54%
  - $27,200
  - **$27,200**

- **Other Expenses:** Compliance Fees
  - 1.70%
  - $1,176
  - **$1,176**

- **Total Expenses**
  - 71.16%
  - $426,383
  - **$414,121**

- **Net Operating Income**
  - 28.84%
  - $172,795
  - **$178,703**

### Debt Service

- **Lend Lease Mortgage Capital**
  - 25.35%
  - $151,889
  - **$151,889**

- **Additional Financing**
  - 0.00%
  - $0
  - **$0**

- **Net Cash Flow**
  - 3.49%
  - $20,905
  - **$26,814**

### Construction Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Factor</th>
<th>% of TOTAL</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost (site or bldg)</td>
<td>1.98%</td>
<td>$1,176</td>
<td>$1.56</td>
<td>$160,000</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>8.75%</td>
<td>$5,200</td>
<td>6.91</td>
<td>$707,200</td>
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<tr>
<td>Direct Construction</td>
<td>54.48%</td>
<td>$32,370</td>
<td>42.98</td>
<td>$4,402,350</td>
</tr>
<tr>
<td>Contingency</td>
<td>5.00%</td>
<td>$1,879</td>
<td>2.49</td>
<td>$255,478</td>
</tr>
<tr>
<td>General Requirem</td>
<td>5.91%</td>
<td>$2,219</td>
<td>2.95</td>
<td>$301,755</td>
</tr>
<tr>
<td>Contractor's G &amp;</td>
<td>1.57%</td>
<td>$740</td>
<td>0.98</td>
<td>$100,585</td>
</tr>
<tr>
<td>Contractor's Prof</td>
<td>5.91%</td>
<td>$2,219</td>
<td>2.95</td>
<td>$301,755</td>
</tr>
<tr>
<td>Indirect Construction</td>
<td>3.21%</td>
<td>$1,907</td>
<td>2.53</td>
<td>$259,300</td>
</tr>
<tr>
<td>Ineligible Expenses</td>
<td>2.12%</td>
<td>$1,273</td>
<td>1.69</td>
<td>$173,140</td>
</tr>
<tr>
<td>Developer's G &amp; A</td>
<td>1.99%</td>
<td>$963</td>
<td>1.28</td>
<td>$130,911</td>
</tr>
<tr>
<td>Developer's Profit</td>
<td>10.53%</td>
<td>$6,257</td>
<td>8.31</td>
<td>$850,921</td>
</tr>
<tr>
<td>Interim Financing</td>
<td>3.29%</td>
<td>$1,958</td>
<td>2.60</td>
<td>$266,225</td>
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<tr>
<td>Reserves</td>
<td>12.18%</td>
<td>$1,261</td>
<td>1.67</td>
<td>$171,503</td>
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<tr>
<td><strong>Total Cost</strong></td>
<td>100.00%</td>
<td>$59,420</td>
<td>78.43</td>
<td>$8,081,123</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Factor</th>
<th>% of TOTAL</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recap-Hard Construction Costs</td>
<td>75.20%</td>
<td>$44,626</td>
<td>$59.28</td>
<td>$6,069,123</td>
</tr>
</tbody>
</table>

### Sources of Funds

- **Recommended**
  - Lend Lease Mortgage Capital: $1,725,000
  - Additional Financing: $0
  - LIHTC Syndication Proceeds: $5,244,000
  - Deferred Developer Fees: $45,104
  - **$8,081,123**

- **$8,032,019**

### Recap-Hard Construction Costs

- **$44,626**

### Sources of Funds

- **$59,420**

- **$78.43**

### Recap: Hard Construction Costs

- **$44,626**

### Summary

- **Total Net Rentable Sq Ft:** 102,416

- **Recap-Hard Construction Costs:** $44,626

- **Sources of Funds:** Recommended

- **Recommended Sources:**
  - Lend Lease Mortgage Capital: $1,725,000
  - Additional Financing: $0
  - LIHTC Syndication Proceeds: $5,244,000
  - Deferred Developer Fees: $45,104
  - **$8,081,123**

- **$8,032,019**
### DIRECT CONSTRUCTION COST ESTIMATE

**Residential Cost Handbook**

**Average Quality Multiple Residence Basis**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>UNITS/200FT</th>
<th>PER SF</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Cost</td>
<td>$42.76</td>
<td>$4,379,801</td>
<td></td>
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<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exterior Wall Finish</td>
<td>6.5%</td>
<td>22.80</td>
<td>$288,877</td>
<td></td>
</tr>
<tr>
<td>Eldery</td>
<td>5.0%</td>
<td>2.14</td>
<td>218,790</td>
<td></td>
</tr>
<tr>
<td>Roofing</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Subfloor</td>
<td>(1.96)</td>
<td>(200,735)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floor Cover</td>
<td>1.82</td>
<td>186,397</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Porches/Balconies</td>
<td>328.10</td>
<td>14,216</td>
<td>3.90</td>
<td>399,470</td>
</tr>
<tr>
<td>Plumbing</td>
<td>900</td>
<td>86</td>
<td>0.48</td>
<td>49,140</td>
</tr>
<tr>
<td>Built-In Appliances</td>
<td>315.50</td>
<td>13%</td>
<td>2.06</td>
<td>210,800</td>
</tr>
<tr>
<td>Fireplaces</td>
<td>2,100</td>
<td>1</td>
<td>2,100</td>
<td></td>
</tr>
<tr>
<td>Roof Insulation</td>
<td>0.00</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heating/Cooling</td>
<td>1.41</td>
<td>144,407</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garages/Carparks</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Comm &amp;/or Aux Bldgs</td>
<td>55.28</td>
<td>5,871</td>
<td>2.09</td>
<td>213,999</td>
</tr>
<tr>
<td>Exterior Wall Finish</td>
<td>6.55%</td>
<td>2.80</td>
<td>286,877</td>
<td></td>
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<tr>
<td>Elderly</td>
<td>5.00%</td>
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<tr>
<td>Secondary</td>
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<td>0</td>
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<td>55.28</td>
<td>5,871</td>
<td>2.09</td>
<td>213,999</td>
</tr>
</tbody>
</table>

**DIRECT CONSTRUCTION COSTS**

$52.92 $5,419,945

**Current Cost Multiplier**

1.04 $52.92 $5,419,945

**Local Multiplier**

0.88 (6.90) (706,949)

**TOTAL DIRECT CONSTRUCTION COSTS**

$42.98 $4,402,350

**OPERATING INCOME & EXPENSE PROFORMA:**

**RECOMMENDED FINANCING STRUCTURE**

<table>
<thead>
<tr>
<th>INCOME</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>Potential Gross Rent</td>
<td>$624,576</td>
<td>$643,313</td>
<td>$662,813</td>
<td>$682,491</td>
<td>$702,966</td>
<td>$814,390</td>
<td>$944,727</td>
<td>$910,198</td>
<td>$1,471,854</td>
</tr>
<tr>
<td>Secondary Income</td>
<td>16,320</td>
<td>16,810</td>
<td>17,314</td>
<td>17,833</td>
<td>18,368</td>
<td>21,294</td>
<td>24,685</td>
<td>26,617</td>
<td>38,459</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>640,896</td>
<td>660,123</td>
<td>679,927</td>
<td>700,324</td>
<td>721,334</td>
<td>836,224</td>
<td>969,413</td>
<td>1,123,815</td>
<td>1,510,313</td>
</tr>
<tr>
<td>Vacancy &amp; Collection Loss</td>
<td>(48,072)</td>
<td>(49,509)</td>
<td>(50,994)</td>
<td>(52,524)</td>
<td>(54,100)</td>
<td>(62,717)</td>
<td>(72,706)</td>
<td>(84,286)</td>
<td>(113,274)</td>
</tr>
<tr>
<td>Effective Gross Income</td>
<td>592,824</td>
<td>580,614</td>
<td>528,930</td>
<td>547,798</td>
<td>607,834</td>
<td>773,507</td>
<td>886,707</td>
<td>1,039,029</td>
<td>1,397,040</td>
</tr>
</tbody>
</table>

**EXPENSES**

<table>
<thead>
<tr>
<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>$31,960</td>
<td>$33,238</td>
<td>$34,568</td>
<td>$35,951</td>
<td>$37,389</td>
<td>$45,489</td>
<td>$55,344</td>
<td>$67,335</td>
</tr>
<tr>
<td>Management</td>
<td>29,641</td>
<td>30,531</td>
<td>31,447</td>
<td>32,390</td>
<td>33,362</td>
<td>38,675</td>
<td>44,835</td>
<td>51,976</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>71,500</td>
<td>74,360</td>
<td>77,334</td>
<td>80,428</td>
<td>83,645</td>
<td>101,767</td>
<td>123,815</td>
<td>150,640</td>
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<tr>
<td>Repairs &amp; Maintenance</td>
<td>51,000</td>
<td>53,040</td>
<td>55,162</td>
<td>57,368</td>
<td>59,663</td>
<td>72,589</td>
<td>88,315</td>
<td>101,449</td>
</tr>
<tr>
<td>Utilities</td>
<td>26,000</td>
<td>27,040</td>
<td>28,122</td>
<td>29,246</td>
<td>30,416</td>
<td>37,006</td>
<td>45,024</td>
<td>54,778</td>
</tr>
<tr>
<td>Water, Sewer &amp; Trash</td>
<td>55,100</td>
<td>57,304</td>
<td>59,596</td>
<td>61,980</td>
<td>64,459</td>
<td>78,424</td>
<td>95,415</td>
<td>116,087</td>
</tr>
<tr>
<td>Insurance</td>
<td>29,920</td>
<td>31,117</td>
<td>32,361</td>
<td>33,656</td>
<td>35,002</td>
<td>42,585</td>
<td>51,812</td>
<td>63,037</td>
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<tr>
<td>Property Tax</td>
<td>81,600</td>
<td>84,864</td>
<td>88,259</td>
<td>91,789</td>
<td>95,460</td>
<td>116,142</td>
<td>141,305</td>
<td>171,919</td>
</tr>
<tr>
<td>Reserve for Replacements</td>
<td>27,200</td>
<td>28,288</td>
<td>29,420</td>
<td>30,596</td>
<td>31,820</td>
<td>38,714</td>
<td>47,102</td>
<td>57,306</td>
</tr>
<tr>
<td>Other</td>
<td>10,200</td>
<td>10,608</td>
<td>11,032</td>
<td>11,474</td>
<td>11,933</td>
<td>14,518</td>
<td>17,663</td>
<td>21,490</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$414,121</td>
<td>$430,390</td>
<td>$447,300</td>
<td>$464,878</td>
<td>$483,149</td>
<td>$585,910</td>
<td>$710,530</td>
<td>$862,018</td>
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</table>

**NET DIRECT CONSTRUCTION COSTS**

$42.98 $4,402,350

**DEBT SERVICE**

<table>
<thead>
<tr>
<th>PRIMARY</th>
<th>SECONDARY</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Financing</td>
<td>$151,889</td>
<td>$151,889</td>
<td>$454,667</td>
</tr>
<tr>
<td>Second Lien</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL NET CASH FLOW</td>
<td>$26,814</td>
<td>$28,335</td>
<td>$55,149</td>
</tr>
</tbody>
</table>

**DEBT COVERAGE RATIO**

1.18 1.19 1.20 1.21 1.24 1.23 1.17 0.84
## LIHTC Allocation Calculation - Santa Rita Senior Village, Midland, LIHTC

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>APPLICANT’S TOTAL AMOUNTS</th>
<th>TDHCA REHAB/NEW TOTAL AMOUNTS</th>
<th>APPLICANT’S ELIGIBLE BASIS</th>
<th>TDHCA ELIGIBLE BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(1) Acquisition Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of land</td>
<td>$160,000</td>
<td>$160,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(2) Rehabilitation/New Construction Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site work</td>
<td>$707,200</td>
<td>$707,200</td>
<td>$707,200</td>
<td>$707,200</td>
</tr>
<tr>
<td>Off-site improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(3) Construction Hard Costs</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>New structures/rehabilitation ha</td>
<td>$4,322,056</td>
<td>$4,402,350</td>
<td>$4,322,056</td>
<td>$4,402,350</td>
</tr>
<tr>
<td><strong>(4) Contractor Fees &amp; General Requirements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractor overhead</td>
<td>$100,585</td>
<td>$100,585</td>
<td>$100,585</td>
<td>$100,585</td>
</tr>
<tr>
<td>Contractor profit</td>
<td>$301,755</td>
<td>$301,755</td>
<td>$301,755</td>
<td>$301,755</td>
</tr>
<tr>
<td>General requirements</td>
<td>$301,755</td>
<td>$301,755</td>
<td>$301,755</td>
<td>$301,755</td>
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<tr>
<td><strong>(5) Contingencies</strong></td>
<td>$286,668</td>
<td>$255,478</td>
<td>$251,463</td>
<td>$255,478</td>
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<tr>
<td><strong>(6) Eligible Indirect Fees</strong></td>
<td>$259,300</td>
<td>$259,300</td>
<td>$259,300</td>
<td>$259,300</td>
</tr>
<tr>
<td><strong>(7) Eligible Financing Fees</strong></td>
<td>$266,225</td>
<td>$266,225</td>
<td>$266,225</td>
<td>$266,225</td>
</tr>
<tr>
<td><strong>(8) All Ineligible Costs</strong></td>
<td>$173,140</td>
<td>$173,140</td>
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</tr>
<tr>
<td>Developer overhead</td>
<td>$130,911</td>
<td>$130,911</td>
<td>$130,911</td>
<td>$130,911</td>
</tr>
<tr>
<td>Developer fee</td>
<td>$850,921</td>
<td>$850,921</td>
<td>$850,921</td>
<td>$850,921</td>
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<tr>
<td><strong>(10) Development Reserves</strong></td>
<td>$171,503</td>
<td>$171,503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL DEVELOPMENT COSTS</td>
<td>$8,032,019</td>
<td>$8,081,123</td>
<td>$7,486,890</td>
<td>$7,576,480</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                         | $7,486,890      | $7,576,480 |
| High Cost Area Adjustment                    | 130%            | 130%       |
| TOTAL ADJUSTED BASIS                         | $9,732,957      | $9,849,424 |
| Applicable Fraction                          | 100%            | 100%       |
| TOTAL QUALIFIED BASIS                        | $9,732,957      | $9,849,424 |
| Applicable Percentage                        | 8.44%           | 8.44%      |
| TOTAL AMOUNT OF TAX CREDITS                  | $821,462        | $831,291   |

Syndication Proceeds: 0.7499 $6,160,345 $6,234,062