

TDHCA #

02029

Region 1

**General
Set-Aside**



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

Development Name: **North Grand Villas**

TDHCA #: **02029**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 1 LIHTC Primary Set Aside: G
 Site Address: N.E. 24th Avenue and North Grand Avenue Additional Elderly Set Aside
 City: Amarillo Purpose / Activity: NC
 County: Potter Development Type: Family
 Zip Code: 79107 TTC DDA QCT

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

Special Needs: 8 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Bellsroe Limited Partnership

Principal Names:	Principal Contact:	Percentage Ownership:
EM Texas I, Inc.	Ralph J. Collins	90 %
Lone Star Housing Corporation	Melanie Bunstine-Laile	10 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$1,050,826** Allocation over 10 Years: \$10,508,260
 Credits Requested: \$1,049,367 Eligible Basis Amount: \$1,050,826 Equity/Gap Amount: \$1,083,601

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	2	7	3	0	12
50%	0	0	4	13	6	0	23
60%	0	0	13	46	21	0	80
MR	0	0	5	16	8	0	29
Total	0	0	24	82	38	0	

BUILDING INFORMATION

Total Development Cost: **\$12,810,892**
 Gross Building Square Feet: 185,832
 Total NRA SF: 180,582
 Gross/Net Rentable: 1.03
 Average Square Feet/Unit: 1,254
 Cost Per Net Rentable Square Foot: \$70.94
 Credits per Low Income Unit: \$9,138

Total LI Units: 115
 Owner/Employee Units: 0
 Total Project Units: 144
 Applicable Fraction: 80.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$901,076
 Total Expenses: \$507,958
 Net Operating Income: \$393,118
 Estimated 1st Year Debt Coverage Ratio: 1.13

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Eastern Marketing, Inc. Market Analyst: Apartment Market Data Research
 Housing GC: Charter Builders Originator/UW: NA
 Infrastructure GC: NA Appraiser: NA
 Cost Estimator: NA Attorney: Broad & Cassel
 Architect: L.K. Travis & Associates Supp Services: Texas Inter-Faith Housing Corp.
 Property Manager: Orion Real Estate Services, Inc. Accountant: Novogradac & Company, LLP
 Engineer: NA
 Syndicator: Columbia Housing Partners, L.P. Permanent Lender: PNC Bank

DEPARTMENT EVALUATION

Points Awarded: 137 Site Review: Acceptable Underwriting Finding: AC

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

2002 Development Profile and Board Summary (Continued)

Project Name: North Grand Villas

Project Number: 02029

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Trent Sisemore, Mayor, S	El Franco Lee, Harris County Commissioner Pct. One, S
TX Rep.: David Swinford, Dist. 87	
TX Sen.: Teel Bivins, Dist. 31 S	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from the ESA inspector regarding the follow-up items included in his report after the debris has been removed.

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 five Rural and At Risk developments had been awarded in Region 1, there would have been a shortfall in the region equal to 23% of its entire regional allocation. This is the second highest shortfall among all regions statewide, so this development, as the next highest scoring development, is recommended.

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

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

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

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

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

Approved Credit Amount: Date of Determination:

_____ Michael E. Jones, Chairman of the Board	_____ Date
--	---------------

Compliance Status Summary

Project ID #: 02029

LIHTC 9% LIHTC 4%

Project Name: North Grand Villas

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 0 # not yet monitored or pending review 2

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 05/08/2002

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 C.Hudson **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: June 5, 2002 PROGRAM: 9% LIHTC FILE NUMBER: 02029

DEVELOPMENT NAME

North Grand Villas

APPLICANT

Name: Bellsroe Limited Partnership **Type:** For Profit Non-Profit Municipal Other
Address: 8455 Lyndon Lane **City:** Austin **State:** TX
Zip: 78729 **Contact:** Ralph J. Collins **Phone:** (512) 249-6240 **Fax:** (512) 249-6660

PRINCIPALS of the APPLICANT

Name: Tejas Housing I, Inc. (%) .009 **Title:** Co-General Partner
Name: Lone Star Housing Corporation (%) .001 **Title:** Co-General Partner
Name: Columbia Housing Partners, L.P. (%) 99.99 **Title:** Limited Partner
Name: R.J. Collins (%) n/a **Title:** Pres of Tejas Housing/Dev.
Name: Cathy Graugnard (%) n/a **Title:** Pres of Lone Star
Name: Melanie Bunstine-Laile (%) n/a **Title:** VP of Lone Star

GENERAL PARTNER

Name: Tejas Housing I, Inc. **Type:** For Profit Non-Profit Municipal Other
Address: 8455 Lyndon Lane **City:** Austin **State:** TX
Zip: 78729 **Contact:** Ralph J. Collins **Phone:** (512) 249-6240 **Fax:** (512) 249-6660

PROPERTY LOCATION

Location: N.E. 24th Avenue and North Grand Avenue **QCT** **DDA**
City: Amarillo **County:** Potter **Zip:** 79107

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,049,367	N/A	N/A yrs	N/A yrs
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit	

SITE DESCRIPTION

Size: 23.173 acres 1,009,416 square feet **Zoning/ Permitted Uses:** MH
Flood Zone Designation: Zone C **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 144 **# Rental Buildings:** 36 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** n/a yrs **Vacant:** _____ at / /

Number	Bedrooms	Bathroom	Size in SF
24	2	2	980
82	3	2	1,268
38	4	2	1,397

Net Rentable SF: 180,582 **Av Un SF:** 1,254 **Common Area SF:** 5,250 **Gross Bldg SF:** 185,832

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 50% brick veneer/50% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters, high speed internet access

ON-SITE AMENITIES

5,250 SF community building with community room, game room, two classrooms, management offices, laundry facilities, kitchen, restrooms, central mailroom, swimming pool, equipped children's play area, sports courts, picnic area

Uncovered Parking: 163 spaces **Carports:** n/a spaces **Garages:** 144 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION FINANCING

Source: PNC Bank **Contact:** Robert Courtney

Principal Amount: \$4,250,443 **Interest Rate:** 6.55%

Additional Information: _____

Amortization: n/a yrs **Term:** 2 yrs **Commitment:** None Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: PNC Bank **Contact:** Robert Courtney

Principal Amount: \$4,250,443 **Interest Rate:** 7.25%

Additional Information: _____

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** None Firm Conditional

Annual Payment: \$347,946 **Lien Priority:** 1st **Commitment Date:** 02/ 22/ 2002

LIHTC SYNDICATION

Source: Columbia Housing Partners, L.P. **Contact:** Robert Courtney

Address: 500 W. Jefferson Street, Suite 400 **City:** Louisville

State: KY **Zip:** 40202 **Phone:** (502) 581-3260 **Fax:** (502) 581-3209

Net Proceeds: \$8,289,171 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 79¢

Commitment: None Firm Conditional **Date:** 02/ 22/ 2002

Additional Information: _____

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

APPLICANT EQUITY

Amount: \$271,278 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	<u>\$25,232</u>	Assessment for the Year of:	<u>2001</u>
Building:	<u>n/a</u>	Valuation by:	<u>Potter-Randall County Appraisal District</u>
Total Assessed Value:	<u>\$25,232</u>	Tax Rate:	<u>2.521441</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved Property Contract and Assignment of Contract

Contract Expiration Date: 10/ 15/ 2002 **Anticipated Closing Date:** 10/ 05/ 2002

Acquisition Cost: \$ 192,500 **Other Terms/Conditions:** \$1,500 earnest money deposit

Seller: Malcolm L. Edwards **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: North Grand Villas is a proposed new construction development of 115 affordable housing units and 29 market rate units located in the northern area of Amarillo. The development is comprised of 36 residential buildings as follows:

- (12) Building Type I with two 2-bedroom units and two 3- bedroom units;
- (1) Building Type II with two 3- bedroom units and two 4- bedroom units;
- (1) Building Type III with four 4- bedroom units;
- (14) Building Type IV with four 3- bedroom units; and
- (8) Building Type V with four 4- bedroom units;

Based on the site plan the apartment buildings are distributed evenly, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 5,250 -square foot community building plan includes the management office, a community room, two classrooms, a computer room, kitchen, restrooms, laundry facilities and a maintenance room.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: Personal Growth Opportunities Program, Family Skills Development Program, Education Program, Fun and Freedom Activities Program, Neighborhood Advancement Program, and information and referral services for other local service providers. 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 a monthly fee equivalent to the product of the number of units in the Apartment multiplied by \$9.36 for these support services.

Schedule: The Applicant anticipates construction to begin in March of 2003, to be completed in May of 2004, to be placed in service in May of 2004, and to be substantially leased-up in October 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. 115 of the units will be reserved for low-income tenants and 29 units will be set at market rates. 12 (8%) of the units will be reserved for households earning 40% or less of AMGI, 23 (16%) units will be reserved for households earning 50% or less of AMGI, 80 (56%) units will be reserved for households

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

earning 60% or less of AMGI and the remaining 29 (20%) units will be offered at market rents.

Special Needs Set-Asides: Eight units (5%) will be handicapped-accessible.

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

MARKET HIGHLIGHTS

A market feasibility study dated January 2, 2002 was prepared by Apartment Market Data Research Services and highlighted the following findings:

Definition of Market/Submarket: “For this analysis, we defined the Primary Market Area as a 10 mile radius from the center of Amarillo. 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. 31)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	99	4%
Resident Turnover	2,396	96%
TOTAL ANNUAL DEMAND	2,495	100%

Ref: p. 42

Capture Rate: The Market Analyst calculated a capture rate of 13.3% based on the subject’s proposed number of LIHTC units plus other previous LIHTC units in the primary market area, divided by the total demand as calculated above. (p. 43)

Market Rent Comparables: The Market Analyst surveyed 25 comparable apartment projects totaling 4,514 units in the market area. (p. 84)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (40%)	\$302	\$302	\$0	\$589	-\$287
2-Bedroom (50%)	\$402	\$402	\$0	\$589	-\$187
2-Bedroom (60%)	\$503	\$503	\$0	\$589	-\$86
2-Bedroom (MR)	\$529	N/A	N/A	\$601	-\$72
3-Bedroom (40%)	\$347	\$347	\$0	\$665	-\$318
3-Bedroom (50%)	\$463	\$463	\$0	\$665	-\$202
3-Bedroom (60%)	\$580	\$580	\$0	\$665	-\$85
3-Bedroom (MR)	\$609	N/A	N/A	\$704	-\$92
4-Bedroom (40%)	\$373	\$373	\$0	N/A	+/--\$
4-Bedroom (50%)	\$503	\$503	\$0	N/A	+/--\$
4-Bedroom (60%)	\$633	\$633	\$0	N/A	+/--\$
4-Bedroom (MR)	\$665	N/A	N/A	N/A	+/--\$

(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)

pg. 84-87

Submarket Vacancy Rates: “The current occupancy of the market area is 95.7% as a result of ever increasing demand.” (p. 79)

Absorption Projections: “...based on this recent resurgence in demand and on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject’s units.” (p. 78)

Known Planned Development: “The...TDHCA database of tax credit properties within Potter County... lists projects receiving an allocation of tax credits from 2000-2001...Additionally, one other LIHTC application for 2002 has a higher department score than the subject. As such, we have included Amarillo Gardens Apartments as if it has received an allocation.” (p. 43)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

Effect on Existing Housing Stock: “The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout Amarillo.” (p. 77)

The Underwriter found the market study to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Amarillo is located in the Texas Panhandle, approximately 120 miles south from Lubbock in Potter County. The site is an irregularly-shaped parcel located in the northern area of Amarillo, approximately 3.5 miles from the central business district. The site is situated on the west side of North Grand Street.

Population: The estimated 2001 population of the primary market area was 194,775 and is expected to increase by 6.8% to approximately 207,955 by 2006. Within the primary market area there were estimated to be 75,418 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with single family homes, multi-family developments, and undeveloped land. Adjacent land uses include:

- **North:** single family home, undeveloped land
- **South:** apartment complex
- **East:** North Grand Street, single family homes
- **West:** undeveloped land

Site Access: Access to the property is from the north or south from North Grand Avenue. The development is to have one main entry, one from the north or south from North Grand Avenue. Access to US Highway 60 is 1.5 miles north, which provides connections to all other major roads serving the Amarillo area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 4 miles of 1 major grocery/supermarket and within 8 miles of a shopping mall. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 25, 2002 was prepared by Handex of Texas, Inc. and contained the following findings and recommendations:

Findings: “Several areas of refuse/debris were located throughout the site. The observed refuse consisted of: old lumber, rusted metal, typical household generated refuse, old automobile tires, old roofing shingles, etc.” (p. 11)

Recommendations: “Based upon the foregoing assessment, Handex recommends the following: all refuse/debris should be removed from the site and be disposed of properly. Upon completion of the refuse removal, the areas of the site that contained the refuse should be visually reassessed to determine the potential for soil and/or groundwater contamination from the noted on-site refuse.” (p. 11)

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines for 115 of the units, while the remaining 29 units were set at market rates. Estimates of secondary income are at the high end of the guidelines at \$15/unit, while vacancy and collection loss estimates are in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. As a result, the Applicant’s effective gross income estimate is identical to the Underwriter’s estimate.

Expenses: The Applicant’s estimate of total operating expense is 7% lower than the Underwriter’s TDHCA database-derived estimate. The Underwriter adjusted several line item estimates based on IREM Region 6 database expenses and other local information. Management fees were set at 5%, payroll was adjusted to use the lower IREM per unit cost and utilities and water, sewer and trash were adjusted to reflect tenant paid water and sewer. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the Underwriter’s estimates, particularly general and administrative (\$3K higher), payroll (\$19K

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

lower), repairs and maintenance (\$10K higher), utilities (\$27K lower), water, sewer and trash (\$3K lower) and property insurance (\$4K higher).

Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted an Unimproved Property Commercial Contract wherein Tejas Housing & Development, Inc. is purchasing the property from Malcolm L. Edwards for the purchase price of \$192,500. An Assignment of Contract was also submitted wherein the purchaser of the property, Tejas Housing & Development, Inc., assigned all of its rights and obligations under the contract to the Applicant, Bellsroe Limited Partnership. The property sale appears to be an arm's length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% lower 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 understated.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$85K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent adjustment to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$13K.

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 as adjusted is used to calculate eligible basis and determine the LIHTC allocation. As a result, a credit allocation of \$1,050,826 annually is derived from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount. This is \$1,459 more than initially requested due to the Applicant's use of a lower applicable percentage of 8.36% rather than the 8.44% current underwriting rate.

FINANCING STRUCTURE ANALYSIS

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

Conventional Permanent Loan: There is a commitment for permanent financing through PNC Real Estate Finance in the amount of \$4,250,443. The commitment letter indicated a term of 18 years for the permanent loan. The interest rate will be 7.25%.

Construction Financing: There is a commitment for construction financing through PNC Real Estate Finance in the amount \$4,250,443. The commitment letter indicated a term of 2 years for the construction loan at an interest rate that shall be fixed upon execution of a rate lock agreement.

LIHTC Syndication: Columbia Housing Partners, L.P. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$8,289,171 based on a syndication factor of 79%. The funds would be disbursed in a 3-phased pay-in schedule:

1. \$1,492,051 upon the latest of: i) fully executed Partnership Agreement, ii) the Project and Partnership due diligence documents including but not limited to (a) valid tax credit reservation/allocation, (b) carryover allocation and written certification from an independent accountant of carryover basis and backup documentation evidencing costs, if applicable, (c) an owner's title insurance policy or an endorsement thereto issued to the Partnership meeting the requirements of Condition 8(G), (d) fully

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

executed construction loan closing documents, (e) valid written commitment from the permanent lender, and (f) proper issuance of building permits and all regulatory approvals necessary for construction start, iii) the General Partner's attorney opinion letter, and iv) a tax opinion issued by the Investment Limited Partner's counsel;

2. \$5,636,636 upon the latest of: i) satisfaction of all conditions of the First Installment (Note: the Second Installment shall be funded in monthly disbursements following the achievement of the above benchmarks and upon receipt of draw request documentation in form and content acceptable to the Investment Limited Partner);
3. \$1,160,484 upon the latest of: i) satisfaction of all conditions of the Second Installment, ii) construction completion, iii) the final development cost and qualified basis certification prepared by an accountant/CPA, iv) verification that the Partnership and Project are covered by insurance, v) full disbursement of the construction financing less required retainage, vi) 100% initial occupancy of 100% of the units by tax credit qualified tenants, vii) IRS Form(s) 8609 for each building and an executed and a recorded copy of the Regulatory Agreement, viii) permanent mortgage loan commencement or conversion, ix) achievement of debt service coverage ratio evidencing that six (6) consecutive full months of 1.15 debt service coverage have been achieved as certified by an independent accountant, and x) 100% physical occupancy by tax credit qualified tenants.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$271,278 amount to 17% of the total fees. However, based on the Applicant's total development cost estimate and the revised syndication proceeds, the developer would only have to defer \$259,756 in fees, which is \$11,522 less than originally anticipated.

Financing Conclusions: The Applicant's total development cost estimate, adjusted for overstated financing and developer fees, was used to determine the development's eligible basis and recommended tax credit allocation of \$1,050,826 annually for ten years, resulting in syndication proceeds of approximately \$8,300,693. Based on the Applicant's total development cost estimate, the developer would only need to defer \$259,756 in fees. The deferred fee appears to be repayable from development cash flow between 5-10 years.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are attractive with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered porches. Each unit has a private exterior entry. The units are in two-story structures with mixed brick/stone veneer and HardiPlank siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

The owner of the Managing General Partner, R.J. Collins, is also the owner and President of the Developer and General Contractor. These are typical LIHTC relationships.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Co-General Partner, Lone Star Housing Corporation, submitted an unaudited financial statement as of March 20, 2002 reporting total assets of \$298K and consisting of \$2K in cash and \$296K in stocks and bonds. Liabilities totaled \$0K resulting in a net worth of \$298K.
- The owners of the Co-General Partners, RJ Collins, Melanie Bunstine-Laile and Cathy Graugnard, submitted unaudited financial statements as of February 5, 2002, February 20, 2002 and February 24, 2002, respectively.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner, Tejas Housing I, Inc., has completed 4 conventional and 2 other housing developments totaling 1,174 units since 1973.
- The General Partner, Lone Star Housing Corporation, has completed 2 LIHTC housing developments totaling 244 units since 2001.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

- The owner of the General Contractor, Ralph J. Collins, has completed 4 conventional and 2 other housing developments totaling 1,174 units since 1973.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside the Underwriter's verifiable range.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,050,826 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 ESA inspector regarding the follow-up items included in his report after the debris has been removed.

Associate Underwriter:

Raquel Morales

Date: June 5, 2002

Director of Credit Underwriting:

Tom Gouris

Date: June 5, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

North Grand Villas, Amarillo, LIHTC # 02029

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash
TC 40%	2	2	2	980	\$403	\$302.00	\$604	\$0.31	\$101.00	\$10.00
TC 50%	4	2	2	980	503	402.00	1,608	0.41	101.00	10.00
TC 60%	13	2	2	980	604	503.00	6,539	0.51	101.00	10.00
MR	5	2	2	980	630	529.00	2,645	0.54	101.00	10.00
TC 40%	7	3	2	1,268	466	347.00	2,429	0.27	119.00	10.00
TC 50%	13	3	2	1,268	582	463.00	6,019	0.37	119.00	10.00
TC 60%	46	3	2	1,268	699	580.00	26,680	0.46	119.00	10.00
MR	16	3	2	1,268	728	609.00	9,744	0.48	119.00	10.00
TC 40%	3	4	2	1,397	520	373.00	1,119	0.27	147.00	10.00
TC 50%	6	4	2	1,397	650	503.00	3,018	0.36	147.00	10.00
TC 60%	21	4	2	1,397	780	633.00	13,293	0.45	147.00	10.00
MR	8	4	2	1,397	812	665.00	5,320	0.48	147.00	10.00
TOTAL:	144		AVERAGE:	1,254	\$672	\$549	\$79,018	\$0.44	\$123.39	\$10.00

INCOME

Total Net Rentable Sq Ft 180,582

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.18%	\$387	\$0.31
Management	5.00%	313	0.25
Payroll & Payroll Tax	13.31%	833	0.66
Repairs & Maintenance	7.27%	455	0.36
Utilities	4.41%	276	0.22
Water, Sewer, & Trash	3.54%	222	0.18
Property Insurance	3.21%	201	0.16
Property Tax 2.52144103	8.06%	504	0.40
Reserve for Replacements	3.20%	200	0.16
Other Expenses:	2.19%	137	0.11
TOTAL EXPENSES	56.37%	\$3,527	\$2.81

NET OPERATING INC

DEBT SERVICE

PNC	38.61%	\$2,416	\$1.93
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	5.01%	\$314	\$0.25

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bl)		1.45%	\$1,337	\$1.07
Off-Sites		0.00%	0	0.00
Sitework		7.04%	6,500	5.18
Direct Construction		58.18%	53,712	42.83
Contingency	2.83%	1.85%	1,706	1.36
General Requirer	5.66%	3.69%	3,411	2.72
Contractor's G & A	1.89%	1.23%	1,137	0.91
Contractor's Profit	5.66%	3.69%	3,411	2.72
Indirect Construction		2.78%	2,563	2.04
Ineligible Costs		3.53%	3,258	2.60
Developer's G & A	3.85%	3.16%	2,920	2.33
Developer's Profit	10.60%	8.70%	8,031	6.40
Interim Financing		3.62%	3,341	2.66
Reserves		1.08%	1,000	0.80
TOTAL COST		100.00%	\$92,327	\$73.62
Recap-Hard Construction Costs		75.68%	\$69,877	\$55.72

SOURCES OF FUNDS

PNC	31.97%	\$29,517	\$23.54
LIHTC Syndication Proceeds	62.35%	\$57,564	\$45.90
Deferred Developer Fees	2.04%	\$1,884	\$1.50
Additional (excess) Funds Req	3.64%	\$3,362	\$2.68
TOTAL SOURCES			

	TDHCA	APPLICANT			
	\$948,216	\$948,216			
	25,920	25,920	\$15.00	Per Unit Per Month	
	0				
	\$974,136	\$974,136			
	(73,060)	(73,056)	-7.50%	of Potential Gross Rent	
	0				
	\$901,076	\$901,080			
			PER SQ FT	PER UNIT	% OF EGI
	\$55,723	\$58,256	\$0.32	\$405	6.47%
	45,054	45,054	0.25	313	5.00%
	119,952	100,800	0.56	700	11.19%
	65,494	75,744	0.42	526	8.41%
	39,749	12,960	0.07	90	1.44%
	31,901	28,800	0.16	200	3.20%
	28,893	32,400	0.18	225	3.60%
	72,618	72,000	0.40	500	7.99%
	28,800	28,800	0.16	200	3.20%
	19,774	19,774	0.11	137	2.19%
	\$507,958	\$474,588	\$2.63	\$3,296	52.67%
	\$393,118	\$426,492	\$2.36	\$2,962	47.33%
	\$347,946	\$347,946	\$1.93	\$2,416	38.61%
	0		\$0.00	\$0	0.00%
	0		\$0.00	\$0	0.00%
	\$45,172	\$78,546	\$0.43	\$545	8.72%
	1.13	1.23			
	1.13				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$192,500	\$192,500	\$1.07	\$1,337	1.50%
	0	0	0.00	0	0.00%
	936,000	936,000	5.18	6,500	7.31%
	7,734,571	7,250,400	40.15	50,350	56.60%
	245,592	245,592	1.36	1,706	1.92%
	491,184	491,184	2.72	3,411	3.83%
	163,728	163,728	0.91	1,137	1.28%
	491,184	491,184	2.72	3,411	3.83%
	369,100	369,100	2.04	2,563	2.88%
	469,121	469,121	2.60	3,258	3.66%
	420,537	420,537	2.33	2,920	3.28%
	1,156,478	1,156,478	6.40	8,031	9.03%
	481,068	481,068	2.66	3,341	3.76%
	144,000	144,000	0.80	1,000	1.12%
	\$13,295,063	\$12,810,892	\$70.94	\$88,965	100.00%
	\$10,062,259	\$9,578,088	\$53.04	\$66,515	74.77%
	\$4,250,443	\$4,250,443	\$4,250,443		
	8,289,171	8,289,171	8,300,693		
	271,278	271,278	259,756		17%
	484,171	0	0		
	\$13,295,063	\$12,810,892	\$12,810,892		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
North Grand Villas, Amarillo, LIHTC # 02029

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.74	\$8,079,239
Adjustments				
Exterior Wall Finish Elderly	4.00%		\$1.79	\$323,170
Roofing			0.00	0
Subfloor			(1.12)	(201,349)
Floor Cover			2.43	438,814
Porches/Balconies	\$12.73	4360	0.31	55,503
Plumbing	\$675	144	0.54	97,200
Built-In Appliances	\$2,000	144	1.59	288,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	330,465
Garages/Carports	\$14.28	38,246	3.02	546,160
Comm &/or Aux Bldgs	\$53.70	5,250	1.56	281,941
Other:			0.00	0
SUBTOTAL			56.70	10,239,142
Current Cost Multiplier	1.04		2.27	409,566
Local Multiplier	0.89		(6.24)	(1,126,306)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.73	\$9,522,402
Plans, specs, survy, B.	3.90%		(\$2.06)	(\$371,374)
Interim Construction In	3.38%		(1.78)	(321,381)
Contractor's OH & Prof.	11.50%		(6.06)	(1,095,076)
NET DIRECT CONSTRUCTION COSTS			\$42.83	\$7,734,571

PAYMENT COMPUTATION

Primary	\$4,250,443	Term	360
Int Rate	7.25%	DCR	1.13
Secondary			
Int Rate	0.00%	Subtotal DCR	1.13
Additional			
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$347,946
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$45,172

Primary	\$4,250,443	Term	360
Int Rate	7.25%	DCR	1.13
Secondary			
Int Rate	\$0	Subtotal DCR	0
Additional			
Int Rate	\$0	Aggregate DCR	1.13

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$948,216	\$976,662	\$1,005,962	\$1,036,141	\$1,067,225	\$1,237,207	\$1,434,262	\$1,662,702	\$2,234,533
Secondary Income		25,920	26,698	27,499	28,323	29,173	33,820	39,206	45,451	61,082
Other Support Income: (d)		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		974,136	1,003,360	1,033,461	1,064,465	1,096,399	1,271,027	1,473,468	1,708,153	2,295,615
Vacancy & Collection Los		(73,060)	(75,252)	(77,510)	(79,835)	(82,230)	(95,327)	(110,510)	(128,112)	(172,171)
Employee or Other Non-Re		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$901,076	\$928,108	\$955,951	\$984,630	\$1,014,169	\$1,175,700	\$1,362,958	\$1,580,042	\$2,123,444
EXPENSES at 4.00%										
General & Administrative		\$55,723	\$57,952	\$60,270	\$62,681	\$65,188	\$79,312	\$96,495	\$117,401	\$173,781
Management		45,054	46,405	47,798	49,231	50,708	58,785	68,148	79,002	106,172
Payroll & Payroll Tax		119,952	124,750	129,740	134,930	140,327	170,729	207,718	252,721	374,088
Repairs & Maintenance		65,494	68,114	70,838	73,672	76,619	93,219	113,415	137,986	204,253
Utilities		39,749	41,339	42,993	44,713	46,501	56,576	68,833	83,746	123,965
Water, Sewer & Trash		31,901	33,177	34,504	35,884	37,319	45,405	55,242	67,210	99,487
Insurance		28,893	30,049	31,251	32,501	33,801	41,124	50,034	60,873	90,108
Property Tax		72,618	75,522	78,543	81,685	84,952	103,357	125,750	152,994	226,469
Reserve for Replacements		28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Other		19,774	20,565	21,388	22,243	23,133	28,145	34,242	41,661	61,668
TOTAL EXPENSES		\$507,958	\$527,826	\$548,475	\$569,936	\$592,241	\$717,642	\$869,748	\$1,054,271	\$1,549,809
NET OPERATING INCOME		\$393,118	\$400,282	\$407,477	\$414,694	\$421,928	\$458,058	\$493,210	\$525,771	\$573,635
DEBT SERVICE										
First Lien Financing		\$347,946	\$347,946	\$347,946	\$347,946	\$347,946	\$347,946	\$347,946	\$347,946	\$347,946
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$45,172	\$52,336	\$59,530	\$66,748	\$73,982	\$110,111	\$145,264	\$177,824	\$225,689
DEBT COVERAGE RATIO		1.13	1.15	1.17	1.19	1.21	1.32	1.42	1.51	1.65
							92,047	127,688	161,544	201,757

LIHTC Allocation Calculation - North Grand Villas, Amarillo, LIHTC # 020

CATEGORY	APPLICANT'S	TDHCA	APPLICANT'S	TDHCA
	TOTAL AMOUNTS	TOTAL AMOUNTS	REHAB/NEW ELIGIBLE BASIS	REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$192,500	\$192,500		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$936,000	\$936,000	\$936,000	\$936,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,250,400	\$7,734,571	\$7,250,400	\$7,734,571
(4) Contractor Fees & General Requirements				
Contractor overhead	\$163,728	\$163,728	\$163,728	\$163,728
Contractor profit	\$491,184	\$491,184	\$491,184	\$491,184
General requirements	\$491,184	\$491,184	\$491,184	\$491,184
(5) Contingencies				
	\$245,592	\$245,592	\$245,592	\$245,592
(6) Eligible Indirect Fees				
	\$369,100	\$369,100	\$369,100	\$369,100
(7) Eligible Financing Fees				
	\$481,068	\$481,068	\$481,068	\$481,068
(8) All Ineligible Costs				
	\$469,121	\$469,121		
(9) Developer Fees			\$1,564,238	
Developer overhead	\$420,537	\$420,537		\$420,537
Developer fee	\$1,156,478	\$1,156,478		\$1,156,478
(10) Development Reserves				
	\$144,000	\$144,000		
TOTAL DEVELOPMENT COSTS	#####	\$13,295,063	\$11,992,494	\$12,489,442

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$11,992,494	\$12,489,442
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$15,590,243	\$16,236,275
Applicable Fraction			80%	80%
TOTAL QUALIFIED BASIS			\$12,450,541	\$12,966,469
Applicable Percentage			8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			\$1,050,826	\$1,094,370

Syndication Proceeds	0.7899	\$8,300,693	\$8,644,659
----------------------	--------	-------------	-------------

TDHCA #

02056

Region 1

**At Risk
Set-Aside**



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

Development Name: **Amarillo Gardens Apartments**

TDHCA #: **02056**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 1 LIHTC Primary Set Aside: AR
 Site Address: 1223 S. Roberts Additional Elderly Set Aside
 City: Amarillo Purpose / Activity: ACQ/R
 County: Potter Development Type: Family
 Zip Code: 79102 TTC DDA QCT

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

Special Needs: 5 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Garden Apartments of Amarillo, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
High Plains Christian Ministries Foundation	Steve Dalrymple	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$265,578** Allocation over 10 Years: \$2,655,780
 Credits Requested: \$461,090 Eligible Basis Amount: \$384,972 Equity/Gap Amount: \$265,578

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	1	0	0	0	2
40%	0	6	6	7	1	0	20
50%	0	10	15	14	1	0	40
60%	0	7	14	15	2	0	38
MR	0	0	0	0	0	0	0
Total	0	24	36	36	4	0	

BUILDING INFORMATION

Total Development Cost: **\$4,392,634**
 Gross Building Square Feet: 87,112
 Total NRA SF: 84,112
 Gross/Net Rentable: 1.04
 Average Square Feet/Unit: 841
 Cost Per Net Rentable Square Foot: \$52.22
 Credits per Low Income Unit: \$2,656

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

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$588,233
 Total Expenses: \$330,547
 Net Operating Income: \$257,686
 Estimated 1st Year Debt Coverage Ratio: 1.25

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: High Plains Christian Ministries Foundation Market Analyst: Mark Temple
 Housing GC: Nabholz Construction Originator/UW: NA
 Infrastructure GC: NA Appraiser: Jack Hughey & Associates
 Cost Estimator: NA Attorney: Sprouse, Smith & Rowley
 Architect: JPS & Associates, Inc. Supp Services: American Housing Foundation
 Property Manager: American Housing Foundation Accountant: Brown, Graham & Company
 Engineer: NA
 Syndicator: Banc One CDC Permanent Lender: Banc One CDC

DEPARTMENT EVALUATION

Points Awarded: 140 Site Review: Acceptable Underwriting Finding: AC

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

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

of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **2** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Trent Sisemore, Mayor, S	Dianne Bosch, Amarillo City Commission, Pl. 2, S
TX Rep.: David Swinford, Dist. 87 S	John Smithee, State Representative, District 86, S
TX Sen.: Teel Bivins, Dist. 31 S	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation fully disclosing the Board Make-up and officers of the Seller, the General Partner of the Seller, the Property Manager, the General Partner of the Applicant, the General Partner of the 10% Co-developer, the General Contractor, and any other relationship between or among Development team members.

Receipt, review, and acceptance of full disclosure of the original acquisition price plus holding costs and off setting operating income from the seller in order to justify the proposed acquisition price.

Receipt, review, and acceptance of a revised appraisal which reflects an "as is" lease hold estate interest for the property with a separate lease hold estate interest for the land if a lease continues to be the method of acquisition.

Receipt, review, and acceptance of certification from an unrelated third party CPA as to the eligibility of the lease hold estate, and the portion to value ascribed to land, in the basis determination for the tax credit allocation.

Receipt, review, and acceptance of an acceptable follow-up Phase I or Phase II Environmental Site Assessment report by a third party environmental engineer indication that the property does not contain asbestos, asbestos containing material or lead paint which may result in a hazard during renovation or recommendations as to mitigation if found. Moreover, the Applicant should document full compliance with all recommendations made by the ESA inspector and subsequent inspectors.

Receipt, review, and acceptance of a pay-in schedule for the anticipated syndication proceeds.

Receipt, review, and acceptance of documentation from the local taxing authority evidencing the development will be exempt from property taxes.

Should all of the conditions above be met this transaction should be re-evaluated by the Underwriting Division.

Alternate Recommendation:

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

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

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

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

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

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

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

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

Approved Credit Amount: Date of Determination:

2002 Development Profile and Board Summary (Continued)

Project Name: Amarillo Gardens Apartments

Project Number: 02056

Michael E. Jones, Chairman of the Board

Date

Compliance Status Summary

Project ID #: 02056

LIHTC 9% LIHTC 4%

Project Name: Amarillo Gardens Apartments

HOME HTF

Project City: Amarillo

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 1

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/16/2002

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** 04/29/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 04/29/2002

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: June 14, 2002 PROGRAM: 9% LIHTC FILE NUMBER: 02056

DEVELOPMENT NAME

Garden Apartments of Amarillo

APPLICANT

Name: Garden Apartments of Amarillo, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 6110 W 34th Street **City:** Amarillo **State:** TX
Zip: 79109 **Contact:** Steve Dalrymple **Phone:** (806) 337-5391 **Fax:** (806) 356-9586

PRINCIPALS of the APPLICANT

Name: High Plains Christian Ministry Foundation **(%):** 0.01 **Title:** Managing General Partner
Name: Banc One CDC **(%):** 99.99 **Title:** Limited Partner

GENERAL PARTNER

Name: High Plains Christian Ministry Foundation **Type:** For Profit Non-Profit Municipal Other
Address: 6110 W 34th Street **City:** Amarillo **State:** TX
Zip: 79109 **Contact:** Steve Dalrymple **Phone:** (806) 337-5391 **Fax:** (806) 356-9586

PROPERTY LOCATION

Location: 1223 S Roberts **QCT** **DDA**
City: Amarillo **County:** Potter **Zip:** 79102

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$461,090	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>Acquisition/Rehab</u> Set-Aside: <input checked="" type="checkbox"/> At-Risk <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 9.4 acres 409,464 square feet **Zoning/ Permitted Uses:** Heavy Commercial
Flood Zone Designation: Zone C **Status of Off-Sites:** Partially Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 100 **# Rental Buildings:** 9 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** 32 yrs **Vacant:** 2 at 01/ 29/ 2002

Number	Bedrooms	Bathroom	Size in SF
24	1	1	631
36	2	1	803
36	3	1	990
4	4	2	1,105

Net Rentable SF: 84,112 **Av Un SF:** 841 **Common Area SF:** 3,000 **Gross Bldg SF** 87,112

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 75% masonry/brick veneer/20% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Vinyl flooring, range & oven, hood & fan, garbage disposal, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, cable, evaporative cooling, high speed internet

ON-SITE AMENITIES

Community room, management offices, laundry facilities, kitchen, restrooms, equipped children's play area, sports courts, picnic area

Uncovered Parking: 200 spaces **Carpports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Banc One **Contact:** Michelle Beurlot

Principal Amount: \$3,319,521 **Interest Rate:** Prime + 50 bps

Additional Information: _____

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** None Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: Banc One CDC **Contact:** Charles William

Principal Amount: \$2,400,000 **Interest Rate:** 10-year Treasury + 225 bps; minimum of 7.75%

Additional Information: _____

Amortization: 30 yrs **Term:** 25 yrs **Commitment:** None Firm Conditional

Annual Payment: \$206,327 **Lien Priority:** 1st **Commitment Date** 01/ 02/ 2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

LIHTC SYNDICATION

Source: <u>Banc One CDC</u>	Contact: <u>Charles William</u>
Address: <u>201 St. Charles Avenue, 22nd Floor</u>	City: <u>New Orleans</u>
State: <u>LA</u> Zip: <u>70170</u> Phone: (504) <u>623-1445</u> Fax: (504) <u>623-2013</u>	
Net Proceeds: <u>\$3,458,177</u>	Net Syndication Rate (per \$1.00 of 10-yr LIHTC) <u>75¢</u>
Commitment <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date: <u>01/ 02/ 2002</u>
Additional Information: <u>Commitment was not signed by Applicant</u>	

APPLICANT EQUITY

Amount: <u>\$507,659</u>	Source: <u>Deffered Developer Fee</u>
Amount: <u>\$1,000</u>	Source: <u>Cash Equity</u>

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	<u>\$205,000</u>	Date of Valuation:	<u>02/ 12/ 2002</u>
Existing Building: as is	<u>\$2,410,000</u>	Date of Valuation:	<u>02/ 12/ 2002</u>
Total: fee simple as is	<u>\$2,615,000</u>	Date of Valuation:	<u>02/ 12/ 2002</u>
Appraiser: <u>Pyles Whatley Corporation</u>	City: <u>Dallas</u>	Phone: (214) <u>340-5880</u>	

ASSESSED VALUE

Land:	<u>\$89,760</u>	Assessment for the Year of:	<u>2001</u>
Building:	<u>\$705,377</u>	Valuation by:	<u>Potter County Appraisal District</u>
Total Assessed Value:	<u>\$795,137</u>		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: <u>Improved Property Commercial Contract</u>
Contract Expiration Date: <u>12/ 31/ 2002</u> Anticipated Closing Date: <u>10/ 15/ 2002</u>
Acquisition Cost: \$ <u>2,400,000</u> Other Terms/Conditions: _____
Seller: <u>Credit Realty Partners X, Ltd.*</u> Related to Development Team Member: <u>Yes</u>

* The contract is signed for the seller by Housing for Texans Charitable Trust by Dale Willson. Housing for Texans Charitable Trust operates out of the same offices and shares the same volunteers as Affordable Housing Foundation, the supportive service provider and current proposed property manager. Moreover, it appears the seller is proposing a 50 or 55 year lease rather than a sale.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports. However, the property is currently restricted under LIHTC program rules as it received tax credits in 1989, thirteen years ago. Its previous LIHTC file number is 06720.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Amarillo Garden Apartments is a proposed acquisition and rehabilitation development of 100 units of affordable housing located in Amarillo. The development was built in 1970 and is comprised of nine residential buildings as follows:

- One Building Style A with four four-bedroom units;
- Three Building Style B with 12 three-bedroom units;
- Three Building Style C with 12 two-bedroom units; and
- Two Building Style D with 12 one-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site and arranged in groups of two to three around central courtyards/open space. The site includes a community building and mailboxes located near the center, two play areas with equipment, a baseball field and two tennis courts. The community building includes the management office, a meeting room with kitchen, restrooms, a maintenance shop with separate entrance and a laundry facility.

Existing Subsidies: The development has had all 100 units enrolled in the HUD 221(d)(3) program with a Housing Assistance Payments (HAP) contract since 1989. According to a letter signed by a representative of High Plains Christian Ministries Foundation, they have agreed to extend the HAP contract and keep the community under a housing assistance payment contract with HUD through the term of the tax credit period.

Development Plan: The buildings are currently 98% occupied and in need of rehabilitation. The submitted scope of work includes: remove/replace 500 SF of concrete sidewalk, minor repair, seal coat and striping of parking lots, new signage, remove retaining walls, grade, seed lawns, install irrigation system, general landscaping, remove/replace playground equipment, add chain link fence around perimeter, remove/replace baseball diamond backstop, add security gates and card readers, remove/replace treads, replace/repair stair sets as needed, remove existing mansard walls, install new siding/trim, add pitched roofs, new gutters, add light fixtures, electrical outlets and light switches, repair building exterior, remove/replace vent stacks, remove/replace ceramic tile surrounds in bathrooms, refinish tub/shower combinations, add new bathroom accessories, add medicine cabinet to each bathroom, remove/replace 100 air conditioners and furnaces, add two ceiling fans to each unit, remove/replace exterior doors, windows and VCT flooring, exterior/interior painting, install mini-blinds, replace countertops, base/upper cabinets and range hoods, and renovate office building.

The Applicant submitted a tenant relocation plan indicating the rehabilitation time schedule will be coordinated based on existing vacancies, physical logistics, curb appeal and other factors individual to each property. Tenants will be relocated from the initial building to be rehabilitated to existing vacancies within the subject property. The owner will pay for moving expenses, while the tenant is responsible for normal rent. The owner will also pay for short-term onsite storage of non essential items and short-term local telephone and basic cable TV. Once renovations are completed at the initial building, the relocated tenants will be given first choice on newly rehabilitated units. Tenants living in the second building to be renovated will be given second choice to move. This process will be repeated for every building. The Applicant has budgeted \$100,000 for relocation costs.

Supportive Services: The Applicant has contracted with American Housing Foundation, the proposed property manager, to provide the following supportive services to tenants: a learning center with computer, After School Programs with Camp Fire USA and Amarillo Baptist Association, GED, ESL, Home Ownership Education, Down Payment Assistance, Bible Study, Baseball Program, and coordinated programs with the Texas Workforce Commission. No fee will be charged to either the tenants or the development.

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Two of the units (2%) will be reserved for households earning 30% or less of AMGI, twenty units (20%) will be reserved for households earning 40% or less of AMGI, 40 of the units (40%) will be reserved for households earning 50% or less of AMGI, and 38 units (38%) will be reserved for households earning 60% or less of AMGI. In addition, all of the units will be restricted under a Housing Assistance Payment contract.

American Housing Foundation, proposed property manager and supportive service provider, submitted a letter as an exhibit of the application. The letter states that, as a certified community housing development organization, it will be applying under Property Tax Code Sec. 11.182 for a CHDO exemption for the low-income housing tax credit communities in which it serves as the general partner or controls the general partnership interest. With the tax savings from these properties, the Board of Directors of American Housing Foundation has agreed to use a portion to fund housing vouchers for individuals making less than 30% should the need arise. No evidence was provided to suggest that funds for this proposed subsidy will be available.

Special Needs Set-Asides: None of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

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

MARKET HIGHLIGHTS

A market feasibility study dated January 31, 2002 was prepared by Mark C Temple and highlighted the following findings:

Definition of Market/Submarket: “The primary or defined market area for the Senior Residences at St. Anthony’s is considered the Amarillo MSA, which includes the City of Amarillo, and is described by the following farthest boundaries: North – Moore County, South – Castro and Swisher Counties, East – Carson and Armstrong Counties, and West – Oldham and Deaf Smith Counties.” (p. I-2) “The immediate neighborhood is bound by Amarillo Boulevard to the north, Interstate 40 to the south, US Highway 287/87 to the west, and Eastern Street to the east.” (p. I-3)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	115	7%	95	2%
Resident Turnover	6,524	96%	5,857	98%
TOTAL ANNUAL DEMAND	3,367	100%	5,952	100%

Ref: p. IV-4

Capture Rate: “...the 100 LIHTC senior units of the apartment development represent a 1.5 percent capture rate of all income appropriate rental households within the market area...However, the capture rate methodology does not take into consideration the fact that the subject is presently 95 percent leased with only 5 vacant units.” (p. IV-3) The Underwriter calculated a concentration capture rate of 2% based upon a supply of unstabilized comparable affordable units of 100 (assuming the development is not occupied) divided by a revised demand of 5,857. Due to the development’s current +95% occupancy and the submitted tenant relocation plan, the Underwriter does not believe that capture rate is a relevant issue.

Market Rent Comparables: The market analyst surveyed 10 comparable apartment projects totaling 1,990 units in the market area. (p. III-1) No comparable four-bedroom units were included in the market analysis.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed/HAP	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$393	\$193	+\$200	\$450	-\$57
1-Bedroom (40%)	\$393	\$278	+\$115	\$450	-\$57
1-Bedroom (50%)	\$393	\$362	+\$31	\$450	-\$57
1-Bedroom (60%)	\$393	\$446	-\$53	\$450	-\$57
2-Bedroom (30%)	\$519	\$230	+\$289	\$615	-\$96
2-Bedroom (40%)	\$519	\$331	+\$188	\$615	-\$96
2-Bedroom (50%)	\$519	\$431	+\$88	\$615	-\$96
2-Bedroom (60%)	\$519	\$532	-\$13	\$615	-\$96
3-Bedroom (40%)	\$587	\$380	+\$207	\$766	-\$179
3-Bedroom (50%)	\$587	\$496	+\$91	\$766	-\$179
3-Bedroom (60%)	\$587	\$613	-\$26	\$766	-\$179
4-Bedroom (40%)	\$624	\$413	+\$211	--	--
4-Bedroom (50%)	\$624	\$543	+\$81	--	--
4-Bedroom (60%)	\$624	\$673	-\$49	--	--

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

Submarket Vacancy Rates: “The occupancy level of the market area is presently 96.4 percent.” (p. III-1)

Absorption Projections: “According to the Panhandle Regional Planning Commission and National Planning Data Corporation, present absorption trends of apartment projects located in the Amarillo Market Area range from 15 to 20 units per month...it is estimated that a 95+ percent occupancy level can be achieved in a one month time-frame.” (p. I-18)

Known Planned Development: The Talmage Park Central Apartments is a proposed mixed income seniors’ development of 156 units, with 117 assisted units, awarded tax credits in 2000.

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

An appraisal was also provided for the existing four-storey building and site prepared by Pyles Whatley Corporation. The appraiser performed a fee simple “as is” appraisal of the property and concluded a total value as of February 12, 2002 of \$2,615,000 and a land value of \$205,000. No discussion of a leased fee estate value was provided though a long term lease appears to be the method of conveyance.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located just north of Interstate 40 at and just west of Ross Street at 1223 South Roberts Street in the central area of the City of Amarillo. Amarillo is located in north Texas in the Panhandle area, 359 miles northwest of the Dallas/Fort Worth Metroplex.

Population: The estimated 2001 population of the Amarillo MSA (primary market area) was 220,130 and is expected to increase by 5% to approximately 230,672 by 2006. Within the primary market area there were estimated to be 85,061 households in 2001.

Adjacent Land Uses: This area can be characterized as having an assortment of diverse uses ranging from commercial, single family residential, and vacant land.

- **North:** single family residential
- **South:** single family residential
- **East:** commercial
- **West:** single family residential

Site Access: Interstate Highways 40 and 27 bisect the city. In addition, the city is served by US Highways 87 and 66, State Highway 136 and Loop 335.

Public Transportation: Public transportation to the area is provided by Amarillo City Transit.

Shopping & Services: The site is within two miles of groceries, pharmacies, discount retail and

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

miscellaneous retail centers. The site development is located within the Amarillo Independent School District with an elementary and middle school within one mile and a high school within three miles. Amarillo College, parks, and a hospital are located within two miles.

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 1, 2002 was prepared by Enviro-Dyne Engineering Company and contained the following findings and recommendations:

“The available information reviewed and contained within this report does not indicate the past or present use, storage, or disposal of hazardous waste or substances on the property. It is not recommended that any additional assessments be conducted on this property.

There are no tests for soil contamination, asbestos, lead-based paint, air quality or a wet lands delineation study as these items are not included within a standard Phase I Environmental Assessment and were not specifically requested by the owner.”

The property is clearly of an age where both lead and asbestos concerns should be evaluated or addressed. A follow-up study that addresses asbestos and lead based paint and the successful mitigation of any such concerns that are identified is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The development’s unit rents are currently restricted under an existing Section 8 Housing Assistance Payment (HAP) contract. As of September 1, 2001, the HAP rents are as follows: \$393 for one-bedroom units, \$519 for two-bedroom units, \$587 for three-bedroom units and \$624 for four bedroom units. These rents are above the LIHTC 30%, 40% and 50% of AMGI set-aside rent limits, but less than the 60% of AMGI set-aside rent limit. Should the development charge the LIHTC rent limits, its potential gross rental income would be \$14K less. However, the Applicant has indicated that the HAP contract will remain in effect throughout the LIHTC compliance period. Therefore, both the Applicant’s and the Underwriter’s potential gross income estimates are based on the current HAP contract rents. In addition, the Applicant’s secondary income and vacancy assumptions are inline with underwriting guidelines.

Expenses: The Applicant’s total operating expense estimate is 6% higher than the Underwriter’s TDHCA database-derived estimate, adjusted on a line-item level based on the existing property’s operating history. Several of the Applicant’s line-items differed by more than 10% or \$5,000 as compared to the Underwriter’s estimates. These include: general and administrative (\$15K lower), repairs and maintenance (\$10K higher), utilities (\$40K higher), and property taxes (\$7K lower).

The Applicant included only \$200 per unit in reserves while the underwriting guideline for rehabilitation developments is \$300 per unit. In addition, American Housing Foundation submitted a letter as an exhibit of the application. The letter states that, as a certified community housing development organization, it will be applying under Property Tax Code Sec. 11.182 for a CHDO exemption for the low-income housing tax credit communities in which it serves as the general partner or controls the general partnership interest. However, the subject development does not appear to be controlled by American Housing Authority and no evidence was provided indicating that the Applicant has started the process for receiving a tax exemption. Therefore, although the Applicant included only \$12,617 as the annual property tax expense for the development, the Underwriter has included \$20,343 based on historical taxes and on the premise that the development may not receive a CHDO tax exemption. Upon receipt, review and acceptance of documentation from the local taxing authority evidencing the development will be exempt from property taxes, this analysis should be revised.

Conclusion: Overall, the Applicant’s net operating income figure is \$21K, or 8%, less than the Underwriter’s estimate. Because this difference is greater than 5%, the Underwriter’s proforma will be used to determine the development’s debt service capacity. Both the Applicant’s and the Underwriter’s proformas result in a debt coverage ratio (DCR) that is within the Department’s DCR guideline of 1.10 to 1.25.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONSTRUCTION COST ESTIMATE EVALUATION

Property Value: An appraisal, performed by Pyles Whatley Corporation in February 2002, resulted in an appraised land value of \$205,000. The 2001 tax-assessed value for the land was \$89,760.

The purchase of the land may not be an arms length transaction since it appears to actually be a long term lease and the seller operates out of the same office with the same staff as the property manager and supportive service provider. The Applicant failed to disclose this relationship originally and a leased fee value appraisal or the seller's acquisition and holding costs since the original acquisition to justify the sales price were not provided. The Underwriter believes these are material threshold issues that may be cause for termination. Upon follow-up, the Applicant provided confirmation that the General Partner of the Seller and the proposed property manager/supportive services provider office together, share volunteers and were both formed by Steve Sterquell. While the letter made it clear that the Executive Director of American Housing Foundation, the proposed property manager/supportive services provider, was not a trustee of Housing for Texans, full disclosure of the trustees of both entities was not requested or provided. Based upon the information provided it would appear that American Housing Foundation was a partner in the original development of the property in 1990 or at least was part of the original group in 1989. Now, while Housing for Texans is the purported general partner of the seller or lesser the proposed lease documents reflect American Housing Foundation as land lord and as the general partner of the tenant.

The Applicant provided a balance sheet of the seller partnership as of December 31, 2000 which reflects a property plant and equipment value less accumulated depreciation of \$1,578,266. Also provided was a Fannie Mae Pay-Off Statement dated July 15, 1989 reflecting a mortgage amount of \$1,108,591 which is assumed to be the original acquisition price. The balance sheet reflects a remaining mortgage payable of \$712,608. The statement also reflects accrued interest on two notes due to American Housing Foundation and Housing for Texas. The principal amount of these developer fee notes and residual receipts notes is \$753,827 and the accrued interest on this is \$520,341. The information in the financial statement indicates that the larger residual receipts note with an original balance of \$658,000 is only payable from residual receipts and after the written approval of the secretary of HUD. Moreover it is an unsecured note. These notes do not provide sufficient support of the original acquisition and holding cost of the property since they appear to be to parties related to development team members of the Applicant.

In order to estimate a potential tax credit allocation, the Underwriter initially reduced the sales price by the appraised land value to establish an eligible basis of the acquisition at \$2,195,000. The appraised value of \$2,615,00 provides an upward limit for the acquisition cost, however, the current loan balance of he primary debt provides a lower limit which would reduce the acquisition basis. Since it is unclear as to the true nature of the relationship between the parties and a definitive original acquisition and holding cost has not been provided, and since the related party notes listed as long term liabilities are not collateralized by the property the Underwriter used the primary FNMA mortgage balance of \$712,608 as the appropriate transfer price. However, a further adjustment may be warranted upon receipt of a leased fee value appraisal and other acquisitioned holding cost information.

Sitework Cost: The Applicant's claimed sitework costs of \$3,300 per unit are considered reasonable compared to historical sitework costs for rehabilitation of an existing multifamily development.

Direct Construction Cost: The Applicant intends to spend \$1,845,334 on direct construction costs. Site work and direct construction combined is \$2,175,375, or \$21,754 per unit. This is a solid amount of rehabilitation cost suggesting an extensive renovation, yet no consideration has been indicated regarding asbestos or lead based paint, two common environmental issues surrounding properties of this age. Moreover, the Applicant did not include a contingency in their project cost schedule.

Ineligible Costs: The Applicant incorrectly included \$20,000 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 fees for general requirements, general and administrative expenses and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's stated developer fee is higher than the maximum allowed because the Applicant used the entire purchase price of the property as an eligible cost on the acquisition side of the eligible basis calculation and did not deduct the price of the land. This resulted in the Applicant incorrectly requesting a larger developer fee and an overall higher eligible

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

basis. When removing the cost of land and marketing cost from the eligible basis, the Applicant's developer fee was reduced by \$363,000. Moreover a developer fee for acquisition is not warranted since it would be difficult for the Applicant to substantiate significant development costs based on the relationships of the development team members and seller. This results in a lower eligible basis and lower tax credit amount.

Conclusion: The renovation of the project was certified by the architecture firm of JPS & Associates. The total cost for the scope of work according to the architect is \$2,436,462. The Underwriter used \$205,000 for the value of the land and \$507,608 for the acquisition cost of the building to determine the eligible basis. Because the Applicant used the entire purchase price of the property and did not deduct the price for the land, the Applicant overstated the developer fee and overstated the eligible basis on the acquisition side. Although the Underwriter raised the Applicant's applicable percentage, the reduction in developer fee and cost for the purchase of the building reduced the eligible basis resulting in a lower tax credit amount. The result is an overall tax eligible basis difference of \$2,255,343. Thus, an eligible basis of \$3,338,885 for rehabilitation and \$507,608 for acquisition was used to determine an annual tax credit allocation of \$384,972 or \$76,118 less than requested from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with five types of financing: a conventional interim loan, a conventional permanent loan, syndicated LIHTC equity, in-kind equity, the Applicant's cash equity, and deferred developer's fees.

Construction Financing: The Applicant intends to use Bank One for a 24 month interim construction loan of \$3,319,521 at an interest rate of Prime plus 50 basis points. Interest only payments will be due monthly.

Permanent Financing: Permanent mortgage financing will be provided by Bank One in the form of a 25-year term loan of \$2,400,000. The loan will amortize over a period of 30 years at an interest rate of 225 basis points over the 10-year Treasuries, but not less than 7.75%. The minimum of 7.75% was used in this analysis.

LIHTC Syndication: Bank One has offered terms for syndication of the tax credits. The letter of interest shows net proceeds are anticipated to be \$3,458,177 based on a syndication factor of 75%, but it did not include a pay-in schedule. Receipt, review and acceptance of a pay-in schedule for the anticipated syndication proceeds is a condition of this report.

Cash Equity: The Applicant plans to provide \$1,000 in cash equity.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$507,659 amount to 64% of the total proposed fees.

Financing Conclusions: Based on the Underwriter's adjusted calculation of eligible basis and without further clarification as to acquisition and holding costs, the LIHTC allocation should not exceed \$384,972 annually for ten years, resulting in syndication proceeds of approximately \$2,886,999. While the Applicant may have inferred that the purchase price is the purchase of the lease, there would be leasehold value in the land as well as the buildings. No further clarification was provided and the eligibility of any of the acquisition price above the original acquisition price plus holding costs (net of operating income since acquisition) is in question. Based on the outstanding balance of the trust lien mortgage second by the property as the transfer price the syndication proceeds to fill the gap required for this transaction are reduced to \$1,991,634 and this results in a gap based credit recommendation of \$265,578. No deferral of developer fees remain but the residual unsecured related party notes could be restructured and repaid out of available cash flow in less than 15 years at zero percent interest.

REVIEW of ARCHITECTURAL DESIGN

The existing one- to two-storey residential buildings were constructed in the mansard-style popular in the 1970s and 1980s. The Applicant plans to strip the buildings of the mansard façades and add siding with pitched roofs. The finished product will have a much improved appearance. The units are of average size for the market area and offer adequate storage. The existing office buildings is small, but includes tenant-accessible areas such as a laundry facility, business center and meeting room with kitchen.

IDENTITIES of INTEREST

The Applicant, developer, property manager and support service provider are related entities. These are common identities of interest for LIHTC-funded developments. According to the Applicant, Housing for

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

Texans Foundation (Seller), general partner of the current owner of the development, has no relationship with High Plains Christian Ministries (Applicant), the general partner for the Applicant. However, the Seller has had American Housing Foundation manage the subject property since 1997 and American Housing Foundation, the proposed property manager and supportive services provider, was a member of the original selling group in 1989. American Housing Foundation and the Applicant are partners in a LIHTC development in Lubbock. American Housing Foundation and the Seller office together in Amarillo and share common unpaid volunteers. Although, High Plains Christian Ministries and Housing for Texans are both related to American Housing Foundation, no board members of American Housing Foundation have any relationship with the Board of High Plains Christian Ministries Foundation. The relationship of the boards for American Housing Foundation and Housing for Texans was not discussed, but Steve Sterquell, CPA and contact for this application, was instrumental in the formation of both organizations. In summary, the developer and property manager are related entities and the property manager offices at the same location as the General Partner of the Seller. This was also discussed in the Construction Cost Estimate Evaluation section of this report and the acquisition price was adjusted accordingly.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- High Plain Christian Ministries Foundation, the General Partner, provided an unaudited statement of financial position for 2001 indicating total assets of \$52M comprised of cash, receivables, property and equipment, long term investments and other current assets. Liabilities totaled \$329K for net assets of \$51.6M.
- Baptist Community Services, an affiliate of the General Partner, submitted an audited financial statement as of December 31, 2000 reporting total assets of \$142M consisting of cash, short-term investments, receivables and other current assets. Liabilities totaled \$2.6M, resulting in net assets of \$139M.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has participated in two LIHTC-funded developments totaling 418 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The seller of the property has an identity of interest with the Applicant.
- The Applicant's total development cost is more than the 5% outside the Underwriter's verifiable range.
- Significant environmental risks exist with regard to the potential for asbestos and lead based paint.
- Significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternate structures may exist.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$265,578 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONDITIONS

1. Receipt, review and acceptance of documentation fully disclosing the Board make-up and officers of the Seller, the General Partner of the Seller, the Property Manager, the General Partner of the Applicant, the General Partner of the 10% Co-developer , the General Contractor, and any other relationship between or among Development team members;
2. Receipt, review, and acceptance of full disclosure of the original acquisition price plus holding costs and off setting operating income from the seller in order to justify the proposed acquisition price;
3. Receipt, review, and acceptance of a revised appraisal which reflects an “as is” lease hold estate interest for the property with a separate lease hold estate interest for the land if a lease continues to be the method of acquisition;
4. Receipt, review, and acceptance of certification from an unrelated third party CPA as to the eligibility of the lease hold estate, and the portion of value ascribed to land, in the basis determination for the tax credit allocation;
5. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
6. Receipt, review, and acceptance of an acceptable follow-up Phase I or Phase II Environmental Site Assessment report by a third party environmental engineer indicating that the property does not contain asbestos, asbestos containing materials or lead paint which may result in a hazard during renovation or recommendations as to mitigation if found. Moreover, the Applicant should document full compliance with all recommendations made by the ESA inspector and subsequent inspectors
7. Receipt, review and acceptance of a pay-in schedule for the anticipated syndication proceeds;
8. Receipt, review and acceptance of documentation from the local taxing authority evidencing the development will be exempt from property taxes; and
9. Should all of the conditions above be met this transaction should be re-evaluated by the Underwriting Division.

Director of Credit Underwriting: _____

Tom Gouris

Date: June 14, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Garden Apartments, Amarillo, LIHTC 02056

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Util	Wtr, Swr, Trsl
TC 30%	1	1	1	631	\$251	\$393	\$393	\$0.62	\$58.00	\$29.00
TC 40%	6	1	1	631	336	393	2,358	0.62	58.00	29.00
TC 50%	10	1	1	631	420	393	3,930	0.62	58.00	29.00
TC 60%	7	1	1	631	504	393	2,751	0.62	58.00	29.00
TC 30%	1	2	1	803	302	519	519	0.65	72.00	31.00
TC 40%	6	2	1	803	403	519	3,114	0.65	72.00	31.00
TC 50%	15	2	1	803	503	519	7,785	0.65	72.00	31.00
TC 60%	14	2	1	803	604	519	7,266	0.65	72.00	31.00
TC 40%	7	3	1	990	466	587	4,109	0.59	86.00	36.00
TC 50%	14	3	1	990	582	587	8,218	0.59	86.00	36.00
TC 60%	15	3	1	990	699	587	8,805	0.59	86.00	36.00
TC 40%	1	4	2	1,105	520	624	624	0.56	107.00	36.00
TC 50%	1	4	2	1,105	650	624	624	0.56	107.00	36.00
TC 60%	2	4	2	1,105	780	624	1,248	0.56	107.00	36.00
TOTAL:	100		AVERAGE:	841	\$533	\$517	\$51,744	\$0.62	\$75.08	\$32.52

INCOME

total Net Rentable Sq Ft **84,112**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$12.50
 Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.56%	\$386	\$0.46
Management	5.02%	295	0.35
Payroll & Payroll Tax	14.73%	866	1.03
Repairs & Maintenance	6.52%	384	0.46
Utilities	7.51%	442	0.53
Water, Sewer, & Trash	3.87%	228	0.27
Property Insurance	2.57%	151	0.18
Property Tax 2.06899691	3.46%	203	0.24
Reserve for Replacements	5.10%	300	0.36
Compliance	0.85%	50	0.06
TOTAL EXPENSES	56.19%	\$3,305	\$3.93

NET OPERATING INC

DEBT SERVICE

NET CASH FLOW

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or blk)	16.22%	\$7,126	\$8.47	
Off-Sites	0.00%	0	0.00	
Sitework	7.51%	3,300	3.92	
Direct Construction	42.01%	18,454	21.94	
Contingency	0.00%	0	0.00	
General Requirer	5.00%	2,488	2.93	
Contractor's G & A	2.00%	900	1.07	
Contractor's Pro	5.00%	2,488	2.93	
Indirect Construction	7.22%	3,173	3.77	
Ineligible Costs	2.21%	970	1.15	
Developer's G & A	2.00%	900	1.07	
Developer's Profit	13.00%	5,743	6.82	
Interim Financing	3.41%	1,496	1.78	
Reserves	3.82%	1,680	2.00	
TOTAL COST	100.00%	\$43,926	\$52.22	
Recap-Hard Construction Costs	55.47%	\$24,365	\$28.97	

SOURCES OF FUNDS

First Lien Mortgage	54.64%	\$24,000	\$28.53
Additional Financing	0.02%	\$10	\$0.01
LIHTC Syndication Proceeds	78.73%	\$34,582	\$41.11
Deferred Developer Fees	11.56%	\$5,077	\$6.04
Additional (excess) Funds Req	-44.94%	(\$19,742)	(\$23.47)
TOTAL SOURCES			

	TDHCA	APPLICANT		
POTENTIAL GROSS RENT	\$620,928	\$620,928		
Secondary Income	15,000	15,000	\$12.50	Per Unit Per Month
Other Support Income: (describe)	0	0		
POTENTIAL GROSS INCOME	\$635,928	\$635,928		
Vacancy & Collection Loss	(47,695)	(47,700)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0	0		
EFFECTIVE GROSS INCOME	\$588,233	\$588,228		
EXPENSES			PER SQ FT	PER UNIT
General & Administrative	\$38,614	\$22,709	\$0.27	\$227
Management	29,511	29,412	0.35	294
Payroll & Payroll Tax	86,635	85,794	1.02	858
Repairs & Maintenance	38,373	48,784	0.58	488
Utilities	44,178	84,112	1.00	841
Water, Sewer, & Trash	22,753	24,393	0.29	244
Property Insurance	15,140	18,505	0.22	185
Property Tax	20,343	12,617	0.15	126
Reserve for Replacements	30,000	20,000	0.24	200
Compliance	5,000	5,000	0.06	50
TOTAL EXPENSES	\$330,547	\$351,326	\$4.18	\$3,513
NET OPERATING INC	\$257,686	\$236,902	\$2.82	\$2,369
DEBT SERVICE				
First Lien Mortgage	\$206,327	\$206,327	\$2.45	\$2,063
Additional Financing	0	0	\$0.00	\$0
Additional Financing	0	0	\$0.00	\$0
NET CASH FLOW	\$51,359	\$30,575	\$0.36	\$306
AGGREGATE DEBT COVERAGE RATIO	1.25	1.15		
ALTERNATIVE DEBT COVERAGE RATIO	1.25			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or blk)	\$712,608	\$2,400,000	\$28.53	\$24,000	37.70%
Off-Sites	0	0	0.00	0	0.00%
Sitework	330,041	330,041	3.92	3,300	5.18%
Direct Construction	1,845,376	1,845,334	21.94	18,453	28.98%
Contingency	0	0	0.00	0	0.00%
General Requirer	108,769	108,769	1.29	1,088	1.71%
Contractor's G & A	43,507	43,507	0.52	435	0.68%
Contractor's Pro	108,769	108,769	1.29	1,088	1.71%
Indirect Construction	317,330	317,330	3.77	3,173	4.98%
Ineligible Costs	97,000	97,000	1.15	970	1.52%
Developer's G & A	68,220	133,083	1.58	1,331	2.09%
Developer's Profit	443,428	665,417	7.91	6,654	10.45%
Interim Financing	149,586	149,586	1.78	1,496	2.35%
Reserves	168,000	168,000	2.00	1,680	2.64%
TOTAL COST	\$4,392,634	\$6,366,836	\$75.69	\$63,668	100.00%
Recap-Hard Construction Costs	\$2,436,462	\$2,436,420	\$28.97	\$24,364	38.27%
SOURCES OF FUNDS			RECOMMENDED		
First Lien Mortgage	\$2,400,000	\$2,400,000	\$2,400,000		
Additional Financing	1,000	1,000	1,000		
LIHTC Syndication Proceeds	3,458,177	3,458,177	1,991,634		
Deferred Developer Fees	507,659	507,659			
Additional (excess) Funds Req	(1,974,202)	0	0		
TOTAL SOURCES	\$4,392,634	\$6,366,836	\$4,392,634		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Garden Apartments, Amarillo, LIHTC 02056

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				
Adjustments				
Exterior Wall Finish				
Elderly				
Roofing				
Subfloor				
Floor Cover				
Porches/Balconies				
Plumbing				
Built-In Appliances				
Stairs/Fireplaces				
Floor Insulation				
Heating/Cooling				
Garages/Carports				
Comm &/or Aux Bldgs				
Other:				
SUBTOTAL				
Current Cost Multiplier				
Local Multiplier				
TOTAL DIRECT CONSTRUCTION COSTS				
Plans, specs, survy, bld prmts				
Interim Construction Interest				
Contractor's OH & Profit				
NET DIRECT CONSTRUCTION COSTS				

Primary	\$2,400,000	Term	360
Int Rate	7.75%	DCR	1.25

Secondary	\$1,000	Term	
Int Rate	0.00%	Subtotal DCR	1.25

Additional	\$3,458,177	Term	
Int Rate		Aggregate DCR	1.25

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$206,327
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$51,359

Primary	\$2,400,000	Term	360
Int Rate	7.75%	DCR	1.25

Secondary	\$1,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.25

Additional	\$3,458,177	Term	0
Int Rate	0.00%	Aggregate DCR	1.25

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$620,928	\$639,556	\$658,743	\$678,505	\$698,860	\$810,170	\$939,209	\$1,088,801	\$1,463,258
Secondary Income	15,000	15,450	15,914	16,391	16,883	19,572	22,689	26,303	35,348
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	635,928	655,006	674,656	694,896	715,743	829,742	961,898	1,115,104	1,498,606
Vacancy & Collection Los	(47,695)	(49,125)	(50,599)	(52,117)	(53,681)	(62,231)	(72,142)	(83,633)	(112,395)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$588,233	\$605,880	\$624,057	\$642,779	\$662,062	\$767,511	\$889,756	\$1,031,471	\$1,386,211
EXPENSES at 4.00%									
General & Administrative	\$38,614	\$40,159	\$41,765	\$43,435	\$45,173	\$54,960	\$66,867	\$81,354	\$120,424
Management	29,511	30,396	31,308	32,247	33,214	38,505	44,637	51,747	69,544
Payroll & Payroll Tax	86,635	90,101	93,705	97,453	101,351	123,309	150,024	182,528	270,185
Repairs & Maintenance	38,373	39,908	41,504	43,164	44,891	54,617	66,450	80,846	119,672
Utilities	44,178	45,945	47,783	49,694	51,682	62,879	76,502	93,076	137,776
Water, Sewer & Trash	22,753	23,663	24,610	25,594	26,618	32,385	39,401	47,937	70,959
Insurance	15,140	15,746	16,376	17,031	17,712	21,549	26,218	31,898	47,217
Property Tax	20,343	21,157	22,003	22,884	23,799	28,955	35,228	42,860	63,444
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
TOTAL EXPENSES	\$330,547	\$343,474	\$356,909	\$370,873	\$385,385	\$466,974	\$565,936	\$685,986	\$1,008,373
NET OPERATING INCOME	\$257,686	\$262,406	\$267,148	\$271,906	\$276,677	\$300,537	\$323,820	\$345,485	\$377,838
DEBT SERVICE									
First Lien Financing	\$206,327	\$206,327	\$206,327	\$206,327	\$206,327	\$206,327	\$206,327	\$206,327	\$206,327
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$51,359	\$56,079	\$60,821	\$65,579	\$70,350	\$94,211	\$117,493	\$139,158	\$171,511
DEBT COVERAGE RATIO	1.25	1.27	1.29	1.32	1.34	1.46	1.57	1.67	1.83

TDHCA #

02150

Region 1

**Rural
Set-Aside**



LOW INCOME HOUSING TAX CREDIT PROGRAM

2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Fairview Manor Apartments**

TDHCA #: **02150**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 1 LIHTC Primary Set Aside: R
 Site Address: 915 18th Street, N.W. Additional Elderly Set Aside
 City: Childress Purpose / Activity: ACQ/R
 County: Childress Development Type: Family
 Zip Code: 79201 TTC DDA QCT

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

Special Needs: Units for

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Childress Apartments, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Swazon, Inc.	William S. Swan	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$113,155** Allocation over 10 Years: \$1,131,550
 Credits Requested: \$113,567 Eligible Basis Amount: \$113,155 Equity/Gap Amount: \$126,820

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	0	0	0	0	1
40%	0	1	0	0	0	0	1
50%	0	5	0	0	0	0	5
60%	0	9	32	0	0	0	41
MR	0	0	0	0	0	0	0
Total	0	16	32	0	0	0	

BUILDING INFORMATION

Total Development Cost: **\$1,850,833**
 Gross Building Square Feet: 30,990
 Total NRA SF: 30,400
 Gross/Net Rentable: 1.02
 Average Square Feet/Unit: 633
 Cost Per Net Rentable Square Foot: \$60.88
 Credits per Low Income Unit: \$2,357

Total LI Units: 48
 Owner/Employee Units: 0
 Total Project Units: 48
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$198,376
 Total Expenses: \$154,546
 Net Operating Income: \$43,830
 Estimated 1st Year Debt Coverage Ratio: 1.28

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Swazon, Inc. Market Analyst: Ipser & Associates, Inc.
 Housing GC: Swan Construction Originator/UW: NA
 Infrastructure GC: NA Appraiser: Sherrill & Associates, Inc.
 Cost Estimator: Paul & Associates Attorney: Sherrill, Crosnoe & Goff Corp.
 Architect: Paul & Associates Supp Services: NA
 Property Manager: Swan Management, Inc. Accountant: Moore, Camp, Phillips & Company
 Engineer: NA
 Syndicator: Boston Capital Corporation Permanent Lender: USDA Rural Development

DEPARTMENT EVALUATION

Points Awarded: 46 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Fairview Manor Apartments

Project Number: 02150

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Pat Y. Steed, Mayor of Childress, S	
TX Rep.: Warren Chisum, Dist. 88 S	
TX Sen.: Craig Estes, Dist. 30	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from USDA/RD of an increase in basis rents of 10% on average and confirmation that all of the units will be receiving Rental Assistance.

Once final basic rents are established the assumptions in this report should be re-evaluated and adjustments to the recommendations herein may be necessary.

Alternate Recommendation:

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

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

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

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

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

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

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

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

Approved Credit Amount: Date of Determination:

_____ Michael E. Jones, Chairman of the Board	_____ Date
--	---------------

Compliance Status Summary

Project ID #: 02150

LIHTC 9% LIHTC 4%

Project Name: Fairview Manor Apartments

HOME

HTF

Project City: Childress

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 10 # not yet monitored or pending review 0

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/16/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 05/23/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 04/30/2002

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 23, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02150

DEVELOPMENT NAME

Fairview Manor Apartments

APPLICANT

Name: Childress Apartments, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 701 Johnson Road **City:** Iowa Park **State:** Texas
Zip: 76367 **Contact:** William Swan **Phone:** (940) 592-5114 **Fax:** (940) 592-2941

PRINCIPALS of the APPLICANT

Name: Swazon, Inc. **(%):** .01 **Title:** Managing General Partner
Name: Boston Capital **(%):** 99.99 **Title:** Initial Limited Partner
Name: _____ **(%):** _____ **Title:** _____

GENERAL PARTNER

Name: Swazon, Inc. **Type:** For Profit Non-Profit Municipal Other
Address: 701 Johnson Road **City:** Iowa Park **State:** TX
Zip: 76367 **Contact:** William Swan **Phone:** (940) 592-5114 **Fax:** (940) 592-2941

PROPERTY LOCATION

Location: 915 18th Street, N.W. **QCT** **DDA**
City: Childress **County:** Childress **Zip:** 79201

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$113,567	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>Acquisition / Rehab</u> Set-Aside: <input type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 3.33 acres 145,055 square feet **Zoning/ Permitted Uses:** Permitted for multi-family use
Flood Zone Designation: Not in 100-year flood zone **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 48 **# Rental Buildings:** 5 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** 23 yrs **Vacant:** 75 at 1/ 1/ 2002

Number	Bedrooms	Bathroom	Size in SF
16	1	1	590
32	2	1	781

Net Rentable SF: 30,400 **Av Un SF:** 633 **Common Area SF:** 590 **Gross Bldng SF:** 30,990

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 20% masonry/brick veneer/80% 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, and laminated counter tops.

ON-SITE AMENITIES

590 s.f. community building with activity room, management offices, laundry facilities, central mailroom, equipped children's play area, sports courts.

Uncovered Parking: 80 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: USDA Rural Development **Contact:** Bryan Daniel

Principal Amount: \$887,000 **Interest Rate:** 1.0%

Additional Information: The 1st lien loan is for \$500,000 plus a rural development assumption for the property being transferred, estimates at \$387,000. There is a commitment date of 2/25/02 with the construction/permanent loan having a 30 year term and annual payment of \$34,235.

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional

LIHTC SYNDICATION

Source: Boston Capital **Contact:** Thomas Dixon

Address: One Boston Capital **City:** Boston

State: MA **Zip:** 02108 **Phone:** (617) 624-8673 **Fax:** (617) 624-8999

Net Proceeds: \$863,023 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 76¢

Commitment None Firm Conditional **Date:** 02/ 25/ 2002

Additional Information: Commitment letter reflects proceeds of \$863,023 based on credits of \$1,022,103

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

APPLICANT EQUITY

Amount: \$100,811 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	<u> 27,000 </u>	Date of Valuation:	<u> 2/ 11/ 2002 </u>
Value of the Buildings Only*	<u> 388,000 </u>	Date of Valuation:	<u> 2/ 11/ 2002 </u>
Total Market Value	<u> 415,000 </u>	Date of Valuation:	<u> 2/ 11/ 2002 </u>
Appraiser:	<u> Sherrill & Associates </u>	City:	<u> Arlington </u>
		Phone:	<u> (817) 557-1791 </u>

*This is an underwriter calculation based on the other two values provided by the Appraiser

ASSESSED VALUE

Land:	<u> 28,160 </u>	Assessment for the Year of:	<u> 2001 </u>
Building:	<u> 421,150 </u>	Valuation by:	<u> Childress County Appraisal District </u>
Total Assessed Value:	<u> 458,910 </u>		<u> 9,600 in personal property </u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase Option Contract

Contract Expiration Date: 12/ 20/ 2002 **Anticipated Closing Date:** 7/ 15/ 2002

Acquisition Cost: \$ The purchase price is the Buyer's assumption on the balance owed the Government on the promissory note. It is estimated at \$387,000.

Seller: SJS Development, Inc. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Fairview Manor Apartments is a proposed acquisition/rehabilitation project of 48 units of affordable housing located in the northwest part of Childress, Texas. The project was built in 1979 and is comprised of 5 residential buildings as follows:

- 4 Building Type A with eight two-bedroom units;
- 1 Building Type B with 16 one- bedroom units;

Based on the site plan, the apartment buildings are distributed evenly throughout the site, with a 590 s.f. community building that includes a management office, laundry facilities and a mechanical room located at the entrance.

Existing Subsidies: The Applicant has also applied for transfer of existing funding and new funding under USDA Rural Development Section 515 program and will receive rental assistance for all units and be subject to income and rent restrictions under USDA/RD programs.

Development Plan: As of January 1, 2002, 36, or 75%, of the units are vacant. The Architect outlined the scope of work for the 48-unit project as follows:

- Sections of the foundation are cracked and remedial measures will be taken to reinforce the foundation elements.
- All existing masonite siding will be replaced with new Hardiboard lap siding complete with installations of new flashing and trim.
- Balconies will be replaced. Steel stairs will be repaired as necessary with any loose rails being re-anchored.
- All exterior siding, wood trim, stairs, railings, and accessories will be caulked and painted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

- The deteriorating “flat” roof decks that house the air-conditioning units will be roofed with an elongated “cupola” to protect against the weather. All layers of existing shingle will be removed and replaced with 25 year three tab fiberglass shingle roofs with 30 pound felt underlayment.
- There will be the installation of new R-30 attic insulation.
- All the unit exterior doors will be replaced with insulated steel door units. Broken windows will be replaced as well as the seals and weather-stripping.
- Interior drywall will be replaced as necessary with texture to match the existing components. All interior trim and walls will be repainted. Damaged interior doors will be replaced, as well as new vertical blinds installed throughout. There will be new carpet and vinyl conforming to FmHA specifications. Cabinet doors and drawers will be replaced and cabinet boxes will be repaired as needed. All units will be equipped with new electric range/stoves and all refrigerators will be replaced with 14 cubic foot capacity. All dishwashers and garbage disposals will be replaced.
- Much of the plumbing and fixtures will be replaced.
- All mechanical systems including heat pump type air handlers, condensing units, cooling coils and back-up heating elements will be replaced with an energy efficiency rating of a minimum 12 SEER.
- The Applicant will install new hard drawn copper piping, protected by plastic pipe sleeving in place of the current deteriorated hot water piping.
- Renovation to meet the current ADA regulations.

The rehabilitation will be phased to minimize displacement of current residents by remodeling the vacant units and moving the current tenants at the time of completion. The Applicant will assist the tenant by moving their personal belongings and pay to have utilities transferred. A tenant will have the option to stay in the newly renovated unit or move back to their original unit at completion.

Supportive Services: No supportive services are planned to be provided to tenants.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median income (AMI) set-aside. The Applicant has further proposed to restrict one unit to households earning 30% or less of AMI, one unit for households earning 40% or less of AMI and five units for households earning 50% or less of AMI.

Special Needs Set-Asides: Three units (5%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has not indicated an election to extend the compliance period.

MARKET HIGHLIGHTS

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

Definition of Market: The primary market area is defined as the City of Childress with Childress County serving as the secondary market.

Total Regional Market Demand for Rental Units: “The market area for the proposed project in the city of Childress is considered to be all of Childress County. The housing demand analysis, based on population and housing growth projections in the county, indicates a net demand for 14 rental housing units between 2002 and 2003, or about 7 units per year. This demand is based on the conservative population and household growth projections, plus a need for replacement of substandard housing. Prospective tenants.....would come from some of the older single family rental housing. Among the primary sources of prospective tenants are the few families on the waiting list at the subject; this list is expected to grow as renovation progresses.” (p. 1-7) An alternative approach to demand is based on projected growth, existing households, income limits and turnover. Using this approach the analyst projects total renter demand to be 49 households based on household growth from 2002-2003.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

	Market Analyst		Underwriter	
	Units of	% of Total	Units of	% of Total
Type of Demand				

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

	Demand	Demand	Demand	Demand
Household Growth	1	2%	1	1%
Resident Turnover	44	90%	251	99%
Other Sources: 10 yrs pent-up demand	4	8%	0	0%
TOTAL ANNUAL DEMAND	49	100%	252	100%

Ref: Exhibit 1-14

Capture Rate: "...based on the estimated potential demand from income qualified households in the county (factoring projected growth, income limits and turnover for the next two years) is 98%.... (p. 5-1). The Underwriter's capture rate provides a much lower 19% capture rate, but in either case the capture rate is acceptable.

Market Rent Comparables: The market analyst surveyed 13 comparable apartment projects totaling 637 units in the market area. (p. Exhibit 4-3)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$167	\$165	+\$2	\$361	-\$194
1-Bedroom (40%)	\$235	\$233	+\$2	\$361	-\$126
1-Bedroom (50%)	\$302	\$300	+\$2	\$361	-\$59
1-Bedroom (60%)	\$349	\$361	-\$12	\$361	-\$12
2-Bedroom (60%)	\$441	\$431	+\$10	\$435	+\$6

(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 current USDA basic rents for the property are \$275 and \$365 according to the 1/02 rent role provided. Documentation from USDA to confirm these rents was provided by the Applicant. The rent roll further indicated that the Note rate rents were \$335 and \$445.

Submarket Vacancy Rates: "Overall, occupancy among 637 units surveyed in Childress and Vernon was 74.2% and 75.6% leased, increasing to 78.9% and 80.4% leased after omitting 38 off-line units." (p. 4-6)

Childress Housing Authority: Reported five names on its waiting list. (p 4-6) The existing Section 8 program indicated that the Housing Authority could readily fill the 13 outstanding slots (waiting lists from other Section 8 properties) if more affordable housing were available in Childress" (p 4-6)

Absorption Projections: "...conservatively estimated at 10 to 12 units per month, if the entire project were vacated and ready at one time" (p. 1-8) However, Madison Chase in Childress, built in 2001, has averaged absorbing six units per month since May 2001 and is currently 65% leased. Madison Crossing in Vernon opened in March 2001 and has averaged five units per month, currently 54% leased. (p 4-4)

"Based on our findings, there is a need to renovate and maintain the 48-unit project of affordable housing. This number of units is above the indicated renter demand based on population and household growth and need for replacement housing...but nearly equal to the renter demand based on income limits, existing households and turnover..." (1-8)

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

An appraisal was also provided to substantiate the value of the buildings versus land for the acquisition. The appraisal was performed by Jerry Sherrill, SPRA, SRA with Sherrill and Associates. While this was a summary form appraisal (prepared in a form consistent with the USDA guidelines), the value of the land and property appear to be reasoned and justified.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Childress is located in the Panhandle, approximately 150 miles north of Abilene in Childress County. The site is an irregularly shaped parcel located in the northwest area of Childress, approximately one mile from the central business district. The site is situated on the north side of Avenue I.

Population: The estimated 2002 population was 6,818 and is expected to increase by 0.4% to approximately 6,848 by 2004. Within the primary market area there were estimated to be 2,131 households in 2002.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

Adjacent Land Uses: The project is adjacent to an elderly RD-USDA complex to the northeast, a conventional four-plex building to the south and public housing a block to the southeast. Farther to the east and south are single family homes.

Site Access: Access to the property is from the east or west along Avenue I NW, with one entry leading into the property. State Highway 62 is located one block to the west.

Public Transportation: Public transportation to the area is provided by a public bus system, according to an appraisal completed in February 2002.

Shopping & Services: The site is within one mile of major grocery, pharmacies, shopping centers and the Childress Regional Medical Facility. The site is located two miles from City Hall, the police station, the fire department, a public library and the county courthouse. Schools and churches are located within a short driving distance from the site.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

OPERATING PROFORMA ANALYSIS

Although this is a renovation project, the historical expenses provided are not a true reflection of what can be assumed at the development because the complex has had problems with occupancy, due to the inhabitable units.

Income: The Applicant stated that owner will pay water, sewer, trash and natural gas in this project, and rents and expenses were calculated accordingly. The Applicant's rent projections are \$2 to \$10 per unit higher than the maximum net rents allowed under the LIHTC guidelines for the 30%, 40%, and 50% one-bedroom rent levels as well as the two-bedroom rent levels. The Applicant is also projecting the one-bedroom 60% rents to be \$19 less than the LIHTC maximum net allowable and \$12 less than what the Underwriter believes the market analyst has substantiated. According Gene Pavlat, USDA Rural Development, all units with equal number of bedrooms, regardless of the income of the tenants, will have identical "basic" rents to qualify the property for the 1% interest rate subsidy and will max out at "note rate" rents that require the borrower/owner to pay interest at the note rate. As a result, the unit rents proposed by the Applicant may not be actual rents and therefore were not used for the underwriting analysis. The current basic rents for the property, based on the USDA letter as well as the rent roll provided, are \$275 for one-bedroom units and \$365 for two-bedroom units. The rent roll suggests that three of the units are leased above these levels at the maximum note rate rents of \$335 and \$445 respectively. The commitment from USDA for the transfer and new rehabilitation loan suggests that there is also Rental Assistance offered on all 48 units but the amount of the Rental Assistance or the proposed pay rate was not provided. In all the rental rates discussed above, the one bedroom rents are less than what the market analyst indicated can be achieved. The same can be said of the two bedroom rents, except the rent proposed by the Applicant and the note rate rent shown on the rent roll for the 60% units.

The Applicant's proposed multi level rents represented an increase over the current reported basic rents of 19% and the maximum tax credit rents represent an overall increase of 18%. The Underwriter analyzed the rents required based on a single rent per unit size and assuming Rental Assistance would be provided. The current basic rents will be insufficient to support the new proposed debt service so the Underwriter estimated the percentage increase that would be required to achieve a minimum 1.10 and 1.25 debt coverage ratio and the minimum it would take to provide sufficient cash flow to repay the deferred developer fee in 15 years. These percentage increases over the current basic rents are 6%, 9% and 10% respectively. Since the 10% increase is the minimum required increase to show that the project is viable, the Underwriter focused the rest of the analysis on this scenario. This report therefore is conditioned upon an increase in basis rents of 10% on average and a re-evaluation of the feasibility of the transaction once the new basic rents are known.

The Applicant also estimated secondary income to be \$3.00 per unit per month. Given the size of the apartment complex, the Underwriter used the minimum guideline for secondary income of \$5.00 per unit per month. Both the Applicant and the Underwriter are assuming a vacancy loss of 7.5%. This results in the

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Applicant's effective gross income being \$16K or 8% more than what the Underwriter projects.

Expenses: The Applicant's estimate of total operating expense is \$8K or just over 5% higher than the Underwriter's TDHCA database-derived estimate. The main differences are in payroll, repairs and maintenance, and property insurance where the Applicant is \$5K higher, in each case, than the Underwriter's estimates and in water, sewer, and trash, and reserves for replacements where the Applicant is \$3K and \$5K lower respectively.

Conclusion: As a result of the unconfirmed estimation of gross income, 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. The Applicant is assuming an annual debt payment of \$44,421. However, it appears that the Applicant has included the debt service for the deferred developer fee not in this estimate as well as the combined USDA debt service of \$34,351. It may also be that a portion of the units were assumed to be renting at the note rate rents and thus debt service for those units would need to be calculated at the higher note rate. In order to maximize affordability of these units and minimize the debt service for these units it would be more appropriate to require the Applicant to commit to serve the lowest affordability levels possible and therefore the Underwriter's assumptions focused on adjusting the basic rents thereby minimizing the debt service requirement. In order to achieve sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25, the current basic rents should increase in an overall range of between 6% and 9%. Moreover, at the higher level the Underwriter's 15 year proforma suggests that the anticipated deferred developer fee will not be repayable in 15 years. Therefore, the Underwriter recommends a basic rent increase of 10% which will provide a DCR of 1.28 or slightly above the Department's guideline. The actual net cash flow amount however is only \$10K and the excess over 1.25 is less than \$1.5K per year which is not a significant amount.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition and Land Value: The Applicant indicated a total acquisition cost of \$404,000 but the contracted amount indicates that the transfer cost will be \$1 and the outstanding note balance estimated to be \$387,000. An appraisal, performed by Sherrill & Associates in February, 2002, resulted in the land having an appraised value of \$27,000 or \$8,084/acre. The assessed value for the land is reported at \$28,160. The Applicant used \$28,000 for the land value leaving \$376,000 for the building acquisition value. The Underwriter used the note balance as the sales price and reduced this by \$27,000 (the Appraiser's value) to conclude an eligible basis of \$360,000 for the acquisition or \$16K less than the Applicant.

Sitework Cost: The Applicant is estimating site costs to be \$2,567 per unit. While this is a low amount for a typical new construction project, this development is an acquisition/rehab project and therefore it will not incur all of the same costs associated with new development.

Direct Construction Cost: The Applicant intends to spend \$957,765 on direct construction costs. This totals to \$1,080,892, or \$22,520 per unit, in site work and direct construction combined. This is a substantial rehabilitation amount as would be expected for a development in as poor shape and with as many off-line units as the subject. In addition, the project architect has completed a detailed scope of work that is consistent with the Applicant's cost breakdown.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses and profit are all well below the maximums allowed by TDHCA guidelines. In addition the Applicant has included no contingency in the budget which is a particular concern for a rehabilitation of this size. It is therefore likely that any unforeseen rehabilitation costs will need to be mitigated by a reduction in scope.

Ineligible Costs: In addition to excluding any contingency in their budget the Applicant also excluded any reserves. It is possible that some units may continue to be habitable while the rehabilitation is being completed, however with the extremely low current occupancy it would appear unlikely that the income from those units would be significant or sufficient enough to offset the ongoing operating expenses during reconstruction and lease-up. Therefore the Underwriter included a minimal amount of reserves that acts as an ineligible offset against the Applicant's overstated acquisition costs.

Conclusion: Overall the Applicant's total costs are \$9K or 1% less than the Underwriter's estimate and are generally acceptable for determining the funding needs of the development. The rehabilitation of the project

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

was certified by Paul and Associates, an architecture firm in Wichita Falls, Texas. The total cost for the scope of work is \$1,080,981.98, or \$35.56 per rentable square foot. The Applicant's determination of eligible basis is slightly misstated due to estimate for acquisition basis and therefore the requested annual tax credits in the amount of \$113,567 is reduced slightly to \$ 113,155 based on the Underwriter's estimate.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with financing from three sources: a USDA/TXRD loan, syndicated LIHTC equity and deferred developer's fees.

Construction/Permanent Financing: The Applicant intends to use USDA Rural Development for \$500,000 and a USDA Rural Development assumption of \$387,000 for an interim construction loan. Based on the commitment letter provided it appears these amounts will be combined into one loan which will have a note rate of 6.125% subsidized down to 1% interest rate with a 30-year term and be amortized over 30 years. The annual payment was calculated by the Underwriter to be \$34,235. The remainder of the construction, \$647,267, will be funded with LIHTC syndication proceeds and deferred fees.

LIHTC Syndication: Boston Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$863,023 based on a syndication factor of 76%. The funds would be disbursed in a four-phased pay-in schedule:

1. 75% closing of the construction loan;
2. 10% upon completion of construction;
3. 14% upon final closing of the permanent mortgage loan;
4. 1% upon attainment of breakeven operating status.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$110,811 amount to 58% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed \$113,155 annually for ten years, resulting in syndication proceeds of approximately \$859,982. This is \$412 less in credits and \$3,130 less in syndication proceeds than anticipated by the Applicant. As a result the deferred developer fees must increase by the reduction in syndication proceeds. The Underwriter has determined that the basic rents for the development must increase by an average of 10% in order for the proposed deferred developer fee to be reasonably foreseen to be repayable in 15 years. It should also be noted that the Underwriter's proposed basic rent increase is significantly less than the Applicant's but the net cash flow is only slightly less since the Applicant estimated a minimum DCR after including the deferred developer fee note in the debt service. Once final basic rents are established the assumptions in this report should be re-evaluated and adjustments to the recommendations herein may be necessary.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional. Both unit types are slightly smaller than the market size and smaller than the minimum square footage guidelines in the QAP, but as this is a rehabilitation project it would be impractical to enlarge the units. Each unit has a semi-private exterior entry that is shared with another unit. The units are in two-story walk-up structures with mixed brick and wood siding exterior finish and pitched roofs.

IDENTITIES of INTEREST

The Developer and contractor are related entities. These are common relationships for LIHTC funded developments.

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

Financial Highlights: Swazon, Inc., submitted an unaudited personal financial statement as of January 31, 2002 reporting total assets of \$812K and consisting of \$5K in cash, \$335K in receivables, \$41K in real property, \$430K in business interests, and personal property. Liabilities total \$7K, resulting in a net worth of \$805K.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed 10 LIHTC housing projects totaling 342 units since 1992.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

SUMMARY OF SALIENT RISKS AND ISSUES

- The estimated income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable range(s).
- Based on the market analyst the development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The project could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum tax credit rents can be achieved in this market.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$113,155 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 USDA/RD of an increase in basis rents of 10% on average and confirmation that all of the units will be receiving Rental Assistance; and
3. Once final basic rents are established the assumptions in this report should be re-evaluated and adjustments to the recommendations herein may be necessary.

Underwriter:

Mark Fugina

Date: 6/14/02

Director of Credit Underwriting:

Tom Gouris

Date: 6/14/02

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

(Fairview Manor Apartments, Childress, LIHTC 9% 02150)

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%	1	1	1	590	\$203	\$302	\$302	\$0.51	\$38.00	\$46.00
>TC40%	1	1	1	590	271	302	302	0.51	38.00	46.00
TC50%	5	1	1	590	338	302	1,508	0.51	38.00	46.00
<TC 60%	9	1	1	590	406	302	2,714	0.51	38.00	46.00
<TC60%	32	2	1	781	487	400	12,807	0.51	56.00	46.00
TOTAL:	48		AVERAGE:	717	\$446	\$367	\$17,632	\$0.51	\$50.00	\$46.00

Current basic rents are \$275 and \$365

INCOME Total Net Rentable Sq Ft: **34,429**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00
Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.51%	\$228	\$0.32
Management	7.67%	317	0.44
Payroll & Payroll Tax	16.51%	682	0.95
Repairs & Maintenance	7.89%	326	0.45
Utilities	6.90%	285	0.40
Water, Sewer, & Trash	12.87%	532	0.74
Property Insurance	3.64%	151	0.21
Property Tax 2.55825	9.29%	384	0.53
Reserve for Replacements	7.26%	300	0.42
Other Expenses: Compliance	0.36%	15	0.02
TOTAL EXPENSES	77.91%	\$3,220	\$4.49

NET OPERATING INC

22.09% \$913 \$1.27

DEBT SERVICE

Transfer of Existing Mortgage	7.53%	\$311	\$0.43
Additional Financing	9.73%	\$402	\$0.56
Deferred Developer Note	0.00%	\$0	\$0.00
NET CASH FLOW	4.84%	\$200	\$0.28

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		20.80%	\$8,063	\$11.24
Off-Sites		0.00%	0	0.00
Sitework		6.62%	2,567	3.58
Direct Construction		51.49%	19,953	27.82
Contingency	0.00%	0.00%	0	0.00
General Requirem	3.00%	1.74%	676	0.94
Contractor's G &	2.00%	1.16%	450	0.63
Contractor's Pro	6.00%	3.49%	1,351	1.88
Indirect Construction		2.70%	1,046	1.46
Ineligible Expenses		0.00%	0	0.00
Developer's G & A	0.00%	0.00%	0	0.00
Developer's Profit	10.56%	9.28%	3,595	5.01
Interim Financing		1.30%	504	0.70
Reserves		1.41%	548	0.76
TOTAL COST		100.00%	\$38,753	\$54.03

Recap-Hard Construction Costs

SOURCES OF FUNDS

Transfer of Existing Mortgage	20.80%	\$8,063	\$11.24
New USDA Loan	26.88%	\$10,417	\$14.52
LIHTC Syndication Proceeds	46.40%	\$17,982	\$25.07
Deferred Developer Fees	5.41%	\$2,098	\$2.93
Additional (excess) Funds Requi	0.50%	\$194	\$0.27
TOTAL SOURCES			

	TDHCA	APPLICANT			
	\$211,581	\$229,980			
	2,880	1,728	\$3.00	Per Unit Per Month	
	0				
	\$214,461	\$231,708			
	(16,085)	(17,376)	-7.50%	of Potential Gross Rent	
	0				
	\$198,376	\$214,332			
	\$10,935	\$11,350	\$0.33	\$236	5.30%
	15,213	17,050	0.50	355	7.95%
	32,750	37,390	1.09	779	17.44%
	15,662	20,680	0.60	431	9.65%
	13,680	12,000	0.35	250	5.60%
	25,537	22,650	0.66	472	10.57%
	7,230	12,030	0.35	251	5.61%
	18,419	20,000	0.58	417	9.33%
	14,400	8,900	0.26	185	4.15%
	720	720	0.02	15	0.34%
	\$154,546	\$162,770	\$4.73	\$3,391	75.94%
	\$43,830	\$51,562	\$1.50	\$1,074	24.06%
	\$14,937	\$34,351	\$1.00	\$716	16.03%
	19,298		\$0.00	\$0	0.00%
	0	10,070	\$0.29	\$210	4.70%
	\$9,594	\$7,141	\$0.21	\$149	3.33%
	1.28	1.16			
	1.28				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$387,000	\$404,000	\$11.73	\$8,417	21.83%
	0	0	0.00	0	0.00%
	123,217	123,217	3.58	2,567	6.66%
	957,765	957,765	27.82	19,953	51.75%
	0	0	0.00	0	0.00%
	32,429	32,429	0.94	676	1.75%
	21,620	21,620	0.63	450	1.17%
	64,859	64,859	1.88	1,351	3.50%
	50,200	50,200	1.46	1,046	2.71%
	0	0	0.00	0	0.00%
	0	0	0.00	0	0.00%
	172,543	172,543	5.01	3,595	9.32%
	24,200	24,200	0.70	504	1.31%
	26,302	0	0.00	0	0.00%
	\$1,860,136	\$1,850,833	\$53.76	\$38,559	100.00%
	\$1,199,890	\$1,199,890	\$34.85	\$24,998	64.83%
	\$387,000	\$387,000	\$387,000		
	500,000	500,000	500,000		
	863,112	863,112	859,982		
	100,721	100,721	103,851		
	9,303	0	0		
	\$1,860,136	\$1,850,833	\$1,850,833		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
(Fairview Manor Apartments, Childress, LIHTC 9% 02150)

PAYMENT COMPUTATION

Primary	\$387,000	Term	360
Int Rate	1.00%	DCR	2.93

Secondary	\$500,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.28

Additional		Term	
Int Rate		Aggregate DCR	1.28

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	\$14,937
Secondary Debt Service	19,298
Additional Debt Service	0
NET CASH FLOW	\$9,594

Primary	\$387,000	Term	360
Int Rate	1.00%	DCR	2.93

Secondary	\$500,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.28

Additional		Term	
Int Rate		Aggregate DCR	1.28

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$211,581	\$217,928	\$224,466	\$231,200	\$238,136	\$276,065	\$320,035	\$371,008	\$498,604
Secondary Income	2,880	2,966	3,055	3,147	3,241	3,758	4,356	5,050	6,787
Other Support Income: (de)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	214,461	220,894	227,521	234,347	241,377	279,822	324,391	376,058	505,391
Vacancy & Collection Loss	(16,085)	(16,567)	(17,064)	(17,576)	(18,103)	(20,987)	(24,329)	(28,204)	(37,904)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$198,376	\$204,327	\$210,457	\$216,771	\$223,274	\$258,836	\$300,062	\$347,854	\$467,486
EXPENSES at 4.00%									
General & Administrative	\$10,935	\$11,373	\$11,828	\$12,301	\$12,793	\$15,564	\$18,937	\$23,039	\$34,104
Management	15,213	15,669	16,139	16,624	17,122	19,849	23,011	26,676	35,850
Payroll & Payroll Tax	32,750	34,060	35,422	36,839	38,313	46,613	56,712	68,999	102,136
Repairs & Maintenance	15,662	16,288	16,940	17,617	18,322	22,291	27,121	32,997	48,843
Utilities	13,680	14,227	14,796	15,388	16,004	19,471	23,689	28,822	42,663
Water, Sewer & Trash	25,537	26,558	27,621	28,725	29,874	36,347	44,222	53,802	79,640
Insurance	7,230	7,519	7,820	8,133	8,458	10,291	12,520	15,233	22,548
Property Tax	18,419	19,156	19,922	20,719	21,548	26,217	31,896	38,807	57,444
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	720	749	779	810	842	1,025	1,247	1,517	2,245
TOTAL EXPENSES	\$154,546	\$160,576	\$166,842	\$173,355	\$180,123	\$218,164	\$264,291	\$320,230	\$470,383
NET OPERATING INCOME	\$43,830	\$43,751	\$43,615	\$43,416	\$43,151	\$40,672	\$35,770	\$27,623	(\$2,896)
DEBT SERVICE									
First Lien Financing	\$14,937	\$14,937	\$14,937	\$14,937	\$14,937	\$14,937	\$14,937	\$14,937	\$14,937
Second Lien	19,298	19,298	19,298	19,298	19,298	19,298	19,298	19,298	19,298
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$9,594	\$9,516	\$9,379	\$9,181	\$8,916	\$6,436	\$1,535	(\$6,612)	(\$37,132)
DEBT COVERAGE RATIO	1.28	1.28	1.27	1.27	1.26	1.19	1.04	0.81	(0.08)

LIHTC Allocation Calculation - (Fairview Manor Apartments, Childress, LIHTC 9% 02150)

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$28,000	\$27,000				
Purchase of buildings	\$376,000	\$360,000	\$376,000	\$360,000		
(2) Rehabilitation/New Construction Cost						
On-site work	\$123,217	\$123,217			\$123,217	\$123,217
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	\$957,765	\$957,765			\$957,765	\$957,765
(4) Contractor Fees & General Requirements						
Contractor overhead	\$21,620	\$21,620			\$21,620	\$21,620
Contractor profit	\$64,859	\$64,859			\$64,859	\$64,859
General requirements	\$32,429	\$32,429			\$32,429	\$32,429
(5) Contingencies						
(6) Eligible Indirect Fees	\$50,200	\$50,200			\$50,200	\$50,200
(7) Eligible Financing Fees	\$24,200	\$24,200			\$24,200	\$24,200
(8) All Ineligible Costs						
(9) Developer Fees			\$56,400	\$54,000		
Developer overhead						
Developer fee	\$172,543	\$172,543			\$116,143	\$118,543
(10) Development Reserves						
		\$26,302				
TOTAL DEVELOPMENT COSTS	\$1,850,833	\$1,860,136	\$432,400	\$414,000	\$1,390,433	\$1,392,833

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis					\$500,000	\$500,000
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$432,400	\$414,000	\$890,433	\$892,833
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$432,400	\$414,000	\$1,157,563	\$1,160,683
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$432,400	\$414,000	\$1,157,563	\$1,160,683
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			\$15,869	\$15,194	\$97,698	\$97,962
Syndication Proceeds	0.7600		\$120,605	\$115,473	\$742,507	\$744,509
			Total Tax Credits		\$113,567	\$113,155
			Total Syndication Proceeds		\$863,112	\$859,982

TDHCA #

02155

Region 1

**At Risk
Set-Aside**



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

Development Name: **Blue Water Garden Apartments**

TDHCA #: **02155**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 1 LIHTC Primary Set Aside: AR
 Site Address: 612 Irving Street Additional Elderly Set Aside
 City: Hereford Purpose / Activity: ACQ/R
 County: Deaf Smith Development Type: Family
 Zip Code: 79045 TTC DDA QCT

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

Special Needs: 7 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Hereford Affordable Housing, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Preservation Partners of Hereford, Inc.	Daniel F. O'Dea	100 %
Daniel F. O'Dea, Partners of GP		50 %
W. Douglas Gurkin, Partners of GP		50 %
		%
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$400,844** Allocation over 10 Years: \$4,008,440
 Credits Requested: \$412,835 Eligible Basis Amount: \$411,059 Equity/Gap Amount: \$400,844

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	1	1	0	0	2
40%	0	4	20	29	0	0	53
50%	0	4	19	24	9	0	56
60%	0	4	0	10	7	0	21
MR	0	0	0	0	0	0	0
Total	0	12	40	64	16	0	

BUILDING INFORMATION

Total Development Cost: **\$6,224,088**
 Gross Building Square Feet: 122,756
 Total NRA SF: 118,480
 Gross/Net Rentable: 1.04
 Average Square Feet/Unit: 898
 Cost Per Net Rentable Square Foot: \$52.53
 Credits per Low Income Unit: \$3,037

Total LI Units: 132
 Owner/Employee Units: 0
 Total Project Units: 132
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$929,931
 Total Expenses: \$521,830
 Net Operating Income: \$408,101
 Estimated 1st Year Debt Coverage Ratio: 1.25

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

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

DEPARTMENT EVALUATION

Points Awarded: 133 Site Review: Acceptable Underwriting Finding: AC

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

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: NC	
TX Rep.: John Smithee, Dist. 86 S	
TX Sen.: Teel Bivins, Dist. 31 S	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

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

Receipt, review, and acceptance of revised permanent loan commitments reflecting an increase in the debt service to a minimum of \$326,504.

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

Alternate Recommendation:

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

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

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

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

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

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

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

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

Approved Credit Amount: Date of Determination:

_____ Michael E. Jones, Chairman of the Board	_____ Date
--	---------------

Compliance Status Summary

Project ID #: 02155

LIHTC 9% LIHTC 4%

Project Name: Blue Water Garden Apartments

HOME HTF

Project City: Hereford

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

Non-Compliance Reported _____

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

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 05/23/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 04/30/2002

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 18, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02155

DEVELOPMENT NAME

Blue Water Garden Apartments

APPLICANT

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

PRINCIPALS of the APPLICANT

Name: Preservation Partners of Hereford, Inc. **(%):** .01 **Title:** General Partner
Name: Related Capital Company **(%):** 99.99 **Title:** Limited Partner
Name: Daniel F. O'Dea **(%):** n/a **Title:** President of GP
Name: W. Douglas Gurkin **(%):** n/a **Title:** Vice-President of GP

GENERAL PARTNER

Name: Preservation Partners of Hereford, Inc. **Type:** For Profit Non-Profit Municipal Other
Address: 204 East 8th Street **City:** Georgetown **State:** TX
Zip: 78626 **Contact:** Dan O'Dea **Phone:** (512) 863-7666 **Fax:** (512) 863-8656

PROPERTY LOCATION

Location: 612 Irving Street **QCT** **DDA**
City: Hereford **County:** Deaf Smith **Zip:** 79045

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$412,835	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>Acquisition/Rehab</u> Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 8.264 acres 359,980 square feet **Zoning/ Permitted Uses:** MF-Multifamily
Flood Zone Designation: Zone A- not in flood zone **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 132 **# Rental Buildings:** 12 **# Common Area Bldgs:** 2 **# of Floors:** 2 **Age:** 28 yrs **Vacant:** 2 at 02/ 20/ 2002

Number	Bedrooms	Bathroom	Size in SF
12	1	1	640
40	2	1	800
64	3	1.5	965
16	4	2	1065

Net Rentable SF: 120,410* **Av Un SF:** 899* **Common Area SF:** 2,346 **Gross Bldg SF** 122,756

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

*Underwriter's calculation reflects 118,480 net rentable square feet and an 898 average unit square footage.

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a slab on grade, 90% stucco/10% Hardiplank siding exterior wall covering, drywall interior wall surfaces and composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

1,442 SF community building with activity room, leasing office and storage space, 904 SF laundry and maintenance building, equipped children's play area

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

OTHER SOURCES of FUNDS

INTERIM TO PERMANENT FINANCING

Source: American Mortgage Acceptance Corporation **Contact:** Steve Wendel

Principal Amount: \$2,000,000 **Interest Rate:** 7.9%

Additional Information: _____

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** None Firm Conditional

Annual Payment: \$174,433 **Lien Priority:** 1st **Commitment Date** 02/ 19/ 2002

LONG TERM/PERMANENT FINANCING

Source: American Mortgage Acceptance Corporation **Contact:** Steve Wendel

Principal Amount: \$490,000 **Interest Rate:** 9%

Additional Information: Final loan commitment will be based on remaining balance of IRP

Amortization: 7 yrs **Term:** 7 yrs **Commitment:** None Firm Conditional

Annual Payment: \$94,604 **Lien Priority:** 2nd **Commitment Date** 02/ 19/ 2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg
Address: 625 Madison Avenue **City:** New York
State: NY **Zip:** 10022 **Phone:** (212) 521-6369 **Fax:** (212) 751-3543
Net Proceeds: \$3,137,000 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 77¢
Commitment None Firm Conditional **Date:** 03/ 27/ 2002
Additional Information: _____

APPLICANT EQUITY

Amount: \$596,988 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: (based on assessed value)	<u>\$54,600</u>	Date of Valuation:	<u>02/ 25/ 2002</u>
Existing Building: as is without IRP *	<u>\$1,295,400</u>	Date of Valuation:	<u>02/ 25/ 2002</u>
Value of IRP	<u>\$750,000</u>	Date of Valuation:	<u>02/ 25/ 2002</u>
Total Property: as is	<u>\$2,100,000</u>	Date of Valuation:	<u>02/ 25/ 2002</u>
Appraiser: <u>Property Advisors</u>	City: <u>Columbus</u>	Phone:	<u>(614) 431-3332</u>

*as calculated by underwriter

ASSESSED VALUE

Land:	<u>\$54,600</u>	Assessment for the Year of:	<u>2001-2002</u>
Building:	<u>\$1,083,170</u>	Valuation by:	<u>Deaf Smith County Appraisal District</u>
Total Assessed Value:	<u>\$1,137,770*</u>	Tax Rate:	<u>2.717</u>

*Spoke w/Deaf Smith CAD representative and confirmed assessed value for years 2001 and 2002.

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract
Contract Expiration Date: 08/ 31/ 2002 **Anticipated Closing Date:** 08/ 01/ 2002
Acquisition Cost: \$ 2,291,415 **Other Terms/Conditions:** \$15,000 earnest money deposit
Seller: Blue Water Garden Apartments, L.P. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Blue Water Garden Apartments is a proposed acquisition and rehabilitation development of 132 units of affordable housing located in eastern Hereford. The development was built in 1974 and is comprised of 12 residential buildings as follows:

- 1 Building Type A with twelve 1-bedroom units (640sf);
- 3 Building Type B with forty 2-bedroom units (800sf);
- 7 Building Type C with sixty-four 3-bedroom units (965sf); and
- 1 Building Type D with sixteen 4-bedroom units (1,065sf);

Based on the site plan the apartment buildings are arranged in four groups separated by parking lots, with the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

community building, and equipped play area located near the entrance to the site. A 904-square foot laundry and maintenance building is to be located near the center of the site. The 1,442-square foot community building is planned to have the management offices and a community room.

Existing Subsidies: The project has 132 units enrolled in the HUD project-based Section 8 program via a Housing Assistance Payments (HAP) contract. The Applicant intends to continue the HAP contract as it provides rents that are significantly higher than the maximum tax credit rents. The Applicant plans to extinguish the existing 236 loan but keep the interest rate reduction payment (IRP) which provides an interest rate subsidy to reduce the effective rate on the 236 loan to 1%. It should also be noted that while all units are covered under the HAP contract two are currently being used for tenant services but will be converted into employee occupied units once rehabilitation is complete.

Development Plan: The buildings are currently 98% occupied based on the rent roll submitted as of February 20, 2002. The architect's scope of work includes: new interior and exterior paint, replacement of carpet and resilient flooring, replacement of 131 ranges, refrigerators and garbage disposals, replacement of heating and cooling units, new lighting and cabinets, replacement of 72 tubs and 5 toilets, replacement of gas water heaters with electric water heaters, replacement of exterior doors.

The Applicant included a relocation plan and budget in the application. During the rehabilitation phase, management will cease taking new leases. The Applicant estimates that 15-20 units will be vacant at the time construction begins and will be available to begin interior rehabilitation. Each of the interior turns is expected to take approximately one week to complete. Hereford Affordable Housing, L.P. will be distributing a letter by the end of the August informing the residents of the scope of improvements to be completed. The letter will offer residents either a bonded moving company to transfer them to a new unit, or offer the tenants \$250 upon the timely completion of the move themselves. There will be a \$50 utility transfer charge for the telephone that will be paid by Hereford Affordable Housing, L.P. All other utilities are provided by the owner. The letter will reflect an allowance for seniority on the property regarding those desiring to voluntarily change to like units early. Four days prior to the tenant's move date, management will provide them with 15 boxes of three varying sizes. The Applicant has allocated \$335/unit for relocation expenses.

Supportive Services: The Applicant has contracted with Communities Assuring a Sustainable Agriculture (C.A.S.A del Llano) to provide the following supportive services to tenants: after school youth programs. These services will be provided at no cost to tenants. The letter from C.A.S.A del Llano states that since it is a 501(c) non-profit organization, it would welcome an annual donation of \$2,000 to offset costs in this partnership. The Applicant has allotted \$1,000 in annual expenses for supportive services.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. The Applicant indicates that all but two of the units will be reserved for low-income tenants. 53 of the units will be reserved for households earning 40% or less of AMGI, 56 of the units will be reserved for households earning 50% or less of AMGI, 19 of the units will be reserved for households earning 60% or less of AMGI and 2 of the units will be employee occupied. The development has 132 units enrolled in the HUD project-based Section 8 program via a Housing Assistance Payments (HAP) contract.

Special Needs Set-Asides: Seven units (1.5%) will be handicapped-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 26, 2002 was prepared by The Danter Company and highlighted the following findings:

Definition of Market/Submarket : "The Effective Market Area in Deaf Smith County consists of Hereford and surrounding rural areas. The EMA is bounded by County Road 1058 to the north, County Road 2943 to the east, and County Road 1057 to the south and west." (p. III-3)

Total Local/Submarket Demand for Rental Units: "The 131 Tax Credit units being proposed at the

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

subject Blue Water Garden development will represent a rental housing alternative for 6.9% of all income-appropriate households. This is a good ratio and indicates adequate supply of potential income-appropriate household support.” (p. IV14)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	14	3%
Resident Turnover (63.4% IREM Region 6)	507	97%
TOTAL ANNUAL DEMAND	521	100%

Ref: p. IV-13 through IV-15

The market analyst did not specify a demand figure for the market area based on household growth and turnover of existing renter households. Based on the demographic information provided within the market study, the Underwriter has concluded that there is demand for 521 units from income qualified renter households. The study states that the household growth between years 2000 and 2005 is projected to be a total of 490, or 98 households per year. The Underwriter calculated an income qualified household ratio of 33% and utilized the market analyst’s calculated renter household ratio of 42% to derive annual income-qualified renter household demand for 14 units per year. The market study also concluded that 800 income qualified renter households currently reside in the market area. Applying the IREM turnover ratio of 63.4% for Region 6 results in additional demand from existing households for 507 units.

Capture Rate: The Underwriter calculated a concentration capture rate of 25% based upon a calculated demand figure as described above. With a 90%+ current occupied status, the concentration issue in this case is irrelevant.

Market Rent Comparables: The market analyst surveyed 12 comparable apartment projects totaling 429 units in the Hereford, Texas Site EMA. (p. IV-6)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (40%)	\$274	\$413	-\$139	\$490	-\$216
1-Bedroom (50%)	\$343	\$413	-\$70	\$490	-\$147
1-Bedroom (60%)	\$400	\$413	-\$13	\$490	-\$90
2-Bedroom (30%)	\$247	\$534	-\$287	\$622	-\$375
2-Bedroom (40%)	\$329	\$534	-\$205	\$622	-\$293
2-Bedroom (50%)	\$400	\$534	-\$134	\$622	-\$222
3-Bedroom (30%)	\$285	\$591	-\$306	\$694	-\$409
3-Bedroom (40%)	\$380	\$591	-\$211	\$694	-\$314
3-Bedroom (50%)	\$475	\$591	-\$116	\$694	-\$219
3-Bedroom (60%)	\$500	\$591	-\$91	\$694	-\$194
4-Bedroom (50%)	\$500	\$643	-\$143	\$745	-\$245
4-Bedroom (60%)	\$600	\$643	-\$43	\$745	-\$145

(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 actual rents that will be collected will be HAP contract rents at \$413, \$534, \$591 and \$643. These rents are guaranteed not to go down and less than the market analyst’s rents above, but much higher than the appraiser’s rents of \$400, \$450, \$525 and \$600.**

Submarket Vacancy Rates: “The surveyed market-rate properties are 91.1% occupied. Overall, vacancies within the Site EMA are somewhat high” (p. IV-6)

Absorption Projections: “Overall, when responding to only income-qualified tenants, absorption is expected to average 10 to 12 units per month...” (p. IV-33)

Known Planned Development: “According to area planning and building officials, there are no planned/announced projects for the site EMA at this time.” (p. IV-9)

Effect on Existing Housing Stock: “Based on our evaluation of the access, visibility, and environment of

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

the site, it is our opinion that the subject site will not have an adverse effect on absorption and ongoing turnover” (p. IV-21)

The Underwriter found the market study to provide sufficient information to make a funding recommendation. An appraisal was also provided to substantiate the value of the buildings versus land for the acquisition basis. The appraisal was performed by Andrew J. Moye, MAI with Property Advisors. The appraiser’s conclusion for the value of the land is strictly based on the current assessed value. The appraiser reasoned that this was the best estimate of value since no multifamily development has occurred in Hereford in over a decade.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Hereford is located in north Texas, approximately 40 miles southwest from Amarillo in Deaf Smith County. The site is a rectangularly-shaped parcel located in the eastern area of Hereford, approximately 1 mile from the central business district. The site is situated on the north side of Irving Street.

Population: The estimated 2001 population of Hereford was 14,549 and is expected to decrease by 0.4% to approximately 14,486 by 2006. Within the primary market area there were estimated to be 5,026 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with single family homes, apartment complexes, churches and undeveloped land. Adjacent land uses include:

- **North:** single family homes, churches, elementary school
- **South:** single family homes, churches, convenience store
- **East:** undeveloped land
- **West:** single family homes, churches, schools, convenience stores

Site Access: Access to the property is from the north or south along Irving Street and Whittier Street, or from the east or west along Forest Street and Wulf Street. The project has five main entries, one from the east or west from Forest St. and one from the east or west from Wolf St., one from the north or south from Whittier St. and two main entrances from the east or west from Irving St. Access to US Route 60 is 0.8 miles south, which provides connections to all other major roads serving the Hereford/Amarillo area.

Public Transportation: “There is no public transportation system serving Hereford.” (p IV-17)

Shopping & Services: The site is within 1.3 miles of 1 major grocery store, 35 miles northeast of shopping centers in Amarillo, within 1.4 miles of several recreational facilities, and within 1.5-2.0 miles of a variety of other community services.

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 25, 2002 was prepared by ECOLOGIC, INC and contained the following findings and recommendations:

Findings: The analyst concludes that there are no environmental risks or recognized environmental conditions indicating the presence of hazardous environmental conditions. (p. 13)

Recommendations: The analyst did not provide any further recommendations of action with this report. An Operations & Maintenance (O & M) Plan was also provided dated March 25, 2002 by the same environmental firm. The plan appears to be comprehensive though the Department does not have any specific requirements with regards to such plans other than addressing the issues noted by the ESA inspector.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines. Since the Applicant included the current HAP contract with the application, the Underwriter used the current HAP contract rents for all 132 of the units that are enrolled in this program in order to calculate the development’s potential gross rent while the Applicant’s estimate is based on current LIHTC rent limits. The Applicant indicated that two of the units will be employee occupied but was not sure if the employees were income qualified or not. Due to the fact that all 132 units are under the HAP contract, the Underwriter will assume that the employees are income qualified and will include these units in the potential gross rent estimate. As a

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

result, the Applicant's potential gross rent estimate is \$230K or 26% lower than the Underwriter's estimate. Using the current HAP rents results in \$230,928 more in rental income for the development than originally estimated by the Applicant. This total rent is also consistent with the development's 2002 HUD budget. The current HAP rents are \$413 for the one-bedroom units, \$534 for the two-bedroom units, \$591 for the three-bedroom units and \$643 for the four-bedroom units and have been guaranteed for at least 5 years subject to annual HUD appropriations. The Applicant's estimate of secondary income is in line with TDHCA underwriting guidelines. The Applicant utilized a slightly lower vacancy and collection loss rate of 7.29%. The Underwriter also included the IRP payment in other support income. As a result of using the HAP contract rents and including the IRP payment, the Underwriter's effective gross income estimate is \$302K or 32% higher than the Applicant's estimate.

Expenses: The Applicant's estimate of total operating expense is \$125K or 24% lower than the Underwriter's estimate. The Underwriter compared line item expenses to both the database-derived estimate and the HUD audited financial statements for this development for the year ended December 31, 2001. Based on the financial statements, this development has historically operated at unusually high costs and the Applicant has significantly understated the development's operating expense estimate when compared to this information. Therefore, the Underwriter feels comfortable with the TDHCA database-derived estimate based on this information. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$7K lower), management (\$19K lower), payroll and payroll tax (\$16K lower), repairs and maintenance (\$13K higher), utilities (\$85K lower), water, sewer, and trash (\$26K lower), property insurance (\$25K higher) and property tax (\$11K lower). This development is an all bills paid operation, therefore the utility factor was adjusted accordingly though the Underwriter's estimate was still slightly less than the historical expense.

Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Based on the Underwriter's proforma and the proposed financing structure, the development would have a debt coverage ratio (DCR) of 1.52, which exceeds the program maximum standard of 1.25. In order to limit the development's DCR to a maximum of 1.25, the annual debt service must be a minimum of \$326,504, which suggests an increase in both the IRP and permanent loans.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted a Real Estate Purchase and Sale Agreement wherein the Applicant is purchasing the property for \$2,291,415. The Applicant's claimed acquisition cost for the land of \$315,515 is \$260,915 higher than the appraised value for the land. This amount was utilized by the Underwriter as it provides a more conservative credit allocation amount. The appraiser concluded that the market value for the entire property, including the IRRP is \$2,100,000, which is \$191K less than the sales price. The proposed acquisition is an arm's length transaction.

Sitework Cost: Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of \$1,000 per unit and this amount is consistent with the architect's proposed work write-up.

Direct Construction Cost: The Applicant's scope of work is detailed and consistent with the cost breakdown. Line item costs appear reasonable and thus the direct construction cost of \$1,613,515 is used by the Underwriter.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's proposed contingency cost, however, was overstated by \$34,911 compared to the 10% guideline for rehabilitation developments. This caused developer fees to also be overstated by an additional \$24,706.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate. Therefore, the Applicant's estimate as adjusted will be used to determine the development's eligible basis and total funding need. This method results in total annual credits of \$411,059 and syndication proceeds of \$3,164,840 which will be used to compare to the gap method discussed below.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with five types of financing from three sources: an IRP

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

loan, a permanent loan, syndicated LIHTC equity, deferred developer's fees and the Applicant's cash equity. **IRP Loan and Permanent Loan** : There is a commitment for interim to permanent financing through American Mortgage Acceptance Corporation. These would be broken down into two loans; an IRP loan and a permanent financing loan. The IRP loan commits up to \$490,000 in funds at a fixed interest rate of 9% with a term of 7 years.

The IRP (interest rate reduction payment) is what will remain along with the HAP contract after the existing 236 loan is decoupled and the original loan is repaid. Under the HUD 236 decoupling program the 236 loan is allowed to be extinguished but the federal assistance payments to help reduce the effective interest rate will be maintained along with the required unit affordability. The permanent loan commits up to \$2,000,000 in funds at a fixed interest rate of 7.9% with amortization over a period of 30 years and a term of 18 years. Both of these loans would be used for construction financing and will then convert to permanent financing upon stabilization. Based on the Underwriter's proforma and the proposed financing structure, the development would have a debt coverage ratio (DCR) of 1.52, which exceeds the program maximum standard of 1.25. In order to limit the development's DCR to a maximum of 1.25, the annual debt service must be a minimum of \$326,504. The final IRP loan will depend on how much of the IRP payments are left at the time the loan closes. In addition, the final interest rate on both loans may depend in part on a determination as to the effect the IRP will have on eligible basis.

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

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,137,000 based on a syndication factor of 77%. The funds would be disbursed in a six-phased pay-in schedule:

1. 25% or \$784,250 upon admission of Investor to Project Partnership (the "Closing");
2. 25% or \$784,250 at completion of 25% of construction as determined by the Investor's construction consultant;
3. 20% or \$627,400 at completion of 50% of construction as determined by the Investor's construction consultant;
4. 5% or \$156,850 at completion of 75% of construction as determined by the Investor's construction consultant;
5. 5% or \$156,580 upon the completion of construction ("Completion"); and
6. 20% or \$627,400 upon the attainment of Rental Achievement.

Deferred Developer's Fees: This development has 40% and 50% of AMGI units, the Applicant's score should have been affected since the proposed deferred developer fee exceeds more than 50% of the eligible developer fees. The Applicant's proposed deferred developer's fee of \$596,988 amount to 84% of the total fees.

Financing Conclusions: Since the Applicant's total development costs were approximately 1% more than the Underwriter's estimate, the Applicant's development costs as adjusted were used to determine eligible basis. The acquisition applicable percentage rate was adjusted in order to reflect the current underwriting rate of 3.67% while the Applicant utilized a rate of 3.53%. While this adjustment increased the acquisition credit amount, the overstatement in contingency cost and developer fees decreased the recommended tax credit allocation to \$411,059 per year, resulting in syndication proceeds of approximately \$3,164,840. However, this is still \$78,646 more than the gap requirement based on the Underwriter's analysis. Therefore, the maximum potential tax credit allocation for this project should be reduced to not more than \$400,844 or \$11,991 less than requested. The Applicant initially anticipated a sizeable portion of the developer fee,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

\$596,988, would be deferred and paid from available cash flow. Based on the Underwriter's analysis, the developer will not be required to defer any portion of the developer fee. Any costs in excess of the Underwriter's estimate can and should be absorbed by a re-deferment of developer fee.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are simple with flat roofs. All units are of average size for market rate and LIHTC units.

Each unit has a semi-private exterior entry off an interior breezeway that is shared with other units. The units are in two-story structures with mixed stucco/Harkiplank siding exterior finish and flat roofs.

IDENTITIES of INTEREST

None noted.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Developer, Preservation Partners, Inc., submitted an unaudited financial statement as of March 20, 2002 reporting total assets of \$556K and consisting of \$10K in cash, \$472K in accounts receivable and \$74K in other current assets.
- The principals of the General Partner, Daniel F. O'Dea and W. Douglas Gurkin, submitted an unaudited financial statement as of February 27, 2002 and February 25, 2002, respectively.

Background & Experience:

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

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- Significant environmental risks exist regarding the potential asbestos managed through the O & M Plan.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$400,844 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 of how the IRP will remain in effect and certification by a third party CPA as to the acceptability and detail of the methodology and calculations used to keep the IRP and/or IRP loan from reducing eligible basis or reducing the applicable percentage. This condition should be met by or as part of the documentation substantiating the closing of the construction loan.
3. Receipt, review, and acceptance of revised permanent loan commitments reflecting an increase in the debt service to a minimum of \$326,504.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

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

Associate Underwriter:

Raquel Morales

Date: May 18, 2002

Director of Credit Underwriting:

Tom Gouris

Date: _____

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Blue Water Garden Apartments, Hereford, LIHTC # 02155

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
>TC40%	4	1	1	640	\$274	\$413	\$1,652	\$0.65	\$61.00	\$32.00
>TC50%	4	1	1	640	343	\$413	1,652	0.65	61.00	32.00
>TC60%	4	1	1	640	411	\$413	1,652	0.65	61.00	32.00
>TC30%	1	2	1	800	247	\$534	534	0.67	79.00	38.00
>TC40%	20	2	1	800	329	\$534	10,680	0.67	79.00	38.00
>TC50%	19	2	1	800	411	\$534	10,146	0.67	79.00	38.00
>TC30%	1	3	1.5	965	285	\$591	591	0.61	83.00	43.00
>TC40%	29	3	1.5	965	380	\$591	17,139	0.61	83.00	43.00
>TC50%	24	3	1.5	965	475	\$591	14,184	0.61	83.00	43.00
EO	1	3	1.5	965	591	\$591	591	0.61	83.00	43.00
>TC60%	9	3	1.5	965	570	\$591	5,319	0.61	83.00	43.00
>TC50%	9	4	2	1065	531	\$643	5,787	0.60	84.00	46.00
EO	1	4	2	1065	643	\$643	643	0.60	84.00	46.00
>TC60%	6	4	2	1065	637	\$643	3,858	0.60	84.00	46.00
TOTAL:	132		AVERAGE:	898	\$427	\$564	\$74,428	\$0.63	\$79.91	\$40.85

INCOME Total Net Rentable Sq Ft: 118,480

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month:	\$10.00	
Other Support Income: IRP payment			
POTENTIAL GROSS INCOME			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	
Employee or Other Non-Rental Units or Concessions			
EFFECTIVE GROSS INCOME			

	TDHCA	APPLICANT		
	\$893,136	\$662,208		
	15,840	15,600	\$9.85	Per Unit Per Month
	96,355	0		
	\$1,005,331	\$677,808		
	(75,400)	(49,416)	-7.29%	of Potential Gross Rent
	0			
	\$929,931	\$628,392		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.57%	\$322	\$0.36
Management	5.00%	352	0.39
Payroll & Payroll Tax	12.47%	879	0.98
Repairs & Maintenance	5.36%	378	0.42
Utilities	11.81%	832	0.93
Water, Sewer, & Trash	6.53%	460	0.51
Property Insurance	2.14%	151	0.17
Property Tax	3.32%	234	0.26
Reserve for Replacements	4.26%	300	0.33
Other Expenses: Supp Svcs & Comp	0.65%	45	0.05
TOTAL EXPENSES	56.11%	\$3,953	\$4.40
NET OPERATING INC	43.89%	\$3,092	\$3.44

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	\$42,497	\$35,500	\$0.30	\$269	5.65%
	46,497	27,622	0.23	209	4.40%
	115,995	100,000	0.84	758	15.91%
	49,840	63,100	0.53	478	10.04%
	109,869	25,000	0.21	189	3.98%
	60,752	35,000	0.30	265	5.57%
	19,867	45,000	0.38	341	7.16%
	30,913	20,000	0.17	152	3.18%
	39,600	39,600	0.33	300	6.30%
	6,000	6,000	0.05	45	0.95%
	\$521,830	\$396,822	\$3.35	\$3,006	63.15%
	\$408,101	\$231,570	\$1.95	\$1,754	36.85%

DEBT SERVICE	%	PER UNIT	PER SQ FT
AMAC	18.76%	\$1,321	\$1.47
AMAC- IRP Loan	10.17%	\$717	\$0.80
Cash Equity	0.00%	\$0	\$0.00
NET CASH FLOW	14.95%	\$1,054	\$1.17
AGGREGATE DEBT COVERAGE RATIO			
ALTERNATIVE DEBT COVERAGE RATIO			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$174,433	\$174,433	\$1.47	\$1,321	27.76%
	94,604	94,604	\$0.80	\$717	15.05%
	0	0	\$0.00	\$0	0.00%
	\$139,064	(\$37,467)	(\$0.32)	(\$284)	-5.96%
	1.52	0.86			
	1.25				

CONSTRUCTION COST	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		37.05%	\$17,359	\$19.34
Off-Sites		0.00%	0	0.00
Sitework		2.13%	1,000	1.11
Direct Construction		26.09%	12,224	13.62
Contingency	10.00%	2.82%	1,322	1.47
General Requiremen	6.00%	1.69%	793	0.88
Contractor's G & A	2.00%	0.56%	264	0.29
Contractor's Profi	6.00%	1.69%	793	0.88
Indirect Construction		4.35%	2,040	2.27
Ineligible Expenses		7.99%	3,745	4.17
Developer's G & A	2.00%	1.48%	693	0.77
Developer's Profit	13.00%	9.61%	4,503	5.02
Interim Financing		2.64%	1,236	1.38
Reserves		1.88%	879	0.98
TOTAL COST		100.00%	\$46,852	\$52.20
Recap-Hard Construction Costs		35.00%	\$16,397	\$18.27

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$2,291,415	\$2,291,415	\$19.34	\$17,359	36.82%
	0	0	0.00	0	0.00%
	132,000	132,000	1.11	1,000	2.12%
	1,613,515	1,613,515	13.62	12,224	25.92%
	174,552	209,462	1.77	1,587	3.37%
	104,731	104,731	0.88	793	1.68%
	34,910	34,910	0.29	264	0.56%
	104,731	104,731	0.88	793	1.68%
	269,220	269,220	2.27	2,040	4.33%
	494,284	494,284	4.17	3,745	7.94%
	91,455	0	0.00	0	0.00%
	594,459	710,620	6.00	5,383	11.42%
	163,200	163,200	1.38	1,236	2.62%
	115,996	96,000	0.81	727	1.54%
	\$6,184,467	\$6,224,088	\$52.53	\$47,152	100.00%
	\$2,164,438	\$2,199,349	\$18.56	\$16,662	35.34%

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT
AMAC	32.34%	\$15,152	\$16.88
AMAC- IRP Loan	7.92%	\$3,712	\$4.14
LIHTC Syndication Proceeds			
Cash Equity	0.00%	\$1	\$0.00
Deferred Developer Fees	9.65%	\$4,523	\$5.04
Additional (excess) Funds Required	-0.64%	(\$300)	(\$0.33)
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED
	\$2,000,000	\$2,000,000	\$2,638,823
	490,000	490,000	499,070
	3,137,000	3,137,000	3,086,194
	100	100	
	596,988	596,988	
	(39,621)	0	0
	\$6,184,467	\$6,224,088	\$6,224,088

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Blue Water Garden Apartments, Hereford, LIHTC # 02155

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				\$0
Adjustments				
Exterior Wall Finish				
Elderly				
Roofing				
Subfloor				
Floor Cover				
Porches/Balconies				
Plumbing				
Built-In Appliances				
Stairs/Fireplaces				
Floor Insulation				
Heating/Cooling				
Garages/Carports				
Comm &/or Aux Bldgs				
Other:				
SUBTOTAL				
Current Cost Multiplier				
Local Multiplier				
TOTAL DIRECT CONSTRUCTION COSTS			\$0.00	\$0
Plans, specs, survy, bld g	3.90%		\$0.00	\$0
Interim Construction Inter	3.38%		0.00	0
Contractor's OH & Profit	11.50%		0.00	0
NET DIRECT CONSTRUCTION COSTS			\$0.00	\$0

Primary	\$2,000,000	Term	360
Int Rate	7.90%	DCR	2.34

Secondary	\$490,000	Term	84
Int Rate	9.00%	Subtotal DCR	1.52

Additional	\$100	Term	
Int Rate		Aggregate DCR	1.52

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	\$230,149
Secondary Debt Service	96,355
Additional Debt Service	0
NET CASH FLOW	\$81,597

Primary	\$2,638,823	Term	360
Int Rate	7.90%	DCR	1.77

Secondary	\$499,070	Term	84
Int Rate	9.00%	Subtotal DCR	1.25

Additional		Term	
Int Rate		Aggregate DCR	1.25

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$893,136	\$919,930	\$947,528	\$975,954	\$1,005,232	\$1,165,340	\$1,350,948	\$1,566,119	\$2,104,733
Secondary Income	15,840	16,315	16,805	17,309	17,828	20,668	23,959	27,776	37,328
Other Support Income: IRP pa	96,355	99,246	102,223	105,290	108,448	125,721	145,746	168,959	227,067
POTENTIAL GROSS INCOME	1,005,331	1,035,491	1,066,556	1,098,552	1,131,509	1,311,729	1,520,653	1,762,854	2,369,128
Vacancy & Collection Loss	(75,400)	(77,662)	(79,992)	(82,391)	(84,863)	(98,380)	(114,049)	(132,214)	(177,685)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$929,931	\$957,829	\$986,564	\$1,016,161	\$1,046,646	\$1,213,349	\$1,406,604	\$1,630,640	\$2,191,444
EXPENSES at 4.00%									
General & Administrative	\$42,497	\$44,197	\$45,965	\$47,804	\$49,716	\$60,487	\$73,592	\$89,535	\$132,534
Management	46,497	47,891	49,328	50,808	52,332	60,667	70,330	81,532	109,572
Payroll & Payroll Tax	115,995	120,635	125,460	130,479	135,698	165,097	200,866	244,384	361,749
Repairs & Maintenance	49,840	51,833	53,906	56,063	58,305	70,937	86,306	105,004	155,432
Utilities	109,869	114,263	118,834	123,587	128,531	156,377	190,257	231,476	342,642
Water, Sewer & Trash	60,752	63,182	65,710	68,338	71,072	86,470	105,203	127,996	189,466
Insurance	19,867	20,662	21,489	22,348	23,242	28,278	34,404	41,858	61,960
Property Tax	30,913	32,150	33,436	34,773	36,164	43,999	53,532	65,129	96,408
Reserve for Replacements	39,600	41,184	42,831	44,545	46,326	56,363	68,574	83,431	123,499
Other	6,000	6,240	6,490	6,749	7,019	8,540	10,390	12,641	18,712
TOTAL EXPENSES	\$521,830	\$542,238	\$563,449	\$585,494	\$608,405	\$737,215	\$893,454	\$1,082,988	\$1,591,972
NET OPERATING INCOME	\$408,101	\$415,591	\$423,115	\$430,667	\$438,240	\$476,134	\$513,150	\$547,652	\$599,472
DEBT SERVICE									
First Lien Financing	\$230,149	\$230,149	\$230,149	\$230,149	\$230,149	\$230,149	\$230,149	\$230,149	\$230,149
Second Lien	96,355	96,355	96,355	96,355	96,355	96,355	96,355	96,355	96,355
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$81,597	\$89,086	\$96,611	\$104,163	\$111,736	\$149,630	\$186,646	\$221,147	\$272,967
DEBT COVERAGE RATIO	1.25	1.27	1.30	1.32	1.34	1.46	1.57	1.68	1.84
Cumulative Cash Flow	81,597	170,683	267,294	371,457	483,193	1,136,606	1,977,295	2,996,778	5,467,352

LIHTC Allocation Calculation - Blue Water Garden Apartments, Hereford, LIHTC # 02155

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$315,515	\$315,515				
Purchase of buildings	\$1,975,900	\$1,975,900	\$1,975,900	\$1,975,900		
(2) Rehabilitation/New Construction Cost						
On-site work	\$132,000	\$132,000			\$132,000	\$132,000
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	\$1,613,515	\$1,613,515			\$1,613,515	\$1,613,515
(4) Contractor Fees & General Requirements						
Contractor overhead	\$34,910	\$34,910			\$34,910	\$34,910
Contractor profit	\$104,731	\$104,731			\$104,731	\$104,731
General requirements	\$104,731	\$104,731			\$104,731	\$104,731
(5) Contingencies	\$209,462	\$174,552			\$174,552	\$174,552
(6) Eligible Indirect Fees	\$269,220	\$269,220			\$269,220	\$269,220
(7) Eligible Financing Fees	\$163,200	\$163,200			\$163,200	\$163,200
(8) All Ineligible Costs	\$494,284	\$494,284				
(9) Developer Fees			\$296,385	\$296,385	\$389,529	\$389,529
Developer overhead		\$91,455				
Developer fee	\$710,620	\$594,459				
(10) Development Reserves	\$96,000	\$115,996				
TOTAL DEVELOPMENT COSTS	\$6,224,088	\$6,184,467	\$2,272,285	\$2,272,285	\$2,986,387	\$2,986,387

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$2,272,285	\$2,272,285	\$2,986,387	\$2,986,387
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$2,272,285	\$2,272,285	\$3,882,303	\$3,882,303
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$2,272,285	\$2,272,285	\$3,882,303	\$3,882,303
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			\$83,393	\$83,393	\$327,666	\$327,666

Syndication Proceeds	0.7699	\$642,061	\$642,061	\$2,522,779	\$2,522,779
Total Credit Amount				\$411,059	
Total Syndication Amount				\$3,164,840	
Actual Gap of Need				\$3,086,194	
Gap-Driven Allocation				\$400,844	

TDHCA #

02157

Region 1

**Rural
Set-Aside**

**LOW INCOME HOUSING TAX CREDIT PROGRAM****2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **La Mirage Apartments**TDHCA #: **02157****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 1 LIHTC Primary Set Aside: R
 Site Address: 200 Pecan Street Additional Elderly Set Aside
 City: Borger Purpose / Activity: ACQ/R
 County: Hutchinson Development Type: Family
 Zip Code: 79007 TTC DDA QCT

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

Special Needs: 3 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Borger Fountainhead, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Fountainhead Affiliates, Inc.	Patrick A. Barbolla	100 %
NA		%
NA		%
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$104,374** Allocation over 10 Years: \$1,043,740
 Credits Requested: \$104,374 Eligible Basis Amount: \$104,374 Equity/Gap Amount: \$170,175

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	4	20	0	0	0	24
40%	0	0	0	0	0	0	0
50%	0	2	10	0	0	0	12
60%	0	2	9	0	0	0	11
MR	0	0	0	0	0	0	0
Total	0	8	39	0	0	0	

BUILDING INFORMATION

Total Development Cost:	\$1,793,161
Gross Building Square Feet:	40,958
Total NRA SF:	39,672
Gross/Net Rentable:	1.03
Average Square Feet/Unit:	827
Cost Per Net Rentable Square Foot:	\$45.20
Credits per Low Income Unit	\$2,221

Total LI Units: 47
 Owner/Employee Units: 1
 Total Project Units: 48
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	\$182,906
Total Expenses:	\$131,547
Net Operating Income:	\$51,359
Estimated 1st Year Debt Coverage Ratio:	1.24

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Fountainhead Affiliates, Inc.	Market Analyst:	Ipser & Associates
Housing GC:	Fountainhead Construction, Inc.	Originator/UW:	NA
Infrastructure GC:	NA	Appraiser:	Sherrill & Associates, Inc.
Cost Estimator:	NA	Attorney:	McDonald & Sanders, P.C.
Architect:	J. Douglas Cain Asso., Arts, Inc.	Supp Services:	NA
Property Manager:	Fountainhead Management, Inc.	Accountant:	Gwen Ward, P.C., C.P.A.
Engineer:	NA		
Syndicator:	Boston Capital Corporation	Permanent Lender:	USDA

DEPARTMENT EVALUATION

Points Awarded: 86 Site Review: Excellent Underwriting Finding: AC

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

Project Name: La Mirage Apartments

Project Number: 02157

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Judy Flanders, Mayor of Borger, S	Jack L. Worshom, Hutchinson County Judge, S
TX Rep.: Warren Chisum, Dist. 88 S	Teel Bivins, State Senator, District 31, S
TX Sen.: David Bernsen, Dist. 4	Michael L. Blackmon, President, Borger Chamber of Commerce,
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from the current owner's CPA to substantiate the purchase price of the property in a manner satisfactory to the USDA. The documentation must show that the seller will assume a higher exit tax liability cost to transfer the property than it would to foreclose on the property, resulting in a purchase price that is higher than the appraised value.

Alternate Recommendation:

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

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

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

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

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

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

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

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

Approved Credit Amount: Date of Determination:

_____ Michael E. Jones, Chairman of the Board	_____ Date
--	---------------

Compliance Status Summary

Project ID #: 02157

LIHTC 9% LIHTC 4%

Project Name: La Mirage 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 10 # not yet monitored or pending review 9

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/25/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments: For-Profits

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: 3 pending reviews:530717,531100,531101. No unresolved issues on 538620.

Completed by Ralph Hendrickson **Completed on** 04/30/2002

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 6, 2002 **PROGRAM:** 9% LIHTC HOME **FILE NUMBER:** 02157

DEVELOPMENT NAME

La Mirage Apartments

APPLICANT

Name: Borger Foundation, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 4000 Old Benbrook Rd. **City:** Ft. Worth **State:** TX
Zip: 76116 **Contact:** Patrick A. Barbolla **Phone:** (817) 732-1055 **Fax:** (817) 732-7716

PRINCIPALS of the APPLICANT

Name: Fountainhead Affiliates, Inc. **(%):** .01 **Title:** GP and Developer
Name: Boston Capital Corporation **(%):** 99.99 **Title:** Limited Partner
Name: Patrick A Barbolla **(%):** n/a **Title:** Pres of GP and Developer

GENERAL PARTNER

Name: Fountainhead Affiliates, Inc. **Type:** For Profit Non-Profit Municipal Other
Address: 4000 Old Benbrook Rd. **City:** Ft. Worth **State:** TX
Zip: 76116 **Contact:** Patrick A Barbolla **Phone:** (817) 732-1055 **Fax:** (817) 732-7716

PROPERTY LOCATION

Location: 200 Pecan Street QCT DDA
City: Borger **County:** TX **Zip:** 79007

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
①\$104,374	N/A	N/A yrs	N/A yrs
②\$500,000	2%	30 yrs	30yrs

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits
 ② previously approved HOME loan

Proposed Use of Funds: Acquisition/Rehab **Set-Aside:** General Rural Non-Profit

SITE DESCRIPTION

Size: 3.448 acres 150,195 square feet **Zoning/ Permitted Uses:** Multifamily
Flood Zone Designation: Zone X **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 48 **# Rental Buildings:** 6 **# Common Area Bldgs:** 0 **# of Floors:** 2 **Age:** 15 yrs **Vacant:** 18 at 1/ 15/ 2002

Number	Bedrooms	Bathroom	Size in SF
8	1	1	664
40	2	1	859

Net Rentable SF: 39,672 **Av Un SF:** 827 **Common Area SF:** 1,286 **Gross Bldng SF** 40,958

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 70% brick veneer/30% wood siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, tile and fiberglass tub/shower, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Management offices, laundry facilities, equipped children's play area, picnic area

Uncovered Parking: 64 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

Source: Rural Housing Service, USDA **Contact:** Gene Pavlat

Principal Amount: \$500,000 **Interest Rate:** 1% fixed

Additional Information: _____

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional

Annual Payment: \$19,298.40 **Lien Priority:** 1st **Commitment Date** 01/ 22/ 2002

LONG TERM/PERMANENT FINANCING

Source: TDHCA-HOME **Contact:** Carmen Roldan

Principal Amount: \$500,000 **Interest Rate:** 2% fixed

Additional Information: _____

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional

Annual Payment: \$22,177.20 **Lien Priority:** 2nd **Commitment Date** 07/ 31/ 2002

LIHTC SYNDICATION

Source: Boston Capital Coporation **Contact:** Richard Mazzochi

Address: One Boston Place **City:** Boston

State: MA **Zip:** 02108 **Phone:** (617) 624-8877 **Fax:** (617) 624-8999

Net Proceeds: \$793,163 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 76¢

Commitment None Firm Conditional **Date:** 02/ 20/ 2002

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

splashes on the ranges, full rehabilitation of three units to be handicapped (H/C) accessible, replacement of 11 tubs, toilet seats in all units and 5 toilets, removal of dishwashers and garbage disposals and replacements with cabinets, replacement of gas water heaters in 35 units and AC condensers in 43 units, replacement of 46 interior doors and all miniblinds. Exterior rehabilitation includes: addition of fill for drainage, concrete around playground, picnic area and all H/C accessible areas, repair holes in asphalt in parking lot, addition of H/C detailing and signage, installation of new playground equipment, installation of fencing around all condensers, power wash all buildings, replace all exterior doors and re-shingle all buildings adding gutters. The Applicant submitted a tenant relocation plan in the LIHTC application, which indicates that there will be no permanent displacement or relocation of existing residents by reason of the rehabilitation of the property. The Applicant also indicates that there may be temporary relocation of some residents off-site, at the expense of the complex, for a period of up to one week. The Applicant plans to cease renting of the current vacant units and upon funding, begin rehabilitation of all vacant units. Once these units are completed, the Applicant will give the existing residents the option to re-locate into one of the new rehabilitated units with the property paying all moving expenses. Upon rehabilitation, the resident will have the option of staying in the unit or moving back into their previous apartment. The Applicant has budgeted \$4,000 for assisting the residents in their move plus pay for the related costs. Also outlined in this plan is the intent of the Applicant to meet with all tenants prior to rehabilitation and coordinate relocation efforts.

Supportive Services: No supportive services are planned to be provided to tenants.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All but one of the units will be reserved for low-income households. 24 units (50%) will be reserved for households earning 30% or less of AMGI, 12 units (25%) will be reserved for households earning 50% or less of AMGI, 11 units (23%) will be reserved for households earning 60% or less of AMGI and the remaining unit will be employee occupied. USDA already restricts rents for all of the units. The rent roll as of January 2002 reflects basic rents of \$274 and \$354. It appears the Applicant is anticipating the same basic rents.

Special Needs Set-Asides: Three units (6.25%) will be handicapped-accessible.

Compliance Period Extension: The Applicant did not indicate whether he would elect to extend the compliance period or not.

MARKET HIGHLIGHTS

A market feasibility study dated March 2002 was prepared by Ispier & Associates, Inc. and a summary is attached. Since this is an acquisition project, an appraisal prepared by Sherrill & Associates was also submitted dated March 24, 2000. It should be noted that the appraisal is over two years old and thus the assessments made are dated. The following tables reflect information extracted by the Underwriter:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	0	0%
Resident Turnover	79	91%
10%	8	9%
TOTAL ANNUAL DEMAND	87	100%

Ref: p. 1-7

Capture Rate: The capture rate was calculated by the Underwriter to be 55%, which is an acceptable rate for a rural property. Moreover, since this is an existing development with a better than 50% occupancy rate, the capture rate is not significant.

RENT ANALYSIS (net tenant-paid rents)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

Unit Type (% AMI)	Proposed	Program Max	Differential	Market*	Differential
1-Bedroom (TC30%)	\$274	\$211	+\$63	\$392	-\$118
1-Bedroom (Low HOME)	\$274	\$283	-\$9	\$392	-\$118
1-Bedroom (High HOME)	\$274	\$283	-\$9	\$392	-\$118
2-Bedroom (TC30%)	\$354	\$257	+\$97	\$396	-\$42
2-Bedroom (Low HOME)	\$354	\$358	-\$4	\$396	-\$42
2-Bedroom (High HOME)	\$354	\$358	-\$4	\$396	-\$42

(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)

* Market rents are calculated based on the market analyst's proposed basic rents for the development plus the market rent differential indicated in p. 5-1 of the market study.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Borger is located in the Panhandle region of the state, approximately 50 miles northwest from Amarillo in Hutchinson County. The site is an existing apartment complex located in the western area of Borger, approximately 4 miles from the central business district. The site is situated on both sides of Pecan Street.

Population: The estimated 2002 population of Borger is 14,242 and is expected to decrease by -0.3% to approximately 14,202 by 2004. Within the primary market area there were estimated to be 5,590 households in 2002.

Adjacent Land Uses: Land uses in the overall area in which the site is located are of single family homes that are of moderate value and generally well kept. Adjacent land uses include:

- **North:** Pecan Street
- **South:** undeveloped land
- **East:** undeveloped land
- **West:** Four multi-family home complexes

Site Access: Access to the property is from the east along Philview Street. The project has two main entries, one from the north and one from the south from Pecan Street. Access to Interstate Highway 40 is thirty-two miles south, which provides connections to all other major roads serving the Amarillo area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within easy walking distance of some convenience stores, grocery/pharmacies and churches. More extensive shopping centers, library and a variety of other retail establishments and restaurants are located in central Borger. School, hospital and healthcare facilities are within driving distance of the site.

Site Inspection Findings: A TDHCA staff member performed a site inspection on May 2, 2001 and found the location to be acceptable. The inspector did not inspect all of the units and those that were inspected did not appear to need rehabilitation as indicated by the Applicant. The overall exterior observations were rated as "good" and interior unit observations of both a one and two-bedroom unit also appeared as an overall rating of "good". The only items assessed as poor were carpet floor covering and other floor covering was rated as fair. Kitchen plumbing fixtures and bathroom fixtures were both rated as being in average condition. All other interior items observed were rated as being in good condition. The inspector did confirm with the property manager that 22 of the 48 units were currently vacant but did not note the cause of such a high vacancy.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

OPERATING PROFORMA ANALYSIS

Income: The basic rents indicated in the Applicant's rent schedule are lower than both the LIHTC maximum rent limit for 50% of AMGI and 60% of AMGI and the high and low HOME rent limits. However, the basic rent indicated in the rent schedule for the one-bedroom unit at 30% of AMGI is higher than the LIHTC maximum rent limit. Should the Applicant increase rents for the units to the current USDA basic rents, the

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

project would produce an additional \$9.7K in annual income. This is allowed under LIHTC rules and is anticipated since USDA only allows one rent per unit type. Estimates of secondary income are set at \$10.00/unit, which is in line with the underwriting guideline. Vacancy and collection losses are also in line with TDHCA underwriting guidelines. The Applicant will be receiving project based rental assistance from USDA for 36 units, which allows the total 30% rents collected to exceed the 30% rent as long as the tenants in those units do not pay more than the 30% rent.

Expenses: The Applicant's estimate of total operating expense is \$7K lower than the Underwriter's TDHCA database-derived estimate. The Underwriter compared line item expenses to both the database-derived estimate and the project's historical operating expenses. The Underwriter adjusted payroll expense based on the project's 2001 actual operating expenses in this line item. The Applicant's budget shows several line item estimates, however, that deviate when compared to the Underwriter's averages, particularly general and administrative expense (\$6K lower), payroll expense (\$9K higher), repairs and maintenance (\$3K lower), water, sewer and trash (\$11K lower) and property tax (\$3K higher).

Conclusion: While the Applicant's gross income and expenses are both more than 5% lower than the Underwriter's the Applicant's net operating income is within 5% of the TDHCA underwriting expectation. Both the Underwriter's and the Applicant's estimate provide sufficient net operating income to service the proposed first and second lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted a Real Estate Purchase Agreement wherein the Applicant is purchasing the property for \$709K. The agreement indicates that the Applicant will assume the \$500,000 unpaid principal balance of the Seller's promissory note owed to USDA and pay \$209K in cash. The Applicant indicates that \$31K is allocated toward the land value and this amount is consistent with the Appraiser's land value. The appraiser concluded that the market value of the entire property, including the FmHA subsidy is \$500,000, which is equal to the USDA assumption but \$209K less than the sales price. USDA allows a property to be sold at a cost that is higher than the appraised value only if the owner/seller can document that the exit tax liability to transfer the property is more than the exit tax liability to foreclose the property, resulting in a higher purchase price. In this case, the owner/seller must have a CPA document that the extra \$209K in the sales price of the property is substantiated by the extra cost that the seller will have to assume in transferring the property to the buyer. Since this is an arms-length transaction the inference that is made by the lower appraised value does not affect the eligibility of the entire acquisition cost less the land value. The Applicant identified a total acquisition cost of \$714,552, including \$5,552 for closing costs and acquisition legal fees.

Sitework Cost: Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of \$1,140 per unit.

Direct Construction Cost: The Applicant's scope of work is detailed and consistent with the cost breakdown. Line item costs appear reasonable and thus the direct construction cost of \$565,390 is used by the Underwriter.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total project cost is within 5% of the TDHCA estimate is used to calculate the eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$1,685,825 is used to determine a credit allocation of \$104,374 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: an assumption of the USDA promissory note, HOME funds and syndicated LIHTC equity.

Interim to Permanent Financing: The current USDA loan will be assumed by the Applicant. The existing note carries a balance of \$500,000. The existing note's stated interest rate is unconfirmed as of the date of this report. The effective rate will be 1% as long as USDA affordability requirements are met. In a letter from USDA, the term is stated as 30 years. The effective annual payment, including debt service for the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

USDA loan, will be fixed at an estimated \$19,298.40 per year based on the 1% interest rate.

The Applicant has received HOME funds in the amount of \$500,000. The interest rate for this note will be below market rate at 2%, with an amortization and term of 30 years. Because of the delays with USDA, the Applicant has not yet closed this HOME loan and therefore the 1 year construction period has not yet begun.

LIHTC Syndication: Boston Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$793,163 based on a syndication factor of 76%. The funds would be disbursed in a three-phased pay-in schedule:

1. 75% or \$594,872 upon the latest to occur of (i) Tax Credit Set Aside, (ii) closing of the Construction Mortgage Loan, (iii) receipt of a commitment acceptable to BCP for the Permanent Mortgage Loan, or (iv) Admission;
2. 10% or \$79,316 upon the latest to occur of (i) Construction Completion or (ii) Cost Certification; Updated Insurance Certificates; Updated Title Insurance Policy; receipt of a contractor's payoff letter and Estoppel Letter from each lender;
3. 15% or \$118,975 upon the latest to occur of (i) State Designation, (ii) Permanent Mortgage Commencement (iii) Initial 100% Occupancy Date; (iv) Breakeven.

Financing Conclusions: Based on the Applicant's eligible basis, the LIHTC allocation should not exceed \$104,374 annually for ten years, resulting in syndication proceeds of approximately \$793,162.

REVIEW of ARCHITECTURAL DESIGN

La Mirage Apartments offers one-bedroom and two-bedroom apartments. The project was built in 1985 and is typical of a USDA funded project of the era. The units appear functional with adequate closet and storage space.

IDENTITIES of INTEREST

Patrick A. Barbolla is the sole owner of the general partner, general contractor and property management company. These are not unusual relationships for USDA/LIHTC projects.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Fountainhead Affiliates, Inc., submitted an unaudited financial statement as of February 8, 2002 reporting total assets of \$903K and consisting of \$50K in cash and \$368K in accounts receivables. Liabilities totaled \$0K, resulting in a net worth of \$903,064.
- The principal of the General Partner, Patrick A. Barbolla, submitted an unaudited financial statement as of February 8, 2002.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner and General Contractor have completed numerous affordable housing projects totaling approximately 980 units since 1983,

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports/ or analysis have not been satisfactorily addressed.
- The Applicant's estimated operating expenses are more than 5% outside of the Underwriter's verifiable range.
- The project could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum tax credit rents can be achieved in this market.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$104,374 ANNUALLY FOR TEN YEARS SUBJECT TO CONDITIONS

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONDITIONS

1. Receipt, review, and acceptance of documentation from the current owner's CPA to substantiate the purchase price of the property in a manner satisfactory to the USDA. The documentation must show that the seller will assume a higher exit tax liability cost to transfer the property than it would to foreclose on the property, resulting in a purchase price that is higher than the appraised value.

Associate Underwriter:

Raquel Morales

Date: May 6, 2002

Director of Credit Underwriting:

Tom Gouris

Date: May 6, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

La Mirage Apartments, Borger, 9% LIHTC, #02157

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%: LH	4	1	1	664	\$262	\$274	\$1,096	\$0.41	\$51.00	\$50.00
<TC50%: LH	2	1	1	664	334	\$274	548	0.41	51.00	50.00
<TC60%: HH	2	1	1	664	334	\$274	548	0.41	51.00	50.00
>TC30%: LH	20	2	1	859	315	\$354	7,080	0.41	58.00	57.00
<TC50%: LH	10	2	1	859	416	\$354	3,540	0.41	58.00	57.00
<TC60%: HH	9	2	1	859	416	\$354	3,186	0.41	58.00	57.00
EO	1	2	1	859	0	0	0	0.00	58.00	57.00
TOTAL:	48		AVERAGE:	827	\$346	\$333	\$15,998	\$0.40	\$56.83	\$55.83

INCOME Total Net Rentable Sq Ft: 39,672

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

Other Support Income: (describe)

POTENTIAL GROSS INCOME

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

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

General & Administrative 6.17% \$235 \$0.28

Management 8.94% 341 0.41

Payroll & Payroll Tax 11.98% 456 0.55

Repairs & Maintenance 8.70% 331 0.40

Utilities 3.58% 136 0.17

Water, Sewer, & Trash 14.17% 540 0.65

Property Insurance 3.66% 140 0.17

Property Tax 2.47 5.73% 218 0.26

Reserve for Replacements 7.87% 300 0.36

Other Expenses: 1.12% 43 0.05

TOTAL EXPENSES 71.92% \$2,741 \$3.32

NET OPERATING INC 28.08% \$1,070 \$1.29

DEBT SERVICE

USDA Acquisition Loan 10.55% \$402 \$0.49

TDHCA-HOME Loan 12.12% \$462 \$0.56

0.00% \$0 \$0.00

NET CASH FLOW 5.40% \$206 \$0.25

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description Factor % of TOTAL PER UNIT PER SQ FT

Acquisition Cost (site or bldg) 39.85% \$14,887 \$18.01

Off-Sites 0.00% 0 0.00

Sitework 3.05% 1,140 1.38

Direct Construction 31.53% 11,779 14.25

Contingency 1.61% 208 0.25

General Requiremer 5.65% 1.95% 729 0.88

Contractor's G & I 1.35% 0.47% 175 0.21

Contractor's Profi 6.00% 2.07% 775 0.94

Indirect Construction 3.95% 1,475 1.78

Ineligible Expenses 0.67% 251 0.30

Developer's G & A 3.82% 3.13% 1,168 1.41

Developer's Profit 10.89% 8.92% 3,333 4.03

Interim Financing 0.57% 213 0.26

Reserves 3.27% 1,223 1.48

TOTAL COST 100.00% \$37,358 \$45.20

Recap-Hard Construction Costs 39.64% \$14,807 \$17.92

SOURCES OF FUNDS

USDA Acquisition Loan 27.88% \$10,417 \$12.60

TDHCA-HOME Loan 27.88% \$10,417 \$12.60

LIHTC Syndication Proceeds 44.23% \$16,524 \$19.99

Deferred Developer Fees 0.00% \$0 \$0.00

Additional (excess) Funds Require 0.00% (\$0) (\$0.00)

TOTAL SOURCES

	TDHCA	APPLICANT		
	\$191,976	\$182,208		
	5,760	5,760	\$10.00	Per Unit Per Month
	0			
	\$197,736	\$187,968		
	(14,830)	(14,100)	-7.50%	of Potential Gross Rent
	0	0		
	\$182,906	\$173,868		
			PER SQ FT	PER UNIT
	\$11,292	\$4,838	\$0.12	\$101
	16,352	17,050	0.43	355
	21,904	30,800	0.78	642
	15,904	12,500	0.32	260
	6,547	7,000	0.18	146
	25,919	15,000	0.38	313
	6,699	7,487	0.19	156
	10,479	13,275	0.33	277
	14,400	14,400	0.36	300
	2,050	2,050	0.05	43
	\$131,547	\$124,400	\$3.14	\$2,592
	\$51,358	\$49,468	\$1.25	\$1,031
			PER SQ FT	PER UNIT
	\$19,298	\$19,298	\$0.49	\$402
	22,177	22,177	\$0.56	\$462
	0		\$0.00	\$0
	\$9,883	\$7,992	\$0.20	\$167
	1.24	1.19		
	1.24			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$714,552	\$714,552	\$18.01	\$14,887	39.85%
	0	0	0.00	0	0.00%
	54,730	54,730	1.38	1,140	3.05%
	565,390	565,390	14.25	11,779	31.53%
	10,000	10,000	0.25	208	0.56%
	35,006	35,006	0.88	729	1.95%
	8,402	8,402	0.21	175	0.47%
	37,207	37,207	0.94	775	2.07%
	70,809	70,809	1.78	1,475	3.95%
	12,060	12,060	0.30	251	0.67%
	56,081	56,081	1.41	1,168	3.13%
	160,000	160,000	4.03	3,333	8.92%
	10,200	10,200	0.26	213	0.57%
	58,724	58,724	1.48	1,223	3.27%
	\$1,793,161	\$1,793,161	\$45.20	\$37,358	100.00%
	\$710,735	\$710,735	\$17.92	\$14,807	39.64%
			RECOMMENDED		
	\$500,000	\$500,000	\$500,000		
	500,000	500,000	500,000		
	793,163	793,163	793,162		
	0		0		
	(2)	(2)	(1)		
	\$1,793,161	\$1,793,161	\$1,793,161		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
La Mirage Apartments, Borger, 9% LIHTC, #02157

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				
Adjustments				
Exterior Wall Finish				
Elderly				
Roofing				
Subfloor				
Floor Cover				
Porches/Balconies				
Plumbing				
Built-In Appliances				
Stairs/Fireplaces				
Floor Insulation				
Heating/Cooling				
Garages/Carports				
Comm &/or Aux Bldgs				
Other:				
SUBTOTAL				
Current Cost Multiplier				
Local Multiplier				
TOTAL DIRECT CONSTRUCTION COSTS				
Plans, specs, survy, bld prmts				
Interim Construction Interest				
Contractor's OH & Profit				
NET DIRECT CONSTRUCTION COSTS				

Primary	\$500,000	Term	360
Int Rate	1.00%	DCR	2.66

Secondary	\$500,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.24

Additional		Term	
Int Rate		Aggregate DCR	1.24

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	\$19,298
Secondary Debt Service	22,177
Additional Debt Service	0
NET CASH FLOW	\$9,883

Primary	\$500,000	Term	360
Int Rate	1.00%	DCR	2.66

Secondary	\$500,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.24

Additional		Term	
Int Rate		Aggregate DCR	1.24

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$191,976	\$197,735	\$203,667	\$209,777	\$216,071	\$250,485	\$290,381	\$336,631	\$452,404
Secondary Income	5,760	5,933	6,111	6,294	6,483	7,515	8,713	10,100	13,574
Other Support Income: (desc)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	197,736	203,668	209,778	216,071	222,554	258,001	299,093	346,731	465,978
Vacancy & Collection Loss	(14,830)	(15,275)	(15,733)	(16,205)	(16,692)	(19,350)	(22,432)	(26,005)	(34,948)
Employee or Other Non-Renta:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$182,906	\$188,393	\$194,045	\$199,866	\$205,862	\$238,651	\$276,661	\$320,726	\$431,029
EXPENSES at 4.00%									
General & Administrative	\$11,292	\$11,744	\$12,214	\$12,702	\$13,210	\$16,073	\$19,555	\$23,791	\$35,217
Management	16,352	16,842	17,348	17,868	18,404	21,336	24,734	28,673	38,534
Payroll & Payroll Tax	21,904	22,780	23,691	24,639	25,624	31,176	37,930	46,148	68,310
Repairs & Maintenance	15,904	16,540	17,202	17,890	18,605	22,636	27,540	33,507	49,599
Utilities	6,547	6,809	7,081	7,365	7,659	9,319	11,338	13,794	20,418
Water, Sewer & Trash	25,919	26,956	28,034	29,155	30,322	36,891	44,884	54,608	80,833
Insurance	6,699	6,967	7,246	7,536	7,837	9,535	11,601	14,115	20,893
Property Tax	10,479	10,899	11,335	11,788	12,259	14,916	18,147	22,079	32,682
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	2,050	2,132	2,217	2,306	2,398	2,918	3,550	4,319	6,393
TOTAL EXPENSES	\$131,547	\$136,646	\$141,943	\$147,447	\$153,167	\$185,295	\$224,215	\$271,373	\$397,789
NET OPERATING INCOME	\$51,358	\$51,747	\$52,102	\$52,419	\$52,695	\$53,356	\$52,446	\$49,354	\$33,241
DEBT SERVICE									
First Lien Financing	\$19,298	\$19,298	\$19,298	\$19,298	\$19,298	\$19,298	\$19,298	\$19,298	\$19,298
Second Lien	22,177	22,177	22,177	22,177	22,177	22,177	22,177	22,177	22,177
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$9,883	\$10,272	\$10,626	\$10,943	\$11,220	\$11,880	\$10,971	\$7,878	(\$8,235)
DEBT COVERAGE RATIO	1.24	1.25	1.26	1.26	1.27	1.29	1.26	1.19	0.80

LIHTC Allocation Calculation - La Mirage Apartments, Borger, 9% LIHTC, #02157

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$36,552	\$36,552				
Purchase of buildings	\$678,000	\$678,000	\$678,000	\$678,000		
(2) Rehabilitation/New Construction Cost						
On-site work	\$54,730	\$54,730			\$54,730	\$54,730
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	\$565,390	\$565,390			\$565,390	\$565,390
(4) Contractor Fees & General Requirements						
Contractor overhead	\$8,402	\$8,402			\$8,402	\$8,402
Contractor profit	\$37,207	\$37,207			\$37,207	\$37,207
General requirements	\$35,006	\$35,006			\$35,006	\$35,006
(5) Contingencies						
	\$10,000	\$10,000			\$10,000	\$10,000
(6) Eligible Indirect Fees						
	\$70,809	\$70,809	\$4,700	\$4,700	\$66,109	\$66,109
(7) Eligible Financing Fees						
	\$10,200	\$10,200	\$9,500	\$9,500	\$700	\$700
(8) All Ineligible Costs						
	\$12,060	\$12,060				
(9) Developer Fees						
Developer overhead	\$56,081	\$56,081	\$22,555	\$22,555	\$33,526	\$33,526
Developer fee	\$160,000	\$160,000	\$80,000	\$80,000	\$80,000	\$80,000
(10) Development Reserves						
	\$58,724	\$58,724				
TOTAL DEVELOPMENT COSTS	\$1,793,161	\$1,793,161	\$794,755	\$794,755	\$891,070	\$891,070

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			\$794,755	\$794,755	\$891,070	\$891,070
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$794,755	\$794,755	\$891,070	\$891,070
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$794,755	\$794,755	\$891,070	\$891,070
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			\$29,168	\$29,168	\$75,206	\$75,206
Syndication Proceeds	0.7599		\$221,651	\$221,651	\$571,511	\$571,511
			Total Credit Amount		\$104,374	\$104,374
			Total Syndication Proceeds		\$793,162	\$793,162

TDHCA #

02159

Region 1

**Rural
Set-Aside**

**LOW INCOME HOUSING TAX CREDIT PROGRAM****2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **La Mirage Villas**TDHCA #: **02159****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 1 LIHTC Primary Set Aside: R
 Site Address: 309 SE 15th Street Additional Elderly Set Aside
 City: Perryton Purpose / Activity: ACQ/R
 County: Ochiltree Development Type: Family
 Zip Code: 79070 TTC DDA QCT

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

Special Needs: 3 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Perryton Fountainhead, L.P

Principal Names:	Principal Contact:	Percentage Ownership:
Fountainhead Affiliates, Inc.	Patrick A. Barbolla	100 %
Patrick A. Barbolla	Patrick A. Barbolla	100 %
NA	NA	%
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$161,815** Allocation over 10 Years: \$1,618,150
 Credits Requested: \$161,864 Eligible Basis Amount: \$161,815 Equity/Gap Amount: \$240,827

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	2	17	0	0	0	19
40%	0	2	17	0	0	0	19
50%	0	2	3	0	0	0	5
60%	0	2	2	0	0	0	4
MR	0	0	0	0	0	0	0
Total	0	8	39	0	0	0	

BUILDING INFORMATION

Total Development Cost:	\$2,759,043
Gross Building Square Feet:	41,072
Total NRA SF:	39,776
Gross/Net Rentable:	1.03
Average Square Feet/Unit:	846
Cost Per Net Rentable Square Foot:	\$69.36
Credits per Low Income Unit	\$3,443

Total LI Units: 47
 Owner/Employee Units: 1
 Total Project Units: 47
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	\$202,644
Total Expenses:	\$128,972
Net Operating Income:	\$73,672
Estimated 1st Year Debt Coverage Ratio:	1.23

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Fountainhead Affiliates, Inc.	Market Analyst:	Ipser & Associates
Housing GC:	Fountainhead Construction, Inc.	Originator/UW:	NA
Infrastructure GC:	NA	Appraiser:	Sherrill & Associates, Inc.
Cost Estimator:	NA	Attorney:	McDonald & Sanders, P.C.
Architect:	J. Douglas Cain Asso., Arts, Inc.	Supp Services:	NA
Property Manager:	Fountainhead Management, Inc.	Accountant:	Gwen Ward, P.C., C.P.A.
Engineer:	NA		
Syndicator:	Boston Capital Corporation	Permanent Lender:	Rural Housing Service-USDA

DEPARTMENT EVALUATION

Points Awarded: 87 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: La Mirage Villas

Project Number: 02159

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

of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: 2 Opposition: 0

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: David C. Hale, Mayor of Perryton, S	Charles E. Kelly, Mayor Pro-Tem of Perryton, S David Landis, City Manager, S
TX Rep.: Warren Chisum, Dist. 88	
TX Sen.: Teel Bivins, Dist. 31	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from the current owner's CPA to substantiate the purchase price of the property. The documentation must show that the seller will assume a higher exit tax liability cost to transfer the property than it would to foreclose on the property, resulting in a purchase price that is higher than the appraised value, and/or acceptable log USDA of the current proposed sales price.

Should a lower sales price be mandated by USDA a re-evaluation of the recommendations herein should be conducted by the Underwriter.

Alternate Recommendation:

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

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

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

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

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

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

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

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

Approved Credit Amount: Date of Determination:

_____ Michael E. Jones, Chairman of the Board	_____ Date
--	---------------

Compliance Status Summary

Project ID #: 02159

LIHTC 9% LIHTC 4%

Project Name: La Mirage Villas

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 10 # not yet monitored or pending review 9

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/25/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments: For-Profits

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: 538620 reviewed with no outstanding issues. 3 monitoring reviews pending 530717, 531100, 531101.

Completed by Ralph Hendrickson **Completed on** 04/30/2002

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: June 14, 2002 **PROGRAM:** 9% LIHTC HOME **FILE NUMBER:** 02159

DEVELOPMENT NAME

La Mirage Villas

APPLICANT

Name: Perryton Fountainhead, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 4000 Old Benbrook Rd. **City:** Ft. Worth **State:** TX
Zip: 76116 **Contact:** Patrick A. Barbolla **Phone:** (817) 732-1055 **Fax:** (817) 732-7716

PRINCIPALS of the APPLICANT

Name: Fountainhead Affiliates, Inc. (%) .01 **Title:** General Partner
Name: Boston Capital Corporation (%) 99.99 **Title:** Limited Partner
Name: Patrick A. Barbolla (%) n/a **Title:** President of GP & Developer

GENERAL PARTNER

Name: Fountainhead Affiliates, Inc. **Type:** For Profit Non-Profit Municipal Other
Address: 4000 Old Benbrook Rd. **City:** Ft. Worth **State:** TX
Zip: 76116 **Contact:** Patrick A. Barbolla **Phone:** (817) 732-1055 **Fax:** (817) 732-7719

PROPERTY LOCATION

Location: 309 SE 15th Street QCT DDA
City: Perryton **County:** Ochiltree **Zip:** 79070

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
①\$161,864	N/A	N/A	N/A
②\$600,000	2%	30 yrs	30 yrs

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits ② HOME loan

Proposed Use of Funds: Acquisition & Rehab **Set-Aside:** General Rural Non-Profit

SITE DESCRIPTION

Size: 4.82 acres 209,959 square feet **Zoning/ Permitted Uses:** No zoning in city
Flood Zone Designation: Zone C **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 48 **# Rental Buildings:** 6 **# Common Area Bldgs:** 0 **# of Floors:** 2 **Age:** 17 yrs **Vacant:** 2 at 01/ 15/ 2002

Number	Bedrooms	Bathroom	Size in SF
8	1	1	662
40	2	1	862

Net Rentable SF: 39,776 **Av Un SF:** 829 **Common Area SF:** 1,296 **Gross Bldg SF** 41,072

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned slab, 70% brick veneer/30% wood 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, refrigerator, tile tub/shower, laminated counter tops, individual water heaters

ON-SITE AMENITIES

laundry room, picnic area, play area with playground equipment

Uncovered Parking: 58 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM TO PERMANENT FINANCING

Source: Rural Housing Service-USDA **Contact:** Gene Pavlat

Principal Amount: \$929,000 **Interest Rate:** 1%

Additional Information: _____

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional

Annual Payment: \$35,856.36 **Lien Priority:** 1st **Commitment Date** 01/ 22/ 2002

LIHTC SYNDICATION

Source: Boston Capital Corporation **Contact:** Richard Mazzochi

Address: One Boston Place **City:** Boston

State: MA **Zip:** 02108 **Phone:** (617) 624-8877 **Fax:** (617) 624-8999

Net Proceeds: \$1,230,043 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 76¢

Commitment None Firm Conditional **Date:** 02/ 26/ 2002

Additional Information: Letter of interest indicates proceeds of \$1,230,043 based on annual allocation of \$161,864

APPLICANT EQUITY

Amount: n/a **Source:** n/a

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

VALUATION INFORMATION					
APPRAISED VALUE					
Land Only:	\$24,100	Date of Valuation:	02/	12/	2002
Existing Building: as is without subsidy	\$621,900	Date of Valuation:	02/	12/	2002
Existing Building: as is with subsidy	\$929,000	Date of Valuation:	02/	12/	2002
Appraiser: Jerry Sherrill, SRPA, SRA	City: Arlington	Phone:	(817)	557-1791	
ASSESSED VALUE					
Land:	\$22,500	Assessment for the Year of:	2001		
Building:	\$224,050	Valuation by:	Ochiltree County Appraisal District		
Total Assessed Value:	\$246,550				

EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	Real Estate Purchase Agreement				
Contract Expiration Date:	12/	15/	2002	Anticipated Closing Date:	08/ 15/ 2002
Acquisition Cost:	\$ 1,200,000	Other Terms/Conditions:			
Seller:	La Mirage Villas of Perryton, Ltd.			Related to Development Team Member:	No

REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: La Mirage Villas is a proposed acquisition and rehabilitation development of 48 units of affordable housing located in the Texas panhandle. The development was built in 1985 and is comprised of 6 residential buildings as follows:

- (1) Building Type A with eight 1-bedroom units;
- (5) Building Type B with eight 2- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the management office, maintenance room and laundry facilities located near the entrance to the site. The approximate 1,296-square foot community area is attached to one of the residential buildings and contains the management office, maintenance room and laundry facilities.

Existing Subsidies: The project is currently financed with a Texas Rural Development loan through USDA. The Applicant has applied for an assumption to this Section 515 and will be subject to income and rent restrictions under that program. Furthermore, the project is expected to secure rental assistance for 47 units.

Development Plan: The buildings are currently 96% occupied and in a deteriorated state. The architect's scope of work includes the following interior rehabilitation: replacement of resilient flooring and carpet, replacement of 48 kitchen countertops and 6 vanity countertops, installation of grease splashes on wall adjoining range in all units, refinish kitchen cabinets in 45 units, replacement of ranges in 45 units, installation of refrigerators in 28 units, replacement of 48 tubs, removal and replacement of 49 toilets and toilet seats, replacement of all medicine cabinets, and bath mirrors and hangers in 45 units, replacement of 43 gas furnaces with new filter base and coil, replacement of AC condensers in 42 units and installation of miniblinds on all windows. Exterior rehabilitation includes: replacement of playground equipment, addition of accessible picnic area and H/C accessible areas, repair asphalt as needed, repair any damaged or broken walks, installation of three handicapped ramps, power wash all brick, removal and replacement of damaged siding, removal and replacement of all shingles and installation of gutters on all buildings. The Applicant submitted a tenant relocation plan in the LIHTC application, which indicates that there will be no permanent displacement or relocation of existing residents by reason of the rehabilitation of the property. The Applicant

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

also indicates that there may be temporary relocation of some residents off-site, at the expense of the complex, for a period of up to one week. The Applicant plans to cease renting of the current vacant units upon funding and begin rehabilitation of all vacant units. Once these units are completed, the Applicant will give the existing residents the option to re-locate into one of the new rehabilitated units with the property paying all moving expenses. Upon rehabilitation, the resident will have the option of staying in the unit or moving back into their previous apartment. The Applicant has budgeted \$7,000 for assisting the residents in their move plus pay for the related costs. Also outlined in this plan is the intent of the Applicant to meet with all tenants prior to rehabilitation and coordinate relocation efforts.

Supportive Services: No supportive services were indicated as planned to be provided to tenants.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All but one of the units will be reserved for low-income households. 19 units (39%) will be reserved for households earning 30% or less of AMGI, 19 units (39%) will be reserved for households earning 40% or less of AMGI and 9 units (19%) will be reserved for households earning 50% or less of AMGI. The remaining unit will be employee occupied. USDA already restricts rents for all of the units. The rent roll as of January 2002 reflects basic rents of \$244 and \$315. It appears the Applicant is anticipating basic rents of \$299 for the one-bedroom units and \$390 for the two-bedroom units. The Applicant's proposed basic rents are higher than the LIHTC and HOME rent limits as well as the current basic rents of the property.

Special Needs Set-Asides: Three units (6.25%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

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

Definition of Market/Submarket : "With few USDA housing complexes in the county, the primary market area is defined as Ochiltree County" (p. 1-2)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	0	0%
Resident Turnover	51	91%
10% from other sources	5	9%
TOTAL ANNUAL DEMAND	56	100%

Ref: Exhibit 1-14

Capture Rate: "A capture rate, based on the estimated potential demand from income qualified households in the county is 83.9% for USDA units with rental assistance." (p. 5-1) This is less than the 100% rural maximum and therefore is acceptable. Moreover, concentration and absorption are of less risk with this transaction since it is rehabilitation and currently has low vacancy.

Market Rent Comparables: The market analyst surveyed 6 comparable apartment projects totaling 139 units in the market area. (p.1-6)

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (TC30%)	\$299	\$197	+\$102	\$401	-\$102
1-Bedroom (TC40%)	\$299	\$277	+\$22	\$401	-\$102
1-Bedroom (Low HOME)	\$299	\$292	+\$7	\$401	-\$102
1-Bedroom (Low HOME)	\$299	\$292	+\$7	\$401	-\$102
2-Bedroom (TC30%)	\$390	\$232	+\$158	\$414	-\$24
2-Bedroom (TC40%)	\$390	\$328	+\$62	\$414	-\$24
2-Bedroom (Low HOME)	\$390	\$347	+\$43	\$414	-\$24
2-Bedroom (Low HOME)	\$390	\$347	+\$43	\$414	-\$24

(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)

* Market rents are calculated based on the market analyst's proposed basic rents for the development plus the market rent differential indicated on p. 5-1 of the market study.

Absorption Projections: "The absorption rate is conservatively estimated at 10 to 12 units per month..." (p. 1-8)

Known Planned Development: "According to the permit data, a permit was issued for a 32-unit multi-family complex in 2001; however, I&A observed no new multi-family apartment projects under construction or recently built during the windshield survey of Perryton." (p. 4-1)

The Underwriter found the market study to be acceptable. An appraisal was performed on February 21, 2002 by Jerry Sherrill of Sherrill & Associates. The Appraiser concluded a total "as is" value of \$929,000. The land only value of \$24,100 is supported by comparable sales and therefore is acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Perryton is located in the Texas panhandle at the Oklahoma border, approximately 130 miles northeast from Amarillo in Ochiltree County. The site is a rectangularly-shaped parcel located in the eastern area of Perryton, approximately 1.2 miles from the central business district. The site is situated on the north side of 15th Street.

Population: The estimated 2000 population of Perryton was 7,774 and is expected to increase by 0.6% to approximately 7,867 by 2005. Within the primary market area there were estimated to be 2,785 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with single family homes and retail/office establishments. Adjacent land uses include:

- **North:** single family homes
- **South:** various retail shops and restaurants, hospital, clinic and medical practitioners' offices
- **East:** single family homes
- **West:** single family homes, schools, churches

Site Access: Access to the property is from the east or west along 15th Street. The project has two main entries, one from the east and one from the west from 15th Street. Perryton sits at the crossroads of State Highway 15 and U.S. Highway 83 known as Main Street, which provides connections to all other major roads serving the Perryton area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 1 mile of several grocery and convenience stores, library, and a variety of other retail establishments and restaurants. Schools, churches, hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on April 4, 2002 and found the location to be acceptable for the proposed development due to the following conditions: deteriorating steps and concrete on exterior stairways, carpet and tile floor coverings are old and worn, kitchen plumbing fixtures are old, deteriorating steps on interior stairwells and corridors.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's proposed basic rents are \$55 higher for the one-bedroom units and \$75 higher for the two-bedroom units than the current rents. These rents have been approved by USDA in a letter dated March 2, 2002 to the Applicant. Estimates of secondary income are set at \$9.23/unit, which is slightly lower than the underwriting guideline. Vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's estimate of total operating expense is within 2% of the Underwriter's TDHCA database-derived estimate. The Underwriter compared line item expenses to both the database-derived estimate and the development's historical operating expenses. The Applicant's budget shows only one line item estimate that deviates when compared to the Underwriter's averages. General and administrative expense is \$3K lower than the Underwriter's estimate.

Conclusion: The Applicant's total estimated operating expense is consistent with the Underwriter's expectations and the Applicant's net operating income is 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 estimated debt coverage ratio (DCR) are within the program guidelines of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted a Real Estate Purchase Agreement wherein the Applicant is purchasing the property for \$1,200,000. The agreement indicates that the Applicant will assume the \$929,000 unpaid principal balance of the Seller's promissory note owed to USDA and pay \$271K in cash. The appraiser concluded that the market value of the entire property, including the FmHA subsidy is \$929,000, which is equal to the USDA assumption but \$271K less than the sales price. USDA representatives have indicated they will allow a property to be sold at a cost that is higher than the appraised value only if the owner/seller can document that the exit tax liability to transfer the property is more than the exit tax liability to foreclose the property, resulting in a higher purchase price. In this case, the owner/seller must have a CPA document that the extra \$271K in the sales price of the property is substantiated by the extra cost that the seller will have to assume in transferring the property to the buyer. Since this is an arms-length transaction the inference that is made by the lower appraised value does not affect the eligibility of the entire acquisition cost less the land value. The Applicant identified a total acquisition cost of \$1,206,586, including \$6,586 for closing costs and acquisition legal fees. If the USDA restricts the transfer price of the transaction, the re-evaluation of the credit recommendation should be conducted.

Sitework Cost: Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of \$2,656 per unit.

Direct Construction Cost: The Applicant's scope of work is detailed and consistent with the cost breakdown. Line item costs appear reasonable and thus the direct construction cost of \$821,496 is accepted by the Underwriter.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer's fees exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion of the developer fee must be reduced by \$1,334.

Conclusion: As is the case with most rehabilitation transactions, the Applicant's total project cost is within 5% of the Underwriter's estimate due to the lack of capacity to independently verify the Applicant's costs. Therefore the Underwriter's costs are in essence the Applicant's costs adjusted for any misallocation of eligible basis. In this case they are identical. Thus the Applicant's costs, as adjusted is used to calculate the eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$2,684,539 is used to determine a credit allocation of \$161,815 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount. The Underwriter accepted the use of an applicable percentage of 8.44% for the new/rehabilitation portion since no new RD funds were being provided and at least 40% of the units will be leased as 50% at AMFI to remove

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

federal taint from the HOME funds.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: an assumption of the USDA promissory note, HOME funds and syndicated LIHTC equity.

Permanent Financing: The current USDA loan will be assumed by the Applicant. The existing note carries a balance of \$929,000. The effective rate will be 1% as long as USDA affordability requirements are met. In a letter from USDA, the term is stated as 30 years. The effective annual payment, including debt service for the USDA loan, will be fixed at an estimated \$35,856 per year based on the 1% interest rate. The Applicant has requested HOME funds in the amount of \$600,000. The requested interest rate for this note is 2%, with an amortization and term of 30 years. Due to the limited amount of HOME funds available and the demonstration program for tax credit developments, the Executive Director, with concurrence from the Executive Award and Review Advisory Committee, has reduced HOME application awards by 10%. The total funds requested is \$2.2 million, however, only \$2 million is available to award. Therefore, a 10% reduction will be applied to all HOME application awards. In this case the HOME award will be reduced to \$540,000. The Underwriter's estimated debt coverage ratio with this reduction in debt is still within the program maximum standard of 1.25.

LIHTC Syndication: Boston Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$1,230,043 based on a syndication factor of 76%. The funds would be disbursed in a 3-phased pay-in schedule:

1. \$922,532 or 75% upon the latest to occur of (i) Tax Credit Set Aside, (ii) closing of the Construction Mortgage Loan, (iii) receipt of a commitment acceptable to BCP for the Permanent Mortgage Loan, or (iv) Admission;
2. \$123,004 or 10% on the latest to occur of (i) Construction Completion or (ii) Cost Certification; Updated Insurance Certificates; Updated Title Insurance Policy; receipt of a contractor's payoff letter and Estoppel Letter from each lender;
3. \$184,507 or 15% upon the latest to occur of (i) State Designation, (ii) Permanent Mortgage Commencement (iii) Initial 100% Occupancy Date; (iv) Breakeven.

Financing Conclusions: The Applicant's estimate, adjusted for overstated fees, was used to determine the development's eligible basis and recommended tax credit allocation of \$161,815 annually for ten years, resulting in syndication proceeds of \$1,229,669. This is \$49 less in credits than requested. The Applicant initially did not anticipate the need to defer any developer fees, however, as a result of reducing the HOME award by 10% the Applicant would need to defer \$60,374 in developer fees. This appears to be repayable within 3-4 years from available cashflow.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple, with varied rooflines. All units are of average size for market rate and LIHTC units, and have storage closets. Each unit has a semi-private exterior entry that is off an interior breezeway. The units are in two-story structures with mixed brick veneer/wood siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

Patrick A. Barbolla is the sole owner of the general partner, general contractor and property management company. These are not unusual relationships for USDA/LIHTC projects

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS**

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Fountainhead Affiliates, Inc. submitted an unaudited financial statement as of February 8, 2002 reporting total assets of \$903K and consisting of \$50K in cash and \$368K in accounts receivables. Liabilities totaled \$0K, resulting in a net worth of \$903,064.
- The principal of the General Partner, Patrick A. Barbolla, submitted an unaudited financial statement as of February 8, 2002.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner and General Contractor have completed numerous affordable housing developments housing developments totaling 980 units since 1983.

SUMMARY OF SALIENT RISKS AND ISSUES

- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$161,815 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$540,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2% INTEREST.

CONDITIONS

1. Receipt, review and acceptance of documentation from the current owner's CPA to substantiate the purchase price of the property. The documentation must show that the seller will assume a higher exit tax liability cost to transfer the property than it would to foreclose on the property, resulting in a purchase price that is higher than the appraised value, and/or acceptable log USDA of the current proposed sales price;
2. Should a lower sales price be mandated by USDA a re-evaluation of the recommendations herein should be conducted by the Underwriter.

Associate Underwriter:

Raquel Morales

Date: June 10, 2002

Director of Credit Underwriting:

Tom Gouris

Date: June 10, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

La Mirage Villas, Perryton, LIHTC #02159

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%:LH	2	1	1	662	\$239	\$299	\$598	\$0.45	\$42.00	\$29.00
>TC40%:LH	2	1	1	662	319	\$299	598	0.45	42.00	29.00
>TC50%:LH	4	1	1	662	334	\$299	1,196	0.45	42.00	29.00
>TC30%:LH	17	2	1	862	287	\$390	6,630	0.45	55.00	31.00
>TC40%:LH	17	2	1	862	383	\$390	6,630	0.45	55.00	31.00
>TC50%:LH	5	2	1	862	402	\$390	1,950	0.45	55.00	31.00
EO	1	2	1	862	0	\$0	0	0.00	55.00	31.00
TOTAL:	48		AVERAGE:	829	\$330	\$367	\$17,602	\$0.44	\$52.83	\$30.67

INCOME				TOTAL Net Rentable Sq Ft: 39,776		TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$211,224	\$211,224			
Secondary Income		Per Unit Per Month:	\$10.00			5,760	5,208	\$9.04	Per Unit Per Month	
Other Support Income: (interest & tenant charges)						2,640	2,640			
POTENTIAL GROSS INCOME						\$219,624	\$219,072			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(16,472)	(16,428)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$203,152	\$202,644			
EXPENSES				% OF RGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF RGI
General & Administrative			\$235	5.56%	\$0.28	\$11,292	\$8,079	\$0.20	\$168	3.99%
Management			341	8.06%	0.41	16,375	18,084	0.45	377	8.92%
Payroll & Payroll Tax			843	19.92%	1.02	40,477	39,087	0.98	814	19.29%
Repairs & Maintenance			351	8.30%	0.42	16,859	17,750	0.45	370	8.76%
Utilities			95	2.25%	0.11	4,565	4,500	0.11	94	2.22%
Water, Sewer, & Trash			254	6.01%	0.31	12,213	11,000	0.28	229	5.43%
Property Insurance			140	3.30%	0.17	6,709	8,497	0.21	177	4.19%
Property Tax	2.53		130	3.07%	0.16	6,238	6,400	0.16	133	3.16%
Reserve for Replacements			300	7.09%	0.36	14,400	14,400	0.36	300	7.11%
Other Expenses:			24	0.58%	0.03	1,175	1,175	0.03	24	0.58%
TOTAL EXPENSES			\$2,715	64.14%	\$3.28	\$130,302	\$128,972	\$3.24	\$2,687	63.64%
NET OPERATING INC			\$1,518	35.86%	\$1.83	\$72,850	\$73,672	\$1.85	\$1,535	36.36%
DEBT SERVICE										
Rural Housing Service-USDA			\$747	17.65%	\$0.90	\$35,856	\$35,856	\$0.90	\$747	17.69%
HOME Loan			\$554	13.10%	\$0.67	26,613	26,613	\$0.67	\$554	13.13%
LIHTC Syndication Proceeds			\$0	0.00%	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW			\$216	5.11%	\$0.26	\$10,381	\$11,203	\$0.28	\$233	5.53%
AGGREGATE DEBT COVERAGE RATIO						1.17	1.18			
ALTERNATIVE DEBT COVERAGE RATIO							1.23			

CONSTRUCTION COST						TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)		Factor	% of TOTAL	PER UNIT	PER SQ FT	\$1,206,586	\$1,206,586	\$30.33	\$25,137	43.73%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			4.61%	2,656	3.21	127,490	127,490	3.21	2,656	4.62%
Direct Construction			29.73%	17,115	20.65	821,496	821,496	20.65	17,115	29.77%
Contingency	0.00%		0.00%	0	0.00	0	0	0.00	0	0.00%
General Requiremen	5.00%		1.72%	988	1.19	47,414	47,414	1.19	988	1.72%
Contractor's G & A	2.00%		0.69%	395	0.48	18,979	18,979	0.48	395	0.69%
Contractor's Profi	6.00%		2.06%	1,186	1.43	56,939	56,939	1.43	1,186	2.06%
Indirect Construction			3.07%	1,768	2.13	84,865	84,865	2.13	1,768	3.08%
Ineligible Expenses			0.73%	420	0.51	20,180	20,180	0.51	420	0.73%
Developer's G & A	3.87%		3.27%	1,880	2.27	90,262	90,790	2.28	1,891	3.29%
Developer's Profit	11.13%		9.41%	5,417	6.54	260,000	260,000	6.54	5,417	9.42%
Interim Financing			0.07%	42	0.05	2,000	2,000	0.05	42	0.07%
Reserves			0.97%	556	0.67	26,696	22,304	0.56	465	0.81%
TOTAL COST			100.00%	\$57,561	\$69.46	\$2,762,908	\$2,759,043	\$69.36	\$57,480	100.00%
Recap-Hard Construction Costs			38.81%	\$22,340	\$26.96	\$1,072,318	\$1,072,318	\$26.96	\$22,340	38.87%

SOURCES OF FUNDS						TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage			33.62%	\$19,354	\$23.36	\$929,000	\$929,000	\$929,000
HOME Loan			21.72%	\$12,500	\$15.08	600,000	600,000	540,000
LIHTC Syndication Proceeds			44.52%	\$25,626	\$30.92	1,230,043	1,230,043	1,229,669
Deferred Developer Fees			0.00%	\$0	\$0.00	0	0	60,374
Additional (excess) Funds Required			0.14%	\$81	\$0.10	3,865	0	0
TOTAL SOURCES						\$2,762,908	\$2,759,043	\$2,759,043

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

La Mirage Villas, Perryton, LIHTC #02159

DIRECT CONSTRUCTION COST ESTIMATE
Residential Cost Handbook
Average Quality Multiple Residence Basis

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				\$0
Adjustments				
Exterior Wall Finish				
Elderly				
Roofing				
Subfloor				
Floor Cover				
Porches/Balconies				
Plumbing				
Built-In Appliances				
Stairs/Fireplaces				
Floor Insulation				
Heating/Cooling				
Garages/Carports				
Comm &/or Aux Bldgs				
Other:				
SUBTOTAL				
Current Cost Multiplier				
Local Multiplier				
TOTAL DIRECT CONSTRUCTION COSTS				
Plans, specs, survy, bld prmts				
Interim Construction Interest				
Contractor's OH & Profit				
NET DIRECT CONSTRUCTION COSTS				

Primary	\$929,000	Term	360
Int Rate	1.00%	DCR	2.03

Secondary	\$600,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.17

Additional		Term	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$35,856
Secondary Debt Service	23,951
Additional Debt Service	0
NET CASH FLOW	\$13,042

Primary	\$929,000	Term	360
Int Rate	1.00%	DCR	2.05

Secondary	\$540,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.23

Additional	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.23

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$211,224	\$217,561	\$224,088	\$230,810	\$237,734	\$275,599	\$319,495	\$370,383	\$497,763
Secondary Income	5,208	5,364	5,525	5,691	5,862	6,795	7,878	9,132	12,273
Other Support Income: (inter	2,640	2,719	2,801	2,885	2,971	3,445	3,993	4,629	6,221
POTENTIAL GROSS INCOME	219,072	225,644	232,413	239,386	246,567	285,839	331,366	384,144	516,258
Vacancy & Collection Loss	(16,428)	(16,923)	(17,431)	(17,954)	(18,493)	(21,438)	(24,852)	(28,811)	(38,719)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$202,644	\$208,721	\$214,982	\$221,432	\$228,075	\$264,401	\$306,514	\$355,333	\$477,538
EXPENSES at 4.00%									
General & Administrative	8,079	\$8,402	\$8,738	\$9,088	\$9,451	\$11,499	\$13,990	\$17,021	\$25,196
Management	18,084	16,823	17,328	17,848	18,383	21,311	24,706	28,641	38,491
Payroll & Payroll Tax	39,087	40,650	42,276	43,968	45,726	55,633	67,686	82,350	121,899
Repairs & Maintenance	17,750	18,460	19,198	19,966	20,765	25,264	30,737	37,397	55,356
Utilities	4,500	4,680	4,867	5,062	5,264	6,405	7,793	9,481	14,034
Water, Sewer & Trash	11,000	11,440	11,898	12,374	12,868	15,656	19,048	23,175	34,305
Insurance	8,497	8,837	9,190	9,558	9,940	12,094	14,714	17,902	26,499
Property Tax	6,400	6,656	6,922	7,199	7,487	9,109	11,083	13,484	19,959
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	1,175	1,222	1,271	1,322	1,375	1,672	2,035	2,476	3,664
TOTAL EXPENSES	\$128,972	\$132,147	\$137,265	\$142,582	\$148,107	\$179,140	\$216,728	\$262,265	\$384,312
NET OPERATING INCOME	\$73,672	\$76,574	\$77,718	\$78,850	\$79,968	\$85,262	\$89,786	\$93,068	\$93,227
DEBT SERVICE									
First Lien Financing	\$35,856	\$35,856	\$35,856	\$35,856	\$35,856	\$35,856	\$35,856	\$35,856	\$35,856
Second Lien	23,951	23,951	23,951	23,951	23,951	23,951	23,951	23,951	23,951
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$13,864	\$16,766	\$17,910	\$19,042	\$20,161	\$25,454	\$29,978	\$33,261	\$33,419
DEBT COVERAGE RATIO	1.23	1.28	1.30	1.32	1.34	1.43	1.50	1.56	1.56

LIHTC Allocation Calculation - La Mirage Villas, Perryton, LIHTC #02159

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$30,686	\$30,686				
Purchase of buildings	\$1,175,900	\$1,175,900	\$1,175,900	\$1,175,900		
(2) Rehabilitation/New Construction Cost						
On-site work	\$127,490	\$127,490			\$127,490	\$127,490
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	\$821,496	\$821,496			\$821,496	\$821,496
(4) Contractor Fees & General Requirements						
Contractor overhead	\$18,979	\$18,979			\$18,979	\$18,979
Contractor profit	\$56,939	\$56,939			\$56,939	\$56,939
General requirements	\$47,414	\$47,414			\$47,414	\$47,414
(5) Contingencies						
(6) Eligible Indirect Fees						
	\$84,865	\$84,865	\$4,875	\$4,875	\$79,990	\$79,990
(7) Eligible Financing Fees						
	\$2,000	\$2,000	\$500	\$500	\$1,500	\$1,500
(8) All Ineligible Costs						
	\$20,180	\$20,180				
(9) Developer Fees						
Developer overhead	\$90,790	\$90,262	\$176,385	\$176,385	\$43,071	\$43,071
Developer fee	\$260,000	\$260,000			\$130,000	\$130,000
(10) Development Reserves						
	\$22,304	\$26,696				
TOTAL DEVELOPMENT COSTS	\$2,759,043	\$2,762,908	\$1,357,660	\$1,357,660	\$1,326,879	\$1,326,879

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$1,357,660	\$1,357,660	\$1,326,879	\$1,326,879
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$1,357,660	\$1,357,660	\$1,326,879	\$1,326,879
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$1,357,660	\$1,357,660	\$1,326,879	\$1,326,879
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			\$49,826	\$49,826	\$111,989	\$111,989
Syndication Proceeds	0.7599		\$378,641	\$378,641	\$851,028	\$851,028
					Total Credit Amount	\$161,815
					Total Syndication Proceeds	\$1,229,669