



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

**File #:** 1096

**Agenda Date:** 7/24/2025

**Agenda #:**

Presentation, discussion, and possible action regarding a Material Application Amendment to the Housing Tax Credit Application for Stella Haven (HTC #24146)

#### **RECOMMENDED ACTION**

**WHEREAS**, Stella Haven (the Development) received a 9% Housing Tax Credit (HTC) award in 2024 for the new construction of 88 units of multifamily housing in Denton, Denton County;

**WHEREAS**, due to the need to fill a funding gap, which is expected to be filled by obtaining Multifamily Direct Loan (MFDL) funding from the Department, Stella Haven, LP (the Applicant) requests approval to change the income and rent limit elections in order to continue to have an average income of 54% or lower and qualify for the National Housing Trust Fund loan, which requires 21 units at 30% of Area Median Income (AMI);

**WHEREAS**, because the City of Denton (the City) has requested the Applicant to preserve existing trees on the Development site and the parking requirement changed to one parking space per unit, the building footprint will be reduced and the number of parking spaces will decrease from 139 to 88;

**WHEREAS**, the Common Area will be reduced from 24,007 square feet at Application to 21,264 square feet, a reduction of 2,743 square feet or 11.43%;

**WHEREAS**, Board approval is required for a reduction of 3% or more in the square footage of common areas as directed by Tex. Gov't Code §2306.6712(d)(4) and 10 TAC §10.405(a)(4)(D), and the Applicant has complied with the amendment requirements therein; and

**WHEREAS**, the requested changes do not negatively affect the Development, impact the viability of the transaction, impact the scoring of the Application, or impact the HTC award;

**NOW, therefore, it is hereby**

**RESOLVED**, that the requested material amendment to the Application for Stella Haven 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.

#### **BACKGROUND**

Stella Haven (HTC #24146) was approved for a 9% HTC award in 2024 for the new construction

of 88 units for the general population in Denton, Denton County. Construction of the Development has not begun. The Applicant elected Average Income as the Qualified Low Income Housing Development Election, with an average income of 54% or lower, which would allow the property to serve households with incomes ranging from 30% to 80% of the Area Median Income (AMI).

In a letter as of May 22, 2025, Abby Penner, the representative for the Applicant, requested approval for an amendment to the Application to revise the income and rent designations in order to qualify for the National Housing Trust Fund loan. With this change, the Development must have 21 units at 30% AMI, but the average income would still be 54% or lower. This change is not considered a material amendment because the average income election is not changing. Additionally, due to the City of Denton requesting the developer to preserve existing trees on the Development site and with a reduction to the parking requirement to one parking space per unit, the building footprint will be reduced. The Development was proposed to have four stories on one half and five stories on the other half to accommodate 139 parking spaces. The amendment proposes to reduce the number of parking spaces to a total of 88 open spaces, which includes seven accessible spaces. The building will now be only four stories.

Due to the modifications by the City, the Common Area will be decreased from 24,007 square feet to 21,264 square feet, a decrease of 2,743 square feet or 11.43%. The Applicant indicated that the majority of this decrease is due to the 20% decrease in breezeway square footage due to a reduction in the overall building footprint and change to four floors. The only other common areas to experience a decrease in square footage are the entry reception, manager office, coffee bar, and restrooms. All other common area spaces will either stay the same or increase slightly in size. In total, if the changes to the breezeway are disregarded, the common area space is increased by 269 square feet. Thus, although percentage wise there appears to be a larger decrease in the common area square footage, this proposed change actually would provide the tenants with more useable common area spaces.

The Development was re-underwritten based on the proposed income and rent limits and revised financial information that was submitted. The analysis supports no change to the HTC allocation and demonstrates the Development remains feasible with the additional proposed changes to the financing structure. Additionally, staff reviewed the original Application and scoring documentation against this amendment request and has concluded that none of the changes would have resulted in selection or threshold criteria changes that would have affected the selection of the Application in the competitive round. The recommendation for the direct loan funds from the Department will be presented separately from this amendment to the HTC Application.

Staff recommends approval of the material amendment request.



**Real Estate Analysis Division**

July 8, 2025

**Addendum to Underwriting Report**

TDHCA Application #: **25505\_24146** Program(s): **9% HTC/MDL**

**Stella Haven**

Address/Location: 3300 Sundown Blvd

City: Denton County: Denton Zip: 76210

	APPLICATION HISTORY
Report Date	PURPOSE
07/08/25	MDL Award / Amendment Memo
06/17/24	New Application-Initial Underwriting

**ALLOCATION**

	Previous Allocation				RECOMMENDATION						
TDHCA Program	Amount	Int. Rate	Amort	Term	Amount	Int. Rate	Amort	Perm. Term	Perm. Lien	Const. Term	Const. Lien
MFDL	\$0	0.00%	0	.0 yrs	\$4,800,000	2.00%	40	15.5 yrs	2	24 mos	2
LIHTC (9% Credit)	\$2,000,000				\$2,000,000						

\* Multifamily Direct Loan and HOME ARP Terms:

\* The term of a Multifamily Direct Loan or HOME ARP loan should match the term of any superior loan (within 6 months).

\*\* Construction loan term cannot exceed the recommendation above, but may be less depending on actual closing date. Final construction term will be noted in the loan documents.

## CONDITIONS STATUS

### 1 Receipt and acceptance before Direct Loan Contract:

- Documentation that a noise study has been completed, and certification from the Architect that all recommendations from the noise study are incorporated into the development plans.

### 2 Receipt and acceptance before Direct Loan Closing:

- a: Updated application exhibits: Rent Schedule, Utility Allowance, Operating Expenses, Long-Term Pro Forma, Development Cost Schedule, Schedule of Sources; and documentation necessary to support any changes from previous underwriting.
- b: Substantially final construction contract with Schedule of Values.
- c: Updated term sheets with substantially final terms from all lenders.
- d: Substantially final draft of limited partnership agreement.
- e: Senior loan documents and/or partnership documents must contain a provision that any stabilization resizing on the senior debt includes the debt service on the TDHCA MDL at a minimum 1.15 DCR, or 1.0 if subordinate to FHA financing.
- f: **Per 10 TAC 11.302(g)(4), if at Direct Loan Closing the DCR exceeds 1.50 any year during the longer of the term of the Direct Loan or the Federal Affordability Period, the Applicant must elect to commit 25% of annual Cash Flow to a special reserve account, in accordance with §10.404(d). Annual Cash Flow will be calculated after deducting any payment due to the Developer on a deferred developer fee loan and any scheduled payments on cash flow loans. The Department will calculate the total special reserve amount based on the Cash Flow at Direct Loan Closing underwriting. The deposits into the special reserve account must be made annually from 25% of remaining annual cash flow until the total special reserve amount is reached. Alternatively, Applicant may request the Direct Loan interest rate be increased by Underwriter at Direct Loan Closing underwriting if financial feasibility is still met.**

### 3 Receipt and acceptance by Cost Certification:

- a: Certification that testing for asbestos and lead-based paint was performed on the existing structures prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.
- b: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

## SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	21
50% of AMI	50% of AMI	20
60% of AMI	60% of AMI	32
80% of AMI	80% of AMI	15

TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
30% of AMFI	30% of AMFI	21

## ANALYSIS

The development originally received an annual 9% HTC allocation of \$2,000,000 in 2024. Applicant is now requesting a second lien \$4,800,000 TDHCA-NHTF loan at a 2.00% interest rate, 40 year amortization and 15 year term. Along with \$360,000 in Home Match sources, the TDHCA loan would replace \$1.5M of the original first lien permanent financing as well as replacing an originally contemplated \$3.5M cash flow loan from the Local Initiatives Support Corporation ("LISC"). Applicant reallocated Set Aside units to meet requirements of the MDL loan by increasing the number of 30% units (+9) and 80% units (+6) while decreasing 50% units (-15). Income averaging is now at 54%.

On May 22, 2025, the Applicant also requested an Amendment. The original site plan layout did not consider the location of existing trees on the property. Since then, the City of Denton has asked that the developer preserve as many of the existing trees as possible. Additionally, since the application was awarded, affordability reductions have been published to reduce the parking requirement to 1 parking space per unit. As a result, Applicant requested that the overall building footprint be reduced, which preserves as many trees as possible while meeting the current 1 parking space per unit parking requirement. At original application, the development was to have 139 parking spaces. The amendment proposes to reduce the number of parking spaces to 88 total spaces (including 7 accessible spaces), which complies with the new City of Denton parking requirement.

Originally, Stella Haven was approved with 24,007 SF of common area. The proposed change to the common area space would decrease the square footage to 21,264 SF, an approximately 11.43% decrease. The majority of this decrease is due to the 20% decrease in breezeway square footage due to a reduction in the overall building footprint. The only other common areas to experience a decrease in square footage are the entry reception, manager office, coffee bar and restrooms. All other common area spaces will either stay the same or increase slightly in size. In total, if the changes to the breezeway areas are disregarded, the common area space is increased by 269 square feet.

Also at original Application, Stella Haven was approved with 72,900 SF of NRA. This NRA included twenty-two (22) 600 SF one-bedroom units, forty-eight (48) 850 SF two-bedroom units and eighteen (18) 1,050 SF three-bedroom units. The proposed building layout changes also impacted the unit square footages. The square footages of the one and two-bedrooms would remain the same, but six (6) of the three-bedrooms would be increased to 1,148 SF. Overall, this proposed change would increase the NRA to 73,488 SF, an approximately 0.81% increase. In summation, the proposed unit sizes would be as follows; twenty-two (22) 600 SF one-bedroom units, forty-eight (48) 850 SF two-bedroom units, twelve (12) 1,050 SF three-bedroom units and six (6) 1,148 SF three-bedrooms units. This proposed change would provide tenants with larger living spaces.

### **Operating Pro Forma**

Analysis uses the most recent 2025 published LIHTC and NHTF rents. TC 80% rents are underwritten at the market rents stated in the Market Study dated 3/5/2025 since those rents are lower than 80% max program limits. Underwriter removed compliance fees for Direct Loan units on Applicant's proforma as developments with both HTCs and Direct Loan only pay one fee equal to \$40 per low income unit. Underwriter utilized Applicant's budgeted expense for Salary and for Insurance that were both increased since original underwriting in 2024.

Since the overall variance is under 5%, Applicant's revised operating Pro Forma is being used for the underwriting analysis. Underwritten DCR is 1.19, with a residual 15-year cash flow of \$1.4M after deferred developer fee is paid off in year 8. In the original underwriting report, residual 15-year cash flow was \$1.15M after deferred developer fee was paid off in year 10.

### **Development Cost**

Since original underwriting, Applicant's total housing development cost has increased by \$932k or 3.2%.

Underwriter updated TDHCA's building cost estimate and increased structured parking costs by 5%. However, since the overall development cost variance remained under 5%, Applicant's revised development costs were used for the underwriting analysis.

Applicant's Contractor Fees were overstated by \$75k, but eligible Contractor Fees are within the 14% threshold.

### **Sources of Funds**

Applicant reduced the first lien permanent financing from \$7M to \$5.5M and replaced the LISC cash flow loan of \$3.5M at 0.5% interest with the requested MFDL loan of \$4.8M. HOME Match of \$360k was also included as a new Source. Tax credit equity increased as a result of the equity price increasing from \$0.86 to \$0.91. Annual credits remain unchanged from the 2024 9% allocation.

The \$360k in HOME Match pledged is comprised of \$185k in reduced legal fees and construction management fees, \$75k in waived predevelopment guarantee fee and \$100k in donated real property. Applicant provided an Appraisal from BBG Real Estate Services dated 6-17-2024 supporting a market land value of \$1.6M which is \$100k more than the Applicant paid in an arms length transaction.

Per the NOFA 2025-01, the overall developer fee did not increase from the last approved underwriting report.

### **Recommendation**

Underwriter recommends Applicant's requests for a second lien MFDL-NHTF loan in the amount of \$4,800,000 at a 2.00% interest rate for a 15.5-year term with payments based on a 40-year amortization. Under these terms, the annualized monthly debt service payment is \$398,216. The construction term is assumed at 24 Months. the special reserve condition will be required.

Furthermore, an annual 9% tax credit allocation of \$2,000,000 is still being recommended.

Underwriter:	<u>Eric Weiner</u>
Manager of Real Estate Analysis:	<u>Gregg Kazak</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE

Stella Haven, Denton, 9% HTC/MDL #24146

LOCATION DATA	
CITY:	Denton
COUNTY:	Denton
Area Median Income	\$117,300
PROGRAM REGION:	3
PROGRAM RENT YEAR:	2025

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	NHTF	ARP	Match
Eff	-	0.0%	0	0	0	0
1	22	25.0%	0	5	0	1
2	48	54.5%	0	11	0	1
3	18	20.5%	0	5	0	1
4	-	0.0%	0	0	0	0
5	-	0.0%	0	0	0	0
TOTAL	88	100.0%	-	21	-	3

PRO FORMA ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	835 sf

54%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average	# Units	-	21	-	20	32	-	15	-	88
Income	% Total	0.0%	23.9%	0.0%	22.7%	36.4%	0.0%	17.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE																						
HTC		MFDL NHTF Units		Match Units	UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	Match Units	# 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%	\$660	NHTF 30%	\$621		5	1	1	600	\$621	\$88	\$533	\$0	\$0.89	\$533	\$2,665	\$2,665	\$533	\$0.89	\$0	\$1,325	\$2.21	\$1,325
TC 50%	\$1,100			1	5	1	1	600	\$1,100	\$88	\$1,012	\$0	\$1.69	\$1,012	\$5,060	\$5,060	\$1,012	\$1.69	\$0	\$1,325	\$2.21	\$1,325
TC 60%	\$1,320				8	1	1	600	\$1,320	\$88	\$1,232	\$0	\$2.05	\$1,232	\$9,856	\$9,856	\$1,232	\$2.05	\$0	\$1,325	\$2.21	\$1,325
TC 80%	\$1,761				4	1	1	600	\$1,413	\$88	\$1,325	\$0	\$2.21	\$1,325	\$5,300	\$5,300	\$1,325	\$2.21	\$0	\$1,325	\$2.21	\$1,325
TC 30%	\$792	NHTF 30%	\$745		11	2	2	850	\$745	\$114	\$631	\$0	\$0.74	\$631	\$6,941	\$6,941	\$631	\$0.74	\$0	\$1,707	\$2.01	\$1,707
TC 50%	\$1,320			1	13	2	2	850	\$1,320	\$114	\$1,206	\$0	\$1.42	\$1,206	\$15,678	\$15,678	\$1,206	\$1.42	\$0	\$1,707	\$2.01	\$1,707
TC 60%	\$1,584				18	2	2	850	\$1,584	\$114	\$1,470	\$0	\$1.73	\$1,470	\$26,460	\$26,460	\$1,470	\$1.73	\$0	\$1,707	\$2.01	\$1,707
TC 80%	\$2,112				6	2	2	850	\$1,841	\$114	\$1,727	\$0	\$2.03	\$1,727	\$10,362	\$10,362	\$1,727	\$2.03	\$0	\$1,727	\$2.03	\$1,727
TC 30%	\$915	NHTF 30%	\$860		3	3	2	1,050	\$860	\$139	\$721	\$0	\$0.69	\$721	\$2,163	\$2,163	\$721	\$0.69	\$0	\$2,100	\$2.00	\$2,100
TC 50%	\$1,525			1	1	3	2	1,050	\$1,525	\$139	\$1,386	\$0	\$1.32	\$1,386	\$1,386	\$1,386	\$1,386	\$1.32	\$0	\$2,100	\$2.00	\$2,100
TC 60%	\$1,830				4	3	2	1,050	\$1,830	\$139	\$1,691	\$0	\$1.61	\$1,691	\$6,764	\$6,764	\$1,691	\$1.61	\$0	\$2,100	\$2.00	\$2,100
TC 80%	\$2,440				4	3	2	1,050	\$2,239	\$139	\$2,100	\$0	\$2.00	\$2,100	\$8,400	\$8,400	\$2,100	\$2.00	\$0	\$2,100	\$2.00	\$2,100
TC 30%	\$915	NHTF 30%	\$860		2	3	2	1,148	\$860	\$139	\$721	\$0	\$0.63	\$721	\$1,442	\$1,442	\$721	\$0.63	\$0	\$2,100	\$1.83	\$2,100
TC 50%	\$1,525				1	3	2	1,148	\$1,525	\$139	\$1,386	\$0	\$1.21	\$1,386	\$1,386	\$1,386	\$1,386	\$1.21	\$0	\$2,100	\$1.83	\$2,100
TC 60%	\$1,830				2	3	2	1,148	\$1,830	\$139	\$1,691	\$0	\$1.47	\$1,691	\$3,382	\$3,382	\$1,691	\$1.47	\$0	\$2,100	\$1.83	\$2,100
TC 80%	\$2,440				1	3	2	1,148	\$2,239	\$139	\$2,100	\$0	\$1.83	\$2,100	\$2,100	\$2,100	\$2,100	\$1.83	\$0	\$2,100	\$1.83	\$2,100
TOTALS/AVERAGES:					88				73,488			\$0	\$1.49	\$1,243	\$109,345	\$109,345	\$1,243	\$1.49	\$0	\$1,693	\$2.03	\$1,693

ANNUAL POTENTIAL GROSS RENT:	\$1,312,140	\$1,312,140	
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\*MFDL units float among Unit Types

STABILIZED PRO FORMA

Stella Haven, Denton, 9% HTC/MDL #24146

STABILIZED FIRST YEAR PRO FORMA															
COMPARABLES				APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
Database	Local Comps			% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT					\$1.49	\$1,243	\$1,312,140	\$1,241,196	\$1,233,972	\$1,312,140	\$1,243	\$1.49		0.0%	\$0
late fees, app fees, retained deposits						\$30.00	\$31,680	24,372							
Total Secondary Income						\$30.00			24,372	\$31,680	\$30.00			0.0%	\$0
POTENTIAL GROSS INCOME							\$1,343,820	\$1,265,568	\$1,258,344	\$1,343,820				0.0%	\$0
Vacancy & Collection Loss						7.5% PGI	(100,787)	(94,918)	(94,376)	(100,787)	7.5% PGI			0.0%	-
EFFECTIVE GROSS INCOME							\$1,243,034	\$1,170,650	\$1,163,968	\$1,243,034				0.0%	\$0

General & Administrative	\$49,957	\$568/Unit	\$83,960	\$954	3.85%	\$0.65	\$544	\$47,900	\$47,900	\$49,757	\$49,957	\$568	\$0.68	4.02%	-4.1%	(2,057)
Management	\$40,577	3.1% EGI	\$47,075	\$535	4.00%	\$0.68	\$565	\$49,721	\$57,952	\$57,616	\$51,819	\$589	\$0.71	4.17%	-4.0%	(2,098)
Payroll & Payroll Tax	\$127,167	\$1,445/Unit	\$124,774	\$1,418	11.10%	\$1.88	\$1,568	\$138,000	\$124,600	\$124,600	\$138,000	\$1,568	\$1.88	11.10%	0.0%	-
Repairs & Maintenance	\$70,909	\$806/Unit	\$102,689	\$1,167	4.94%	\$0.84	\$698	\$61,400	\$61,400	\$57,200	\$57,200	\$650	\$0.78	4.60%	7.3%	4,200
Electric/Gas	\$23,540	\$268/Unit	\$13,399	\$152	1.24%	\$0.21	\$175	\$15,400	\$11,000	\$13,399	\$13,399	\$152	\$0.18	1.08%	14.9%	2,001
Water, Sewer, & Trash	\$75,504	\$858/Unit	\$59,554	\$677	4.81%	\$0.81	\$680	\$59,840	\$59,200	\$59,554	\$59,554	\$677	\$0.81	4.79%	0.5%	286
Property Insurance	\$59,616	\$0.81 /sf	\$51,828	\$589	6.44%	\$1.09	\$909	\$80,000	\$75,000	\$75,000	\$80,000	\$909	\$1.09	6.44%	0.0%	-
Property Tax (@ 100%) 1.9094	\$97,442	\$1,107/Unit	\$101,862	\$1,158	6.11%	\$1.03	\$863	\$75,939	\$70,000	\$70,000	\$75,939	\$863	\$1.03	6.11%	0.0%	-
Reserve for Replacements					2.12%	\$0.36	\$300	\$26,400	\$26,400	\$26,400	\$26,400	\$300	\$0.36	2.12%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.28%	\$0.05	\$40	\$3,520	\$3,520	\$3,520	\$3,520	\$40	\$0.05	0.28%	0.0%	-
TDHCA MDL Compliance (\$34/MDL unit)					0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
Alarm/Utility Consultant					0.13%	\$0.02	\$18	\$1,580	\$1,580	\$1,580	\$1,580	\$18	\$0.02	0.13%	0.0%	-
TOTAL EXPENSES					45.03%	\$7.62	\$6,360	\$559,700	\$538,552	\$538,626	\$557,367	\$6,334	\$7.58	44.84%	0.4%	\$ 2,333
NET OPERATING INCOME ("NOI")					54.97%	\$9.30	\$7,765	\$683,334	\$632,098	\$625,342	\$685,666	\$7,792	\$9.33	55.16%	-0.3%	\$ (2,333)

CONTROLLABLE EXPENSES		\$3,665/Unit		\$3,615/Unit	
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS																
Stella Haven, Denton, 9% HTC/MDL #24146																

		DEBT / GRANT SOURCES																				
		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									AS UNDERWRITTEN DEBT/GRANT STRUCTURE											
DEBT (Must Pay)	Fee	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Prior Underwriting		Principal	Term	Amort	Rate	Pmt	Cumulative						
		UW	App						Applicant	TDHCA						DCR	LTC					
Capital One		1.72	1.72	\$398,216	6.75%	40	15	\$5,500,000	\$7,000,000	\$7,000,000	\$5,500,000	15	40	6.75%	\$398,216	1.72	18.3%					
TDCHA		1.20	1.19	\$174,428	2.00%	40	16	\$4,800,000	\$0	\$0	\$4,800,000	16	40	2.00%	\$174,428	1.19	16.0%					
CASH FLOW DEBT / GRANTS																						
LISC		1.20	1.19	\$0	0.00%	0	0	\$0	\$3,500,000	\$3,500,000	\$0	0	0	0.00%	\$0	1.19	0.0%					
HOME Match		1.20	1.19		0.00%	0	0.0	\$360,000	\$0	\$0	\$360,000	0.0	0.0	0.00%		1.19	1.2%					
				\$572,644	TOTAL DEBT / GRANT SOURCES			\$10,660,000	\$10,500,000	\$10,500,000	\$10,660,000	TOTAL DEBT SERVICE			\$572,643	1.19	35.6%					
NET CASH FLOW		\$113,022	\$110,690	APPLICANT														NET OPERATING INCOME		\$683,334	\$110,690	NET CASH FLOW

EQUITY SOURCES														
APPLICANT'S PROPOSED EQUITY STRUCTURE								AS UNDERWRITTEN EQUITY STRUCTURE						
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method	
						Applicant	TDHCA							
Hudson - LIHTC	LIHTC Equity	60.7%	\$2,000,000	\$0.91	\$18,198,180	\$17,298,270	\$17,298,270	\$18,198,180	\$0.91	\$2,000,000	60.7%	\$22,727	Applicant Request	
Across LLC and AZ Morse LLC	Deferred Developer Fees	4.0%	(35% Deferred)		\$1,197,337	\$1,324,859	\$1,324,859	\$1,122,838	(33% Deferred)		3.7%	Total Developer Fee:	\$3,405,200	
Additional (Excess) Funds Req'd		0.0%					\$0	\$0			0.0%			
TOTAL EQUITY SOURCES		64.7%			\$19,395,517	\$18,623,129	\$18,623,129	\$19,321,018			64.4%			

TOTAL CAPITALIZATION	\$30,055,517	\$29,123,129	\$29,123,129	\$29,981,018	15-Yr Cash Flow after Deferred Fee:	\$1,438,911
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		DEVELOPMENT COST / ITEMIZED BASIS														
		APPLICANT COST / BASIS ITEMS							TDHCA COST / BASIS ITEMS				COST VARIANCE			
		Eligible Basis		Total Costs			Prior Underwriting		Total Costs			Eligible Basis		%	\$	
		Acquisition	New Const. Rehab				Applicant	TDHCA				New Const. Rehab	Acquisition			
Land Acquisition				\$18,182 / Unit		\$1,600,000	\$1,500,000	\$1,500,000	\$1,600,000	\$18,182 / Unit				0.0%	\$0	
Carry Costs since 2024 Closing						\$281,800	\$75,000	\$75,000	\$281,800					0.0%	\$0	
Off-Sites			\$0	\$ / Unit		\$0	\$0	\$0	\$0	\$ / Unit	\$0		0.0%		\$0	
Site Work			\$1,360,000	\$17,216 / Unit		\$1,515,000	\$1,440,000	\$1,440,000	\$1,515,000	\$17,216 / Unit			\$1,360,000	0.0%		\$0
Site Amenities			\$75,000	\$852 / Unit		\$75,000	\$75,000	\$75,000	\$75,000	\$852 / Unit			\$75,000	0.0%		\$0
Structured Parking				0				\$3,520,900	\$3,696,945	\$42,011/Unit	\$50.31 /sf		\$3,696,945	5.6%		\$780,369
Building Cost			\$14,625,540	\$199.02 /sf	\$166,199/Unit	\$14,625,540	\$14,625,540	\$9,941,642	\$10,148,226	\$115,321/Unit	\$138.09 /sf		\$10,148,226			
Contingency			\$985,657	6.14%	6.11%	\$990,249	\$807,027	\$807,027	\$990,249	6.42%	6.45%		\$985,657	0.0%		\$0
Contractor Fees			\$2,386,468	14.00%	14.43%	\$2,483,310	\$2,372,659	\$2,209,840	\$2,299,559	14.00%	14.00%		\$2,277,216	8.0%		\$183,751
Soft Costs		\$0	\$2,047,980	\$28,531 / Unit		\$2,510,720	\$2,245,719	\$2,245,719	\$2,510,720	\$28,531 / Unit		\$2,047,980	\$0	0.0%	\$0	
Financing		\$0	\$1,813,116	\$23,758 / Unit		\$2,090,686	\$2,217,633	\$2,217,633	\$2,090,686	\$23,758 / Unit		\$1,813,116	\$0	0.0%	\$0	
Developer Fee			\$0	\$3,405,200	14.62%	14.52%	\$3,405,200	\$3,405,200	\$3,230,750	\$3,384,560	15.00%	15.00%	\$3,360,621	\$0	0.6%	\$20,640
Reserves				5 Months		\$478,013	\$359,351	\$1,078,054	\$478,013	5 Months				0.0%	\$0	
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)		\$0	\$26,698,961	\$341,540 / Unit		\$30,055,518	\$29,123,129	\$28,341,565	\$29,070,757	\$330,350 / Unit		\$25,764,760	\$0	3.4%	\$984,761	
Acquisition Cost		\$0				\$0	\$0									
Contingency			\$0			\$0										
Contractor's Fee			(\$0)			(\$74,500)	\$0									
Financing Cost			\$0													
Developer Fee			\$0	\$0	\$0	(\$0)										
Reserves						\$0	\$0									
ADJUSTED BASIS / COST		\$0	\$26,698,960	\$340,693/unit		\$29,981,018	\$29,123,129	\$28,341,565	\$29,070,757	\$330,350/unit		\$25,764,760	\$0	3.1%	\$910,261	
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):																
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):						\$29,981,018										

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Stella Haven, Denton, 9% HTC/MDL #24146

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	\$0	\$26,698,960	\$0	\$25,764,760
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$26,698,960	\$0	\$25,764,760
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$34,708,648	\$0	\$33,494,188
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$34,708,648	\$0	\$33,494,188
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$3,123,778	\$0	\$3,014,477
CREDITS ON QUALIFIED BASIS	\$3,123,778		\$3,014,477	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price	\$0.9099	Variance to Request
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	\$3,123,778	\$28,423,540	----	----	----
Needed to Fill Gap	\$2,123,401	\$19,321,018	----	----	----
Applicant Request	\$2,000,000	\$18,198,180	\$2,000,000	\$0	\$0

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Elevator Served	73,488 SF	\$103.23	7,586,075
Adjustments				
Exterior Wall Finish	2.80%		2.89	\$212,410
Elderly	0.00%		0.00	0
9-Ft. Ceilings	0.00%		0.00	0
Roof Adjustment(s)			1.80	132,000
Subfloor			0.30	21,679
Floor Cover			3.68	270,436
Enclosed Corridors	\$91.88	14,850	18.57	1,364,399
Balconies	\$36.23	273	0.13	9,891
Plumbing Fixtures	\$2,130	180	5.22	383,400
Rough-ins	\$790	176	1.89	139,040
Built-In Appliances	\$3,675	88	4.40	323,400
Exterior Stairs	\$3,550	2	0.10	7,100
Heating/Cooling			3.12	229,283
Storage Space	\$91.88	990	1.24	90,960
Carports	\$16.05	0	0.00	0
Garages	\$30.00	0	0.00	0
Common/Support Area	\$136.29	3,674	6.81	500,733
Elevators	\$150,400	2	4.09	300,800
Other:			0.00	0
Fire Sprinklers	\$3.65	93,002	4.62	339,457
SUBTOTAL			162.08	11,911,063
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS			162.08	\$11,911,063
Plans, specs, survey, bldg permits	3.30%		(5.35)	(\$393,065)
Contractor's OH & Profit	11.50%		(18.64)	(1,369,772)
NET BUILDING COSTS		\$115,321/unit	\$138.09/sf	\$10,148,226

## Long-Term Pro Forma

*Stella Haven, Denton, 9% HTC/MDL #24146*

	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%	\$1,243,034	\$1,267,894	\$1,293,252	\$1,319,117	\$1,345,499	\$1,485,540	\$1,640,156	\$1,810,865	\$1,999,341	\$2,207,434	\$2,437,186	\$2,690,850
TOTAL EXPENSES	3.00%	\$559,700	\$575,994	\$592,766	\$610,032	\$627,805	\$724,828	\$836,995	\$966,685	\$1,116,655	\$1,290,096	\$1,490,701	\$1,722,751
<b>NET OPERATING INCOME ("NOI")</b>		<b>\$683,334</b>	<b>\$691,900</b>	<b>\$700,486</b>	<b>\$709,085</b>	<b>\$717,694</b>	<b>\$760,712</b>	<b>\$803,162</b>	<b>\$844,180</b>	<b>\$882,686</b>	<b>\$917,339</b>	<b>\$946,485</b>	<b>\$968,100</b>
EXPENSE/INCOME RATIO		45.0%	45.4%	45.8%	46.2%	46.7%	48.8%	51.0%	53.4%	55.9%	58.4%	61.2%	64.0%
<b>MUST -PAY DEBT SERVICE</b>													
Capital One		\$398,216	\$398,216	\$398,216	\$398,216	\$398,216	\$398,216	\$398,216	\$398,216	\$398,216	\$398,216	\$398,216	\$398,216
TDCHA		\$174,428	\$174,428	\$174,428	\$174,428	\$174,428	\$174,428	\$174,428	\$174,428	\$174,428	\$174,428	\$174,428	\$174,428
TOTAL DEBT SERVICE		\$572,643	\$572,643	\$572,643	\$572,643	\$572,643	\$572,643	\$572,643	\$572,643	\$572,643	\$572,643	\$572,643	\$572,643
DEBT COVERAGE RATIO		1.19	1.21	1.22	1.24	1.25	1.33	1.40	1.47	1.54	1.60	1.65	1.69
<b>ANNUAL CASH FLOW</b>		<b>\$110,690</b>	<b>\$119,257</b>	<b>\$127,843</b>	<b>\$136,442</b>	<b>\$145,051</b>	<b>\$188,069</b>	<b>\$230,518</b>	<b>\$271,537</b>	<b>\$310,043</b>	<b>\$344,696</b>	<b>\$373,842</b>	<b>\$395,457</b>
Deferred Developer Fee Balance		\$1,012,148	\$892,890	\$765,048	\$628,606	\$483,555	\$0	\$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>\$370,832</b>	<b>\$1,438,911</b>	<b>\$2,715,329</b>	<b>\$4,189,783</b>	<b>\$5,845,803</b>	<b>\$7,659,297</b>	<b>\$9,596,821</b>

May 22<sup>nd</sup> 2025

Lucy Weber  
Asset Management  
TDHCA  
P.O. BOX 13941  
Austin, TX 78711-3941

Re: MFDL HTC, 25505\_24146 Stella Haven Material Application Amendment Request

Dear Ms. Weber:

This letter concerns a material amendment request for MFDL and HTC, 25505\_24146 Stella Haven. Stella Haven is a 9% HTC award for a new construction of a multifamily development that applied for a MFDL after receiving the 9% award. Subsequently the developer has had additional access to the property and additional meetings with the city of Denton, and is requesting the following changes. These changes do not change overall costs for the development, so there is no financial impact from the financial information submitted with the MFDL application.

### **Tax Credit Designation**

At the time of the Application, Stella Haven was approved with 12 units at 30%, 35 units at 50%, 32 units at 60%, and 9 units at 80% of AMI. This structure provided Stella Haven with maximum points for deep rent skewing and Income Averaging at 53.977%. In order to qualify for the \$4,800,000 National Housing Trust Fund loan (requested under separate cover), Stella Haven is required to have at least 21 units at 30% of AMI. It is well known that serving Texas families at the 30% income level is exceedingly difficult without layering sources of funds as is proposed in this material amendment and the MFDL application. Therefore, this HTC material amendment reflects significant additional deep rent and income targeting of 30% households with 21 units at 30%, 20 units at 50%, 32 units at 60% and 15 units at 80%. Not only does this result in 75% more units restricted at the most difficult to serve 30% income level than required for maximum 9% HTC scoring, but Stella Haven also retains the exact same Income Averaging of 53.977% to serve the full range of Texas households from 30% to 80% of AMI. Please see Tab 24 submitted with the MFDL application for the proposed tax credit designation.

### **Change to Site Plan and Parking**

At the time of the HTC application, the site plan layout did not consider the location of existing trees on the property. Since then, the City of Denton has asked that the developer preserve as many of the existing trees as possible. Additionally, since the application was awarded, affordability reductions have been published to reduce the parking requirement to 1 parking space per unit. As a result, we are proposing that the overall building footprint be reduced which preserves as many trees as possible, meets the current 1 parking space per unit parking requirement, and saves on construction costs.

At application, the development was proposed to have 4 stories on one half and 5 stories on the other half to accommodate 139 parking spaces. This amendment proposes to reduce the number of parking spaces to 88 total spaces and 7 accessible parking spaces, which complies with the new City of Denton parking requirement. The building footprint is also reduced and reconfigured such that the building is only 4 stories.

Please find the attached updated architectural plans and Tab 23.

### **Common Area SF**

At the time of the Application, Stella Haven was approved with 24,007 SF of common area. The proposed new building and parking layout detailed in the paragraphs above, forced some minor modifications to the common area

The proposed change to the common area space would decrease the square footage to 21,264 SF, an approximately 11.43% decrease. The majority of this decrease is due to the 20% decrease in breezeway square footage due to a reduction in the overall building footprint and change to 4 floors. The only other common areas to experience a decrease in square footage are the entry reception, manager office, coffee bar and restrooms. All other common area spaces will either stay the same or increase slightly in size. In total, if the changes to the breezeway are disregarded, the common area space is increased by 269 square feet. Thus, although percentage wise there appears to be a large decrease in the common area square footage, this proposed change would actually provide the tenants with more useable common area spaces.

Please find the attached updated architectural plans and Tab 23.

### **NRA SF**

At the time of the Application, Stella Haven was approved with 72,900 SF of NRA. This NRA included 22 600 SF one-bedroom units, 48 850 SF two-bedroom units and 18 1050 SF three-bedroom units. The proposed building layout changes also impacted the unit square footages. The square footages of the one and two bedrooms would remain the same, but 6 of the three bedrooms would be increased to 1,148 SF. Overall, this proposed change would increase the NRA to 73,488 SF, an approximately .81% increase. In summation, the proposed unit sizes would be as follows; 22 600 SF one-bedroom units, 48 850 SF two-bedroom units, 12 1050 SF three-bedroom units and 6 1,148 SF three bedrooms units. This proposed change would provide tenants with larger living spaces.

Please see updated architectural plans, Tab 23, and Tab 24.

### **Explanation and Good Cause for the Amendment Request**

The original application was based on not requesting any MFDL funds, outdated cost estimates, and city requirements at the time of application. The good cause for these changes would allow for the development to be compliant with MFDL requirements, new local requirements, and would prevent increases in development costs.

Thank you for your attention and please contact me at 512.944.3272 with any questions.

**Regards,**

A handwritten signature in cursive script, appearing to read 'Abby Penner', written in black ink.

**Abby Penner**