



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #:** 999

**Agenda Date:** 5/8/2025

**Agenda #:**

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Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application for Lakeway Apartment Homes (HTC #19427)

**RECOMMENDED ACTION**

**WHEREAS**, Lakeway Apartment Homes (the Development) received an award of 4% Housing Tax Credits (HTCs) in 2019 for the construction of 180 units of general housing in Austin, Travis County;

**WHEREAS**, TX Lakeway Apartments, LP (the Development Owner or Owner) has applied for an allocation of tax-exempt volume cap under Priority 1b in 2025 and requests approval to change the rent and income restrictions for the Development by replacing 27 (15%) of the units at 60% of Area Median Income (AMI) with 30% AMI units as a result of a supplemental bond allocation, which leaves 153 units at 60% AMI;

**WHEREAS**, staff considered this a material modification requiring approval from the Board, and the Owner has complied with the amendment requirements under 10 TAC §10.405(a);

**WHEREAS**, if the Board approves the requested amendment, the amount of tax credits currently forecasted by the Department (based on total costs and eligible basis not yet fully reviewed by a CPA) will be 150.19% (\$1,797,797) greater than the HTC amount in the Determination Notice, which exceeds the 20% threshold for administrative approval by the Executive Director or designee and requires Board approval under 10 TAC §10.401(d); and

**WHEREAS**, the requested change does not negatively affect the Development, impact the viability of the transaction, or impact the selection of the application for an award;

**NOW, therefore, it is hereby**

**RESOLVED**, that the requested material amendment for Lakeway Apartment Homes is approved as presented at this meeting, and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the foregoing; and

**FURTHER RESOLVED**, that following staff's review of the cost certification, if the amount of tax credits determined to be necessary as required by §42(m)(2)(D) exceeds 120% of the amount of tax credits reflected in the Determination Notice as forecasted at the time of this amendment, a credit amount not to exceed 260% of the amount in the Determination Notice is hereby approved under 10 TAC §10.401(d) and will require no further Board action but will require the

Owner to pay the applicable fee under 10 TAC §11.901(8).

### **BACKGROUND**

Lakeway Apartment Homes (originally HTC #18441) was approved for a 4% HTC award in 2019 for the new construction of 180 units of general multifamily housing in Austin, Travis County. The Development was originally underwritten and approved based on all 180 units at 60% AMI. Construction of the Development is currently in progress.

In a letter dated January 8, 2025, James R. (Bill) Fisher, representative for the Owner, requested approval for a material amendment to the Application. The request is to revise the set-asides of 15% of the units to those earning up to 30% AMI. The Owner is in the process of obtaining an additional bond allocation, which is now requiring 15% of the units to be targeted to those earning up to 30% AMI. The Owner states that the amendment is in the best interest of the state, the residents, and the Development. Due to a demand for lower income targeted units, this change will enhance overall occupancy and reduce turnover. The proposed amendment identifies 27 units (15%) at 30% AMI and 153 units at 60% AMI.

The Owner has provided a letter from IBC Bank, the lender for the Development, and from 42 Equity Partners, LLC, the equity provider, acknowledging the change to the set-asides.

The Development was re-underwritten based on the proposed set-asides and revised financial information submitted. The results of the analysis indicate that the Development remains feasible, but total development cost increased approximately \$32.7 million (107.46%). In addition, as a result of the passage of the Consolidated Appropriations Act of 2020, the Development is expected to be eligible for the fixed 4% tax credit percentage upon issuance of a supplemental bond allocation from the Texas Bond Review Board. With these changes, the current analysis supports a recommended annual HTC amount of \$2,994,778, which is an increase of \$1,797,797 (150.19%) from the original credit award of \$1,196,981 in the Determination Notice. Provided the full amount of projected credits is justified following CPA review of total costs and staff's acceptance of the cost certification package, the credits requested will exceed the 20% increase threshold requiring Board approval under 10 TAC §10.401(d).

Staff recommends approval of the requested material amendment. Staff further recommends that, following staff's review and approval of the cost certification, if the amount of tax credits determined to be necessary as required by §42(m)(2)(D) exceeds 120% of the amount of tax credits reflected in the Determination Notice under 10 TAC §10.401(d) as forecasted at the time of this amendment, that the Board approve such request not to exceed 260% of the HTC amount in the Determination Notice as part of this amendment, subject to the payment of the applicable fee under 10 TAC §11.901(8).

**Real Estate Analysis Division**

April 18, 2025

**Addendum to Underwriting Report**TDHCA Application #: **18441**Program(s): **4% HTC****Lakeway Apartment Homes**Address/Location: FM 620 at Storm DriveCity: AustinCounty: TravisZip: 78734

	APPLICATION HISTORY
Report Date	PURPOSE
<b>04/18/25</b>	<b>Amendment</b>
11/29/18	Original Underwriting Report

**ALLOCATION**

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
<b>LIHTC (4% Credit)</b>	\$1,196,981				<b>\$2,994,778</b>				

**CONDITIONS STATUS**

- Receipt and acceptance before Determination Notice:
- An updated letter from IBC clearly stating the amount and terms of the new Permanent bonds

**SET-ASIDES**

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	27
60% of AMI	60% of AMI	153

## ANALYSIS

18441 Lakeway received a \$1.2M LIHTC award from TDHCA in November 2018. Applicant has applied and received an allocation of tax-exempt volume cap in 2025. The cap is allocated under Priority 1B, which requires a change in income and rent targeting from 100% at 60% AMI to 85% at 60% AMI and 15% at 30% AMI. The applicant has submitted an amendment request to modify the income and rent targeting accordingly. Additionally, with the amendment request, Applicant has submitted \$33M in increased development costs and is requesting \$1.8M in additional 4% Housing Tax Credits.

### **Operating Pro Forma**

27 of the 180 total units are being set aside at a 30% AMI level. Although these units have lower rent and income limits, the change from the initial underwriting using 2019 program rents to 2024 program rents increased overall income by \$783K(28%). Expenses increased by \$183K(20%) primarily due to a \$126K increase in insurance expense. The TDHCA Pro Forma was underwritten due to \$60K in variances including a \$34K difference in estimated General & Administrative costs and \$28K variance in estimated Repairs & Maintenance costs.

The 15-year residual cash flow is \$1.15M after deferred developer fee is paid off in year 14.

### **Development Cost**

The Total Housing Development Cost has increased from \$30M to \$63M. TDHCA's estimated development costs were calculated based on the schedule of values in the Contractor's Application for Payment submitted 2/25/2025. TDHCA's total development cost estimate varied 1.8% from Applicant's budget, so Applicant's costs were used in the analysis.

Highlights of the applicant's costs are:

- Total Financing costs increased over \$5.4M
- Total Developer Fees increased from \$3.4M to \$7.3M
- Total Soft Costs increased from \$1.8M to \$5.3M with Impact Fees increasing 1666% to \$2.5M

### **Sources of Funds**

Applicant applied for an increased allocation of tax exempt volume cap increasing the bond amount by \$9.5M to \$29M. Lenders and Equity providers remain unchanged. The interest rate decreased from 5.25% to 4.5% since the first underwriting report was issued in 2018

Underwriter is recommending the following adjustments to Eligible Basis:

- \$555K in financing costs
- \$86K in developer's fee

Eligible financing cost was limited to two years of interim construction interest per REA rules. The developer's fee was limited to 15%. These changes result in an overall annual tax credit allocation reduction of \$33,307. Sources from equity proceeds are adjusted \$1.2M, assuming a \$0.95 credit price. The adjustment increases the deferred developer fee which can still be paid in Year 14.

Underwriter recommends Applicant's request to change the Set Asides for the LIHTC income and rent limits from 100% at 60% of AMI to 85% at 60% AMI and 15% at 30% AMI.

The underwriter recommends an annual tax credit allocation of \$2,994,778 as determined by eligible basis

Underwriter:	<u>Beau Fannon</u>
Manager of Real Estate Analysis:	<u>Diamond Unique Thompson</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE									
Lakeway Apartment Homes, Austin, 4% HTC #18441									

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
Area Median Income	\$126,000
PROGRAM REGION:	7

UNIT DISTRIBUTION							
# Beds	# Units	% Total	Assisted	MDL	Income	# Units	% Total
Eff	43	23.9%	0	0	30%	27	15.0%
1	94	52.2%	0	0	40%	-	0.0%
2	30	16.7%	0	0	50%	-	0.0%
3	13	7.2%	0	0	60%	153	85.0%
4	-	0.0%	0	0	MR	-	0.0%
TOTAL	180	100.0%	-	-	TOTAL	180	100.0%

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	4.00%
Average Unit Size	785 sf

UNIT MIX / MONTHLY RENT SCHEDULE																			
HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 30%	\$661	6	0	1	560	\$661	\$42	\$619	\$0	\$1.11	\$619	\$3,714	\$3,714	\$619	\$1.11	\$0	\$1,323	\$2.36	\$1,323
TC 60%	\$1,323	37	0	1	560	\$1,323	\$42	\$1,281	\$0	\$2.29	\$1,281	\$47,397	\$47,397	\$1,281	\$2.29	\$0	\$1,323	\$2.36	\$1,323
TC 30%	\$708	14	1	1	725	\$708	\$56	\$652	\$0	\$0.90	\$652	\$9,128	\$9,128	\$652	\$0.90	\$0	\$1,417	\$1.95	\$1,417
TC 60%	\$1,417	80	1	1	725	\$1,417	\$56	\$1,361	\$0	\$1.88	\$1,361	\$108,880	\$108,880	\$1,361	\$1.88	\$0	\$1,417	\$1.95	\$1,417
TC 30%	\$850	5	2	2	1,080	\$850	\$71	\$779	\$0	\$0.72	\$779	\$3,895	\$3,895	\$779	\$0.72	\$0	\$1,701	\$1.58	\$1,701
TC 60%	\$1,701	25	2	2	1,080	\$1,701	\$71	\$1,630	\$0	\$1.51	\$1,630	\$40,750	\$40,750	\$1,630	\$1.51	\$0	\$1,701	\$1.58	\$1,701
TC 30%	\$982	2	3	2	1,281	\$982	\$88	\$894	\$0	\$0.70	\$894	\$1,788	\$1,788	\$894	\$0.70	\$0	\$1,965	\$1.53	\$1,965
TC 60%	\$1,965	11	3	2	1,281	\$1,965	\$88	\$1,877	\$0	\$1.47	\$1,877	\$20,647	\$20,647	\$1,877	\$1.47	\$0	\$1,965	\$1.53	\$1,965
TOTALS/AVERAGES:		180			141,283				\$0	\$1.67	\$1,312	\$236,199	\$236,199	\$1,312	\$1.67	\$0	\$1,481	\$1.89	\$1,481

ANNUAL POTENTIAL GROSS RENT:	\$2,834,388	\$2,834,388	
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STABILIZED PRO FORMA
Lakeway Apartment Homes, Austin, 4% HTC #18441

STABILIZED FIRST YEAR PRO FORMA															
COMPARABLES				APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
Database		Other		% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT					\$1.67	\$1,312	\$2,834,388	\$2,050,860	\$2,050,860	\$2,834,388	\$1,312	\$1.67		0.0%	\$0
pet fees, late fees, nsf, parking fines						\$15.00	\$32,400	54,000							
0						\$15.00	\$32,400	0							
0						\$0.00	\$0	0							
Total Secondary Income						\$30.00			43,200	\$64,800	\$30.00			0.0%	\$0
POTENTIAL GROSS INCOME							\$2,899,188	\$2,104,860	\$2,094,060	\$2,899,188				0.0%	\$0
Vacancy & Collection Loss						7.5% PGI	(217,439)	(157,865)	(157,055)	(217,439)	7.5% PGI			0.0%	-
EFFECTIVE GROSS INCOME							\$2,681,749	\$1,946,996	\$1,937,006	\$2,681,749				0.0%	\$0

General & Administrative	\$72,101	\$401/Unit	\$84,345	\$469	1.40%	\$0.27	\$208	\$37,500	\$44,950	\$66,600	\$72,101	\$401	\$0.51	2.69%	-48.0%	(34,601)
Management	\$77,243	4.0% EGI	\$97,457	\$541	3.50%	\$0.66	\$521	\$93,861	\$79,143	\$77,480	\$93,861	\$521	\$0.66	3.50%	0.0%	-
Payroll & Payroll Tax	\$236,253	\$1,313/Unit	\$262,331	\$1,457	7.77%	\$1.47	\$1,157	\$208,250	\$214,200	\$214,200	\$208,250	\$1,157	\$1.47	7.77%	0.0%	-
Repairs & Maintenance	\$121,786	\$677/Unit	\$322,948	\$1,794	3.34%	\$0.63	\$497	\$89,500	\$69,500	\$108,000	\$117,000	\$650	\$0.83	4.36%	-23.5%	(27,500)
Electric/Gas	\$44,214	\$246/Unit	\$24,898	\$138	0.67%	\$0.13	\$100	\$18,000	\$24,000	\$33,255	\$24,898	\$138	\$0.18	0.93%	-27.7%	(6,898)
Water, Sewer, & Trash	\$145,064	\$806/Unit	\$259,650	\$1,442	5.41%	\$1.03	\$806	\$145,000	\$145,200	\$145,064	\$145,064	\$806	\$1.03	5.41%	0.0%	(64)
Property Insurance	\$52,608	\$0.37 /sf	\$88,968	\$494	6.71%	\$1.27	\$1,000	\$180,000	\$54,000	\$52,608	\$180,000	\$1,000	\$1.27	6.71%	0.0%	-
Property Tax (@ 0%) 2.0438	\$126,661	\$704/Unit	\$31,205	\$173	0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements	\$64,375	\$358/Unit	\$57,246	\$318	2.01%	\$0.38	\$300	\$54,000	\$45,000	\$45,000	\$45,000	\$250	\$0.32	1.68%	20.0%	9,000
TDHCA LIHTC/HOME Compliance Fees			-	\$0	0.27%	\$0.05	\$40	\$7,200	\$7,200	\$7,200	\$7,200	\$40	\$0.05	0.27%	0.0%	-
Trustee Fee			-	\$0	0.19%	\$0.04	\$28	\$5,000	\$7,500	\$7,500	\$5,000	\$28	\$0.04	0.19%	0.0%	-
TOTAL EXPENSES					31.26%	\$5.93	\$4,657	\$ 838,311	\$694,219	\$760,433	\$898,374	\$4,991	\$6.36	33.50%	-6.7%	\$ (60,063)
NET OPERATING INCOME ("NOI")					68.74%	\$13.05	\$10,241	\$1,843,438	\$1,252,777	\$1,176,572	\$1,783,375	\$9,908	\$12.62	66.50%	3.4%	\$ 60,063

CONTROLLABLE EXPENSES						\$2,768/Unit				\$3,152/Unit	
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Lakeway Apartment Homes, Austin, 4% HTC #18441

		DEBT / GRANT SOURCES															
		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
											Cumulative DCR		Pmt	Rate	Amort	Term	Principal
DEBT (Must Pay)	Fee	UW	App	Applicant	TDHCA	DCR	LTC										
IBC	0.00%	1.13	1.17	1,575,951	4.50%	40	15	\$29,000,000	\$18,600,000	\$18,600,000	\$29,000,000	15	40	4.50%	\$1,564,479	1.14	45.9%
Adjustment to Debt Per §10.302(c)(2)										(\$1,511,000)	(\$200,000)	15	40	4.50%	(\$10,790)	1.15	-0.3%
				\$1,575,951	TOTAL DEBT / GRANT SOURCES			\$29,000,000			\$28,800,000	TOTAL DEBT SERVICE			\$1,553,689	1.15	45.6%
NET CASH FLOW		\$207,424	\$267,487	TDHCA    NET OPERATING INCOME    \$1,783,375    \$229,686    NET CASH FLOW													

EQUITY / DEFERRED FEES	EQUITY SOURCES												
	APPLICANT'S PROPOSED EQUITY STRUCTURE							AS UNDERWRITTEN EQUITY STRUCTURE					
	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
Applicant						TDHCA							
42 Equity Partners	LIHTC Equity	45.6%	\$3,028,085	0.95	\$28,766,085	\$10,966,518	\$10,762,054	\$28,449,583	\$0.9500	\$2,994,778	45.1%	\$16,638	Eligible Basis
RRC Development DDF Note	Deferred Developer Fees	7.0%	(58% Deferred)		\$4,405,594	\$0	\$2,575,599	\$5,870,552	(77% Deferred)		9.3%	Total Developer Fee: \$7,595,235	
Additional (Excess) Funds Req'd		0.0%					\$0	\$0			0.0%		
TOTAL EQUITY SOURCES		52.6%			\$33,171,679	\$10,966,518	\$13,337,653	\$34,320,135			54.4%		
TOTAL CAPITALIZATION					\$62,171,679	\$29,566,518	\$30,426,653	\$63,120,135			15-Yr Cash Flow after Deferred Fee:		\$632,467

	DEVELOPMENT COST / ITEMIZED BASIS													
	APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS							COST VARIANCE	
	Eligible Basis				Prior Underwriting					Eligible Basis				
	Acquisition	New Const. Rehab			Applicant	TDHCA				New Const. Rehab	Acquisition			%
			Total Costs				Total Costs							
Land Acquisition			\$12,222 / Unit		\$2,200,000	\$1,875,000	\$1,875,000	\$2,200,000	\$12,222 / Unit				0.0%	\$0
Building Acquisition	\$0		\$ / Unit		\$0	\$0	\$0	\$0	\$ / Unit			\$0	0.0%	\$0
Closing costs & acq. legal fees					\$75,000	\$135,000	\$135,000	\$75,000						\$0
Site Work		\$3,750,000	\$20,833 / Unit		\$3,750,000	\$2,700,000	\$2,700,000	\$5,241,878	\$29,122 / Unit		\$3,750,000		-28.5%	(\$1,491,878)
Site Amenities		\$985,000	\$5,472 / Unit		\$985,000	\$1,125,000	\$1,125,000	\$1,058,919	\$5,883 / Unit		\$985,000		-7.0%	(\$73,919)
Building Cost		\$28,900,000	\$204.55 /sf	\$160,556/Unit	\$28,900,000	\$12,090,750	\$11,995,174	\$26,548,624	\$147,492/Unit	\$187.91 /sf	\$26,548,624		8.9%	\$2,351,376
Contingency		\$0	0.00%	0.00%	\$0	\$795,788	\$795,788	\$0	0.00%	0.00%	\$0		0.0%	\$0
Contractor Fees		\$4,708,900	14.00%	14.00%	\$4,708,900	\$2,339,615	\$2,326,235	\$4,598,919	14.00%	14.00%	\$4,379,707		2.4%	\$109,981
Soft Costs	0	\$5,281,000	\$29,478 / Unit		\$5,306,000	\$1,805,000	\$1,805,000	\$5,306,000	\$29,478 / Unit		\$5,281,000	\$0	0.0%	\$0
Financing	0	\$7,010,000	\$49,722 / Unit		\$8,950,000	\$3,560,000	\$3,560,000	\$8,950,000	\$49,722 / Unit		\$6,455,000	\$0	0.0%	\$0
Developer Fee	\$0	\$7,597,500	15.00%	15.00%	\$7,597,500	\$3,500,500	\$3,485,204	\$7,344,769	15.00%	15.00%	\$7,109,900	\$0	3.4%	\$252,731
Reserves			\$3,611 / Unit		\$650,000	\$500,000	\$500,000	\$650,000	\$3,611 / Unit				0.0%	\$0
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	\$0	\$58,232,400	\$350,680 / Unit		\$63,122,400	\$30,426,653	\$30,302,400	\$61,974,110	\$344,301 / Unit		\$54,509,232	\$0	1.9%	\$1,148,290
Acquisition Cost	\$0				\$0	\$0								
Contingency		\$0			\$0	\$0								
Contractor's Fee		\$0			\$0	\$0								
Financing Cost		(\$555,000)												
Developer Fee	\$0	(\$85,515)			(\$2,265)	\$0								
Reserves					\$0	\$0								
ADJUSTED BASIS / COST	\$0	\$57,591,885	\$350,667/unit		\$63,120,135	\$30,426,653	\$30,302,400	\$61,974,110	\$344,301/unit		\$54,509,232	\$0	1.8%	\$1,146,025
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):														
					\$63,120,135									



CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Lakeway Apartment Homes, Austin, 4% HTC #18441

CREDIT CALCULATION ON QUALIFIED BASIS				
Applicant		TDHCA		
Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation	
ADJUSTED BASIS	\$0	\$57,591,885	\$0	\$54,509,232
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$57,591,885	\$0	\$54,509,232
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$74,869,451	\$0	\$70,862,001
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	\$0	\$74,869,451	\$0	\$70,862,001
Applicable Percentage	4.00%	4.00%	4.00%	4.00%
ANNUAL CREDIT ON BASIS	\$0	\$2,994,778	\$0	\$2,834,480
CREDITS ON QUALIFIED BASIS	\$2,994,778		\$2,834,480	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS			FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price	\$0.9500	Variance to Request
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	\$2,994,778	\$28,449,583	\$2,994,778	(\$33,307)	(\$316,407)
Needed to Fill Gap	\$3,612,748	\$34,320,135	----	----	----
Applicant Request	\$3,028,085	\$28,765,990	----	----	----

50% Test for Bond Financing for 4% Tax Credits						
Tax-Exempt Bond Amount		\$40,000,000		Percent Financed by Tax-Exempt Bonds	<u>Applicant</u>	<u>TDHCA</u>
Aggregate Basis Limit for 50% Test		\$80,000,000			75.7%	77.8%
	<u>Applicant</u>	<u>TDHCA</u>				
Land Cost	\$2,200,000	\$2,200,000				
Depreciable Bldg Cost	\$50,659,900	\$49,209,340				
Aggregate Basis for 50% Test		\$52,859,900				
				amount aggregate basis can increase before 50% test fails	\$27,140,100 51.3%	\$28,590,660 55.6%

BUILDING COST ESTIMATE					
CATEGORY		FACTOR	UNITS/SF	PER SF	
Base Cost:	Garden (Up to 4-story)		141,283 SF	\$71.58	10,113,713
Adjustments					
Exterior Wall Finish		2.63%		1.88	\$265,872
Elderly		0.00%		0.00	0
9-Ft. Ceilings		3.33%		2.38	336,645
Roof Adjustment(s)				1.27	180,000
Subfloor				0.20	28,640
Floor Cover				2.56	361,684
Enclosed Corridors		\$54.23	18,305	7.03	992,768
Balconies		\$28.59	18,833	3.81	538,360
Plumbing Fixtures		\$1,020	129	0.93	131,580
Rough-ins		\$500	360	1.27	180,000
Built-In Appliances		\$1,730	180	2.20	311,400
Exterior Stairs		\$2,280	29	0.47	66,120
Heating/Cooling				2.21	312,235
Storage Space		\$54.23	0	0.00	0
Carports		\$12.25	43,200	3.75	529,200
Garages			0	0.00	0
Comm &/or Aux Bldgs		\$79.26	10,753	6.03	852,282
Elevators		\$109,380	5	3.87	546,900
Other:		\$0		0.00	0
Fire Sprinklers		\$2.59	170,341	3.12	441,183
SUBTOTAL				114.58	16,188,583
Current Cost Multiplier		1.01		1.15	161,886
Local Multiplier		0.86		(16.04)	(2,266,402)
TOTAL BUILDING COSTS				99.69	\$14,084,067
Plans, specs, survey, bldg permits		3.30%		(3.29)	(\$464,774)
Contractor's OH & Profit		11.50%		(11.46)	(1,619,668)
NET BUILDING COSTS			\$66,665/unit	\$84.93/sf	\$11,999,625



## Long-Term Pro Forma

*Lakeway Apartment Homes, Austin, 4% HTC #18441*

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	2.00%	\$2,681,749	\$2,735,384	\$2,790,092	\$2,845,893	\$2,902,811	\$3,204,938	\$3,538,511	\$3,906,802	\$4,313,425	\$4,762,370	\$5,258,046	\$5,805,312
TOTAL EXPENSES	3.00%	\$898,374	\$924,236	\$950,856	\$978,255	\$1,006,457	\$1,160,355	\$1,338,182	\$1,543,688	\$1,781,214	\$2,055,787	\$2,373,224	\$2,740,264
<b>NET OPERATING INCOME ("NOI")</b>		<b>\$1,783,375</b>	<b>\$1,811,148</b>	<b>\$1,839,236</b>	<b>\$1,867,638</b>	<b>\$1,896,355</b>	<b>\$2,044,583</b>	<b>\$2,200,328</b>	<b>\$2,363,114</b>	<b>\$2,532,211</b>	<b>\$2,706,583</b>	<b>\$2,884,822</b>	<b>\$3,065,048</b>
EXPENSE/INCOME RATIO		33.5%	33.8%	34.1%	34.4%	34.7%	36.2%	37.8%	39.5%	41.3%	43.2%	45.1%	47.2%
<b>MUST -PAY DEBT SERVICE</b>													
TOTAL DEBT SERVICE		\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689
DEBT COVERAGE RATIO		1.15	1.17	1.18	1.20	1.22	1.32	1.42	1.52	1.63	1.74	1.86	1.97
<b>ANNUAL CASH FLOW</b>		<b>\$229,686</b>	<b>\$257,458</b>	<b>\$285,546</b>	<b>\$313,949</b>	<b>\$342,665</b>	<b>\$490,894</b>	<b>\$646,639</b>	<b>\$809,425</b>	<b>\$978,522</b>	<b>\$1,152,894</b>	<b>\$1,331,133</b>	<b>\$1,511,359</b>
Deferred Developer Fee Balance		\$5,640,866	\$5,383,408	\$5,097,861	\$4,783,912	\$4,441,247	\$2,286,310	\$0	\$0	\$0	\$0	\$0	\$0
<b>CUMULATIVE NET CASH FLOW</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$632,467</b>	<b>\$4,351,329</b>	<b>\$8,903,400</b>	<b>\$14,317,267</b>	<b>\$20,615,245</b>	<b>\$27,811,234</b>

**SONOMA HOUSING ADVISORS, LLC**

**Attn: BILL FISHER**

**16812 Dallas Parkway**

**Dallas, TX 75248**

**214-608-7201**

**[Bill.fisher@sonomaadvisors.com](mailto:Bill.fisher@sonomaadvisors.com)**

Ms. Lee Ann Chance  
TDHCA, Senior Asset Manager  
211 E. 11<sup>th</sup> Street  
Austin, TX 77011

January 8, 2025

RE: Material Amendment request for proposed change in targeting for Lakeview Seniors #17435, Lakeway Apartments #18441 and TX Manor Apartments #19471

Dear Lee Ann Chance

The Sponsors have applied for and are receiving an allocation of tax-exempt volume cap in 2025 for the 3 projects referenced above. The cap is allocated under Priority 1 B which requires a change in the income and rent targeting. Currently all units in each are 100% at 60% AMFI income and rents. The use of the 1 B bond allocation requires 15% of the units currently at 60% of AMFI income and rent to be restricted to 30% of AMFI income and rent. An amendment to change in targeting requires acknowledgement from the lender and investor, which is attached to this request for each development modifying the targeting as required by the supplemental bond allocations under Priority 1 B.

The amendments are in the best interest of the State, the residents and the properties. The need for more units targeted at or below 30% in these markets is well documented. The QAP and governing statutes prioritize low income targeting to serve Texans with the most need for affordable housing. For the project, the demand for lower income targeted units enhances overall occupancy and reduces turnover. The supplement bonds trigger the 4% HTC percentage floor adding substantial additional equity to the development financing. This enhances long term feasibility and reduces debt. Only Lakeview has an existing LURA, so this amendment should be considered a request to amend the LURA for the additional targeting.

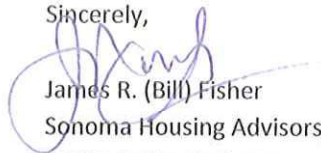
The required notices to the public and the residents are made and included in the application submission materials. There are a couple of public hearings to be conducted. At which time the public and residents will be given additional notices under the TEFRA and HTC board action agendas.

In addition to this letter request the submissions for each development include:

1. Lender and investor acknowledgment of the targeting changes
2. Lender and investor financing term sheets that tie to the new financial projection tabs. The term sheets reflect the additional housing tax credits and additional bonds being allocated. They also document the projected term loan. The loan sizing reflects the current 2024 rents and expense applying the additional targeting at 30% of AMFI income and rent.
3. Updated financial tabs with back up for the UA, sources and uses of funds and pro forma.
4. The lender and investor have signed the tabs required for their confirmation of long term financial feasibility.
5. This submission is intended to meet the minimum requirement for a submission which is subject to further review and underwriting. Sufficient to allow the sponsors to use the tax-exempt volume cap being allocated by the BRB. See attached.

On behalf of and as authorized by the sponsors, I request your acceptance of this submission and confirmation if receipt to the BRB prior to the deadlines. If you have questions, please let me know. 214-608-7201.

Sincerely,



James R. (Bill) Fisher

Sonoma Housing Advisors, LLC

16812 Dallas Parkway

Dallas, TX 75248

[Bill.fisher@sononaadvisors.com](mailto:Bill.fisher@sononaadvisors.com)

**SONOMA HOUSING ADVISORS, LLC**

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16812 Dallas Parkway  
Dallas, TX 75248  
214-608-7201

[Bill.fisher@sonomaadvisors.com](mailto:Bill.fisher@sonomaadvisors.com)

Ms. Lee Ann Chance  
Senior Asset Manager  
TDHCA  
211 E. 11<sup>th</sup> Street  
Austin, TX 77011

January 4, 2025

RE: Lender and Investor Acknowledgement of proposed change in targeting for Lakeview Seniors #17435, Lakeway Apartments #18441 and TX Manor Apartments #19471

Dear Lee Ann Chance

The Sponsors have applied for and are receiving an allocation of tax-exempt volume cap in 2025 for the 3 projects referenced above. The cap is allocated under Priority 1 B which requires a change in the income and rent targeting. Currently all units in each are 100% at 60% AMFI income and rents. The use of the 1 B bond allocation requires 15% of the units currently at 60% of AMFI income and rent to be restricted to 30% of AMFI income and rent. An amendment to change in targeting requires acknowledgement from the lender and investor. IBC Bank is the current lender for all three communities. 42 Equity Partners is the tax credit investor currently.

Below is an acknowledgement from IBC and 42 of this use of bond proceeds with additional income and rent targeting. If you have questions, please let me know. 214-608-7201.

Sincerely,

James R. (Bill) Fisher  
Sonoma Housing Advisors, LLC  
16812 Dallas Parkway  
Dallas, TX 75248  
[Bill.fisher@sonomaadvisors.com](mailto:Bill.fisher@sonomaadvisors.com)

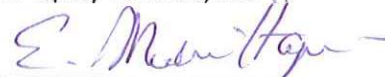
Acknowledgement of change in targeting for the 3 projects, Lakeview, Lakeway and TX Manor to allow for 15% of the units to be restricted at or below 30% of AMFI income and rent. As required by Priority 1 B bond allocation rules:

IBC Bank, Brownsville



W. Lee Reed IV, President

42 Equity Partners, LLC



E. Michael Haynes, Managing Director