

**TDHCA #**

**02036**

**Region 10**

**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: **Gateway East Apartments**TDHCA #: **02036****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 LIHTC Primary Set Aside: AR  
 Site Address: 1222 Giles Additional Elderly Set Aside   
 City: El Paso Purpose / Activity: ACQ/R  
 County: El Paso Development Type: Family  
 Zip Code: 79915  TTC  DDA  QCT

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

Special Needs: 6 Units for Handicapped/Developmentally Disabled

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

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

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$394,662** Allocation over 10 Years: \$3,946,620  
 Credits Requested: \$394,320 Eligible Basis Amount: \$394,662 Equity/Gap Amount: \$545,252

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	1	0	0	1	0	2
50%	0	6	21	3	2	0	32
60%	0	9	43	13	5	0	70
MR	0	0	0	0	0	0	0
Total	0	16	64	16	8	0	

**BUILDING INFORMATION**

Total Development Cost: **\$6,184,979**  
 Gross Building Square Feet: 92,125  
 Total NRA SF: 91,760  
 Gross/Net Rentable: 1.00  
 Average Square Feet/Unit: 882  
 Cost Per Net Rentable Square Foot: \$67.40  
 Credits per Low Income Unit: \$3,795

Total LI Units: 104  
 Owner/Employee Units: 0  
 Total Project Units: 104  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$620,224  
 Total Expenses: \$364,169  
 Net Operating Income: \$256,055  
 Estimated 1st Year Debt Coverage Ratio: 1.10

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: Greater El Paso Housing Dev. Corp.  
 Property Manager: Marcum Management Company Accountant: Thomas Stephen & Company, LLP  
 Engineer: NA  
 Syndicator: Related Capital Company Permanent Lender: American Mortgage Acceptance

**DEPARTMENT EVALUATION**

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

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not 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: **3** 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: Raymond C. Caballero, Mayor, S	Luis G. Sarinana, Deputy Mayor Pro Tem, S
TX Rep.: Norma Chavez, Dist. 76	
TX Sen.: Eliot Shapleigh, Dist. 29 S	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

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

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

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

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

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

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

**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
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**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
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**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: Gateway East Apartments

Project Number: 02036

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Michael E. Jones, Chairman of the Board

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Date

## Compliance Status Summary

**Project ID #:** 02036

LIHTC 9%  LIHTC 4%

**Project Name:** Gateway East Apartments

HOME  HTF

**Project City:** El Paso

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

Non-Compliance Reported \_\_\_\_\_

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

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

**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: May 18, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02036

**DEVELOPMENT NAME**

Gateway East Apartments

**APPLICANT**

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

**PRINCIPALS of the APPLICANT**

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

**GENERAL PARTNER**

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

**PROPERTY LOCATION**

**Location:** 1222 Giles       QCT     DDA  
**City:** El Paso      **County:** El Paso      **Zip:** 79915

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$394,320	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>Acquisition/Rehab</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

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

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CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

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

Number	Bedrooms	Bathroom	Size in SF
16	1	1	627
64	2	1	885
16	3	1.5	1005
8	4	1.5	1026

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

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

\* Underwriter's calculation reflects 91,760 total net rentable square feet and a 882 square foot average unit.

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

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

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

**OTHER SOURCES of FUNDS**

**INTERIM TO PERMANENT FINANCING**

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

**Principal Amount:** \$2,600,000    **Interest Rate:** 7.91%

**Additional Information:** \_\_\_\_\_

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

**Annual Payment:** \$226,980    **Lien Priority:** 1st    **Commitment Date**    03/ 20/ 2002

**INTERIM TO PERMANENT FINANCING**

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

**Principal Amount:** \$380,000    **Interest Rate:** 9%

**Additional Information:** IRP Loan, final loan commitment will be based on remaining balance of IRP

**Amortization:** 11 yrs    **Term:** 11 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$54,541    **Lien Priority:** 2nd    **Commitment Date**    03/ 20/ 2002

**LIHTC SYNDICATION**

**Source:** Related Capital Company    **Contact:** Justin Ginsberg

**Address:** 625 Madison Avenue    **City:** New York

**State:** NY    **Zip:** 10022    **Phone:** (212) 421-5333    **Fax:** (212) 751-3550

**Net Proceeds:** \$2,997,000    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 76¢

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**Commitment**       None       Firm       Conditional      **Date:**    03/    20/    2002

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

**APPLICANT EQUITY**

**Amount:**    \$206,879                      **Source:**    Deferred developer fee

**Amount:**    \$100                              **Source:**    Cash Equity

**VALUATION INFORMATION**

**APPRAISED VALUE**

**Land Only:**                              \$280,800                      **Date of Valuation:**    02/    13/    2002

**Existing Building: as is without IRRP\***    \$2,044,200                      **Date of Valuation:**    02/    13/    2002

**Value of IRRP**                              \$375,000                      **Date of Valuation:**    02/    13/    2002

**Total Property as is w/IRRP**                      \$2,700,000                      **Date of Valuation:**    02/    13/    2002

**Appraiser:**    Property Advisors                      **City:**    Columbus                      **Phone:**    (614)    431-3332

\*as calculated by underwriter

**ASSESSED VALUE**

**Land:**                              \$387,072                      **Assessment for the Year of:**    2002

**Building:**                              \$1,016,629                      **Valuation by:**    El Paso County Appraisal District

**Total Assessed Value:**    \$1,403,701                      **Tax Rate:**    2.869

\*2000 total assessed value was \$1,715,960

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:**    Earnest money contract

**Contract Expiration Date:**    08/    30/    2002      **Anticipated Closing Date:**    08/    01/    2002

**Acquisition Cost:**    \$ 2,700,000      **Other Terms/Conditions:**    \$20,000 earnest money deposit

**Seller:**    El Paso-Gateway East, Ltd.                      **Related to Development Team Member:**    No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Gateway East Apartments is a proposed acquisition and rehabilitation development of 104 units of affordable housing located in eastern El Paso. The development was built in 1971 and is comprised of 7 residential buildings as follows:

- (1) Building Type A with sixteen 1-bedroom units;
- (4) Building Type B with sixteen 2- bedroom units;
- (1) Building Type C with sixteen 3- bedroom units; and
- (1) Building Type D with eight 4- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site/arranged in several groups separated by parking lots, with the community building located near the entrance to the site. The 1165-square foot community building plan includes the leasing office and a 540- square foot laundry facility.

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

**Development Plan:** The buildings are currently 97% occupied based on the submitted rent roll as of December 12, 2001. The age of the buildings and scope of rehabilitation suggest the property is in a

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CREDIT UNDERWRITING ANALYSIS**

moderately deteriorated state. The architect's scope of work includes: paint interior and exterior of buildings, remove and replace roof shingles, replace carpet throughout, replace heating and cooling units, replace light fixtures, replace all counter tops and cabinets, replace refrigerators, replace ranges, replace garbage disposals, install dishwashers in all two-, three-, and four-bedroom units; renovate community building and leasing office, renovate playground and upgrade landscaping.

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

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

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

**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 will be reserved for low-income tenants. Two of the units will be reserved for households earning 40% or less of AMGI, 32 of the units will be reserved for households earning 50% or less of AMGI, and the remaining 70 units will be reserved for households earning 60% or less of AMGI. The development also has 20 units enrolled in the HUD project-based Section 8 program via a Housing Assistance Payments (HAP) contract.

**Special Needs Set-Asides:** Six 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 March 13, 2002 was prepared by The Danter Company and highlighted the following findings:

**Definition of Market/Submarket:** "The Effective Market Area (EMA) includes a portion of the east side of El Paso. Specifically, the EMA is bounded by Montwood Drive to the north, Lee Trevino Drive and Pendale Road to the east, the Texas/Mexico border to the south, and Airway Boulevard and railroad tracks to the west" (p. III-4) The Market analyst did not define an annual demand for the subject property but rather indicated a total income eligible renter demand as follows:

<b>INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter (annual)</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	0		-42	-1%
Resident Turnover	0	0%	3,394	101%
Other Sources: Total income qualified renter households	4,753 to 5,138			
<b>TOTAL ANNUAL DEMAND</b>		<b>100%</b>	<b>3,352</b>	<b>100%</b>

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Ref: p. IV-24

**Capture Rate:** The Market Analyst does not specifically calculate a capture rate as defined by the Department. The analyst does suggest “The projects will represent a rental housing alternative for 12.8% to 17.4% of all income-appropriate renter households...” (p. IV-25) The Underwriter calculated a concentration capture rate of 3% based upon data supplied in the market study. With a 90%+ current occupied status, the concentration issue in this case is irrelevant.

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (TC40%)</b>	\$271	\$411	-\$140	\$425	-\$154
<b>1-Bedroom (TC50%)</b>	\$339	\$411	-\$72	\$425	-\$86
<b>1-Bedroom (TC60%)</b>	\$407	\$411	-\$4	\$425	-\$18
<b>1-Bedroom (TC60%)</b>	\$407	\$408	-\$1	\$425	-\$18
<b>2-Bedroom (TC50%)</b>	\$407	\$471	-\$64	\$500	-\$93
<b>2-Bedroom (TC50%)</b>	\$407	\$408	-\$1	\$500	-\$93
<b>2-Bedroom (TC60%)</b>	\$489	\$490	-\$1	\$500	-\$11
<b>3-Bedroom (TC50%)</b>	\$470	\$471	-\$1	\$600	-\$130
<b>3-Bedroom (TC60%)</b>	\$564	\$566	-\$2	\$600	-\$36
<b>4-Bedroom (TC40%)</b>	\$420	\$421	-\$1	\$660	-\$240
<b>4-Bedroom (TC50%)</b>	\$525	\$526	-\$1	\$660	-\$135
<b>4-Bedroom (TC60%)</b>	\$630	\$631	-\$1	\$660	-\$30

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

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

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

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

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

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

**Adjacent Land Uses:** Land uses in the overall area in which the site is located is predominately commercial and retail. Adjacent land uses include:

- **North:** commercial properties and restaurants, established single-family homes
- **South:** park, established single-family homes
- **East:** retail establishments, medical buildings, restaurants, hotels and commercial properties
- **West:** restaurants, commercial properties

**Site Access:** Access to the property is from the east or west along Gateway East Blvd, east or west along

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

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

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

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

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

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

**Findings:**

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

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

**OPERATING PROFORMA ANALYSIS**

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

**Expenses:** The Applicant’s estimate of total operating expense is \$46K or 13% lower than the Underwriter’s estimate. The Underwriter compared line item expenses to both the database-derived estimate and the historical operating statement for this development. Historically, this development has operated at an

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**CREDIT UNDERWRITING ANALYSIS**

unusually high cost of \$5,094 per unit. The Applicant has significantly understated the development's operating expense estimate for several line items when compared to the TDHCA database, IREM and the historical expenses. The Underwriter also adjusted the utility expense compared to the typical development due to the fact that this development is an all bills paid operation. The Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's minimum estimates, particularly: management (\$6K lower), payroll and payroll tax (\$24K lower), repairs and maintenance (\$8K lower), utilities(\$45K lower), water, sewer, and trash (\$15K higher), and property insurance (\$9K higher).

**Conclusion:** The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Based on the Underwriter's proforma and the proposed financing structure, the development would have a debt coverage ratio (DCR) of 0.91, which is below the minimum standard of 1.10. Therefore, the maximum total debt service for this project should be limited to \$232,726 by a reduction of the permanent loan amount.

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

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

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

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines when based on the cost breakdown figures but are slightly overstated when compared to the work write-up estimates. The Applicant's proposed contingency cost was overstated by \$30,007 compared to the 10% allowance for rehabilitation developments. As a result, the Applicant's developer fees were also overstated by \$13,543.

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

**FINANCING STRUCTURE ANALYSIS**

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

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

The IRP (Interest Rate Reduction Payment) is what will remain, along with the HAP contract after the

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

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

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

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

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

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

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CREDIT UNDERWRITING ANALYSIS**

**REVIEW of ARCHITECTURAL DESIGN**

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

**IDENTITIES of INTEREST**

None noted.

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Developer, Preservation Partners, Inc., submitted an unaudited financial statement as of March 20, 2002 reporting total assets of \$556K and consisting of \$10K in cash, \$472K in accounts receivable and \$74K in other current assets.
- 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 operating expenses and proforma NOI are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental risks exist regarding potential asbestos in the flooring, soffit and drywall.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATION**

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

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of the implementation of an Operations and Maintenance (O&M) Plan to facilitate the in-place management of identified asbestos-containing materials per the Environmental Site Assessment recommendation.
3. Receipt, review and acceptance of documentation from the general contractor acknowledging the potential deferral of up to \$50K in contractor fees with payment of same to come out of cash flow.
4. Receipt, review and acceptance of documentation of the revised and approved HAP contract and rental assistance rents by or as part of documentation substantiating the closing of the construction loan.
5. Receipt, review and acceptance of documentation of how the IRP will remain in effect, and

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**CREDIT UNDERWRITING ANALYSIS**

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

6. Review of this development's score for including 40% and 50% of AMGI units, based on the Underwriter's conclusion that deferred developer fee exceeds 50% of the eligible developer fees.
7. Receipt, review, and acceptance of revised permanent loan commitments reflecting a reduction in the total debt service not to exceed \$232,726 per year.
8. Should the terms of the proposed debt or the key assumptions regarding the IRP, HAP contract or syndication be altered, the conclusions, recommendations and conditions of this report should be re-evaluated by the Underwriter.

**Associate Underwriter:**

\_\_\_\_\_  
*Raquel Morales*

**Date:** May 17, 2002

**Director of Credit Underwriting:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** May 17, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

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

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tot Pd Util	Wtr, Swr, Trsh
>TC40%	1	1	1	627	\$272	\$411	\$411	\$0.66	\$67.00	\$20.00
>TC50%	6	1	1	627	340	\$411	2,466	0.66	67.00	20.00
>TC60%	7	1	1	627	408	\$411	2,877	0.66	67.00	20.00
TC60%	2	1	1	627	408	\$408	816	0.65	67.00	20.00
>TC50%	6	2	1	885	408	\$471	2,826	0.53	83.00	23.00
TC50%	15	2	1	885	408	\$408	6,120	0.46	83.00	23.00
TC60%	43	2	1	885	490	\$490	21,070	0.55	83.00	23.00
TC50%	3	3	1.5	1,055	471	\$471	1,413	0.45	102.00	27.00
TC60%	13	3	1.5	1,055	566	\$566	7,358	0.54	102.00	27.00
TC40%	1	4	1.5	1,026	421	\$421	421	0.41	127.00	32.00
TC50%	2	4	1.5	1,026	526	\$526	1,052	0.51	127.00	32.00
TC60%	5	4	1.5	1,026	631	\$631	3,155	0.62	127.00	32.00
<b>TOTAL:</b>	<b>104</b>		<b>AVERAGE:</b>	<b>882</b>	<b>\$471</b>	<b>\$481</b>	<b>\$49,985</b>	<b>\$0.54</b>	<b>\$86.85</b>	<b>\$23.85</b>

**INCOME** Total Net Rentable Sq Ft 91,760

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

Other Support Income: (IRP Pmt)

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		
	\$599,820	\$586,848		
	12,480	12,480	\$10.00	Per Unit Per Month
	58,212	58,212		
	\$670,512	\$657,540		
	(50,288)	(44,016)	-6.69%	of Potential Gross Rent
	0	0		
	\$620,224	\$613,524		

**EXPENSES**

	% OF RGI	PER UNIT	PER SQ FT
General & Administrative	4.53%	\$270	\$0.31
Management	5.00%	298	0.34
Payroll & Payroll Tax	9.00%	537	0.61
Repairs & Maintenance	5.49%	328	0.37
Utilities	13.84%	825	0.94
Water, Sewer, & Trash	4.80%	286	0.32
Property Insurance	2.50%	149	0.17
Property Tax 2.8690	7.94%	473	0.54
Reserve for Replacements	5.03%	300	0.34
Other Expenses: Supp Svcs & Con	0.58%	35	0.04
<b>TOTAL EXPENSES</b>	<b>58.72%</b>	<b>\$3,502</b>	<b>\$3.97</b>
<b>NET OPERATING INC</b>	<b>41.28%</b>	<b>\$2,462</b>	<b>\$2.79</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF RGI
	\$28,122	\$26,500	\$0.29	\$255	4.32%
	31,011	24,989	0.27	240	4.07%
	55,836	32,000	0.35	308	5.22%
	34,080	26,000	0.28	250	4.24%
	85,812	40,000	0.44	385	6.52%
	29,760	45,000	0.49	433	7.33%
	15,518	25,000	0.27	240	4.07%
	49,230	50,000	0.54	481	8.15%
	31,200	31,200	0.34	300	5.09%
	3,600	3,600	0.04	35	0.59%
	\$364,169	\$304,289	\$3.32	\$2,926	49.60%
	\$256,055	\$309,235	\$3.37	\$2,973	50.40%

**DEBT SERVICE**

	%	PER UNIT	PER SQ FT
AMAC	36.60%	\$2,183	\$2.47
AMAC- IRP Loan	8.79%	\$524	\$0.59
	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>-4.11%</b>	<b>(\$245)</b>	<b>(\$0.28)</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	%
	\$226,980	\$226,980	\$2.47	\$2,183	37.00%
	54,541	54,541	\$0.59	\$524	8.89%
	0	0	\$0.00	\$0	0.00%
	(\$25,467)	\$27,714	\$0.30	\$266	4.52%

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

	0.91	1.10
	1.10	

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or blc)		44.38%	\$25,962	\$29.42
Off-Sites		0.00%	0	0.00
Sitework		2.30%	1,346	1.53
Direct Construction		21.29%	12,456	14.12
Contingency	10.00%	2.36%	1,380	1.56
General Requirer	6.00%	1.42%	828	0.94
Contractor's G & A	2.00%	0.47%	276	0.31
Contractor's Pr	6.00%	1.42%	828	0.94
Indirect Construction		4.31%	2,523	2.86
Ineligible Expenses		5.77%	3,376	3.83
Developer's G & A	2.00%	1.53%	896	1.02
Developer's Profit	13.00%	9.95%	5,822	6.60
Interim Financing		3.22%	1,883	2.13
Reserves		1.58%	926	1.05
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$58,500</b>	<b>\$66.30</b>
<b>Recap-Hard Construction Costs</b>		<b>29.25%</b>	<b>\$17,114</b>	<b>\$19.40</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$2,700,000	\$2,700,000	\$29.42	\$25,962	43.65%
	0	0	0.00	0	0.00%
	140,000	140,000	1.53	1,346	2.26%
	1,295,372	1,360,379	14.83	13,081	21.99%
	143,537	180,045	1.96	1,731	2.91%
	86,122	90,023	0.98	866	1.46%
	28,707	30,008	0.33	289	0.49%
	86,122	90,023	0.98	866	1.46%
	262,340	262,340	2.86	2,523	4.24%
	351,124	351,124	3.83	3,376	5.68%
	93,144	0	0.00	0	0.00%
	605,439	724,217	7.89	6,964	11.71%
	195,820	195,820	2.13	1,883	3.17%
	96,260	61,000	0.66	587	0.99%
	\$6,083,988	\$6,184,979	\$67.40	\$59,471	100.00%
	\$1,779,861	\$1,890,478	\$20.60	\$18,178	30.57%

**SOURCES OF FUNDS**

	%	PER UNIT	PER SQ FT
AMAC	42.74%	\$25,000	\$28.33
AMAC- IRP Loan	6.25%	\$3,654	\$4.14
LIHTC Syndication Proceeds			
Deferred Developer Fees	3.40%	\$1,989	\$2.25
Cash Equity	0.00%	\$1	\$0.00
Additional (excess) Funds Req	-1.64%	(\$961)	(\$1.09)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED
	\$2,600,000	\$2,600,000	#####
	380,000	380,000	380,000
	2,997,000	2,997,000	2,999,135
	206,879	206,879	764,683
	100	100	100
	(99,991)	1,000	0
	\$6,083,988	\$6,184,979	#####

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Gateway East Apartments, El Paso, LIHTC #02036**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
<b>Base Cost</b>				
<b>Adjustments</b>				
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:				
<b>SUBTOTAL</b>				
Current Cost Multiplier				
Local Multiplier				
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>				
Plans, specs, survy, b	3.90%			
Interim Construction I	3.38%			
Contractor's OH & Prof	11.50%			
<b>NET DIRECT CONSTRUCTION COSTS</b>				

**PAYMENT COMPUTATION**

<b>Primary</b>	\$2,600,000	Term	360
Int Rate	7.91%	DCR	1.13

<b>Secondary</b>	\$380,000	Term	132
Int Rate	9.00%	Subtotal DCR	0.91

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	0.91

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$178,185
Secondary Debt Service	54,541
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$23,328</b>

<b>Primary</b>	\$2,041,062	Term	360
Int Rate	7.91%	DCR	1.44

<b>Secondary</b>	\$380,000	Term	132
Int Rate	9.00%	Subtotal DCR	1.10

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

INCOME	a/	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT			\$599,820	\$617,815	\$636,349	\$655,440	\$675,103	\$782,629	\$907,282	\$1,051,788	\$1,413,515
Secondary Income			12,480	12,854	13,240	13,637	14,046	16,284	18,877	21,884	29,410
Other Support Income: (I			58,212	59,958	61,757	63,610	65,518	75,953	88,051	102,075	137,180
POTENTIAL GROSS INCOME			670,512	690,627	711,346	732,687	754,667	874,866	1,014,210	1,175,747	1,580,105
Vacancy & Collection Los			(50,288)	(51,797)	(53,351)	(54,951)	(56,600)	(65,615)	(76,066)	(88,181)	(118,508)
Employee or Other Non-Re			0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME			\$620,224	\$638,830	\$657,995	\$677,735	\$698,067	\$809,251	\$938,144	\$1,087,566	\$1,461,598
EXPENSES		4.00%									
General & Administrative			\$28,122	\$29,247	\$30,417	\$31,633	\$32,899	\$40,026	\$48,698	\$59,249	\$87,703
Management			31,011	31,942	32,900	33,887	34,903	40,463	46,907	54,378	73,080
Payroll & Payroll Tax			55,836	58,069	60,392	62,807	65,320	79,471	96,689	117,637	174,132
Repairs & Maintenance			34,080	35,443	36,861	38,335	39,869	48,506	59,015	71,801	106,284
Utilities			85,812	89,245	92,814	96,527	100,388	122,137	148,599	180,793	267,618
Water, Sewer & Trash			29,760	30,950	32,188	33,476	34,815	42,358	51,535	62,700	92,811
Insurance			15,518	16,139	16,784	17,456	18,154	22,087	26,872	32,694	48,395
Property Tax			49,230	51,200	53,248	55,378	57,593	70,070	85,251	103,721	153,533
Reserve for Replacements			31,200	32,448	33,746	35,096	36,500	44,407	54,028	65,734	97,302
Other			3,600	3,744	3,894	4,050	4,211	5,124	6,234	7,585	11,227
TOTAL EXPENSES			\$364,169	\$378,426	\$393,243	\$408,644	\$424,651	\$514,650	\$623,829	\$756,292	\$1,112,083
NET OPERATING INCOME			\$256,055	\$260,405	\$264,752	\$269,091	\$273,416	\$294,601	\$314,315	\$331,274	\$349,514
<b>DEBT SERVICE</b>											
First Lien Financing			\$178,185	\$178,185	\$178,185	\$178,185	\$178,185	\$178,185	\$178,185	\$178,185	\$178,185
Second Lien			54,541	54,541	54,541	54,541	54,541	54,541	54,541	54,541	54,541
Other Financing			0	0	0	0	0	0	0	0	0
NET CASH FLOW			\$23,328	\$27,679	\$32,026	\$36,365	\$40,690	\$61,875	\$81,589	\$98,548	\$116,788
DEBT COVERAGE RATIO			1.10	1.12	1.14	1.16	1.17	1.27	1.35	1.42	1.50

**LIHTC Allocation Calculation - Gateway East Apartments, El Paso, LIHTC #02036**

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
<b>(1) Acquisition Cost</b>						
Purchase of land	\$280,800	\$280,800				
Purchase of buildings	\$2,419,200	\$2,419,200	\$2,419,200	\$2,419,200		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$140,000	\$140,000			\$140,000	\$140,000
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$1,360,379	\$1,295,372			\$1,360,379	\$1,295,372
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$30,008	\$28,707			\$30,008	\$28,707
Contractor profit	\$90,023	\$86,122			\$90,023	\$86,122
General requirements	\$90,023	\$86,122			\$90,023	\$86,122
<b>(5) Contingencies</b>						
	\$180,045	\$143,537			\$150,038	\$143,537
<b>(6) Eligible Indirect Fees</b>						
	\$262,340	\$262,340			\$262,340	\$262,340
<b>(7) Eligible Financing Fees</b>						
	\$195,820	\$195,820			\$195,820	\$195,820
<b>(8) All Ineligible Costs</b>						
	\$351,124	\$351,124				
<b>(9) Developer Fees</b>						
Developer overhead		\$93,144	\$362,880	\$362,880	\$347,794	\$335,703
Developer fee	\$724,217	\$605,439				
<b>(10) Development Reserves</b>						
	\$61,000	\$96,260				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,184,979</b>	<b>\$6,083,988</b>	<b>\$2,782,080</b>	<b>\$2,782,080</b>	<b>\$2,666,424</b>	<b>\$2,573,724</b>

<b>Deduct from Basis:</b>						
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)						
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$2,782,080</b>	<b>\$2,782,080</b>	<b>\$2,666,424</b>	<b>\$2,573,724</b>
High Cost Area Adjustment					130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$2,782,080</b>	<b>\$2,782,080</b>	<b>\$3,466,352</b>	<b>\$3,345,842</b>
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$2,782,080</b>	<b>\$2,782,080</b>	<b>\$3,466,352</b>	<b>\$3,345,842</b>
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$102,102</b>	<b>\$102,102</b>	<b>\$292,560</b>	<b>\$282,389</b>
Syndication Proceeds		0.7599	\$775,900	\$775,900	\$2,223,234	\$2,145,942
			<b>Total Credit Amount</b>		\$394,662	\$384,491
			<b>Total Syndication Proceeds</b>		\$2,999,135	\$2,921,842

**TDHCA #**

**02051**

**Region 10**

**General  
Set-Aside**

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Pueblo Montana**TDHCA #: **02051****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 LIHTC Primary Set Aside: G  
 Site Address: 14000 Block of Montana Additional Elderly Set Aside   
 City: El Paso Purpose / Activity: NC  
 County: El Paso Development Type: Family  
 Zip Code: 79936  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/Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Pueblo Montana Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Tropicana Building Corporation	Bobby Bowling, IV	95 %
Lower Valley Housing Corporation	Nancy Hanson	5 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$228,465** Allocation over 10 Years: \$2,284,650  
 Credits Requested: \$234,001 Eligible Basis Amount: \$228,465 Equity/Gap Amount: \$232,606

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	1	0	1
40%	0	0	0	0	1	0	1
50%	0	0	7	5	3	0	15
60%	0	0	9	7	3	0	19
MR	0	0	0	0	0	0	0
Total	0	0	16	12	8	0	

**BUILDING INFORMATION**

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

Total LI Units: 36  
 Owner/Employee Units: 0  
 Total Project Units: 36  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

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

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

**DEPARTMENT EVALUATION**

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

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

Project Name: Pueblo Montana

Project Number: 02051

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Raymond C. Caballero, Mayor, S	Patricia D. Aduato, Director Planning, S
TX Rep.: Joseph C. Pickett, Dist. 79 S	Manny Najera, State Representative, District 75, S
TX Sen.: Eliot Shapleigh, Dist. 29 S	Dolores Briones, County Judge, S
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of documentation clarifying where the leasing and administrative functions for this development will take place;

Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than \$51,718; and or alternative financing structure acceptable to the Department.

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

**Alternate Recommendation:**

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

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

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

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

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

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

\_\_\_\_\_  
\_\_\_\_\_

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

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

Approved Credit Amount:  Date of Determination:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Michael E. Jones, Chairman of the Board Date \_\_\_\_\_

## Compliance Status Summary

**Project ID #:** 02051

LIHTC 9%  LIHTC 4%

**Project Name:** Pueblo Montana Apartments

HOME  HTF

**Project City:** El Paso

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 1 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 05/30/2002

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

**DEVELOPMENT NAME**

Pueblo Montana Apartments

**APPLICANT**

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

**PRINCIPALS of the APPLICANT**

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

**GENERAL PARTNER**

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

**PROPERTY LOCATION**

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

**REQUEST**

<b>Amount</b>	<b>Interest Rate</b>	<b>Amortization</b>	<b>Term</b>
\$234,001	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New construction <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

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

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

**DESCRIPTION of IMPROVEMENTS**

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

Number	Bedrooms	Bathrooms	Size in SF
16	2	1	900
12	3	2	1,000
8	4	2	1,200

**Net Rentable SF:** 36,000    **Av Un SF:** 1,000    **Common Area SF:** 1,000\*    **Gross Bldng SF:** 37,000

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

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

<b>Uncovered Parking:</b> <u>72</u> spaces	<b>Carports:</b> <u>0</u> spaces	<b>Garages:</b> <u>0</u> spaces
--------------------------------------------	----------------------------------	---------------------------------

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Bank of America    **Contact:** Valerie Williams

**Principal Amount:** \$900,000    **Interest Rate:** 8.5

**Additional Information:** \_\_\_\_\_

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Bank of America    **Contact:** Valerie Williams

**Principal Amount:** \$590,181    **Interest Rate:** 8.5%

**Additional Information:** \_\_\_\_\_

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

**Annual Payment:** \$54,456    **Lien Priority:** 1st    **Commitment Date:** 2/ 26/ 2002

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

**LIHTC SYNDICATION**

**Source:** The Richman Group Capital Corporation      **Contact:** Peter McHugh  
**Address:** 599 West Putnam Avenue      **City:** Greenwich  
**State:** CT      **Zip:** 06830      **Phone:** (203) 869-0900      **Fax:** (203) 869-1034  
**Net Proceeds:** \$1,754,832      **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 75¢  
**Commitment**       None       Firm       Conditional      **Date:** 2/ 14/ 2002  
**Additional Information:** Commitment letter reflects proceeds of \$1,754,832 based on credits of \$2,340,010

**APPLICANT EQUITY**

**Amount:** \$175      **Source:** Deferred developer fee  
**Amount:** \$5,000      **Source:** Alianza Para El Desarrollo Comunitario, Inc. (GRANT)

**VALUATION INFORMATION**

**APPRAISED VALUE**

**Land Only:**      \$213,000      **Date of Valuation:** 2/ 23/ 2002  
**Appraiser:** Zacour & Associates, Inc.      **City:** El Paso      **Phone:** (915) 581-1141

**ASSESSED VALUE**

**Land: 2.61 acres**      \$28,429      **Assessment for the Year of:** 2001  
**Building:**      N/A      **Valuation by:** El Paso County Appraisal District  
**Total Assessed Value: 2.61 acres**      \$28,428      **Tax Rate:** 2.953

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest money contract  
**Contract Expiration Date:** 12/ 31/ 2002      **Anticipated Closing Date:** 12/ 31/ 2002  
**Acquisition Cost:** \$ 120,000      **Other Terms/Conditions:** \$100 earnest money  
**Seller:** Tropicana Building Corporation      **Related to Development Team Member:** Yes

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

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

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

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

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

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

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

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

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

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

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

**POPULATIONS TARGETED**

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

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

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

**MARKET HIGHLIGHTS**

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

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

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	90	5%
Resident Turnover	N/A	N/A
Substandard Households	459	26%
Cost Burdened Renters	1,223	69%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,772</b>	<b>100%</b>

Ref: p. 68

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

**Market Rent Comparables:** The market analyst surveyed ten comparable apartment projects totaling 1,508 units in the market area.

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (50%)</b>	\$325	\$325	\$0	\$455	-\$130
<b>2-Bedroom (60%)</b>	\$407	\$407	\$0	\$455	-\$48
<b>3-Bedroom (50%)</b>	\$375	\$375	\$0	\$530	-\$155
<b>3-Bedroom (60%)</b>	\$470	\$470	\$0	\$530	-\$60
<b>4-Bedroom (30%)</b>	\$205	\$205	\$0	\$635	-\$430
<b>4-Bedroom (40%)</b>	\$310	\$310	\$0	\$635	-\$325
<b>4-Bedroom (50%)</b>	\$415	\$415	\$0	\$635	-\$220
<b>4-Bedroom (60%)</b>	\$520	\$520	\$0	\$635	-\$115

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

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

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

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

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

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

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

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

- **North:** Montana Avenue with vacant land beyond
- **South:** Vacant land
- **East:** Vacant land and commercial
- **West:** Salvage yard

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

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

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

**Site Inspection Findings:** TDHCA staff members performed a site inspection on May 10, 2001 and found

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

the location to be acceptable for the proposed development.

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

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

**OPERATING PROFORMA ANALYSIS**

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

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

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

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

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

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

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

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

**FINANCING STRUCTURE ANALYSIS**

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

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

fees.

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

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

**LIHTC Syndication:** The Richman Group Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$1,754,832 based on a syndication factor of 75%. The funds would be disbursed in a four-phased pay-in schedule:

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

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

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

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

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

**REVIEW of ARCHITECTURAL DESIGN**

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

**IDENTITIES of INTEREST**

The principals of Tropicana Building Corporation (TBC) are 95% owners of the General Partner also own the

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

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

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

**Financial Highlights:**

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

**Background & Experience:**

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

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

**CONDITIONS**

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

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

**Underwriter:**

\_\_\_\_\_

*Carl Hoover*

**Date:** May 17, 2002

**Credit Underwriting Supervisor:**

\_\_\_\_\_

*Lisa Vecchietti*

**Date:** May 17, 2002

**Director of Credit Underwriting:**

\_\_\_\_\_

*Tom Gouris*

**Date:** May 17, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

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

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 Only
TC (50%)	7	2	1	900	\$408	\$325	\$2,275	\$0.36	\$83.00	\$15.00
TC (60%)	9	2	1	900	490	407.00	3,663	0.45	83.00	15.00
TC (50%)	5	3	2	1,000	471	375.00	1,875	0.38	96.00	15.00
TC (60%)	7	3	2	1,000	566	470.00	3,290	0.47	96.00	15.00
TC (30%)	1	4	2	1,200	316	205.00	205	0.17	111.00	15.00
TC (40%)	1	4	2	1,200	421	310.00	310	0.26	111.00	15.00
TC (50%)	3	4	2	1,200	526	415.00	1,245	0.35	111.00	15.00
TC (60%)	3	4	2	1,200	631	520.00	1,560	0.43	111.00	15.00
<b>TOTAL:</b>	<b>36</b>		<b>AVERAGE:</b>	<b>1,000</b>	<b>\$494</b>	<b>\$401</b>	<b>\$14,423</b>	<b>\$0.40</b>	<b>\$93.56</b>	<b>\$15.00</b>

**INCOME**

total Net Rentable Sq Ft 36,000

**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**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.95%	\$271	\$0.27
Management	8.30%	378	0.38
Payroll & Payroll Tax	3.29%	150	0.15
Repairs & Maintenance	8.55%	390	0.39
Utilities	6.28%	286	0.29
Water, Sewer, & Trash	3.95%	180	0.18
Property Insurance	3.51%	160	0.16
Property Tax 2.953	9.72%	443	0.44
Reserve for Replacements	4.39%	200	0.20
Other Expenses: Compliance	11.40%	519	0.52

**TOTAL EXPENSES**

**NET OPERATING INC**

**DEBT SERVICE**

Bank of America	33.19%	\$1,513	\$1.51
Alianza Para El Desarrollo Co	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>1.48%</b>	<b>\$68</b>	<b>\$0.07</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or blc)	4.34%	4.34%	\$2,819	\$2.82
Off-Sites	0.00%	0.00%	0	0.00
Sitework	9.63%	9.63%	6,250	6.25
Direct Construction	55.21%	55.21%	35,836	35.84
Contingency	0.00%	0.00%	0	0.00
General Require	5.82%	3.77%	2,448	2.45
Contractor's G	1.94%	1.26%	816	0.82
Contractor's Pr	5.82%	3.77%	2,448	2.45
Indirect Construction	3.51%	3.51%	2,278	2.28
Ineligible Expenses	1.71%	1.71%	1,111	1.11
Developer's G & A	2.00%	1.59%	1,032	1.03
Developer's Profi	13.00%	10.33%	6,705	6.70
Interim Financing	2.31%	2.31%	1,500	1.50
Reserves	2.57%	2.57%	1,667	1.67
<b>TOTAL COST</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$64,910</b>	<b>\$64.91</b>

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

Bank of America	25.26%	\$16,394	\$16.39
Alianza Para El Desarrollo Co	0.21%	\$139	\$0.14
LIHTC Syndication Proceeds	75.10%	\$48,745	\$48.75
Deferred Developer Fees	0.01%	\$5	\$0.00
Additional (excess) Funds Req	-0.58%	(\$373)	(\$0.37)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT		
<b>POTENTIAL GROSS RENT</b>	\$173,076	\$173,076		
Secondary Income	4,320	4,320	\$10.00	Per Unit Per Month
Other Support Income: (describe)	0			
<b>POTENTIAL GROSS INCOME</b>	\$177,396	\$177,396		
Vacancy & Collection Loss	(13,305)	(13,308)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0			
<b>EFFECTIVE GROSS INCOME</b>	\$164,091	\$164,088		
<b>EXPENSES</b>				
General & Administrative	\$9,765	\$6,000	PER SQ FT	PER UNIT
Management	13,621	8,205		
Payroll & Payroll Tax	5,399	6,000		
Repairs & Maintenance	14,026	11,400		
Utilities	10,306	12,000		
Water, Sewer, & Trash	6,480	8,400		
Property Insurance	5,760	5,760		
Property Tax	15,946	13,275		
Reserve for Replacements	7,200	9,000		
Other Expenses: Compliance	18,700	18,700		
<b>TOTAL EXPENSES</b>	\$107,202	\$98,740	\$2.74	\$2,743
<b>NET OPERATING INC</b>	\$56,889	\$65,348	\$1.82	\$1,815
<b>DEBT SERVICE</b>				
Bank of America	\$54,456	\$54,456	\$1.51	\$1,513
Alianza Para El Desarrollo Co	0		\$0.00	\$0
LIHTC Syndication Proceeds	0		\$0.00	\$0
<b>NET CASH FLOW</b>	\$2,433	\$10,892	\$0.30	\$303
<b>AGGREGATE DEBT COVERAGE RATIO</b>	1.04	1.20		
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>	1.10			

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or blc)	\$101,492	\$120,000	\$3.33	\$3,333	5.11%
Off-Sites	0	0	0.00	0	0.00%
Sitework	225,000	225,000	6.25	6,250	9.57%
Direct Construction	1,290,080	1,244,000	34.56	34,556	52.93%
Contingency	0	0	0.00	0	0.00%
General Require	88,140	88,140	2.45	2,448	3.75%
Contractor's G	29,380	29,380	0.82	816	1.25%
Contractor's Pr	88,140	88,140	2.45	2,448	3.75%
Indirect Construction	82,000	82,000	2.28	2,278	3.49%
Ineligible Expenses	40,000	40,000	1.11	1,111	1.70%
Developer's G & A	37,135	42,604	1.18	1,183	1.81%
Developer's Profi	241,376	276,924	7.69	7,692	11.78%
Interim Financing	54,000	54,000	1.50	1,500	2.30%
Reserves	60,000	60,000	1.67	1,667	2.55%
<b>TOTAL COST</b>	<b>\$2,336,743</b>	<b>\$2,350,188</b>	<b>\$65.28</b>	<b>\$65,283</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$1,720,740</b>	<b>\$1,674,660</b>	<b>\$46.52</b>	<b>\$46,518</b>	<b>71.26%</b>

	TDHCA	APPLICANT	RECOMMENDED
Bank of America	\$590,181	\$590,181	\$587,364
Alianza Para El Desarrollo Co	5,000	5,000	5,000
LIHTC Syndication Proceeds	1,754,832	1,754,832	1,713,320
Deferred Developer Fees	175	175	25,997
Additional (excess) Funds Req	(13,445)	0	0
<b>TOTAL SOURCES</b>	<b>\$2,336,743</b>	<b>\$2,350,188</b>	<b>\$2,331,680</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

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

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.90	\$1,472,419
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(70,560)
Floor Cover			1.82	65,520
Porches/Balconies	\$28.10	2528	1.97	71,037
Plumbing	\$585	60	0.98	35,100
Built-In Appliances	\$1,550	36	1.55	55,800
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	50,760
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$65.29	1,000	1.81	65,286
Other:			0.00	0
<b>SUBTOTAL</b>			<b>48.48</b>	<b>1,745,362</b>
Current Cost Multiplier	1.04		1.94	69,814
Local Multiplier	0.87		(6.30)	(226,897)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$44.12</b>	<b>\$1,588,279</b>
Plans, specs, survy, bl	3.90%		(\$1.72)	(\$61,943)
Interim Construction In	3.38%		(1.49)	(53,604)
Contractor's OH & Prof	11.50%		(5.07)	(182,652)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$35.84</b>	<b>\$1,290,080</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$590,181	Term	360
Int Rate	8.50%	DCR	1.04

<b>Secondary</b>	\$5,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.04

<b>Additional</b>	\$1,754,832	Term	
Int Rate		Aggregate DCR	1.04

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$51,718
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$5,170</b>

<b>Primary</b>	\$587,364	Term	360
Int Rate	8.00%	DCR	1.10

<b>Secondary</b>	\$5,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$1,754,832	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

**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	\$173,076	\$178,268	\$183,616	\$189,125	\$194,799	\$225,825	\$261,793	\$303,490	\$407,865
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>177,396</b>	<b>182,718</b>	<b>188,199</b>	<b>193,845</b>	<b>199,661</b>	<b>231,462</b>	<b>268,327</b>	<b>311,065</b>	<b>418,045</b>
Vacancy & Collection Los	(13,305)	(13,704)	(14,115)	(14,538)	(14,975)	(17,360)	(20,125)	(23,330)	(31,353)
Employee or Other Non-Res	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$164,091</b>	<b>\$169,014</b>	<b>\$174,084</b>	<b>\$179,307</b>	<b>\$184,686</b>	<b>\$214,102</b>	<b>\$248,203</b>	<b>\$287,735</b>	<b>\$386,692</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative Management	\$9,765	\$10,156	\$10,562	\$10,985	\$11,424	\$13,899	\$16,910	\$20,574	\$30,454
Payroll & Payroll Tax	13,621	14,029	14,450	14,884	15,330	17,772	20,603	23,884	32,098
Repairs & Maintenance	5,399	5,615	5,839	6,073	6,316	7,684	9,349	11,374	16,837
Utilities	14,026	14,587	15,170	15,777	16,408	19,963	24,288	29,550	43,741
Water, Sewer & Trash	10,306	10,718	11,147	11,593	12,057	14,669	17,847	21,713	32,141
Insurance	6,480	6,739	7,009	7,289	7,581	9,223	11,221	13,652	20,209
Property Tax	5,760	5,990	6,230	6,479	6,738	8,198	9,974	12,135	17,963
Reserve for Replacements	15,946	16,584	17,247	17,937	18,655	22,696	27,614	33,596	49,731
Other	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	18,700	19,448	20,226	21,035	21,876	26,616	32,382	39,398	58,319
<b>TOTAL EXPENSES</b>	<b>\$107,202</b>	<b>\$111,354</b>	<b>\$115,668</b>	<b>\$120,150</b>	<b>\$124,808</b>	<b>\$150,968</b>	<b>\$182,656</b>	<b>\$221,047</b>	<b>\$323,947</b>
<b>NET OPERATING INCOME</b>	<b>\$56,889</b>	<b>\$57,660</b>	<b>\$58,416</b>	<b>\$59,157</b>	<b>\$59,879</b>	<b>\$63,134</b>	<b>\$65,547</b>	<b>\$66,688</b>	<b>\$62,745</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$51,718	\$51,718	\$51,718	\$51,718	\$51,718	\$51,718	\$51,718	\$51,718	\$51,718
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$5,170</b>	<b>\$5,941</b>	<b>\$6,698</b>	<b>\$7,438</b>	<b>\$8,160</b>	<b>\$11,416</b>	<b>\$13,829</b>	<b>\$14,970</b>	<b>\$11,026</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.11</b>	<b>1.13</b>	<b>1.14</b>	<b>1.16</b>	<b>1.22</b>	<b>1.27</b>	<b>1.29</b>	<b>1.21</b>



**TDHCA #**

**02052**

**Region 10**

**General  
Set-Aside**

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Burgundy Palms**TDHCA #: **02052****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 LIHTC Primary Set Aside: G  
 Site Address: Northwest Corner of Burgundy and Betel Additional Elderly Set Aside   
 City: El Paso Purpose / Activity: NC  
 County: El Paso Development Type: Family  
 Zip Code: 79907  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: Burgundy Palms, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Tropicana Building Corporation	Bobby Bowling, IV	49 %
TVP Corporation	Valerie Funk	51 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$618,843** Allocation over 10 Years: \$6,188,430  
 Credits Requested: \$639,769 Eligible Basis Amount: \$618,843 Equity/Gap Amount: \$619,448

**UNIT INFORMATION**

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

**BUILDING INFORMATION**

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

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$458,796
Total Expenses:	\$314,347
Net Operating Income:	\$144,449
Estimated 1st Year Debt Coverage Ratio:	1.10

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

**DEPARTMENT EVALUATION**

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

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

Project Name: Burgundy Palms

Project Number: 02052

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Raymond C. Caballero, Mayor, S	Patricia D. Aduato, Director of Planning, S
TX Rep.: Manny Najera, Dist. 75 S	Dolores Briones, County Judge, S
TX Sen.: Eliot Shapleigh, Dist. 29 S	Joe C. Pickett, State Representative, District 79, S
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

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

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

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

**Alternate Recommendation:**

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

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

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

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

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

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

\_\_\_\_\_  
\_\_\_\_\_

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

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

Approved Credit Amount:  Date of Determination:

\_\_\_\_\_  
\_\_\_\_\_

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

## Compliance Status Summary

**Project ID #:** 02052

LIHTC 9%  LIHTC 4%

**Project Name:** Burgundy Palms

HOME  HTF

**Project City:** El Paso

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 1 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 05/30/2002

**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: May 17, 2002

PROGRAM: 9% LIHTC

FILE NUMBER: 02052

**DEVELOPMENT NAME**

Burgundy Palms

**APPLICANT**

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

**PRINCIPALS of the APPLICANT**

Name: TVP Non-Profit Corporation (%): 0.0051 Title: Managing General Partner  
 Name: Tropicana Building Corporation (TBC) (%): 0.0049 Title: Other General Partner  
 Name: R.L. Bowling IV (%): N/A Title: Pres. & 25% owner of TBC  
 Name: R.L. Bowling III (%): N/A Title: V. P. & 25% owner of TBC  
 Name: Randall J. Bowling (%): N/A Title: Treas. & 25% owner of TBC  
 Name: Gregory B. Bowling (%): N/A Title: Sec. & 25% owner of TBC  
 Name: The Richman Group Capital Corporation (%): 99.99 Title: Limited Partner

**MANAGING GENERAL PARTNER**

Name: TVP Non-Profit Corporation Type:  For Profit  Non-Profit  Municipal  Other  
 Address: 151 South Prado Road City: El Paso State: TX  
 Zip: 79907 Contact: Valerie Funk Phone: (915) 858-0607 Fax: (915) 858-0607

**GENERAL PARTNER**

Name: Tropicana Building Corporation Type:  For Profit  Non-Profit  Municipal  Other  
 Address: 5819 Sun Valley City: El Paso State: TX  
 Zip: 79907 Contact: Bobby Bowling, IV Phone: (915) 821-3550 Fax: (915) 821-3556

**PROPERTY LOCATION**

Location: Northwest corner of Burgundy and Betel Street  QCT  DDA  
 City: El Paso County: El Paso Zip: 79907

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$639,769	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>New construction</u> Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

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

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

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

**DESCRIPTION of IMPROVEMENTS**

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

Number	Bedrooms	Bathrooms	Size in SF
52	2	1	900
32	3	2	1,000
16	4	2	1,200

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

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

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

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

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Bank of America    **Contact:** Valerie Williams

**Principal Amount:** \$2,400,000    **Interest Rate:** 8.5%

**Additional Information:** \_\_\_\_\_

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Bank of America    **Contact:** Valerie Williams

**Principal Amount:** \$1,523,260    **Interest Rate:** 8.5% as of February 25, 2002

**Additional Information:** \_\_\_\_\_

**Amortization:** 30 yrs    **Term:** 30 yrs    **Commitment:**     LOI     Firm     Conditional

**Annual Payment:** \$140,551    **Lien Priority:** 1st    **Commitment Date** 02/ 26/ 2002

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

**LIHTC SYNDICATION**

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

**APPLICANT EQUITY**

<b>Amount:</b>	<u>\$480</u>	<b>Source:</b>	<u>Deferred Developer Fee</u>
<b>Amount:</b>	<u>\$5,000</u>	<b>Source:</b>	<u>Alianza Para El Desarrollo Comunitario, Inc. (GRANT)</u>

**VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only:</b>	<u>\$585,000</u>	<b>Date of Valuation:</b>	<u>02/ 14/ 2002</u>
<b>Appraiser:</b>	<u>Zacour &amp; Associates, Inc.</u>	<b>City:</b>	<u>El Paso</u>
		<b>Phone:</b>	<u>(915) 581-1141</u>

**ASSESSED VALUE**

<b>Land: 7.639 acres</b>	<u>\$127,777</u>	<b>Assessment for the Year of:</b>	<u>2001</u>
<b>Tax Rate:</b>	<u>2.943815</u>	<b>Valuation by:</b>	<u>City/County of El Paso Consolidated Tax Office</u>

**EVIDENCE of SITE or PROPERTY CONTROL**

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Burgundy Palms was submitted and underwritten in the 2001 LIHTC cycle. The underwriting analysis recommended the project be declined due to the following conditions:

- The project is located entirely within the 100-year floodplain and the Applicant did not provide a sufficient mitigation plan

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Burgundy Palms is a proposed new construction development of 100 units of affordable income housing located in southeast El Paso. The development is comprised of 25 residential buildings as follows:

- (13) Building Type 2 B/R with four two-bedroom units;
- (8) Building Type 3 B/R with four three-bedroom units;
- (4) Building Type 4 B/R with four four-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building located near the Burgundy Drive entrance to the site. The 3000-square foot community building plan includes the management office, a 1,313-square foot community room,

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

kitchen, and restrooms.

**Supportive Services:** The Applicant has contracted with CJ Treehouse, Inc. (dba Children’s Academy of El Paso) to provide daycare for a period of five years. In return for this service, the provider will have control of the common area building Monday through Friday from 6:30 am to 6:30 pm on a rent-free basis. Daycare services will be provided for up to 41 children living within the project for an annual payment of \$41,000. The service provider will also share 50% of the utility expenses for the building. The daycare services will be provided at no additional charge to participating tenants. In addition, The Greater El Paso Housing Development Corporation will provide two seminars annually on pre-qualification for homeownership for a fee of \$500 per year.

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

**POPULATIONS TARGETED**

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

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

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

**MARKET HIGHLIGHTS**

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

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

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

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Cost Burdened Renters	1,421	85%
Growth/Household Change	37	2%
Substandard Households	219	13%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,677</b>	<b>100%</b>

Ref: p. 65

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

**Market Rent Comparables:** The market analyst surveyed 11 comparable apartment projects totaling 1,596 units in the market area. (p. 46)

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (50%)</b>	\$325	\$325	\$0	\$522	-\$197
<b>2-Bedroom (60%)</b>	\$407	\$407	\$0	\$522	-\$115
<b>3-Bedroom (50%)</b>	\$375	\$375	\$0	\$540	-\$165
<b>3-Bedroom (60%)</b>	\$470	\$470	\$0	\$540	-\$70
<b>4-Bedroom (30%)</b>	\$205	\$205	\$0	\$648	-\$443
<b>4-Bedroom (40%)</b>	\$310	\$310	\$0	\$648	-\$338
<b>4-Bedroom (50%)</b>	\$415	\$415	\$0	\$648	-\$233
<b>4-Bedroom (60%)</b>	\$520	\$520	\$0	\$648	-\$128

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

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

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

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

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

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

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

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

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

**Shopping & Services:** The City’s health care facilities include thirteen private medical centers. Approximately 530 churches represent more than 60 denominations and cultural activities include the El Paso Symphony Orchestra, the Chamizal National Memorial, the El Paso del Norte Outdoor Drama Amphitheater and the El Paso Museum of Art. The city provides over 1,800 acres of public parks and recreational areas.

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

The public school system, with approximately 157 schools, comes under the supervision of nine districts. Upper level education is provided locally by the University of Texas at El Paso. The El Paso Community College has six campuses. The Texas Tech University School of Medicine is also located in El Paso and New Mexico State University is located forty-three miles north in Las Cruces, New Mexico. Fire and police protection within the city are provided by the City of El Paso.

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

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

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

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

**OPERATING PROFORMA ANALYSIS**

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

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

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

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The Applicant's proposed site cost of \$380K (\$3.88/SF or \$50,938/acre) is supported by the appraisal value of \$585K. The seller, Patriot Castner Joint Venture is an entity comprised of several individuals, one of which is Tropicana Building Corporation, 49% owner of the General Partner. The Joint

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

Venture acquired the site as part of a larger 18.5-acre parcel in October 1999 at a cost of \$304,875. This amounts to a prorated cost of \$16,480 per acre or \$125,913 for the subject 7.46 acres. The assessed value for the 7.46 acres is \$17,128 per acre. The Applicant provided documentation of holding costs and improvements made to the adjacent site that would provide justification for a higher non-arm's-length sale price. The Underwriter used a total substantiated acquisition and holding cost is \$190,738 for the 7.46 acres since this is still less than the \$380,000 transfer price claimed by the Applicant, the Applicant's total development funding sources needed, \$6,326,528 should be reduced by the difference of \$189,262. If the Applicant's costs are used to determine the total cost of the development.

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

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

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

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

**FINANCING STRUCTURE ANALYSIS**

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

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

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

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

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

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

**Financing Conclusions:** Since the Applicant's total development costs were within 5% of the Underwriter's

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

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

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

**REVIEW of ARCHITECTURAL DESIGN**

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

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

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

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Tropicana Building Corporation, the Developer, General Contractor, and 49% owner of the General Partner, submitted a TDHCA-issued "Certificate of Experience" dated December 12, 2001.
- The 49% owner of the General Partner/Developer/Contractor, Tropicana Building Corporation, listed participation in the development of four previous affordable housing projects of 92 units.

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

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

**CONDITIONS**

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

**Underwriter:**

\_\_\_\_\_  
*Carl Hoover*

**Date:** May 17, 2002

**Credit Underwriting Supervisor:**

\_\_\_\_\_  
*Lisa Vecchietti*

**Date:** May 17, 2002

**Director of Credit Underwriting:**

\_\_\_\_\_  
*Tom Gouris*

**Date:** May 17, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

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

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
TC (50%)	18	2	1	900	\$408	\$325	\$5,850	\$0.36	\$83.00	\$15.00
TC (60%)	34	2	1	900	490	407	13,838	0.45	83.00	15.00
TC (50%)	12	3	2	1,000	471	375	4,500	0.38	96.00	15.00
TC (60%)	20	3	2	1,000	566	470	9,400	0.47	96.00	15.00
TC (30%)	1	4	2	1,200	316	205	205	0.17	111.00	15.00
TC (40%)	1	4	2	1,200	421	310	310	0.26	111.00	\$15.00
TC (50%)	10	4	2	1,200	526	415	4,150	0.35	111.00	15.00
TC (60%)	4	4	2	1,200	631	520	2,080	0.43	111.00	15.00
<b>TOTAL:</b>	<b>100</b>		<b>AVERAGE:</b>	<b>980</b>	<b>\$495</b>	<b>\$403</b>	<b>\$40,333</b>	<b>\$0.41</b>	<b>\$91.64</b>	<b>\$15.00</b>

**INCOME**

total Net Rentable Sq Ft **98,000**

**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**

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	7.34%	\$337	\$0.34	\$33,698	\$24,000	\$0.24	\$240	5.23%
Management	6.95%	319	0.33	31,884	22,940	0.23	229	5.00%
Payroll & Payroll Tax	5.21%	239	0.24	23,889	20,000	0.20	200	4.36%
Repairs & Maintenance	8.62%	395	0.40	39,543	34,200	0.35	342	7.45%
Utilities	6.11%	280	0.29	28,042	51,600	0.53	516	11.25%
Trash	3.92%	180	0.18	18,000	7,200	0.07	72	1.57%
Property Insurance	3.43%	158	0.16	15,753	16,160	0.16	162	3.52%
Property Tax 2.943815	12.74%	584	0.60	58,438	47,200	0.48	472	10.29%
Reserve for Replacements	4.36%	200	0.20	20,000	20,000	0.20	200	4.36%
Support Services & Complan	9.83%	451	0.46	45,100	45,100	0.46	451	9.83%
<b>TOTAL EXPENSES</b>	<b>68.52%</b>	<b>\$3,143</b>	<b>\$3.21</b>	<b>\$314,347</b>	<b>\$288,400</b>	<b>\$2.94</b>	<b>\$2,884</b>	<b>62.86%</b>
<b>NET OPERATING INC</b>	<b>31.48%</b>	<b>\$1,444</b>	<b>\$1.47</b>	<b>\$144,450</b>	<b>\$170,396</b>	<b>\$1.74</b>	<b>\$1,704</b>	<b>37.14%</b>

**DEBT SERVICE**

Bank of America	30.63%	\$1,406	\$1.43	\$140,551	\$140,551	\$1.43	\$1,406	30.63%
Alianza Para El Desarrollo Co	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>0.85%</b>	<b>\$39</b>	<b>\$0.04</b>	<b>\$3,899</b>	<b>\$29,845</b>	<b>\$0.30</b>	<b>\$298</b>	<b>6.51%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>				<b>1.03</b>	<b>1.21</b>			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>				<b>1.10</b>				

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or blk)	3.10%	3.10%	\$1,907	\$1.95	\$190,738	\$380,000	\$3.88	\$3,800	6.01%
Off-Sites	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	10.34%	10.34%	6,360	6.49	636,000	636,000	6.49	6,360	10.05%
Direct Construction	57.43%	57.43%	35,339	36.06	3,533,893	3,405,600	34.75	34,056	53.83%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Require	5.82%	3.94%	2,425	2.47	242,496	242,496	2.47	2,425	3.83%
Contractor's G & A	1.94%	1.31%	808	0.82	80,832	80,832	0.82	808	1.28%
Contractor's Pr	5.82%	3.94%	2,425	2.47	242,496	242,496	2.47	2,425	3.83%
Indirect Construction	3.09%	3.09%	1,900	1.94	190,000	190,000	1.94	1,900	3.00%
Ineligible Expenses	0.74%	0.74%	455	0.46	45,500	45,500	0.46	455	0.72%
Developer's G & A	2.00%	1.65%	1,016	1.04	101,574	116,481	1.19	1,165	1.84%
Developer's Profi	13.00%	10.73%	6,602	6.74	660,233	757,124	7.73	7,571	11.97%
Interim Financing	2.49%	2.49%	1,530	1.56	153,000	153,000	1.56	1,530	2.42%
Reserves	1.25%	1.25%	770	0.79	77,000	77,000	0.79	770	1.22%
<b>TOTAL COST</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$61,538</b>	<b>\$62.79</b>	<b>\$6,153,763</b>	<b>\$6,326,528</b>	<b>\$64.56</b>	<b>\$63,265</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>76.96%</b>	<b>76.96%</b>	<b>\$47,357</b>	<b>\$48.32</b>	<b>\$4,735,717</b>	<b>\$4,607,424</b>	<b>\$47.01</b>	<b>\$46,074</b>	<b>72.83%</b>

**SOURCES OF FUNDS**

			TDHCA	APPLICANT	RECOMMENDED
Bank of America	24.75%	\$15,233	\$15.54	\$1,523,260	\$1,523,260
Alianza Para El Desarrollo Co	0.08%	\$50	\$0.05	5,000	5,000
LIHTC Syndication Proceeds	77.97%	\$47,978	\$48.96	4,797,788	4,797,788
Deferred Developer Fees	0.01%	\$5	\$0.00	480	480
Additional (excess) Funds Req	-2.81%	(\$1,728)	(\$1.76)	(172,765)	0
<b>TOTAL SOURCES</b>				<b>\$6,153,763</b>	<b>\$6,326,528</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

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

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.05	\$4,023,302
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(192,080)
Floor Cover			1.82	178,360
Porches/Balconies	\$28.10	7952	2.28	223,451
Plumbing	\$585	144	0.86	84,240
Built-In Appliances	\$1,550	100	1.58	155,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	138,180
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$56.86	3,000	1.74	170,586
Other:			0.00	0
<b>SUBTOTAL</b>			<b>48.79</b>	<b>4,781,040</b>
Current Cost Multiplier	1.04		1.95	191,242
Local Multiplier	0.87		(6.34)	(621,535)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$44.40</b>	<b>\$4,350,746</b>
Plans, specs, survy, bl	3.90%		(\$1.73)	(\$169,679)
Interim Construction In	3.38%		(1.50)	(146,838)
Contractor's OH & Prof	11.50%		(5.11)	(500,336)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$36.06</b>	<b>\$3,533,893</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,523,260	Term	360
Int Rate	8.50%	DCR	1.03

<b>Secondary</b>	\$5,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.03

<b>Additional</b>	\$4,797,788	Term	
Int Rate		Aggregate DCR	1.03

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$131,321
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$13,129</b>

<b>Primary</b>	\$1,491,407	Term	360
Int Rate	8.00%	DCR	1.10

<b>Secondary</b>	\$5,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$4,797,788	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

**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	\$483,996	\$498,516	\$513,471	\$528,875	\$544,742	\$631,505	\$732,087	\$848,690	\$1,140,568
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>495,996</b>	<b>510,876</b>	<b>526,202</b>	<b>541,988</b>	<b>558,248</b>	<b>647,162</b>	<b>750,238</b>	<b>869,732</b>	<b>1,168,847</b>
Vacancy & Collection Los	(37,200)	(38,316)	(39,465)	(40,649)	(41,869)	(48,537)	(56,268)	(65,230)	(87,664)
Employee or Other Non-Re:	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$458,796</b>	<b>\$472,560</b>	<b>\$486,737</b>	<b>\$501,339</b>	<b>\$516,379</b>	<b>\$598,625</b>	<b>\$693,971</b>	<b>\$804,502</b>	<b>\$1,081,184</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative Management	\$33,698	\$35,046	\$36,448	\$37,906	\$39,422	\$47,963	\$58,355	\$70,997	\$105,093
Payroll & Payroll Tax	23,889	24,844	25,838	26,871	27,946	34,001	41,367	50,330	74,500
Repairs & Maintenance	39,543	41,125	42,770	44,481	46,260	56,283	68,476	83,312	123,322
Utilities	28,042	29,164	30,330	31,543	32,805	39,912	48,559	59,080	87,453
Water, Sewer & Trash	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Insurance	15,753	16,383	17,038	17,720	18,428	22,421	27,279	33,188	49,127
Property Tax	58,438	60,776	63,207	65,735	68,364	83,176	101,196	123,120	182,248
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	45,100	46,904	48,780	50,731	52,761	64,191	78,099	95,019	140,651
<b>TOTAL EXPENSES</b>	<b>\$314,347</b>	<b>\$326,602</b>	<b>\$339,337</b>	<b>\$352,573</b>	<b>\$366,327</b>	<b>\$443,634</b>	<b>\$537,362</b>	<b>\$651,015</b>	<b>\$956,040</b>
<b>NET OPERATING INCOME</b>	<b>\$144,450</b>	<b>\$145,958</b>	<b>\$147,400</b>	<b>\$148,766</b>	<b>\$150,052</b>	<b>\$154,991</b>	<b>\$156,609</b>	<b>\$153,487</b>	<b>\$125,144</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$13,129</b>	<b>\$14,637</b>	<b>\$16,079</b>	<b>\$17,445</b>	<b>\$18,731</b>	<b>\$23,670</b>	<b>\$25,288</b>	<b>\$22,166</b>	<b>(\$6,177)</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.11</b>	<b>1.12</b>	<b>1.13</b>	<b>1.14</b>	<b>1.18</b>	<b>1.19</b>	<b>1.17</b>	<b>0.95</b>

**LIHTC Allocation Calculation - Burgundy Palms, El Paso, LIHTC #02052**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$380,000	\$190,738		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$636,000	\$636,000	\$636,000	\$636,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$3,405,600	\$3,533,893	\$3,405,600	\$3,533,893
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$80,832	\$80,832	\$80,832	\$80,832
Contractor profit	\$242,496	\$242,496	\$242,496	\$242,496
General requirements	\$242,496	\$242,496	\$242,496	\$242,496
<b>(5) Contingencies</b>				
<b>(6) Eligible Indirect Fees</b>				
	\$190,000	\$190,000	\$190,000	\$190,000
<b>(7) Eligible Financing Fees</b>				
	\$153,000	\$153,000	\$153,000	\$153,000
<b>(8) All Ineligible Costs</b>				
	\$45,500	\$45,500		
<b>(9) Developer Fees</b>			\$742,564	
Developer overhead	\$116,481	\$101,574		\$101,574
Developer fee	\$757,124	\$660,233		\$660,233
<b>(10) Development Reserves</b>				
	\$77,000	\$77,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,326,528</b>	<b>\$6,153,763</b>	<b>\$5,692,988</b>	<b>\$5,840,525</b>

<b>Deduct from Basis:</b>				
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)				
<b>TOTAL ELIGIBLE BASIS</b>			\$5,692,988	\$5,840,525
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$7,400,884	\$7,592,683
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$7,400,884	\$7,592,683
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$624,635	\$640,822

Syndication Proceeds	0.7499	\$4,684,291	\$4,805,687
	Actual Gap of Need		\$4,640,859
	Gap-Driven Allocation		\$618,843

**TDHCA #**

**02053**

**Region 10**

**General  
Set-Aside**

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Castner Palms**TDHCA #: **02053****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 LIHTC Primary Set Aside: G  
 Site Address: 9700 block of Cohen Ave. Additional Elderly Set Aside   
 City: El Paso Purpose / Activity: NC  
 County: El Paso Development Type: Family  
 Zip Code: 79924  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: Castner Palms, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Tropicana Building Corporation	Bobby Bowling, IV	95 %
Lower Valley Housing Corporation	Nancy Hanson	5 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$624,635** Allocation over 10 Years: \$6,246,350  
 Credits Requested: \$639,769 Eligible Basis Amount: \$624,635 Equity/Gap Amount: \$626,041

**UNIT INFORMATION**

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

**BUILDING INFORMATION**

Total Development Cost:	<b>\$6,191,713</b>
Gross Building Square Feet:	101,000
Total NRA SF:	98,000
Gross/Net Rentable:	1.03
Average Square Feet/Unit:	980
Cost Per Net Rentable Square Foot:	\$63.18
Credits per Low Income Unit	\$6,246

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$458,796
Total Expenses:	\$314,347
Net Operating Income:	\$144,449
Estimated 1st Year Debt Coverage Ratio:	1.10

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

**DEPARTMENT EVALUATION**

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

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



## Compliance Status Summary

**Project ID #:** 02053

LIHTC 9%  LIHTC 4%

**Project Name:** Castner Palms

HOME  HTF

**Project City:** El Paso

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 1 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 05/30/2002

**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** Chudson                      **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 17, 2002

PROGRAM: 9% LIHTC

FILE NUMBER: 02053

**DEVELOPMENT NAME**

Castner Palms

**APPLICANT**

**Name:** Castner Palms LTD. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 5819 Sun Valley **City:** El Paso **State:** TX  
**Zip:** 79924 **Contact:** Bobby Bowling IV **Phone:** (915) 821-3550 **Fax:** (915) 821-3556

**PRINCIPALS of the APPLICANT**

**Name:** Tropicana Building Corporation (TBC) **(%):** 0.0095 **Title:** Managing General Partner  
**Name:** Lower Valley Housing Corporation **(%):** 0.0005 **Title:** Other General Partner  
**Name:** R.L. Bowling IV **(%):** N/A **Title:** Pres. & 25% owner of TBC  
**Name:** R.L. Bowling III **(%):** N/A **Title:** V. P. & 25% owner of TBC  
**Name:** Randall J. Bowling **(%):** N/A **Title:** Treas. & 25% owner of TBC  
**Name:** Gregory B. Bowling **(%):** N/A **Title:** Sec. & 25% owner of TBC  
**Name:** The Richman Group Capital Corporation **(%):** 99.99 **Title:** Limited Partner

**MANAGING GENERAL PARTNER**

**Name:** Tropicana Building Corporation **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 5819 Sun Valley **City:** El Paso **State:** TX  
**Zip:** 79924 **Contact:** Bobby Bowling IV **Phone:** (915) 821-3550 **Fax:** (915) 821-3556

**GENERAL PARTNER**

**Name:** Lower Valley Housing Corp. **Type:**  For Profit  Non-Profit  Municipal  Other  
**Address:** 215 West Main **City:** Fabens **State:** TX  
**Zip:** 79838 **Contact:** Nancy Hanson **Phone:** (915) 764-3413 **Fax:** (915) 764-3413

**PROPERTY LOCATION**

**Location:** 9700 Block of Cohen Avenue (Formerly Community Avenue)  QCT  DDA  
**City:** El Paso **County:** El Paso **Zip:** 79924

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$639,769	n/a	n/a	n/a
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

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

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

**DESCRIPTION of IMPROVEMENTS**

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

Number	Bedrooms	Bathrooms	Size in SF
52	2	1	900
32	3	2	1,000
16	4	2	1,200

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

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

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

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

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Bank of America    **Contact:** Valerie Williams

**Principal Amount:** \$2,400,000    **Interest Rate:** 8.5%

**Additional Information:** \_\_\_\_\_

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Bank of America    **Contact:** Valerie Williams

**Principal Amount:** \$1,523,260    **Interest Rate:** 8.5% as of February 25, 2002

**Additional Information:** \_\_\_\_\_

**Amortization:** 30 yrs    **Term:** 30 yrs    **Commitment:**     LOI     Firm     Conditional

**Annual Payment:** \$140,551    **Lien Priority:** 1st    **Commitment Date:** 02/ 26/ 2002

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

**LIHTC SYNDICATION**

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

**APPLICANT EQUITY**

<b>Amount:</b>	<u>\$480</u>	<b>Source:</b>	<u>Deferred Developer Fee</u>
<b>Amount:</b>	<u>\$5,000</u>	<b>Source:</b>	<u>Alianza Para El Desarrollo Comunitario, Inc. (GRANT)</u>

**VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only:</b>	<u>\$644,000</u>	<b>Date of Valuation:</b>	<u>02/ 26/ 2002</u>
<b>Appraiser:</b>	<u>Zacour &amp; Associates, Inc.</u>	<b>City:</b>	<u>El Paso</u>
		<b>Phone:</b>	<u>(915) 581-1141</u>

**ASSESSED VALUE**

<b>Land: 32.22 acres</b>	<u>\$1,403,315</u>	<b>Assessment for the Year of:</b>	<u>2000</u>
<b>Land: 1.0 acres prorated</b>	<u>\$43,554</u>	<b>Valuation by:</b>	<u>El Paso CAD</u>
<b>Land: Total 7.39 acres</b>	<u>\$321,865</u>	<b>Tax Rate:</b>	<u>2.877639</u>

**EVIDENCE of SITE or PROPERTY CONTROL**

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

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

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Castner Palms is a proposed new construction development of 100 units of affordable income housing located in southeast El Paso. The development is comprised of 25 residential buildings as follows:

- (13) Building Type 2 B/R with four two-bedroom units;
- (8) Building Type 3 B/R with four three-bedroom units;
- (4) Building Type 4 B/R with four four-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building located near the rear of the development. The 3000-square foot community building plan includes the management office, a 1,313-square foot community room, kitchen, and

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

restrooms.

**Supportive Services:** The Applicant has contracted with CJ Treehouse, Inc. (dba Children’s Academy of El Paso) to provide daycare for a period of five years. In return for this service, the provider will have control of the common area building Monday through Friday from 6:30 am to 6:30 pm on a rent-free basis. Daycare services will be provided for up to 41 children living within the project for an annual payment of \$41,000. The service provider will also share 50% of the utility expenses for the building. The daycare services will be provided at no additional charge to participating tenants. In addition, The Greater El Paso Housing Development Corporation will provide two seminars annually on pre-qualification for homeownership for a fee of \$500 per year.

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

**POPULATIONS TARGETED**

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

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

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

**MARKET HIGHLIGHTS**

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

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

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

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

Ref: p. 71

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

**Market Rent Comparables:** The market analyst surveyed 8 comparable apartment projects totaling 1,071 units in the market area. (p. 51)

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (50%)</b>	\$325	\$325	\$0	\$540	-\$215
<b>2-Bedroom (60%)</b>	\$407	\$407	\$0	\$540	-\$113
<b>3-Bedroom (50%)</b>	\$375	\$375	\$0	\$600	-\$225
<b>3-Bedroom (60%)</b>	\$470	\$470	\$0	\$600	-\$130
<b>4-Bedroom (30%)</b>	\$205	\$205	\$0	\$720	-\$515
<b>4-Bedroom (40%)</b>	\$310	\$310	\$0	\$720	-\$410
<b>4-Bedroom (50%)</b>	\$415	\$415	\$0	\$720	-\$305
<b>4-Bedroom (60%)</b>	\$520	\$520	\$0	\$720	-\$200

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

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

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

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

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

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

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

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

**Site Access:** “The subject site is located on the north side of Cohen Avenue to the west of Kenworthy Drive.

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

The subject is also just to the east of Gateway Boulevard North and the south of Trans Mountain Road (Loop 375), which provides access to both the east and west side of the city.” (p.62)

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

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

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

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

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

**OPERATING PROFORMA ANALYSIS**

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

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

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

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

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

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

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

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

however, exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$131,041.

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

**FINANCING STRUCTURE ANALYSIS**

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

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

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

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

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

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

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

The Applicant initially anticipated the need to defer \$480 in developer fee, but based on the Underwriter's analysis, it is now anticipated that the need to defer developer fees will increase to \$11,015. In the event of a cost overrun, there will be a sufficient amount of developer fee to defer.

**REVIEW of ARCHITECTURAL DESIGN**

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

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

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

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

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Tropicana Building Corporation, the Developer, General Contractor, and 49% owner of the General Partner, submitted a TDHCA-issued "Certificate of Experience" dated December 12, 2001.
- The 49% owner of the General Partner/Developer/Contractor, Tropicana Building Corporation, listed participation in the development of four previous affordable housing projects of 92 units.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

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

**CONDITIONS**

1. Per the ESA provided by the Applicant, and unless an alternative opinion is provided by a duly qualified ESA inspector the site should be "monitored closely."
2. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in

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

- the debt service to not more than \$131,321, and
3. Should the terms of the proposed permanent debt be different than 8% interest over a 30 year amortization, the previous condition and credit allocation should be re-evaluated.

<b>Underwriter:</b>	_____	<b>Date:</b> <u>May 17, 2002</u>
	<i>Carl Hoover</i>	
<b>Credit Underwriting Supervisor:</b>	_____	<b>Date:</b> <u>May 17, 2002</u>
	<i>Lisa Vecchiatti</i>	
<b>Director of Credit Underwriting:</b>	_____	<b>Date:</b> <u>May 17, 2002</u>
	<i>Tom Gouris</i>	

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

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

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 Only
TC (50%)	18	2	1	900	\$408	\$325	\$5,850	\$0.36	\$83.00	\$15.00
TC (60%)	34	2	1	900	490	407.00	13,838	0.45	83.00	15.00
TC (50%)	12	3	2	1,000	471	375.00	4,500	0.38	96.00	15.00
TC (60%)	20	3	2	1,000	566	470.00	9,400	0.47	96.00	15.00
TC (30%)	1	4	2	1,200	316	205.00	205	0.17	111.00	15.00
TC (40%)	1	4	2	1,200	421	310.00	310	0.26	111.00	\$15.00
TC (50%)	10	4	2	1,200	526	415.00	4,150	0.35	111.00	15.00
TC (60%)	4	4	2	1,200	631	520.00	2,080	0.43	111.00	15.00
<b>TOTAL:</b>	<b>100</b>		<b>AVERAGE:</b>	<b>980</b>	<b>\$495</b>	<b>\$403</b>	<b>\$40,333</b>	<b>\$0.41</b>	<b>\$91.64</b>	<b>\$15.00</b>

**INCOME**

total Net Rentable Sq Ft **98,000**

**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**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	7.34%	\$337	\$0.34
Management	6.95%	319	0.33
Payroll & Payroll Tax	5.21%	239	0.24
Repairs & Maintenance	8.62%	395	0.40
Utilities	6.11%	280	0.29
Trash	3.92%	180	0.18
Property Insurance	3.43%	158	0.16
Property Tax 2.877639	12.74%	584	0.60
Reserve for Replacements	4.36%	200	0.20
Other Expenses: Support Ser	9.83%	451	0.46
<b>TOTAL EXPENSES</b>	<b>68.52%</b>	<b>\$3,143</b>	<b>\$3.21</b>

**NET OPERATING INC**

**31.48%** **\$1,444** **\$1.47**

**DEBT SERVICE**

Bank of America	30.63%	\$1,406	\$1.43
Alianza Para El Desarrollo Co	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>0.85%</b>	<b>\$39</b>	<b>\$0.04</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bl)	3.95%	3.95%	\$2,452	\$2.50
Off-Sites	0.00%	0.00%	0	0.00
Sitework	10.24%	10.24%	6,360	6.49
Direct Construction	56.92%	56.92%	35,339	36.06
Contingency	0.00%	0.00%	0	0.00
General Require	5.82%	3.91%	2,425	2.47
Contractor's G i	1.94%	1.30%	808	0.82
Contractor's Pr	5.82%	3.91%	2,425	2.47
Indirect Construction	3.06%	3.06%	1,900	1.94
Ineligible Expenses	0.73%	0.73%	455	0.46
Developer's G & A	2.00%	1.64%	1,016	1.04
Developer's Profi	13.00%	10.63%	6,602	6.74
Interim Financing	2.46%	2.46%	1,530	1.56
Reserves	1.24%	1.24%	770	0.79
<b>TOTAL COST</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$62,082</b>	<b>\$63.35</b>

**Recap-Hard Construction Costs**

**76.28%** **\$47,357** **\$48.32**

**SOURCES OF FUNDS**

Bank of America	24.54%	\$15,233	\$15.54
Alianza Para El Desarrollo Co	0.08%	\$50	\$0.05
LIHTC Syndication Proceeds	77.28%	\$47,978	\$48.96
Deferred Developer Fees	0.01%	\$5	\$0.00
Additional (excess) Funds Req	-1.91%	(\$1,183)	(\$1.21)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT		
<b>POTENTIAL GROSS RENT</b>	<b>\$483,996</b>	<b>\$483,996</b>		
Secondary Income	12,000	12,000	\$10.00	Per Unit Per Month
Other Support Income: (describe)	0			
<b>POTENTIAL GROSS INCOME</b>	<b>\$495,996</b>	<b>\$495,996</b>		
Vacancy & Collection Loss	(37,200)	(37,200)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0			
<b>EFFECTIVE GROSS INCOME</b>	<b>\$458,796</b>	<b>\$458,796</b>		
<b>EXPENSES</b>				
General & Administrative	\$33,698	\$24,000	\$0.24	\$240 5.23%
Management	31,884	22,940	0.23	229 5.00%
Payroll & Payroll Tax	23,889	20,000	0.20	200 4.36%
Repairs & Maintenance	39,543	34,200	0.35	342 7.45%
Utilities	28,042	51,600	0.53	516 11.25%
Trash	18,000	7,200	0.07	72 1.57%
Property Insurance	15,753	16,160	0.16	162 3.52%
Property Tax 2.877639	58,438	47,200	0.48	472 10.29%
Reserve for Replacements	20,000	20,000	0.20	200 4.36%
Other Expenses: Support Ser	45,100	45,100	0.46	451 9.83%
<b>TOTAL EXPENSES</b>	<b>\$314,347</b>	<b>\$288,400</b>	<b>\$2.94</b>	<b>\$2,884 62.86%</b>
<b>NET OPERATING INC</b>	<b>\$144,450</b>	<b>\$170,396</b>	<b>\$1.74</b>	<b>\$1,704 37.14%</b>
<b>DEBT SERVICE</b>				
Bank of America	\$140,551	\$140,551	\$1.43	\$1,406 30.63%
Alianza Para El Desarrollo Co	0		\$0.00	\$0 0.00%
LIHTC Syndication Proceeds	0		\$0.00	\$0 0.00%
<b>NET CASH FLOW</b>	<b>\$3,899</b>	<b>\$29,845</b>	<b>\$0.30</b>	<b>\$298 6.51%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>	<b>1.03</b>	<b>1.21</b>		
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>	<b>1.10</b>			

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl)	3.95%	3.95%	\$2,452	\$2.50	\$245,185	\$380,000	\$3.88	\$3,800	6.01%
Off-Sites	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Sitework	10.24%	10.24%	6,360	6.49	636,000	636,000	6.49	6,360	10.05%
Direct Construction	56.92%	56.92%	35,339	36.06	3,533,893	3,405,600	34.75	34,056	53.83%
Contingency	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
General Require	5.82%	3.91%	2,425	2.47	242,496	242,496	2.47	2,425	3.83%
Contractor's G i	1.94%	1.30%	808	0.82	80,832	80,832	0.82	808	1.28%
Contractor's Pr	5.82%	3.91%	2,425	2.47	242,496	242,496	2.47	2,425	3.83%
Indirect Construction	3.06%	3.06%	1,900	1.94	190,000	190,000	1.94	1,900	3.00%
Ineligible Expenses	0.73%	0.73%	455	0.46	45,500	45,500	0.46	455	0.72%
Developer's G & A	2.00%	1.64%	1,016	1.04	101,574	116,481	1.19	1,165	1.84%
Developer's Profi	13.00%	10.63%	6,602	6.74	660,233	757,124	7.73	7,571	11.97%
Interim Financing	2.46%	2.46%	1,530	1.56	153,000	153,000	1.56	1,530	2.42%
Reserves	1.24%	1.24%	770	0.79	77,000	77,000	0.79	770	1.22%
<b>TOTAL COST</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$62,082</b>	<b>\$63.35</b>	<b>\$6,208,210</b>	<b>\$6,326,528</b>	<b>\$64.56</b>	<b>\$63,265</b>	<b>100.00%</b>

**Recap-Hard Construction Costs** **76.28%** **\$47,357** **\$48.32** **\$4,735,717** **\$4,607,424** **\$47.01** **\$46,074** **72.83%**

	TDHCA	APPLICANT	RECOMMENDED
Bank of America	\$1,523,260	\$1,523,260	\$1,491,407
Alianza Para El Desarrollo Co	5,000	5,000	5,000
LIHTC Syndication Proceeds	4,797,788	4,797,788	4,684,291
Deferred Developer Fees	480	480	11,015
Additional (excess) Funds Req	(118,318)	0	0
<b>TOTAL SOURCES</b>	<b>\$6,208,210</b>	<b>\$6,326,528</b>	<b>\$6,191,713</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

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

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.05	\$4,023,302
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(192,080)
Floor Cover			1.82	178,360
Porches/Balconies	\$28.10	7952	2.28	223,451
Plumbing	\$585	144	0.86	84,240
Built-In Appliances	\$1,550	100	1.58	155,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	138,180
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$56.86	3,000	1.74	170,586
Other:			0.00	0
<b>SUBTOTAL</b>			<b>48.79</b>	<b>4,781,040</b>
Current Cost Multiplier	1.04		1.95	191,242
Local Multiplier	0.87		(6.34)	(621,535)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$44.40</b>	<b>\$4,350,746</b>
Plans, specs, survy, b	3.90%		(\$1.73)	(\$169,679)
Interim Construction In	3.38%		(1.50)	(146,838)
Contractor's OH & Prof:	11.50%		(5.11)	(500,336)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$36.06</b>	<b>\$3,533,893</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,523,260	Term	360
Int Rate	8.50%	DCR	1.03

<b>Secondary</b>	\$5,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.03

<b>Additional</b>	\$4,797,788	Term	
Int Rate		Aggregate DCR	1.03

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$131,321
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$13,129</b>

<b>Primary</b>	\$1,491,407	Term	360
Int Rate	8.00%	DCR	1.10

<b>Secondary</b>	\$5,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$4,797,788	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

**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	\$483,996	\$498,516	\$513,471	\$528,875	\$544,742	\$631,505	\$732,087	\$848,690	\$1,140,568
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>495,996</b>	<b>510,876</b>	<b>526,202</b>	<b>541,988</b>	<b>558,248</b>	<b>647,162</b>	<b>750,238</b>	<b>869,732</b>	<b>1,168,847</b>
Vacancy & Collection Los	(37,200)	(38,316)	(39,465)	(40,649)	(41,869)	(48,537)	(56,268)	(65,230)	(87,664)
Employee or Other Non-Re:	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$458,796</b>	<b>\$472,560</b>	<b>\$486,737</b>	<b>\$501,339</b>	<b>\$516,379</b>	<b>\$598,625</b>	<b>\$693,971</b>	<b>\$804,502</b>	<b>\$1,081,184</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$33,698	\$35,046	\$36,448	\$37,906	\$39,422	\$47,963	\$58,355	\$70,997	\$105,093
Management	31,884	32,840	33,826	34,840	35,886	41,601	48,227	55,909	75,136
Payroll & Payroll Tax	23,889	24,844	25,838	26,871	27,946	34,001	41,367	50,330	74,500
Repairs & Maintenance	39,543	41,125	42,770	44,481	46,260	56,283	68,476	83,312	123,322
Utilities	28,042	29,164	30,330	31,543	32,805	39,912	48,559	59,080	87,453
Water, Sewer & Trash	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Insurance	15,753	16,383	17,038	17,720	18,428	22,421	27,279	33,188	49,127
Property Tax	58,438	60,776	63,207	65,735	68,364	83,176	101,196	123,120	182,248
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	45,100	46,904	48,780	50,731	52,761	64,191	78,099	95,019	140,651
<b>TOTAL EXPENSES</b>	<b>\$314,347</b>	<b>\$326,602</b>	<b>\$339,337</b>	<b>\$352,573</b>	<b>\$366,327</b>	<b>\$443,634</b>	<b>\$537,362</b>	<b>\$651,015</b>	<b>\$956,040</b>
<b>NET OPERATING INCOME</b>	<b>\$144,450</b>	<b>\$145,958</b>	<b>\$147,400</b>	<b>\$148,766</b>	<b>\$150,052</b>	<b>\$154,991</b>	<b>\$156,609</b>	<b>\$153,487</b>	<b>\$125,144</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321	\$131,321
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$13,129</b>	<b>\$14,637</b>	<b>\$16,079</b>	<b>\$17,445</b>	<b>\$18,731</b>	<b>\$23,670</b>	<b>\$25,288</b>	<b>\$22,166</b>	<b>(\$6,177)</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.11</b>	<b>1.12</b>	<b>1.13</b>	<b>1.14</b>	<b>1.18</b>	<b>1.19</b>	<b>1.17</b>	<b>0.95</b>

**LIHTC Allocation Calculation - Castner Palms, El Paso, LIHTC #02053**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$380,000	\$245,185		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$636,000	\$636,000	\$636,000	\$636,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$3,405,600	\$3,533,893	\$3,405,600	\$3,533,893
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$80,832	\$80,832	\$80,832	\$80,832
Contractor profit	\$242,496	\$242,496	\$242,496	\$242,496
General requirements	\$242,496	\$242,496	\$242,496	\$242,496
<b>(5) Contingencies</b>				
<b>(6) Eligible Indirect Fees</b>				
	\$190,000	\$190,000	\$190,000	\$190,000
<b>(7) Eligible Financing Fees</b>				
	\$153,000	\$153,000	\$153,000	\$153,000
<b>(8) All Ineligible Costs</b>				
	\$45,500	\$45,500		
<b>(9) Developer Fees</b>			\$742,564	
Developer overhead	\$116,481	\$101,574		\$101,574
Developer fee	\$757,124	\$660,233		\$660,233
<b>(10) Development Reserves</b>				
	\$77,000	\$77,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,326,528</b>	<b>\$6,208,210</b>	<b>\$5,692,988</b>	<b>\$5,840,525</b>

<b>Deduct from Basis:</b>				
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)				
<b>TOTAL ELIGIBLE BASIS</b>			\$5,692,988	\$5,840,525
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$7,400,884	\$7,592,683
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$7,400,884	\$7,592,683
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$624,635	\$640,822

Syndication Proceeds	0.7499	\$4,684,291	\$4,805,687
		Actual Gap of Need	\$4,684,291
		Gap-Driven Allocation	\$624,635

**TDHCA #**

**02061**

**Region 10**

**Rural  
Set-Aside**



**LOW INCOME HOUSING TAX CREDIT PROGRAM**

**2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Painted Desert Townhomes, Ltd.**

TDHCA #: **02061**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 LIHTC Primary Set Aside: R  
 Site Address: 12682 Rio Negro Dr. Additional Elderly Set Aside   
 City: Clint Purpose / Activity: NC  
 County: El Paso Development Type: Family  
 Zip Code: 79836  TTC  DDA  QCT

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

Special Needs: 1 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Painted Desert Townhomes, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Investment Builders, Inc.	Ike J. Monty	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$160,173** Allocation over 10 Years: \$1,601,730  
 Credits Requested: \$161,276 Eligible Basis Amount: \$160,173 Equity/Gap Amount: \$169,925

**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	1	0	0	0	1
50%	0	0	5	3	0	0	8
60%	0	0	8	3	0	0	11
MR	0	0	0	0	0	0	0
Total	0	0	14	6	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$1,649,596**  
 Gross Building Square Feet: 21,528  
 Total NRA SF: 20,328  
 Gross/Net Rentable: 1.06  
 Average Square Feet/Unit: 1,016  
 Cost Per Net Rentable Square Foot: \$81.15  
 Credits per Low Income Unit: \$8,009

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

**INCOME AND EXPENSE INFORMATION**

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

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: Investment Builders, Inc. Market Analyst: Ipser & Assoc.  
 Housing GC: Investment Builders, Inc. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: Zacour & Assoc.  
 Cost Estimator: Investment Builders, Inc. Attorney: Locke Liddell & Sapp LLP  
 Architect: McCormick Architecture, LLC Supp Services: YWCA Consumer Credit Counseling Services  
 Property Manager: Alpha-Barnes Real Estate Services Accountant: Robert H. Woolley Jr., CPA  
 Engineer: Conde Engineering, Inc. Permanent Lender: Muni Mae Midland, LLC  
 Syndicator: MuniMae Midland, LLC

**DEPARTMENT EVALUATION**

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

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



## Compliance Status Summary

**Project ID #:** 02061

LIHTC 9%  LIHTC 4%

**Project Name:** Painted Desert Townhomes

HOME  HTF

**Project City:** Clint

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 20 # not yet monitored or pending review 16

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

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

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments: 6

**Completed by** Ralph Hendrickson **Completed on** 05/01/2002

**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

**Completed by** \_\_\_\_\_                      **Completed on** \_\_\_\_\_

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

**Completed by** \_\_\_\_\_                      **Completed on** \_\_\_\_\_

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

**Completed by** \_\_\_\_\_                      **Completed on** \_\_\_\_\_

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

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

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

**DEVELOPMENT NAME**

Painted Desert Townhomes

**APPLICANT**

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

**PRINCIPALS of the APPLICANT**

**Name:** Investment Builders, Inc.      (%): 0.01      **Title:** Managing General Partner  
**Name:** MuniMae Midland, LLC      (%): 99.99      **Title:** Limited Partner  
**Name:** Ike J Monty      (%): N/A      **Title:** 100% owner of GP

**GENERAL PARTNER**

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

**PROPERTY LOCATION**

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

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$161,276	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 1.804 acres    78,408 square feet    **Zoning/ Permitted Uses:** N/A (County of El Paso)  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 20    **# Rental Buildings:** 4    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
2	2	2	942
12	2	2.5	942
6	3	2.5	1,190

**Net Rentable SF:** 20,328    **Av Un SF:** 1,016    **Common Area SF:** 1,200    **Gross Bldng SF** 21,528

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

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

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

**OTHER SOURCES of FUNDS**

**INTERIM to PERMANENT FINANCING**

**Source:** MunieMae Midland, LLC    **Contact:** Daniel J Flick  
**Principal Amount:** \$322,000    **Interest Rate:** Lender rate + 40 bps; 120 bps collar; underwritten at 8%  
**Additional Information:** \$572,337 interim loan for 24 months at WSJ + 1%, minimum 6%  
**Amortization:** 30 yrs    **Term:** 15 yrs    **Commitment:**     None     Firm     Conditional  
**Annual Payment:** \$28,364    **Lien Priority:** 1<sup>st</sup>    **Commitment Date**    02/ 19/ 2002

**LIHTC SYNDICATION**

**Source:** MunieMae Midland, LLC    **Contact:** Mark R George  
**Address:** 33 N Garden Ave, Suite 1200    **City:** Clearwater  
**State:** FL    **Zip:** 33755    **Phone:** (727) 461-4801    **Fax:** (727) 443-6067  
**Net Proceeds:** \$1,241,698    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 77¢  
**Commitment**     Proposal     Firm     Conditional    **Date:** 02/ 25/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$85,898    **Source:** Deferred developer fee

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

**VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 1.807 acres</b>	<u>\$19,678</u>	<b>Assessment for the Year of:</b>	<u>2001</u>
<b>Building: to be demolished</b>	<u>\$8,843</u>	<b>Valuation by:</b>	<u>El Paso County Appraisal District</u>
<b>Total Assessed Value:</b>	<u>\$28,521</u>	<b>Tax Rate:</b>	<u>2.769201</u>

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest money contract

**Contract Expiration Date:** 08/ 31/ 2002    **Anticipated Closing Date:** 08/ 31/ 2002

**Acquisition Cost:**    \$ 100,000    **Other Terms/Conditions:**    \$5K earnest money; \$1.28 per square foot

**Seller:** Juan Antonio Casteneda    **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Painted Desert Townhomes is a proposed new construction development of 20 units of affordable housing located in Clint, El Paso County. The development is comprised of four residential buildings as follows:

- One Building Type A with six two-bedroom units;
- One Building Type B with four two-bedroom units;
- One Building Type C with six three-bedroom units; and
- One Building Type E with two two-story two-bedroom units and two one-story two-bedroom units;

Based on the site plan the townhomes are distributed evenly throughout the site, with the community building located near the entrance to the site. The 1,200 square foot community building plan includes a large community room, kitchen, restroom and laundry as well as a leasing/management office.

It should be noted that the site is in a rather remote location that is characterized by the site inspector as only 30% developed. The inspector noted that the site does not visibly appear to be served by water and sewer. The letter of services provided by Lily Terrazas of the Lower Valley Water District vaguely indicates "that we have both water and waste water service lines in the area." Receipt review and acceptance by carryover of a letter from the water district reflecting the actual distance to the nearest water and waste water lines that can adequately service the proposed development is a condition of this report. If such lines are not currently available at the site, the letter should include an estimated time frame for construction of adequate linkages, an estimated cost of such linkages and an estimate of the portion of the cost that will be borne by the developer of this property.

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

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI)

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**CREDIT UNDERWRITING ANALYSIS**

set-aside. All of the units (100% of the total) will be reserved for low-income tenants. One of the units will be reserved for households earning 40% or less of AMGI, eight of the units (40%) will be reserved for households earning 50% or less of AMGI, and 11 units (55%) will be reserved for households earning 60% or less of AMGI.

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

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

**MARKET HIGHLIGHTS**

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

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

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

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

Ref: p. 3-4

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

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>2-Bedroom (40%)</b>	\$267	\$267	\$0	\$565	-\$298
<b>2-Bedroom (50%)</b>	\$348	\$348	\$0	\$565	-\$217
<b>2-Bedroom (60%)</b>	\$430	\$430	\$0	\$565	-\$135
<b>3-Bedroom (50%)</b>	\$402	\$403	-\$1	\$682	-\$280
<b>3-Bedroom (60%)</b>	\$497	\$498	-\$1	\$682	-\$185

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

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

**Absorption Projections:** “The subject’s absorption is estimated at approximately 8 to 10 units per month.

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For the Subject's 20 units, about 2 months will be required for initial absorption to reach 92.5% or higher occupancy." (p. 2-25)

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

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

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

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

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

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

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

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

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

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

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 4, 2002 and found the location to be acceptable for the proposed development. The inspector rated the overall linkage features of the site as fair with proximity to grocery and recreational facilities receiving poor ratings as did visibility and appeal to potential residents. The inspector also noted that this project will be the first new construction in the area in some time. It would appear from the inspector's report that development of the site at this time may be considered pioneering.

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

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

A Phase I Environmental Site Assessment report dated March 18, 2002 was prepared by AMEC Earth & Environmental, Inc. and contained the following findings and recommendations:

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

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

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant utilized the 2002 LIHTC rent limits in calculating the developments potential gross rental income. Both the Applicant’s secondary income and vacancy assumptions were also inline with the Underwriter’s estimates.

**Expenses:** The Applicant’s total operating expense figure is \$5K, or 9%, less than the Underwriter’s TDHCA database-derived estimate. Several of the Applicant’s line-item expenses also differed by more than 5% or \$1,500 as compared to the Underwriter’s line-items, including: property insurance (\$4K higher), and property tax (\$3K higher). In addition, the annual fee reflected in supportive services contracts totals only \$1,500, yet the Applicant included a cost of \$2,060. The underwriting analysis only includes only the \$1,500 total fee.

**Conclusion:** Overall, the Applicant’s net operating income (NOI) is not within 5% of the Underwriter’s estimate and, therefore, the Underwriter’s NOI is used to determine the development’s ability to service debt. The Underwriter’s proforma and the proposed financing structure result in a debt coverage ratio (DCR) that exceeds the Department’s maximum DCR guideline of 1.25. In order to limit the development’s DCR to a maximum of 1.25, the development’s annual debt service must be at least \$30,041.

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

**Sitework Cost:** The Applicant’s claimed sitework costs of \$4,650 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is just over 5% lower than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate.

**Fees:** The Applicant’s general requirements, contractor’s general and administrative fees, and contractor’s profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. In addition, their contingency cost exceeds the 5% maximum guideline for new construction developments. Consequently the Applicant’s eligible costs in these areas have been reduced with the overage, \$8,310, effectively moved to ineligible costs.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the underwriter’s estimate; therefore, the Applicant’s estimate, adjusted for overstated contractor fees and contingency cost, will be used to determine the development’s eligible basis and total funding need.

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

**FINANCING STRUCTURE ANALYSIS**

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

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

**LIHTC Syndication:** MunieMae Midland, LLC has also offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$1,241,698 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:

1. 70% upon admission to the partnership, closing of the construction loan and development land acquisition;
2. 20% upon completion of the development and receipt of cost and credit certifications; and
3. 10% upon closing of the permanent loan, receipt of Form 8609, 90% physical occupancy for three consecutive months, and 1.15 debt service coverage for ninety days.

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

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

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

**REVIEW of ARCHITECTURAL DESIGN**

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

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

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

**Background & Experience:**

- The Applicant is a new entity formed for the sole purpose of developing the project.
- The General Partner has completed 28 affordable housing developments since 1996. The majority of the developments are located in El Paso and funded with LIHTC proceeds. At least five of the developments on the previous participation list included disclosures of some form of non-compliance that may or may

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

not have been corrected. Therefore this report, as all underwriting analysis reports, is subject to a review of the developer's compliance scores for previous developments to determine eligibility for this application cycle.

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$160,173 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.**

**CONDITIONS**

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

**Credit Underwriting Supervisor:** \_\_\_\_\_

*Lisa Vecchietti*

**Date:** May 28, 2002

**Director of Credit Underwriting:** \_\_\_\_\_

*Tom Gouris*

**Date:** May 28, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Painted Desert Townhomes, Clint, LIHTC 02061**

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, Trsf
TC 40%	1	2	2	942	\$327	\$267	\$267	\$0.28	\$60.00	\$28.00
TC 50%	1	2	2	942	408	348	348	0.37	60.00	28.00
TC 50%	4	2	2.5	942	408	348	1,392	0.37	60.00	28.00
TC 60%	8	2	2.5	942	490	430	3,440	0.46	60.00	28.00
TC 50%	3	3	2.5	1,190	471	403	1,209	0.34	68.00	32.00
TC 60%	3	3	2.5	1,190	566	498	1,494	0.42	68.00	32.00
<b>TOTAL:</b>	<b>20</b>		<b>AVERAGE:</b>	<b>1,016</b>	<b>\$470</b>	<b>\$408</b>	<b>\$8,150</b>	<b>\$0.40</b>	<b>\$62.40</b>	<b>\$29.20</b>

**INCOME**

total Net Rentable Sq Ft 20,328

**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**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.08%	\$235	\$0.23
Management	5.00%	232	0.23
Payroll & Payroll Tax	7.55%	350	0.34
Repairs & Maintenance	8.49%	393	0.39
Utilities	4.12%	191	0.19
Water, Sewer, & Trash	7.56%	350	0.34
Property Insurance	3.51%	163	0.16
Property Tax 3.293017	10.66%	494	0.49
Reserve for Replacements	4.32%	200	0.20
Support.Serv/Comp/Security	3.20%	149	0.15
<b>TOTAL EXPENSES</b>	<b>59.48%</b>	<b>\$2,757</b>	<b>\$2.71</b>

**NET OPERATING INC**

**DEBT SERVICE**

	%	PER UNIT	PER SQ FT
First Lien Mortgage	30.59%	\$1,418	\$1.39
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>9.93%</b>	<b>\$460</b>	<b>\$0.45</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or blk)	5.92%	5,000	\$4.92	
Off-Sites	0.00%	0	0.00	
Sitework	5.51%	4,650	4.57	
Direct Construction	50.16%	42,360	41.68	
Contingency	5.00%	2,351	2.31	
General Require	5.78%	2,719	2.68	
Contractor's G i	1.93%	906	0.89	
Contractor's Pr	5.78%	2,719	2.68	
Indirect Construction	6.30%	5,318	5.23	
Ineligible Expenses	3.64%	3,073	3.02	
Developer's G & A	4.61%	3,052	3.00	
Developer's Profi	9.22%	6,104	6.01	
Interim Financing	6.16%	5,200	5.12	
Reserves	1.18%	1,000	0.98	
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$84,452</b>	<b>\$83.09</b>	

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

	%	PER UNIT	PER SQ FT
First Lien Mortgage	19.06%	\$16,100	\$15.84
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	73.52%	\$62,085	\$61.08
Deferred Developer Fees	5.09%	\$4,295	\$4.23
Additional (excess) Funds Req	2.33%	\$1,972	\$1.94
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
<b>POTENTIAL GROSS RENT</b>	\$97,800	\$97,728			
Secondary Income	2,400	2,400	\$10.00	Per Unit Per Month	
Other Support Income: (describe)	0	0			
<b>POTENTIAL GROSS INCOME</b>	<b>\$100,200</b>	<b>\$100,128</b>			
Vacancy & Collection Loss	(7,515)	(7,512)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions	0	0			
<b>EFFECTIVE GROSS INCOME</b>	<b>\$92,685</b>	<b>\$92,616</b>			
<b>EXPENSES</b>					
General & Administrative	\$4,705	\$4,560	\$0.22	\$228	4.92%
Management	4,634	4,620	0.23	231	4.99%
Payroll & Payroll Tax	7,000	6,980	0.34	349	7.54%
Repairs & Maintenance	7,865	8,550	0.42	428	9.23%
Utilities	3,819	4,020	0.20	201	4.34%
Water, Sewer, & Trash	7,008	5,630	0.28	282	6.08%
Property Insurance	3,252	7,030	0.35	352	7.59%
Property Tax 3.293017	9,879	11,080	0.55	554	11.96%
Reserve for Replacements	4,000	4,000	0.20	200	4.32%
Support.Serv/Comp/Security	2,970	3,530	0.17	177	3.81%
<b>TOTAL EXPENSES</b>	<b>\$55,133</b>	<b>\$60,000</b>	<b>\$2.95</b>	<b>\$3,000</b>	<b>64.78%</b>
<b>NET OPERATING INC</b>	<b>\$37,552</b>	<b>\$32,616</b>	<b>\$1.60</b>	<b>\$1,631</b>	<b>35.22%</b>
<b>DEBT SERVICE</b>					
First Lien Mortgage	\$28,353	\$28,364	\$1.40	\$1,418	30.63%
Additional Financing	0	0	\$0.00	\$0	0.00%
Additional Financing	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>\$9,199</b>	<b>\$4,252</b>	<b>\$0.21</b>	<b>\$213</b>	<b>4.59%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>	<b>1.32</b>	<b>1.15</b>			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>	<b>1.25</b>				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or blk)	\$100,000	\$100,000	\$4.92	\$5,000	6.06%
Off-Sites	0	0	0.00	0	0.00%
Sitework	93,000	93,000	4.57	4,650	5.64%
Direct Construction	847,206	803,110	39.51	40,156	48.69%
Contingency	47,010	51,668	2.54	2,583	3.13%
General Require	54,387	54,387	2.68	2,719	3.30%
Contractor's G i	18,129	18,129	0.89	906	1.10%
Contractor's Pr	54,387	54,387	2.68	2,719	3.30%
Indirect Construction	106,350	106,350	5.23	5,318	6.45%
Ineligible Expenses	61,452	61,452	3.02	3,073	3.73%
Developer's G & A	61,038	61,038	3.00	3,052	3.70%
Developer's Profi	122,075	122,075	6.01	6,104	7.40%
Interim Financing	104,000	104,000	5.12	5,200	6.30%
Reserves	20,000	20,000	0.98	1,000	1.21%
<b>TOTAL COST</b>	<b>\$1,689,034</b>	<b>\$1,649,596</b>	<b>\$81.15</b>	<b>\$82,480</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$1,114,119</b>	<b>\$1,074,681</b>	<b>\$52.87</b>	<b>\$53,734</b>	<b>65.15%</b>

	TDHCA	APPLICANT	RECOMMENDED
<b>POTENTIAL GROSS RENT</b>	\$322,000	\$322,000	\$341,175
Secondary Income	0	0	0
Other Support Income: (describe)	1,241,698	1,241,698	1,233,209
Employee or Other Non-Rental Units or Concessions	85,898	85,898	75,213
Additional (excess) Funds Req	39,438	0	0
<b>TOTAL SOURCES</b>	<b>\$1,689,034</b>	<b>\$1,649,596</b>	<b>\$1,649,596</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Painted Desert Townhomes, Clint, LIHTC 02061**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhome Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.41	\$943,457
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.23)	(45,331)
Floor Cover			2.43	49,397
Porches/Balconies	\$28.10	670	0.93	18,827
Plumbing	\$675	36	1.20	24,300
Built-In Appliances	\$2,000	20	1.97	40,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	37,200
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.29	1,200	3.85	78,343
Other:			0.00	0
<b>SUBTOTAL</b>			<b>56.38</b>	<b>1,146,193</b>
Current Cost Multiplier	1.04		2.26	45,848
Local Multiplier	0.87		(7.33)	(149,005)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$51.31</b>	<b>\$1,043,035</b>
Plans, specs, survy, bl	3.90%		(\$2.00)	(\$40,678)
Interim Construction In	3.38%		(1.73)	(35,202)
Contractor's OH & Prof	11.50%		(5.90)	(119,949)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$41.68</b>	<b>\$847,206</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$322,000	Term	360
Int Rate	8.00%	DCR	1.32

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.32

<b>Additional</b>	\$1,241,698	Term	
Int Rate		Aggregate DCR	1.32

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$30,041
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$7,511</b>

<b>Primary</b>	\$341,175	Term	360
Int Rate	8.00%	DCR	1.25

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.25

<b>Additional</b>	\$1,241,698	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	\$97,800	\$100,734	\$103,756	\$106,869	\$110,075	\$127,607	\$147,931	\$171,493	\$230,472
Secondary Income	2,400	2,472	2,546	2,623	2,701	3,131	3,630	4,208	5,656
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>100,200</b>	<b>103,206</b>	<b>106,302</b>	<b>109,491</b>	<b>112,776</b>	<b>130,738</b>	<b>151,561</b>	<b>175,701</b>	<b>236,128</b>
Vacancy & Collection Los	(7,515)	(7,740)	(7,973)	(8,212)	(8,458)	(9,805)	(11,367)	(13,178)	(17,710)
Employee or Other Non-Res	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$92,685</b>	<b>\$95,466</b>	<b>\$98,330</b>	<b>\$101,279</b>	<b>\$104,318</b>	<b>\$120,933</b>	<b>\$140,194</b>	<b>\$162,524</b>	<b>\$218,418</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$4,705	\$4,893	\$5,089	\$5,293	\$5,504	\$6,697	\$8,148	\$9,913	\$14,674
Management	4,634	4,773	4,916	5,064	5,216	6,047	7,010	8,126	10,921
Payroll & Payroll Tax	7,000	7,280	7,571	7,874	8,189	9,963	12,122	14,748	21,831
Repairs & Maintenance	7,865	8,180	8,507	8,848	9,201	11,195	13,620	16,571	24,529
Utilities	3,819	3,972	4,131	4,296	4,468	5,435	6,613	8,046	11,910
Water, Sewer & Trash	7,008	7,288	7,580	7,883	8,198	9,975	12,136	14,765	21,856
Insurance	3,252	3,383	3,518	3,659	3,805	4,629	5,632	6,852	10,143
Property Tax	9,879	10,274	10,685	11,113	11,557	14,061	17,107	20,814	30,809
Reserve for Replacements	4,000	4,160	4,326	4,499	4,679	5,693	6,927	8,427	12,475
Other	2,970	3,089	3,212	3,341	3,474	4,227	5,143	6,257	9,262
<b>TOTAL EXPENSES</b>	<b>\$55,133</b>	<b>\$57,292</b>	<b>\$59,536</b>	<b>\$61,868</b>	<b>\$64,293</b>	<b>\$77,922</b>	<b>\$94,458</b>	<b>\$114,520</b>	<b>\$168,410</b>
<b>NET OPERATING INCOME</b>	<b>\$37,552</b>	<b>\$38,173</b>	<b>\$38,793</b>	<b>\$39,411</b>	<b>\$40,025</b>	<b>\$43,010</b>	<b>\$45,737</b>	<b>\$48,004</b>	<b>\$50,009</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$30,041	\$30,041	\$30,041	\$30,041	\$30,041	\$30,041	\$30,041	\$30,041	\$30,041
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$7,511</b>	<b>\$8,132</b>	<b>\$8,752</b>	<b>\$9,370</b>	<b>\$9,984</b>	<b>\$12,969</b>	<b>\$15,696</b>	<b>\$17,963</b>	<b>\$19,968</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.25</b>	<b>1.27</b>	<b>1.29</b>	<b>1.31</b>	<b>1.33</b>	<b>1.43</b>	<b>1.52</b>	<b>1.60</b>	<b>1.66</b>

**LIHTC Allocation Calculation - Painted Desert Townhomes, Clint, LIHTC 02**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$100,000	\$100,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$93,000	\$93,000	\$93,000	\$93,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$803,110	\$847,206	\$803,110	\$847,206
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$18,129	\$18,129	\$17,922	\$18,129
Contractor profit	\$54,387	\$54,387	\$53,767	\$54,387
General requirements	\$54,387	\$54,387	\$53,767	\$54,387
<b>(5) Contingencies</b>				
	\$51,668	\$47,010	\$44,806	\$47,010
<b>(6) Eligible Indirect Fees</b>				
	\$106,350	\$106,350	\$106,350	\$106,350
<b>(7) Eligible Financing Fees</b>				
	\$104,000	\$104,000	\$104,000	\$104,000
<b>(8) All Ineligible Costs</b>				
	\$61,452	\$61,452		
<b>(9) Developer Fees</b>				
Developer overhead	\$61,038	\$61,038	\$61,038	\$61,038
Developer fee	\$122,075	\$122,075	\$122,075	\$122,075
<b>(10) Development Reserves</b>				
	\$20,000	\$20,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$1,649,596</b>	<b>\$1,689,034</b>	<b>\$1,459,834</b>	<b>\$1,507,582</b>

<b>Deduct from Basis:</b>				
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)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$1,459,834</b>	<b>\$1,507,582</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$1,897,784</b>	<b>\$1,959,856</b>
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$1,897,784</b>	<b>\$1,959,856</b>
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$160,173</b>	<b>\$165,412</b>
<b>Syndication Proceeds</b>		<b>0.7699</b>	<b>\$1,233,209</b>	<b>\$1,273,544</b>

**TDHCA #**

**02067**

**Region 10**

**General  
Set-Aside**



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

Development Name: **Meadowbrook Townhomes, Ltd.**

TDHCA #: **02067**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 LIHTC Primary Set Aside: G  
 Site Address: 11520 Vista Del Sol Dr. Additional Elderly Set Aside   
 City: El Paso Purpose / Activity: NC  
 County: El Paso Development Type: Family  
 Zip Code: 79936  TTC  DDA  QCT

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

Special Needs: 2 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Meadowbrook Townhomes, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Investment Builders, Inc.	Ike J. Monty	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$235,505** Allocation over 10 Years: \$2,355,050  
 Credits Requested: \$239,536 Eligible Basis Amount: \$235,505 Equity/Gap Amount: \$247,409

**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	0	3	5	0	8
50%	0	0	0	2	3	0	5
60%	0	0	0	5	7	0	12
MR	0	0	0	0	0	0	0
Total	0	0	0	10	15	0	

**BUILDING INFORMATION**

Total Development Cost: **\$2,407,799**  
 Gross Building Square Feet: 32,125  
 Total NRA SF: 31,325  
 Gross/Net Rentable: 1.03  
 Average Square Feet/Unit: 1,253  
 Cost Per Net Rentable Square Foot: \$76.87  
 Credits per Low Income Unit: \$9,420

Total LI Units: 25  
 Owner/Employee Units: 0  
 Total Project Units: 25  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$126,296  
 Total Expenses: \$73,619  
 Net Operating Income: \$52,677  
 Estimated 1st Year Debt Coverage Ratio: 1.19

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: Investment Builders, Inc. Market Analyst: Prior & Assoc.  
 Housing GC: Investment Builders, Inc. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: Zacour & Assoc.  
 Cost Estimator: Investment Builders, Inc. Attorney: Locke Liddell & Sapp LLP  
 Architect: McCormick Architecture, LLC Supp Services: YWCA Consumer Credit Counseling Services  
 Property Manager: Alpha-Barnes Real Estate Services Accountant: Robert H. Woolley Jr., CPA  
 Engineer: Conde Engineering, Inc. Permanent Lender: MuniMae Midland  
 Syndicator: MuniMae Midland, LLC

**DEPARTMENT EVALUATION**

Points Awarded: 133 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: **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: Ramond C. Caballero, Mayor, S	
TX Rep.: Joseph C. Pickett, Dist. 79 S	
TX Sen.: Eliot Shapleigh, Dist. 29	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

**Alternate Recommendation:**

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

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

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

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

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

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

\_\_\_\_\_  
\_\_\_\_\_

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

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

Approved Credit Amount:  Date of Determination:

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

## Compliance Status Summary

**Project ID #:** 02067

LIHTC 9%  LIHTC 4%

**Project Name:** Meadowbrook Townhomes

HOME  HTF

**Project City:** El Paso

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 20 # not yet monitored or pending review 16

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported \_\_\_\_\_

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

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

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 05/01/2002

**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

**Completed by** \_\_\_\_\_                      **Completed on** \_\_\_\_\_

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

**Completed by** \_\_\_\_\_                      **Completed on** \_\_\_\_\_

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments: \_\_\_\_\_

**Completed by** \_\_\_\_\_                      **Completed on** \_\_\_\_\_

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

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

DATE: May 28, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02067

**DEVELOPMENT NAME**

Meadowbrook Townhomes

**APPLICANT**

**Name:** Meadowbrook Townhomes, Ltd      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 8800 Yermoland Drive, Suite A      **City:** El Paso      **State:** TX  
**Zip:** 79907    **Contact:** Ike J Monty      **Phone:** (915) 599-1245    **Fax:** (915) 594-0434

**PRINCIPALS of the APPLICANT**

**Name:** Investment Builders, Inc.      (%): 0.01      **Title:** Managing General Partner  
**Name:** MuniMae Midland, LLC      (%): 99.99      **Title:** Limited Partner  
**Name:** Ike J Monty      (%): N/A      **Title:** 100% owner of GP

**GENERAL PARTNER**

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

**PROPERTY LOCATION**

**Location:** 11520 Vista Del Sol Drive       QCT     DDA  
**City:** El Paso      **County:** El Paso      **Zip:** 79936

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$239,536	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 1.67\* acres    72,745 square feet    **Zoning/ Permitted Uses:** C1/Commercial District\*\*  
**Flood Zone Designation:** Zone C      **Status of Off-Sites:** Raw Land

\* Currently land locked; Davis Street Corporation (identity of interest seller) is responsible for construction of ROW  
\*\* Allows multifamily developments, not to exceed 29 units per acre

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 25    **# Rental Buildings:** 6    **# Common Area Bldgs:** 0    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
8	3	2.5	1,190
2	3	2	1,190
15	4	3.5	1,295

**Net Rentable SF:** 31,325    **Av Un SF:** 1,253    **Common Area SF:** 800    **Gross Bldng SF:** 32,125

**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, management office, laundry facilities, kitchen, restrooms, equipped children's play area, perimeter fencing with limited access gate

**Uncovered Parking:** 52 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**LONG TERM/PERMANENT FINANCING**

**Source:** MuniMae Midland    **Contact:** Daniel J Flick  
**Principal Amount:** \$503,000    **Interest Rate:** Bank Index + 40 bps; 125 bps spread; 8% underwriting rate  
**Additional Information:** \$874,953 interim loan for 24 mo @ WSJ Prime + 1%, minimum of 6%  
**Amortization:** 30 yrs    **Term:** 15 yrs    **Commitment:**     None     Firm     Conditional  
**Annual Payment:** \$44,605    **Lien Priority:** 1<sup>st</sup>    **Commitment Date:** 02/ 20/ 2002

**LIHTC SYNDICATION**

**Source:** MuniMae Midland, LLC    **Contact:** Mark R George  
**Address:** 33 N Garden Avenue, Suite 1200    **City:** Clearwater  
**State:** FL    **Zip:** 33755    **Phone:** (727) 461-4807    **Fax:** (727) 443-6067  
**Net Proceeds:** \$1,844,244    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 77¢  
**Commitment:**     None     Firm     Conditional    **Date:** 02/ 25/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$117,244    **Source:** Deferred developer fee

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

VALUATION INFORMATION				
APPRAISED VALUE				
<b>Land Only:</b>	\$189,000	<b>Date of Valuation:</b>	03/	01/ 2002
<b>Appraiser:</b> <u>Zacour &amp; Associates, Inc.</u>	<b>City:</b> <u>El Paso</u>	<b>Phone:</b> (915)	<u>581-1141</u>	
ASSESSED VALUE				
<b>Land: 16.205 acres</b>	\$1,572,331	<b>Assessment for the Year of:</b>	<u>2001</u>	
<b>Prorota 1 acre:</b>	\$97,028	<b>Valuation by:</b>	<u>El Paso County Appraisal District</u>	
<b>Prorated Value: 1.67 acres</b>	\$162,036	<b>Tax Rate:</b>	<u>2.953003</u>	

EVIDENCE of SITE or PROPERTY CONTROL				
<b>Type of Site Control:</b> <u>Earnest money contract</u>				
<b>Contract Expiration Date:</b>		<u>08/ 31/ 2002</u>	<b>Anticipated Closing Date:</b> <u>08/ 31/ 2002</u>	
<b>Acquisition Cost:</b>	\$ <u>174,240</u>	<b>Other Terms/Conditions:</b> <u>\$100 earnest money</u>		
<b>Seller:</b> <u>Davis Street Corporation*</u>			<b>Related to Development Team Member:</b> <u>Yes</u>	

\* Ike J Monty is President of Davis Street Corporation and Investment Builders, Inc.

REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.
PROPOSAL and DEVELOPMENT PLAN DESCRIPTION
<p><b>Description:</b> Meadowbrook is a proposed new construction development of 25 units of affordable housing located in east El Paso. The development is comprised of six rows of three- to four-bedroom townhomes. Based on the site plan the townhomes are distributed evenly throughout the site, with the office attached to a residential building and located near the entrance. The 800 square foot community building plan includes a large community room, kitchen, restroom and laundry as well as a leasing/management office.</p> <p><b>Supportive Services:</b> The Applicant has contracted with several local service agencies to provide the supportive services to tenants. The YWCA Consumer Credit Counseling Service agrees to provide budget and credit counseling; Laubach Literacy Council of El Paso agrees to provide literacy training; Tierra del Sol will provide computer training and homebuyer education; and Santa Lucia Community Development Organization will include the youth residing at the subject in its Youth Build Program. Each service will be provided for a period of five years and a fee of \$25 per month, or a total annual fee of \$1,500. However, the Applicant has included an annual cost of \$2,060 for supportive services.</p> <p><b>Schedule:</b> The Applicant anticipates construction to begin in March of 2003, to be completed in September of 2003, to be placed in service in September of 2003, and to be substantially leased-up in November of 2003.</p>
POPULATIONS TARGETED
<p><b>Income Set-Aside:</b> The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Eight of the units (32%) will be reserved for households earning 40% or less of AMGI, five of the units (20%) will be reserved for households earning 50% or less of AMGI, and 12 units (48%) will be reserved for households earning 60% or less of AMGI.</p> <p><b>Special Needs Set-Asides:</b> Two units will be handicapped-accessible and one unit will be equipped for tenants with hearing or visual impairments.</p> <p><b>Compliance Period Extension:</b> The Applicant has elected to extend the compliance period an additional 25 years.</p>

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 15, 2002 was prepared by Prior & Associates and highlighted the following findings:

**Definition of Market/Submarket:** “The subject is located near the boundary of the city’s eastern section, which is recognized by the El Paso Apartment Association as the east submarket. For this reason, the subject’s market area includes the eastern section of the city. The market area...approximate boundaries are, North: Fort Bliss and El Paso International Airport, South: Interstate 10, East: Joe Battle Boulevard (El Paso City Limits), and West: US Highway 62.” (p. IV-1)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	94	2%	74	1.5%
Resident Turnover	4,892	98%	4,986	98.5%
<b>TOTAL ANNUAL DEMAND</b>	<b>4,986</b>	<b>100%</b>	<b>5,060</b>	<b>100%</b>

Ref: p. IX-2

**Capture Rate:** “...the subject would have to attract 0.5% of the primary market area’s tenants in its proposed price range to attain full occupancy.” (p. IX-1) The Underwriter calculated a concentration capture rate of 5% based upon a revised supply of unstabilized comparable affordable units including the subject of 159 divided by a revised demand of 5,060.

**Market Rent Comparables:** The market analyst surveyed nine comparable apartment projects and five single-family homes. “All of the surveyed four-bedroom units are occupied single-family home rentals.” (p. VII-7)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>3-Bedroom (40%)</b>	\$308	\$308	\$0	\$698	-\$390
<b>3-Bedroom (50%)</b>	\$402	\$402	\$0	\$698	-\$296
<b>3-Bedroom (60%)</b>	\$497	\$497	\$0	\$698	-\$201
<b>4-Bedroom (40%)</b>	\$342	\$342	\$0	\$805	-\$463
<b>4-Bedroom (50%)</b>	\$447	\$447	\$0	\$805	-\$358
<b>4-Bedroom (60%)</b>	\$552	\$552	\$0	\$805	-\$253

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

**Submarket Vacancy Rates:** “The average vacancy rate in the city of El Paso fluctuated between 8.0% and 10.0% during the past two years. The average vacancy rate in 14 surveyed projects, which include nine multifamily projects and five single family homes, was 6.9% in January 2002.” (p. vi)

**Absorption Projections:** Not discussed in submitted market study.

**Known Planned Development:** “There are no apartment projects under construction in the market area. Other than the subject, there are two age-restricted projects planned in the market area. These projects, which are both proposed by the subject’s sponsor, will have a total of 112 units that will be restricted to seniors 55 years of age or older.” (p. vi) The analyst also lists several proposed and existing LIHTC projects, including: Lee Seniors (19 units), Western Eastside Senior (19 units) Bienvivir Parkside Senior (36 units), and Jardin Sereno Senior (28 proposed units that are the subject of another 9% LIHTC application). (p. VII-3) The analyst also did not include Eldorado Place II (32 units).

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

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located near the intersection of Vista Del Sol and George Dieter in the east portion of El Paso, approximately four miles northeast of the CBD. El Paso is located along Interstate 10, 634 miles west of Dallas.

**Population:** The development market area has 143,942 residents. Claritas, Inc. projects that the PMA's population will increase 1.5% per year to 154,783 by 2006. The PMA is projected to gain 966 households per year through 2006. This increase is 38.8% of the total for the El Paso MSA.

**Adjacent Land Uses:** Adjacent land uses include:

- **North:** Vista Del Sol Drive, convalescent center, residential neighborhood
- **South:** Market-rate apartment complex, Scott Simpson Drive, nursing home
- **East:** Park, James Chisum Drive, residential neighborhood
- **West:** Shopping Center, George Dieter Drive, private school

**Site Access:** The site is directly accessed from Vista Del Sol. Interstate 10, 2 miles south of the subject, connects El Paso with Dallas, Phoenix, Arizona, Las Cruces, New Mexico and Interstate 25, which extends northward.

**Public Transportation:** Intracity bus service is provided by Sun Metro, which links most areas of the city. The nearest bus stop is at George Dieter and Vista Del Sol, 20 yards from the subject.

**Shopping & Services:** A large grocery store, shopping center, public library, two medical facilities, and two childcare facility are located within two miles of the subject. Approximately three miles north is the YMCA and 8.3 miles northwest is the El Paso San Juan Senior Center. The subject is in the Socorro School District and residents will be served by Vista Del Sol Elementary (0.9 miles), Desert View Middle School (0.7 miles) and Montwood High School (3.2 miles). The closest four-year college is located 0.7 miles north and El Paso Community College is 9.2 miles west.

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

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

A Phase I Environmental Site Assessment report dated March 15, 2002 was prepared by AMEC Earth & Environmental, Inc. and contained the following findings and recommendations:

“...there are no recognized environmental conditions on the subject property which would preclude further site development. As noted above, minor de minimus conditions exists as a result of past dumping on the subject property. It is recommended that all deleterious materials encountered be removed from the site and disposed of according to applicable regulations.”

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant utilized 2002 LIHTC rent limits in calculating the development's potential gross rent. In addition, the Applicant's secondary income and vacancy assumptions are inline with underwriting guidelines.

**Expenses:** The Applicant's total operating expense figure is comparable to the Underwriter's TDHCA database derived estimate. However, the Applicant's water, sewer and trash estimate is \$3K lower and property tax estimate is \$2K higher than the Underwriter's estimates.

**Conclusion:** Overall, the Applicant's net operating income is within 5% of the Underwriter's estimate; therefore, the Applicant's proforma should be used to determine the development's ability to service debt. Both the Applicant's and the Underwriter's proformas result in a debt coverage ratio (DCR) that is within the Department's guideline of 1.10 to 1.25.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** Ike J Monty, president and owner of Investment Builders, Inc., the general partner, is also president of Davis Street Corporation, the current owner of the subject site. In compliance with the 2002 QAP, the Applicant has supplied documentation verifying the original acquisition price of the property and subsequent holding costs. These costs total \$117,551, which is \$57K less than indicated in the submitted cost schedule (E102B). The Underwriter has maintained the proposed acquisition cost of \$174,240 in the

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

Applicant's total development cost estimate, while including only the verifiable acquisition and holding costs of \$117,551 in the TDHCA total development cost estimate. Should the Applicant's costs be used to size the development, the difference in acquisition costs will be reduced from the anticipated sources of funds.

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,782 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is comparable (within 5%) to the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

**Fees:** The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed, by a modest amount, the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. In addition, the Applicant included \$25K (\$21,250 in eligible basis) in soft cost contingencies as an indirect construction cost. The Underwriter added this to contingency costs that are limited to 5% of site work and direct construction costs. As a result, the contingency cost is overstated by \$34,156.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's estimate; therefore, the Applicant's estimate, adjusted for overstated land cost and fees, will be used to determine the development's eligible basis and permanent financing need. The adjusted basis of \$2,146,420 indicates an annual tax credit allocation of \$235,505.

**FINANCING STRUCTURE ANALYSIS**

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

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through MuniMae Midland, LLC in the amount of \$874,953 during the interim period and \$503,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 15 years for the permanent. The interest rate during the construction period will be based on the Wall Street Journal Prime rate plus 1%, or a minimum of 6%. The permanent interest rate will be based on the Bank's index plus a spread of 40 basis points with a collar of 125 basis points, underwritten at 8%. The loan will be amortized over 30 years.

**LIHTC Syndication:** Midland Equity Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$1,844,244 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:

1. 70% upon admission to partnership, closing of construction loan and acquisition;
2. 20% upon completion of construction and cost certification; and
3. 10% upon closing of permanent loan, receipt of Forms 8609, 90% physical occupancy for three consecutive months and 1.15 debt coverage ratio for ninety days.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$117,244 amount to 43% of the total proposed fees.

**Financing Conclusions:** As stated above, the Applicant's total development cost estimate, adjusted for overstated fees and contingency cost, was used to determine the development's eligible basis and recommended tax credit award of \$235,505 annually for ten years, or \$4,031 less than requested. A portion of this difference can be attributed to the Applicant's use of a slightly overstated applicable percentage. Based on the current syndication commitment, the recommended credit amount would result in proceeds of \$1,813,208. Based on the Applicant's total development cost estimate, less the difference in the proposed and verifiable land costs of \$56,689, the developer would need to defer \$91,591 in fees, or \$25,654 less than anticipated. The deferred fee appears to be repayable from development cashflow within the 10 years of stabilized operation.

**REVIEW of ARCHITECTURAL DESIGN**

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

**IDENTITIES of INTEREST**

The Applicant, developer, general contractor and cost estimator are related entities. These are common

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

identities of interest for LIHTC-funded developments. Ike J Monty, president and owner of Investment Builders, Inc., the general partner, is also president of Davis Street Corporation, the current owner of the subject site. This identity of interest land sale was discussed in more detail in the construction cost estimate evaluation section of this report.

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

**Financial Highlights:**

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

**Background & Experience:**

- The Applicant is a new entity formed for the sole purpose of developing the project.
- The General Partner has completed 28 affordable housing developments since 1996. The majority of the developments are located in El Paso and funded with LIHTC proceeds. At least five of the developments on the previous participation list included disclosures of some form of non-compliance that may not have yet been cured. Therefore this report, as well as underwriting reports for all the applications in this allocation cycle, is subject to a review of the developer's compliance scores on previous developments to determine eligibility for this application cycle.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The seller of the property has an identity of interest with the Applicant.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$235,505 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of an acceptable TDHCA site inspection report.

**Credit Underwriting Supervisor:** \_\_\_\_\_

*Lisa Vecchietti*

**Date:** May 28, 2002

**Director of Credit Underwriting:** \_\_\_\_\_

*Tom Gouris*

**Date:** May 28, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Meadowbrook Townhomes, El Paso, LIHTC 02067**

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, Trst
TC 40%	1	3	2	1,190	\$377	\$308	\$308	\$0.26	\$69.00	\$32.00
TC 50%	1	3	2	1,190	471	402	402	0.34	69.00	32.00
TC 40%	2	3	2.5	1,190	377	308	616	0.26	69.00	32.00
TC 50%	1	3	2.5	1,190	471	402	402	0.34	69.00	32.00
TC 60%	5	3	2.5	1,190	566	497	2,485	0.42	69.00	32.00
TC 40%	5	4	3.5	1,295	421	342	1,710	0.26	\$79.00	\$37.00
TC 50%	3	4	3.5	1,295	526	447	1,341	0.35	79.00	37.00
TC 60%	7	4	3.5	1,295	631	552	3,864	0.43	79.00	37.00
<b>TOTAL:</b>	<b>25</b>		<b>AVERAGE:</b>	<b>1,253</b>	<b>\$520</b>	<b>\$445</b>	<b>\$11,128</b>	<b>\$0.36</b>	<b>\$75.00</b>	<b>\$35.00</b>

**INCOME**

total Net Rentable Sq Ft 31,325

**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**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.66%	\$235	\$0.19
Management	5.00%	253	0.20
Payroll & Payroll Tax	6.93%	350	0.28
Repairs & Maintenance	8.83%	446	0.36
Utilities	4.54%	230	0.18
Water, Sewer, & Trash	8.31%	420	0.34
Property Insurance	3.97%	200	0.16
Property Tax 2.953003	9.34%	472	0.38
Reserve for Replacements	3.96%	200	0.16
Supp.Serv/comp/sec	2.75%	139	0.11
<b>TOTAL EXPENSES</b>	<b>58.29%</b>	<b>\$2,945</b>	<b>\$2.35</b>

**NET OPERATING INC**

41.71% \$2,107 \$1.68

**DEBT SERVICE**

First Lien Mortgage	35.07%	\$1,772	\$1.41
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>6.64%</b>	<b>\$335</b>	<b>\$0.27</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or blk)	4.90%	4.90%	\$4,702	\$3.75
Off-Sites	0.00%	0.00%	0	0.00
Sitework	6.03%	6.03%	5,782	4.61
Direct Construction	53.08%	53.08%	50,916	40.64
Contingency	5.00%	2.96%	2,835	2.26
General Require	5.96%	3.53%	3,382	2.70
Contractor's G	1.99%	1.18%	1,127	0.90
Contractor's Pr	5.96%	3.53%	3,382	2.70
Indirect Construction	3.71%	3.71%	3,554	2.84
Ineligible Expenses	2.96%	2.96%	2,837	2.26
Developer's G & A	4.77%	3.78%	3,626	2.89
Developer's Profi	9.53%	7.56%	7,253	5.79
Interim Financing	5.34%	5.34%	5,120	4.09
Reserves	1.46%	1.46%	1,400	1.12
<b>TOTAL COST</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$95,916</b>	<b>\$76.55</b>

**Recap-Hard Construction Costs**

70.29% \$67,424 \$53.81

**SOURCES OF FUNDS**

First Lien Mortgage	20.98%	\$20,120	\$16.06
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	76.91%	\$73,770	\$58.87
Deferred Developer Fees	4.89%	\$4,690	\$3.74
Additional (excess) Funds Req	-2.78%	(\$2,663)	(\$2.13)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
<b>POTENTIAL GROSS RENT</b>	\$133,536	\$133,536			
Secondary Income	3,000	3,000	\$10.00	Per Unit Per Month	
Other Support Income: (describe)	0	0			
<b>POTENTIAL GROSS INCOME</b>	<b>\$136,536</b>	<b>\$136,536</b>			
Vacancy & Collection Loss	(10,240)	(10,236)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions	0	0			
<b>EFFECTIVE GROSS INCOME</b>	<b>\$126,296</b>	<b>\$126,300</b>			
<b>EXPENSES</b>			<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>
General & Administrative	\$5,881	\$6,550	\$0.21	\$262	5.19%
Management	6,315	6,300	0.20	252	4.99%
Payroll & Payroll Tax	8,750	9,440	0.30	378	7.47%
Repairs & Maintenance	11,156	10,890	0.35	436	8.62%
Utilities	5,738	5,310	0.17	212	4.20%
Water, Sewer, & Trash	10,500	7,420	0.24	297	5.87%
Property Insurance	5,012	6,210	0.20	248	4.92%
Property Tax 2.953003	11,796	13,850	0.44	554	10.97%
Reserve for Replacements	5,000	5,000	0.16	200	3.96%
Supp.Serv/comp/sec	3,470	4,030	0.13	161	3.19%
<b>TOTAL EXPENSES</b>	<b>\$73,619</b>	<b>\$75,000</b>	<b>\$2.39</b>	<b>\$3,000</b>	<b>59.38%</b>
<b>NET OPERATING INC</b>	<b>\$52,677</b>	<b>\$51,300</b>	<b>\$1.64</b>	<b>\$2,052</b>	<b>40.62%</b>
<b>DEBT SERVICE</b>					
First Lien Mortgage	\$44,290	\$44,605	\$1.42	\$1,784	35.32%
Additional Financing	0	0	\$0.00	\$0	0.00%
Additional Financing	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>\$8,387</b>	<b>\$6,695</b>	<b>\$0.21</b>	<b>\$268</b>	<b>5.30%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>	<b>1.19</b>	<b>1.15</b>			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>	<b>1.19</b>				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or blk)	\$117,551	\$174,240	\$5.56	\$6,970	7.07%
Off-Sites	0	0	0.00	0	0.00%
Sitework	144,560	144,560	4.61	5,782	5.87%
Direct Construction	1,272,905	1,248,370	39.85	49,935	50.65%
Contingency	70,873	105,305	3.36	4,212	4.27%
General Require	84,539	84,539	2.70	3,382	3.43%
Contractor's G	28,180	28,180	0.90	1,127	1.14%
Contractor's Pr	84,539	84,539	2.70	3,382	3.43%
Indirect Construction	88,850	88,850	2.84	3,554	3.61%
Ineligible Expenses	70,922	70,922	2.26	2,837	2.88%
Developer's G & A	90,661	90,661	2.89	3,626	3.68%
Developer's Profi	181,322	181,322	5.79	7,253	7.36%
Interim Financing	128,000	128,000	4.09	5,120	5.19%
Reserves	35,000	35,000	1.12	1,400	1.42%
<b>TOTAL COST</b>	<b>\$2,397,902</b>	<b>\$2,464,488</b>	<b>\$78.67</b>	<b>\$98,580</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$1,685,596</b>	<b>\$1,695,493</b>	<b>\$54.13</b>	<b>\$67,820</b>	<b>68.80%</b>

	TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	\$503,000	\$503,000	\$503,000
Additional Financing	0	0	0
LIHTC Syndication Proceeds	1,844,244	1,844,244	1,813,208
Deferred Developer Fees	117,244	117,244	91,591
Additional (excess) Funds Req	(66,586)	0	0
<b>TOTAL SOURCES</b>	<b>\$2,397,902</b>	<b>\$2,464,488</b>	<b>\$2,407,799</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Meadowbrook Townhomes, El Paso, LIHTC 02067**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhome Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.50	\$1,393,828
<b>Adjustments</b>				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.21)	(37,759)
Floor Cover			2.43	76,120
Porches/Balconies	\$28.10	1853.5	1.66	52,083
Plumbing	\$675	116	2.50	78,300
Built-In Appliances	\$2,000	25	1.60	50,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	57,325
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.29	800	1.67	52,229
Other:			0.00	0
<b>SUBTOTAL</b>			<b>54.98</b>	<b>1,722,126</b>
Current Cost Multiplier	1.04		2.20	68,885
Local Multiplier	0.87		(7.15)	(223,876)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$50.03</b>	<b>\$1,567,134</b>
Plans, specs, survy, bl	3.90%		(\$1.95)	(\$61,118)
Interim Construction In	3.38%		(1.69)	(52,891)
Contractor's OH & Prof	11.50%		(5.75)	(180,220)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$40.64</b>	<b>\$1,272,905</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$503,000	Term	360
Int Rate	8.00%	DCR	1.19

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.19

<b>Additional</b>	\$1,844,244	Term	
Int Rate		Aggregate DCR	1.19

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$44,290
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$8,387</b>

<b>Primary</b>	\$503,000	Term	360
Int Rate	8.00%	DCR	1.19

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.19

<b>Additional</b>	\$1,844,244	Term	0
Int Rate	0.00%	Aggregate DCR	1.19

**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	\$133,536	\$137,542	\$141,668	\$145,918	\$150,296	\$174,234	\$201,985	\$234,156	\$314,686
Secondary Income	3,000	3,090	3,183	3,278	3,377	3,914	4,538	5,261	7,070
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>136,536</b>	<b>140,632</b>	<b>144,851</b>	<b>149,197</b>	<b>153,672</b>	<b>178,149</b>	<b>206,523</b>	<b>239,417</b>	<b>321,756</b>
Vacancy & Collection Los	(10,240)	(10,547)	(10,864)	(11,190)	(11,525)	(13,361)	(15,489)	(17,956)	(24,132)
Employee or Other Non-Res	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$126,296</b>	<b>\$130,085</b>	<b>\$133,987</b>	<b>\$138,007</b>	<b>\$142,147</b>	<b>\$164,787</b>	<b>\$191,034</b>	<b>\$221,460</b>	<b>\$297,624</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$5,881	\$6,117	\$6,361	\$6,616	\$6,880	\$8,371	\$10,185	\$12,391	\$18,342
Management	6,315	6,504	6,699	6,900	7,107	8,239	9,552	11,073	14,881
Payroll & Payroll Tax	8,750	9,100	9,464	9,843	10,236	12,454	15,152	18,435	27,288
Repairs & Maintenance	11,156	11,603	12,067	12,549	13,051	15,879	19,319	23,505	34,793
Utilities	5,738	5,967	6,206	6,454	6,712	8,166	9,935	12,088	17,893
Water, Sewer & Trash	10,500	10,920	11,357	11,811	12,284	14,945	18,183	22,122	32,746
Insurance	5,012	5,212	5,421	5,638	5,863	7,134	8,679	10,560	15,631
Property Tax	11,796	12,268	12,759	13,269	13,800	16,790	20,428	24,853	36,789
Reserve for Replacements	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
Other	3,470	3,609	3,753	3,903	4,059	4,939	6,009	7,311	10,822
<b>TOTAL EXPENSES</b>	<b>\$73,619</b>	<b>\$76,500</b>	<b>\$79,495</b>	<b>\$82,608</b>	<b>\$85,843</b>	<b>\$104,034</b>	<b>\$126,100</b>	<b>\$152,872</b>	<b>\$224,778</b>
<b>NET OPERATING INCOME</b>	<b>\$52,677</b>	<b>\$53,585</b>	<b>\$54,492</b>	<b>\$55,399</b>	<b>\$56,304</b>	<b>\$60,754</b>	<b>\$64,934</b>	<b>\$68,589</b>	<b>\$72,846</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$44,290	\$44,290	\$44,290	\$44,290	\$44,290	\$44,290	\$44,290	\$44,290	\$44,290
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$8,387</b>	<b>\$9,294</b>	<b>\$10,202</b>	<b>\$11,109</b>	<b>\$12,014</b>	<b>\$16,464</b>	<b>\$20,644</b>	<b>\$24,298</b>	<b>\$28,556</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.19</b>	<b>1.21</b>	<b>1.23</b>	<b>1.25</b>	<b>1.27</b>	<b>1.37</b>	<b>1.47</b>	<b>1.55</b>	<b>1.64</b>

**LIHTC Allocation Calculation - Meadowbrook Townhomes, El Paso, LIHTC 020**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$174,240	\$117,551		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$144,560	\$144,560	\$144,560	\$144,560
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$1,248,370	\$1,272,905	\$1,248,370	\$1,272,905
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$28,180	\$28,180	\$27,859	\$28,180
Contractor profit	\$84,539	\$84,539	\$83,576	\$84,539
General requirements	\$84,539	\$84,539	\$83,576	\$84,539
<b>(5) Contingencies</b>	\$105,305	\$70,873	\$69,647	\$70,873
<b>(6) Eligible Indirect Fees</b>	\$88,850	\$88,850	\$88,850	\$88,850
<b>(7) Eligible Financing Fees</b>	\$128,000	\$128,000	\$128,000	\$128,000
<b>(8) All Ineligible Costs</b>	\$70,922	\$70,922		
<b>(9) Developer Fees</b>				
Developer overhead	\$90,661	\$90,661	\$90,661	\$90,661
Developer fee	\$181,322	\$181,322	\$181,322	\$181,322
<b>(10) Development Reserves</b>	\$35,000	\$35,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$2,464,488</b>	<b>\$2,397,902</b>	<b>\$2,146,420</b>	<b>\$2,174,429</b>

<b>Deduct from Basis:</b>				
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)				
<b>TOTAL ELIGIBLE BASIS</b>			\$2,146,420	\$2,174,429
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$2,790,346	\$2,826,758
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$2,790,346	\$2,826,758
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$235,505	\$238,578

Syndication Proceeds                      0.7699                      \$1,813,208                      \$1,836,870