

TDHCA #

02044

Region 2

**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: **Brownwood Retirement Village**

TDHCA #: **02044**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region:	2	LIHTC Primary Set Aside:	R
Site Address:	318 Bluffview Dr.	Additional Elderly Set Aside	<input checked="" type="checkbox"/>
City:	Brownwood	Purpose / Activity:	NC
County:	Brown	Development Type:	Elderly
Zip Code:	76801	<input type="checkbox"/> TTC	<input type="checkbox"/> DDA
		<input checked="" type="checkbox"/> 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: **Brownwood Retirement Village, Ltd.**

Principal Names:	Principal Contact:	Percentage Ownership:
SumTex Partners, Inc.	W. Joseph Chamy	42 %
SumTex Partners, Inc.	Judy Chamy	58 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$409,727** Allocation over 10 Years: \$4,097,270
 Credits Requested: \$412,509 Eligible Basis Amount: \$409,727 Equity/Gap Amount: \$411,062

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	0	0	0	0	1
40%	0	8	0	0	0	0	8
50%	0	29	2	0	0	0	31
60%	0	30	6	0	0	0	36
MR	0	0	0	0	0	0	0
Total	0	68	8	0	0	0	

BUILDING INFORMATION

Total Development Cost: **\$3,972,057**
 Gross Building Square Feet: 61,290
 Total NRA SF: 58,568
 Gross/Net Rentable: 1.05
 Average Square Feet/Unit: 771
 Cost Per Net Rentable Square Foot: \$67.82
 Credits per Low Income Unit: \$5,391

Total LI Units: 76
 Owner/Employee Units: 0
 Total Project Units: 76
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$273,954
 Total Expenses: \$198,114
 Net Operating Income: \$75,840
 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:	Valcrest Investments, Inc.	Market Analyst:	Ipsier & Associates
Housing GC:	Compass Point Development Co.	Originator/UW:	NA
Infrastructure GC:	NA	Appraiser:	Foster & Company
Cost Estimator:	Compass Point Development Co.	Attorney:	Nick Acuff
Architect:	Vaughn Architects Plus	Supp Services:	Consumer Credit Counseling Services of Dallas
Property Manager:	J.A.C. Inc. dba Integra-Peak Mgmt.	Accountant:	Baggett, Drews & Adams
Engineer:	Soil Tech Engineering		
Syndicator:	Alliant Capital	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 Recommended

Project Name: Brownwood Retirement Village

Project Number: 02044

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: Bert V. Massey II, Mayor, S	David J. Fair, City Council, Place 4, S
TX Rep.: Bob Turner, Dist. 73	James R. Campbell, City of Brownwood Econ. Dev., S
TX Sen.: Troy Fraser, Dist. 24	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment reflecting a decrease in the debt service to not more than \$68,945.

Should the permanent debt amount for this development exceed \$796,898 without additional acceptable increases in total development costs, a reduction in the credit amount may be required due to an excess of funds to fill the gap.

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 higher scoring developments in the Rural Set Aside statewide and is needed to meet the Rural Set Aside.

_____ 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:

_____ Michael E. Jones, Chairman of the Board	_____ Date
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Compliance Status Summary

Project ID #: 02044

LIHTC 9% LIHTC 4%

Project Name: Brownwood Retirement Village

HOME HTF

Project City: Brownwood

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 12 # not yet monitored or pending review 1

of projects grouped by score 0-9: 12 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/15/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 04/29/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments: 536263- monitoring review not applicable
539099, 536288- reviewed, no unresolved issues
538622- monitoring review pending

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

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by 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: April 18, 2002 PROGRAM: 9% LIHTC

FILE NUMBER: 02044

DEVELOPMENT NAME

Brownwood Retirement Village

APPLICANT

Name: Brownwood Retirement Village, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 742 East Pipeline Road **City:** Hurst **State:** TX
Zip: 76053 **Contact:** Joe Chamy **Phone:** (817) 285-6315 **Fax:** (817) 285-7157

PRINCIPALS of the APPLICANT

Name: SumTex Partners, Inc. **(%):** 1.0 **Title:** Managing General Partner
Name: Alliant Capital **(%):** 99.0 **Title:** Initial Limited Partner
Name: Judy Chamy **(%):** N/A **Title:** 58% Owner of MGP
Name: Joe Chamy **(%):** N/A **Title:** 42% Owner of MGP

GENERAL PARTNER

Name: SumTex Partners, Inc. **Type:** For Profit Non-Profit Municipal Other
Address: 742 E. Pipeline Road **City:** Hurst **State:** TX
Zip: 76053 **Contact:** W. Joseph Chamy **Phone:** (817) 285-6315 **Fax:** (817) 285-7157

PROPERTY LOCATION

Location: 318 Bluffview Drive QCT DDA
City: Brownwood **County:** Brown **Zip:** 76801

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$412,509	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 type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Elderly			

SITE DESCRIPTION

Size: 9.058 acres 394,566 square feet **Zoning/ Permitted Uses:** M-1
Flood Zone Designation: C **Status of Off-Sites:** Partially Improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 76 **# Rental Buildings:** 19 **# Common Area Bldgs:** 1 **# of Floors:** 1 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
68	1	1	750
8	2	1	946

Net Rentable SF: 58,568 **Av Un SF:** 771 **Common Area SF:** 2,722 **Gross Bldng SF** 61,290

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% masonry//25% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

2,722 SF community building with community room, exercise room, kitchen, restrooms, library, gameroom, swimming pool, picnic area, walking trail, putting green, perimeter fencing with limited access gate

Uncovered Parking: 130 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Bank of America **Contact:** Sylvia Monsivias

Principal Amount: \$1,400,000 **Interest Rate:** LIBOR + 3.25%

Additional Information: _____

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

LONG TERM/PERMANENT FINANCING

Source: Bank of America **Contact:** Sylvia Monsivias

Principal Amount: \$800,000 **Interest Rate:** 7.95%

Additional Information: _____

Amortization: 30 yrs **Term:** 15 yrs **Commitment:** None Firm Conditional

Annual Payment: \$70,107 **Lien Priority:** 1st **Commitment Date** 2/ 15/ 2002

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

LIHTC SYNDICATION

Source: Alliant Capital, Ltd.	Contact: Scott Ketick
Address: 340 Royal Poinciana Way, Suite 305	City: Palm Beach
State: FL Zip: 33480 Phone: (561) 833-5795 Fax: (561) 833-3694	
Net Proceeds: \$3,083,130	Net Syndication Rate (per \$1.00 of 10-yr LIHTC) 77.5¢
Commitment <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date: 2/ 25/ 2002
Additional Information: Commitment letter reflects proceeds of \$3,083,130 based on credits of \$3,978,630	

APPLICANT EQUITY

Amount: \$73,484	Source: Deferred developer fee
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VALUATION INFORMATION

ASSESSED VALUE

Land: 25.818 ac.	\$1,500	Assessment for the Year of:	2001
Land: 1 ac.	\$58	Valuation by:	Brown County Appraisal District
Total: 9.058 ac.	\$526	Tax Rate:	2.8712

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase Option
Contract Expiration Date: 4/ 23/ 2003 Anticipated Closing Date: 10/ 31/ 2002
Acquisition Cost: \$ 87,251 Other Terms/Conditions: \$ 1,200 Option to Purchase
Seller: W. C. and Oleta Pinkston Related to Development Team Member: No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Brownwood Retirement Village is a proposed new construction project of 76 units of affordable housing located in northwest Brownwood. The project is comprised of 19 residential buildings as follows:

- (17) Building Type A with four one-bedroom units,
- (2) Building Type B with four two-bedroom units,

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, mailboxes, and swimming pool located near the rear of the site. The 2,722-square foot community building plan includes the management office, a 735-square foot community room, library, exercise room, a communal dining/senior support room with kitchen, restrooms, and equipment storage facilities. Special features include a picnic area, walking trail and a putting green.

Supportive Services: The Applicant has contracted with Consumer Credit Counseling Service of Greater Dallas, Inc. and the Central Texas Rural Transit District to provide the following supportive services to tenants: money management, budgeting, saving, spending, credit cards, credit reports and credit bureaus. Transportation services from Brownwood Retirement Village will also be available. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services and to pay annual fees of \$2,985 and \$14,400.

Schedule: The Applicant anticipates construction to begin in November of 2002 and completed in March of

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

2004. The buildings are to be placed in service in March of 2004 and substantially leased-up 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. 76 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, eight units (11%) will be reserved for households earning 40% or less of AMGI, 31 of the units (41%) will be reserved for households earning 50% or less of AMGI, and 36 of the units (47%) will be reserved for households earning 60% or less of AMGI.

Special Needs Set-Asides: Six units (8%) 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 1, 2002 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

Definition of Market/Submarket : “Brown County, as the defined market area, encompasses several small towns and a number of unincorporated communities. The incorporated communities within the county include Bans (population of 1,620), Blanket (population of 402) and Early (population of 2,588).” (p. 2-5)

Total Local/Submarket Demand for Rental Units: “Prospective tenants for the proposed elderly complex are expected from the waiting list of 20 names at The Vicksburg, from 15 elderly names on the waiting list for the Brownwood I & II properties, and from the 20 elderly households currently residing at Brownwood I & II.” (p. 3-4)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	0	0%
Resident Turnover (over 65)	62	62%
Other Sources (10% adjustment)	6	6%
Age group 55 to 64	32	32%
TOTAL ANNUAL DEMAND	100	100%

Ref: p. 3-4

Capture Rate: “An alternate approach to a demand analysis (based on projected growth, existing household, income limits, and turnover) indicated a figure of 100 income-qualified households with a person age 55 or older in the next year (2002-2003) in Brown County. The proposed project’s 76 LIHTC units represent a 76.0% capture of the estimated 100 income-qualified households.” (p. 3-4)

Market Rent Comparables: The market analyst surveyed 20 comparable apartment projects “seventeen of the 20 multi-family complexes surveyed are located in Brownwood, while 3 conventional projects are located in Early, Texas” (p. 3-2)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$149	\$149	\$0	\$469	-\$320
1-Bedroom (40%)	\$217	\$217	\$0	\$469	-\$252
1-Bedroom (50%)	\$284	\$284	\$0	\$469	-\$185
1-Bedroom (60%)	\$352	\$352	\$0	\$469	-\$117
2-Bedroom (50%)	\$342	\$342	\$0	\$539	-\$197
2-Bedroom (60%)	\$423	\$423	\$0	\$539	-\$116

(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)

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Submarket Vacancy Rates: “Physical occupancy, in a total of 1,116 units at 20 projects in Brownwood, was 95.1% and the economic occupancy was 96.1% leased” (p. 3-2)

Absorption Projections: “Average absorption for the subject is estimated at approximately 15 units per month. It is expected that less than a 5-month lease-up period will be required to achieve 92.5% occupancy of the 76 units” (p. 3-5)

Other Relevant Information: “Two LIHTC projects, one that opened in 1998 and one in 2001, provide the best indications of absorption, as well as high occupancy rates. The 50-unit Brownwood Apartments I (Phase I) was 100% occupied within 2 weeks of its May 1998 opening, an absorption rate of 25 unit per week. Brownwood I, which reported a total of 10 elderly tenants, was 92% occupied and 100% leased, with 100 names on its waiting list (15 are elderly persons). Brownwood II, a second phase project with 72 units, began pre-leasing units on December 15, 2000 and reached 100% occupancy when the property opened January 31, 2001, an absorption rate of 48 units per month. Currently, Brownwood II, with 10 elderly tenants, is 100% occupied, with a waiting list consisting of 75 names, 15 of which are elderly” (p. 3-4)

The Underwriter found the market study to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Brownwood is located in the west central part of the State, approximately 77 miles southeast of Abilene and 127 miles southwest of Fort Worth in Brown County. The site is a irregularly-shaped parcel located in the northwest area of Brownwood, approximately one mile west from the central business district. The site lies on the northeast side of Bluffview Drive, between Cordell Street & San Benito Drive.

Population: The estimated 2000 population of Brown County was 37,674 and is expected to increase by 1.5% to approximately 38,654 by 2005. Within the primary market area there were estimated to be 14,306 households in 2000.

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

- **North:** Undeveloped property and a small residential area
- **South:** Adjacent apartment complex; across Bluffview Drive is undeveloped property
- **East:** Adjacent apartment complex, undeveloped property, and a portion of the larger tract of land that the project site is from
- **West:** Bluffview Drive and a residential area.

Site Access: Access to the property is from the southeast or northwest along Bluffview Drive. The project is to have one main entry from the south off of Bluffview Drive. Access to Interstate Highway 67 is one-half mile northwest, which provides connections to all other major roads serving the Brownwood area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site has easy access to shopping, schools, churches, medical clinics, and city services.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 12, 2002 was prepared by Soiltech Engineering and Testing, Inc. and contained the following findings and recommendations:

Findings: “The site reconnaissance did not reveal any evidence of possible contamination or any other environmental conditions associated with the project site. This site assessment has revealed no evidence of recognized environmental conditions in connection with the property.”

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.

Expenses: The Applicant’s total expense estimate of \$2,477 per unit is just under 5% lower than the TDHCA database-derived estimate of \$2,607 per unit for comparably-sized projects. The Underwriter took special note of the actual operating expenses of a nearby tax credit property operated by the principals of the

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Applicant. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the Underwriter's estimates even when the experience of the nearby property is considered. In particular, the Applicant's general and administrative of \$142 per unit is \$10.6K lower than the TDHCA database derived estimate of \$281 per unit. However, the actual experience of the nearby property reflects \$177 per unit. Therefore, the Underwriter reduced the estimate for this expense to \$177 per unit and the gap between the Applicant's estimate and the Underwriter's estimate was reduced to \$2.7K. The Applicant's utilities expense of \$55 per unit is \$8.5K lower than the Underwriter's estimate of \$168 per unit, which is based on the utility allowances administered by the local housing authority. The Applicant's property taxes were based on a partial tax abatement anticipated to be provided by the city and a \$10,000 per unit assessed value. The Applicant indicated that the abatement would be 50% of city taxes in the first year, 40% abated in the second year and a 10% reduction in the abatement in each subsequent year until the abatement is completely removed at the end of the sixth year. The Applicant also provided correspondence confirming the City's consideration of such abatement and it would appear from the tax records provided on the nearby projects that such abatement for those affordable developments has been approved. The tax information for the nearby development indicates a total assessed value of approximately \$15K per unit, however. Therefore, the underwriter used this assessed value rather than the Applicant's lower estimate to determine the anticipated tax expense. The Applicant's property tax expense is \$9.2K lower than the Underwriter's estimate.

Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.08 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$68,945.

CONSTRUCTION COST ESTIMATE EVALUATION

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

Sitework Cost: The Applicant's claimed sitework costs of \$5,099 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are 8.5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This could suggest that the Applicant's direct construction costs are understated or that the developer plans to use a lower quality construction standard. The Developer has significant recent experience in the Brownwood market and North Central Texas in general. Therefore, he may alternatively have more realistic information about local costs and has proven experience in producing an acceptable quality project in this market area.

Ineligible Costs: The Applicant incorrectly included \$20,000 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's contractor fees for general requirements, general and administrative expenses and profit are all within the maximums allowed by TDHCA guidelines. Due to the excess eligible basis resulting from the misallocation of marketing fees, however, the Applicant's eligible developer fees exceed the maximum 15% allowed by \$900.

Conclusion: The Applicant's total development cost estimate is just within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to an acceptable margin, the Applicant's total cost breakdown is used to size the gap and the Applicant's adjusted eligible basis can be used to determine the LIHTC allocation recommendation. As a result, an adjusted eligible basis of \$3,734,298 is used to determine a credit allocations of \$409,727 from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan, syndicated LIHTC equity and deferred developer's fees. The amounts of these funds were somewhat inconsistent in the original application and clarification was required.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Conventional Interim to Permanent Loan : There is a commitment for interim to permanent financing through Bank of America in the amount of \$1,400,000 during the interim period and \$800,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 15 years for the permanent at a fixed interest rate of 7.95%.

LIHTC Syndication: Alliant Capital, LTD. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,098,573 based on a syndication factor of 77.5%. The funds would be disbursed in a four-phased pay-in schedule:

1. 30% upon the latest to occur of : (a) the Limited Partner's admission into the Partnership, (b) closing and initial funding of all of the construction financing for the Project (as described in Section I, paragraph D above), (c) receipt of the commitments for all of the permanent financing for the Project (as described in Section I, paragraph E above), and (d) receipt of the LIHTC allocation; such funds to be used solely for site acquisitions, development and construction costs, as reasonably acceptable to the Administrative Limited Partner;
2. 30% will be funded in monthly installments based upon the progress of construction, pari passu with advances of the proceeds of the construction financing for the Project; (b) no earlier than July 2003 and (c) satisfaction of all conditions precedent to the payment set forth in paragraph B.1 of this section; such funds to be used for required hard and soft costs, as reasonably acceptable to the Administrative Limited Partner;
3. 15% will be funded upon the latest to occur of : (a) lien-free completion of construction of all the improvements sufficient for all residential rental units to be "placed in service" pursuant to IRC Section 42, (b) the issuance of all required permanent certificates of occupancy permitting immediate occupancy of all 76 residential rental units, (c) receipt of the final cost certification by an independent firm of certified public accountants (acceptable to the Administrative Limited Partner), (d) January 2004, and (e) satisfaction of all conditions precedent to the payments set forth in paragraphs B.1 and B.2 of this section; such funds to be used for required hard and soft costs, as reasonably acceptable to the Administrative Limited Partner;
4. 25% will be funded upon the latest to occur of: (a) Rental Achievement (as hereinafter defined) and 90% occupancy of the residential rental units by qualified tenants (i.e., tenants meeting the requirements of IRC Section 42), in each case for three consecutive months, (b) permanent loan closing, (c) the issuance of an IRS Form 8609 for each building in the Project, (d) July 2004, and (e) satisfaction of all conditions precedent to the payments set forth in paragraphs B.1, B.2, and B.3 of this section; such funds to be used for unpaid development costs, and to fund the initial operating deficit reserves, as reasonably acceptable to the Administrative Limited Partner. Notwithstanding the forgoing requirements of this paragraph B.4, in the event that at the time the conditions precedent to the payment set forth in paragraph B.4 have been satisfied, the Partnership has not been issued its federal income tax return and K-1s for the first year of the credit period for all of the buildings of the Project, the Investor will fund \$720,782 of the fourth installment of the Investor's capital contribution and the balance, \$50,000, will be funded upon the receipt of the Partnership's federal income tax return and K-1s for such first year of the credit period, as reasonably acceptable to the Administrative Limited Partner..

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$73,484 amount to 15% of the total proposed developer fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$409,727 annually for ten years, which is \$2,782 less than requested. This results in syndication proceeds of approximately \$3,175,068, which is \$76,495 more than indicated on the Applicant's revised Sources and Uses. This is apparently due to the use of a lower syndication rate. Based on the Underwriter's analysis and the syndication rate provided in the commitment, the Applicant's deferred developer fee will be decreased to \$10,249. While additional developer fee is available to fund shortfalls in the development costs that may occur, the repayment of such additional deferrals in an amount over \$35K would be in question based on the Underwriters proforma and a ten year repayment period. The Underwriter previously determined that the project can not support the full Applicant's anticipated debt service and debt amount at the interest rate and terms indicated in the application. The calculated maximum debt service of \$68,945 annually and the proposed terms result in a calculated debt of \$786,740. This reduction in anticipated debt is more than offset by the increase in anticipated syndication proceeds. Should the

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

permanent debt amount for this development exceed \$796,898 without additional acceptable increases in total development costs, a reduction in the credit amount may be required due to an excess of funds to fill the gap.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple and functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered porches and small outdoor storage closets. Each unit has a semi-private exterior entry that is shared with two other units. The units are in one-story/fourplex structures with mixed brick/wood siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

Mr. Joe Chamy the 42% owner of the managing general partner, SumTex Partners, Inc. also owns the developer, general contractor and management agent. These are common relationships for LIHTC funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, SumTex Partners, Inc., submitted an unaudited financial statement as of February 18, 2002 reporting total assets of \$168K consisting of \$28K in cash and \$140K in real property with no liabilities, resulting in a net worth of \$168K.
- The Developer, Valcrest Investments, Inc., submitted an unaudited financial statement as of February 18, 2002 reporting total assets of \$2.4M and consisting of \$59K in cash, \$75 in receivables and \$2.2M in real property. Liabilities totaled \$2M, resulting in a net worth of \$400K.
- The Contractor, Compass Point Development Company Inc., submitted an unaudited financial statement as of February 18, 2002 reporting total assets of \$29K consisting of cash with no liabilities, resulting in a net worth of \$29K.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner and Developer/Contractor, Mr. Joe Chamy, has completed 17 LIHTC/affordable housing projects totaling 532 units since 1984.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- 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 \$409,727 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 a revised permanent loan commitment reflecting a decrease

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

- in the debt service to not more than \$68,945; and
3. Should the permanent debt amount for this development exceed \$796,898 without additional acceptable increases in total development costs, a reduction in the credit amount may be required due to an excess of funds to fill the gap.

Underwriter:	_____	Date: <u>April 18, 2002</u>
	<i>Carl Hoover</i>	
Credit Underwriting Supervisor:	_____	Date: <u>April 18, 2002</u>
	<i>Lisa Vecchietti</i>	
Director of Credit Underwriting:	_____	Date: <u>April 18, 2002</u>
	<i>Tom Gouris</i>	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Brownwood Retirement Village, Brownwood, LIHTC #02044

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
LIHTC (30%)	1	1	1	750	\$203	\$149	\$149	\$0.20	\$53.75	\$14.06
LIHTC (40%)	8	1	1	750	271	\$217	1,738	0.29	\$53.75	\$14.06
LIHTC (50%)	29	1	1	750	338	\$284	8,243	0.38	\$53.75	\$14.06
LIHTC (60%)	30	1	1	750	406	\$352	10,568	0.47	\$53.75	\$14.06
LIHTC (50%)	2	2	1	946	406	\$342	684	0.36	\$63.93	\$15.43
LIHTC (60%)	6	2	1	946	487	\$423	2,538	0.45	\$63.93	\$15.43
							0	#DIV/0!		
							0	#DIV/0!		
TOTAL:	76		AVERAGE:	771	\$370	\$315	\$23,921	\$0.41	\$54.82	\$14.20

				TDHCA	APPLICANT					
INCOME						Total Net Rentable Sq Ft: 58,568				
POTENTIAL GROSS RENT				\$287,047	\$286,836					
Secondary Income		Per Unit Per Month:	\$10.00	9,120	9,120	\$10.00		Per Unit Per Month		
Other Support Income: (describe)				0						
POTENTIAL GROSS INCOME				\$296,167	\$295,956					
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(22,213)	(22,200)	-7.50%		of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions				0						
EFFECTIVE GROSS INCOME				\$273,954	\$273,756					
EXPENSES										
	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI		
General & Administrative	4.91%	\$177	\$0.23	\$13,452	\$10,800	\$0.18	\$142	3.95%		
Management	7.85%	283	0.37	21,513	25,308	0.43	333	9.24%		
Payroll & Payroll Tax	11.89%	428	0.56	32,564	32,130	0.55	423	11.74%		
Repairs & Maintenance	9.71%	350	0.45	26,605	29,866	0.51	393	10.91%		
Utilities	4.65%	168	0.22	12,749	4,200	0.07	55	1.53%		
Water, Sewer, & Trash	11.85%	427	0.55	32,476	32,554	0.56	428	11.89%		
Property Insurance	3.88%	140	0.18	10,618	14,462	0.25	190	5.28%		
Property Tax	2.4222	10.08%	363	27,613	18,409	0.31	242	6.72%		
Reserve for Replacements	5.55%	200	0.26	15,200	15,200	0.26	200	5.55%		
Other Exp.: Sup. Serv. & Comp. I	1.94%	70	0.09	5,325	5,325	0.09	70	1.95%		
TOTAL EXPENSES	72.32%	\$2,607	\$3.38	\$198,114	\$188,254	\$3.21	\$2,477	68.77%		
NET OPERATING INC	27.68%	\$998	\$1.29	\$75,840	\$85,502	\$1.46	\$1,125	31.23%		
DEBT SERVICE										
Bank of America	25.59%	\$922	\$1.20	\$70,107	\$70,107	\$1.20	\$922	25.61%		
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%		
Additional Funds	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%		
NET CASH FLOW	2.09%	\$75	\$0.10	\$5,733	\$15,395	\$0.26	\$203	5.62%		
AGGREGATE DEBT COVERAGE RATIO				1.08	1.22					
ALTERNATIVE DEBT COVERAGE RATIO				1.10						

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		2.11%	\$1,161	\$1.51	\$88,251	\$88,251	\$1.51	\$1,161	2.22%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.28%	5,099	6.62	387,500	387,500	6.62	5,099	9.76%
Direct Construction		57.98%	31,870	41.36	2,422,122	2,216,375	37.84	29,163	55.80%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Requiremen	5.39%	3.62%	1,993	2.59	151,432	151,432	2.59	1,993	3.81%
Contractor's G & A	1.80%	1.21%	664	0.86	50,477	50,477	0.86	664	1.27%
Contractor's Profi	5.39%	3.62%	1,993	2.59	151,432	151,432	2.59	1,993	3.81%
Indirect Construction		4.03%	2,217	2.88	168,500	168,500	2.88	2,217	4.24%
Ineligible Expenses		1.28%	705	0.92	53,608	53,608	0.92	705	1.35%
Developer's G & A	1.13%	0.94%	514	0.67	39,097	0	0.00	0	0.00%
Developer's Profit	13.00%	10.74%	5,906	7.66	448,885	487,982	8.33	6,421	12.29%
Interim Financing		2.91%	1,599	2.07	121,500	121,500	2.07	1,599	3.06%
Reserves		2.27%	1,250	1.62	95,000	95,000	1.62	1,250	2.39%
TOTAL COST		100.00%	\$54,971	\$71.33	\$4,177,804	\$3,972,057	\$67.82	\$52,264	100.00%
Recap-Hard Construction Costs		75.71%	\$41,618	\$54.00	\$3,162,963	\$2,957,216	\$50.49	\$38,911	74.45%
SOURCES OF FUNDS									
Bank of America		19.15%	\$10,526	\$13.66	\$800,000	\$800,000		\$786,740	
LIHTC Syndication Proceeds		74.17%	\$40,771	\$52.91	3,098,573	3,098,573		3,175,068	
Additional Funds		0.00%	\$0	\$0.00	0	0		0	
Deferred Developer Fees		1.76%	\$967	\$1.25	73,484	73,484		10,249	
Additional (excess) Funds Required		4.92%	\$2,707	\$3.51	205,747	0		0	
TOTAL SOURCES					\$4,177,804	\$3,972,057		\$3,972,057	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Brownwood Retirement Village, Brownwood, LIHTC #02044

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

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.14	\$2,526,595
Adjustments				
Exterior Wall Finish	6.25%		\$2.70	\$157,912
Elderly	5.00%		2.16	126,330
Roofing			0.00	0
Subfloor			(1.96)	(114,793)
Floor Cover			1.82	106,594
Porches/Balconies	\$28.10	4188	2.01	117,683
Plumbing	\$585	0	0.00	0
Built-In Appliances	\$1,550	76	2.01	117,800
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	82,581
Garages/Carports	\$0.00	0	0.00	0
Comm &/or Aux Bldgs	\$57.39	2,722	2.67	156,211
Other:			0.00	0
SUBTOTAL			55.95	3,276,913
Current Cost Multiplier	1.04		2.24	131,077
Local Multiplier	0.87		(7.27)	(425,999)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.92	\$2,981,990
Plans, specs, survy, bldg	3.90%		(\$1.99)	(\$116,298)
Interim Construction Inte	3.38%		(1.72)	(100,642)
Contractor's OH & Profit	11.50%		(5.86)	(342,929)
NET DIRECT CONSTRUCTION COSTS			\$41.36	\$2,422,122

Primary	\$800,000	Term	360
Int Rate	7.95%	DCR	1.08

Secondary	\$3,098,573	Term	
Int Rate	0.00%	Subtotal DCR	1.08

Additional	\$0	Term	
Int Rate		Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$68,945
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$6,895

Primary	\$786,740	Term	360
Int Rate	7.95%	DCR	1.10

Secondary	\$3,098,573	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$287,047	\$295,658	\$304,528	\$313,664	\$323,074	\$374,531	\$434,184	\$503,338	\$676,444
Secondary Income		9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income: (descr		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		296,167	305,052	314,203	323,629	333,338	386,430	447,979	519,330	697,936
Vacancy & Collection Loss		(22,213)	(22,879)	(23,565)	(24,272)	(25,000)	(28,982)	(33,598)	(38,950)	(52,345)
Employee or Other Non-Rental		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$273,954	\$282,173	\$290,638	\$299,357	\$308,338	\$357,448	\$414,380	\$480,380	\$645,591
EXPENSES at 4.00%										
General & Administrative		\$13,452	\$13,990	\$14,550	\$15,132	\$15,737	\$19,146	\$23,295	\$28,341	\$41,952
Management		21,513	22,158	22,823	23,507	24,213	28,069	32,540	37,722	50,696
Payroll & Payroll Tax		32,564	33,866	35,221	36,630	38,095	46,348	56,390	68,607	101,555
Repairs & Maintenance		26,605	27,669	28,776	29,927	31,124	37,867	46,071	56,052	82,971
Utilities		12,749	13,259	13,790	14,341	14,915	18,146	22,078	26,861	39,761
Water, Sewer & Trash		32,476	33,775	35,126	36,531	37,992	46,223	56,238	68,422	101,281
Insurance		10,618	11,042	11,484	11,943	12,421	15,112	18,386	22,370	33,113
Property Tax		27,613	29,660	31,826	34,118	36,542	45,749	55,660	67,719	100,241
Reserve for Replacements		15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other		5,325	5,538	5,760	5,990	6,229	7,579	9,221	11,219	16,607
TOTAL EXPENSES		\$198,114	\$206,765	\$215,794	\$225,217	\$235,050	\$285,874	\$346,199	\$419,337	\$615,579
NET OPERATING INCOME		\$75,840	\$75,407	\$74,844	\$74,140	\$73,288	\$71,574	\$68,181	\$61,043	\$30,012
DEBT SERVICE										
First Lien Financing		\$68,945	\$68,945	\$68,945	\$68,945	\$68,945	\$68,945	\$68,945	\$68,945	\$68,945
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$6,895	\$6,462	\$5,899	\$5,195	\$4,343	\$2,629	(\$764)	(\$7,902)	(\$38,933)
DEBT COVERAGE RATIO		1.10	1.09	1.09	1.08	1.06	1.04	0.99	0.89	0.44

LIHTC Allocation Calculation - Brownwood Retirement Village, Brownwood,

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$88,251	\$88,251		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$387,500	\$387,500	\$387,500	\$387,500
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$2,216,375	\$2,422,122	\$2,216,375	\$2,422,122
(4) Contractor Fees & General Requirements				
Contractor overhead	\$50,477	\$50,477	\$50,477	\$50,477
Contractor profit	\$151,432	\$151,432	\$151,432	\$151,432
General requirements	\$151,432	\$151,432	\$151,432	\$151,432
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$168,500	\$168,500	\$168,500	\$168,500
(7) Eligible Financing Fees				
	\$121,500	\$121,500	\$121,500	\$121,500
(8) All Ineligible Costs				
	\$53,608	\$53,608		
(9) Developer Fees			\$487,082	
Developer overhead		\$39,097		\$39,097
Developer fee	\$487,982	\$448,885		\$448,885
(10) Development Reserves				
	\$95,000	\$95,000		
TOTAL DEVELOPMENT COSTS	\$3,972,057	\$4,177,804	\$3,734,298	\$3,940,945

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$3,734,298	\$3,940,945
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$4,854,588	\$5,123,228
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$4,854,588	\$5,123,228
Applicable Percentage			8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			\$409,727	\$432,400

Syndication Proceeds 0.7749 \$3,175,068 \$3,350,768

TDHCA #

02046

Region 2

**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: **Colony Park Apartments, I & II**TDHCA #: **02046****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 2 LIHTC Primary Set Aside: R
 Site Address: 500 W. Sadosa Additional Elderly Set Aside
 City: Eastland Purpose / Activity: ACQ/R
 County: Eastland Development Type: Family
 Zip Code: 76448 TTC DDA QCT

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

Special Needs: 5 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Eastland Rental Housing Services, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
SumTex Partners, Inc.	W. Joseph Chamy	42 %
SumTex Partners, Inc.	Judy Chamy	58 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$53,565** Allocation over 10 Years: \$535,650
 Credits Requested: \$52,470 Eligible Basis Amount: \$53,565 Equity/Gap Amount: \$58,841

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	10	18	0	0	0	28
40%	0	3	4	0	0	0	7
50%	0	9	19	0	0	0	28
60%	0	2	3	0	0	0	5
MR	0	0	0	0	0	0	0
Total	0	24	44	0	0	0	

BUILDING INFORMATION

Total Development Cost: **\$1,582,146**
 Gross Building Square Feet: 51,082
 Total NRA SF: 50,432
 Gross/Net Rentable: 1.01
 Average Square Feet/Unit: 742
 Cost Per Net Rentable Square Foot: \$31.37
 Credits per Low Income Unit: \$788

Total LI Units: 68
 Owner/Employee Units: 0
 Total Project Units: 68
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$226,573
 Total Expenses: \$168,872
 Net Operating Income: \$57,701
 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: Valcrest Investments, Inc. Market Analyst: Ipser & Associates
 Housing GC: Compass Point Development Co. Originator/UW: NA
 Infrastructure GC: NA Appraiser: TX RD
 Cost Estimator: Compass Point Development Co. Attorney: Nick Acuff
 Architect: Vaughn Architects Plus Supp Services: Consumer Credit Counseling Services of Dallas
 Property Manager: J.A.C. Inc. dba Integra-Peak Mgmt. Accountant: Baggett, Drews & Adams
 Engineer: Soil Tech Engineering
 Syndicator: Texas Housing Finance Corporation Permanent Lender: Texas Rural Development-USDA

DEPARTMENT EVALUATION

Points Awarded: 157 Site Review: Excellent 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: Jerry Matthews, Mayor, S	Brad Stephenson, Eastland County Judge, S
TX Rep.: Jim Keffer, Dist. 60 S	
TX Sen.: David Sibley, Dist. 22	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment from TxRD reflecting an unpaid principal balance of \$136,911 on Colony Park I and \$356,160 on Colony Park II with a restructured amortization period and loan term of 30 years at a rate of 1%, or an alternative financing structure acceptable.

Receipt, review, and acceptance of an approved USDA/RD complete budget for the property.

Receipt, review, and acceptance of a third party scope of rehabilitation scope of work/needs assessment.

Receipt, review, and acceptance of a floodplain map with the site clearly identified.

Should the USDA/RD budget or loan form be different than those used in the Underwriting analysis a re-evaluation of the conditions and recommendations above should be conducted by the Underwriter.

Alternate Recommendation:

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

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

Comment: This development is in the TxRD Set Aside. Because the TxRD Set Aside is undersubscribed it is necessary that all TxRD Developments recommended by Underwriting be recommended to the Board. This development was also one of the higher scoring developments in the Rural Set Aside statewide.

_____ 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:

_____ Michael E. Jones, Chairman of the Board	_____ Date
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Compliance Status Summary

Project ID #: 02046

LIHTC 9% LIHTC 4%

Project Name: Colony Park Apartments I and II

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

reviewed 12 # not yet monitored or pending review 1

of projects grouped by score 0-9: 12 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/15/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 04/29/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments: 536263- monitoring review not applicable
539099, 536288- reviewed, no unresolved issues
538622- monitoring review pending

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

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by 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
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 68 **# Rental Buildings:** 17 **# Common Area Bldgs:** 1 **# of Floors:** 1 **Age:** 27 yrs **Vacant:** 6 at 02/01/2002

Number	Bedrooms	Bathroom	Size in SF
24	1	1	642
44	2	1	796

Net Rentable SF: 50,432 **Av Un SF:** 742 **Common Area SF:** 650 **Gross Bldg SF:** 51,082

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 60% masonry/brick veneer/40% plywood siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

650 SF laundry/office and an equipped children's play area

Uncovered Parking: 102 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

Source: Texas Rural Development-USDA **Contact:** Gene Pavlat

Principal Amount: \$493,103.59 as of 4/19/2002 **Interest Rate:** 6.125% subsidized to 1%

Additional Information: Existing Loan to be Assumed; Originally \$324,000 in 1977 and \$726,000 in 1979

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

Annual Payment: \$31,884 **Lien Priority:** 1st

LIHTC SYNDICATION

Source: Texas Housing Finance Corporation **Contact:** Jana Cormier

Address: 1145 West 5th Street, Suite 100 **City:** Austin

State: TX **Zip:** 78703 **Phone:** (512) 469-9059 **Fax:** (512) 469-9864

Net Proceeds: \$384,360 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 74¢

Commitment: None Firm Conditional **Date:** 2/20/2002

Additional Information: Commitment letter reflects proceeds of \$384,360 based on credits of \$524,700

APPLICANT EQUITY

Amount: \$9,165 **Source:** Deferred developer fee

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

VALUATION INFORMATION							
APPRAISED VALUE							
	<u>Colony Park I</u>	<u>Colony Park II</u>	<u>Total</u>	Date of Valuation:	<u>2/</u>	<u>27/</u>	<u>2002</u>
Land Only:	\$ 23,200	\$ 34,700	\$ 57,900	Date of Valuation:	<u>2/</u>	<u>27/</u>	<u>2002</u>
Existing Building & land: as is	\$237,000	\$827,000	\$1,064,000	Date of Valuation:	<u>2/</u>	<u>27/</u>	<u>2002</u>
RD Market Value as renovated			\$1,790,000	Date of Valuation:	<u>2/</u>	<u>27/</u>	<u>2002</u>
Appraiser:	<u>Jerry Sherrill</u>	City:	<u>Arlington</u>	Phone:	<u>(817)</u>	<u>557-1791</u>	
ASSESSED VALUE							
Land:	<u>\$40,670</u>	Assessment for the Year of:	<u>2001</u>				
Building:	<u>\$492,940</u>	Valuation by:	<u>Eastland County Appraisal District</u>				
Total Assessed Value:	<u>\$533,610</u>	Tax Rate:	<u>2.68582</u>				

EVIDENCE of SITE or PROPERTY CONTROL								
Type of Site Control:	<u>Purchase Option</u>							
Contract Expiration Date:	<u>10/</u>	<u>2/</u>	<u>2002</u>	Anticipated Closing Date:	<u>10/</u>	<u>2/</u>	<u>2002</u>	
Acquisition Cost:	<u>\$ 493,105.59</u>	Other Terms/Conditions:	<u>\$20 total option fees; Acquisition price is based on loan balance amounts plus \$1</u>					
Seller:	<u>Colony Park Apartments I, Ltd. and Colony Park Apartments II, Ltd.</u>						Related to Development Team Member:	<u>No</u>

REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION
<p>Description: Colony Park Apartments I & II is a proposed acquisition and rehabilitation development of 68 units of affordable income housing located in southwest Eastland. The development was built in 1975 and is comprised of 17 residential buildings as follows:</p> <ul style="list-style-type: none"> • (6) Building Type A with four one-bedroom units; • (11) Building Type B with four two- bedroom units; <p>Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with a 650-square foot laundry and office building located near the center.</p> <p>Existing Subsidies: The Applicant also plans to assume an existing USDA Rural Development Section 515 loan and will be subject to income and rent restrictions under that program. Furthermore, the development is expected to maintain rental assistance from USDA for 39 of the 68 units.</p> <p>Development Plan: As of February of 2002, the buildings are 92% occupied with four units not in a condition to lease. Another four vacancies from normal turnover will give the developer a total of eight units to rehabilitate, continuing sequentially until all units are rehabilitated. In the interim, outside work will also be proceeding. The rehabilitation will be phased to minimize displacement of current residents.</p> <p>Supportive Services: The Applicant has contracted with Consumer Credit Counseling Service of Greater Dallas, Inc. to provide the following supportive services to tenants: provide one financial seminar entitled "Dollars & Sense" per year covering money management, budgeting, saving, spending, credit reports, credit cards, credit bureaus and associated topics. These services will be provided at no cost to tenants. The contract requires the Applicant to provide facilities for provision of the services. The Applicant has agreed to pay \$995 per year for these support services.</p> <p>Schedule: The Applicant anticipates construction to begin in January of 2003, to be completed in December of 2003, to be placed in service in December of 2003, and to be substantially leased-up in December of 2003.</p>
POPULATIONS TARGETED

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 68 of the units (100% of the total) will be reserved for low-income tenants. 28 units (41%) will be reserved for households earning 30% or less of AMGI, 7 units (10%) will be reserved for households earning 40% or less of AMGI, 28 units (41%) will be reserved for households earning 50% or less of AMGI and 5 units (7%) will be reserved for households earning 60% or less of AMGI. In addition, 24 units will be designated as low HOME units and five units will be designated as high HOME units. All of the units also have rents restrictions under the USDA-RD program.

Special Needs Set-Asides: Five units (7%) 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 2002 and prepared by Ipser & Associates, Inc. highlighted the following findings:

Definition of Market/Submarket: “The primary market area is defined as Eastland, plus the surrounding area in the Eastland County Census Division (CCD).” (p. 3-1)

Total Local/Submarket Demand for Rental Units: “The housing demand analysis, based on population and housing growth in the county, indicates a net demand for 29 rental housing units between 2001 and 2003, or about 15 units per year. This demand is based on the conservative population and household growth projections, plus need for replacement of substandard housing. Prospective tenants for the renovated RD-USDA project in Eastland would come from some of the older single family rental housing. Among the primary sources of prospective tenants are the few families on the waiting list at the subject; this list can be expected to grow as the renovation progresses.” (p. 1-8)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	0	0%
Resident Turnover	98	90%
Other Sources	10	10%
TOTAL ANNUAL DEMAND	108	100%

Ref: p. 2-1

Capture Rate: The Underwriter calculated a concentration capture rate of 63% based upon total demand of 108 units. This is within the 100% limit for rural developments. Moreover, as a 92% leased development currently its absorption impact is minimal and therefore concentration capture is not a relevant risk.

Local Housing Authority Waiting List Information: “Overall, waiting lists were reported at 10 of the 13 multi-family apartment complexes, for a total of 68 names. Approximately 5 of the 6 locations in Eastland have a waiting list (a total of 16 names).” (p. 1-9)

Market Rent Comparables: The market analyst surveyed two comparable apartment projects totaling 72 units in the market area. (p. 5-1)

RENT ANALYSIS (net tenant-paid rents)							
Unit Type (% AMI)	Proposed	Basic	Dif.	Prg. Max	Dif.	Mkt.	Dif.
Phase I 1-Bed (30%)	\$265	251	+\$14	\$173	+\$92	\$313	-\$48
Phase II 1-Bed (30%)	\$280	266	+\$14	\$173	+\$92	\$313	-\$33
Phase II 1-Bed (40%)	\$280	266	+\$14	\$241	-\$64	\$313	-\$33
Phase I 1-Bed (50%)	\$265	266	-\$1	LH \$334	-\$69	\$313	-\$48
Phase II 1-Bed (50%)	\$280	266	+\$14	LH \$334	-\$54	\$313	-\$33
Phase II 1-Bed (60%)	\$280	266	+\$14	HH\$334	-\$54	\$313	-\$33

Unit Type (% AMI)	Proposed	Basic	Dif.	Prg. Max	Dif.	Mkt.	Dif.
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TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Phase I 2-Bed (30%)	\$317	301	+\$16	\$205	+\$112	\$393	-\$76
Phase II 2-Bed (30%)	\$325	309	+\$16	\$205	+\$120	\$393	-\$68
Phase I 2-Bed (40%)	\$317	301	+\$16	\$287	+\$30	\$393	-\$76
Phase II 2-Bed (40%)	\$325	309	+\$16	\$287	+\$38	\$393	-\$68
Phase I 2-Bed (50%)	\$317	301	+\$16	LH \$364	-\$47	\$393	-\$76
Phase II 2-Bed (50%)	\$325	309	+\$16	\$368	-\$43	\$393	-\$68
Phase II 2-Bed (60%)	\$325	309	+\$16	HH \$364	-\$39	\$393	-\$68

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

The basic rents are those reflected in the latest rent roll.

Submarket Vacancy Rates: “Occupancy is high among the 162 RD-USDA units, with 6 locations reporting an overall occupancy rate of 93.8% and 94.4% leased, which increases to 97.4% and 98.1% leased after omitting 6 off-line units (5 of which are at the subject).” (p. 1-9)

Absorption Projections: “The proposed project is a rehabilitation that will be done a building or a unit at a time, this, the project will not be vacated. Renovations will generally be completed as units are vacated through turnover.” (p. 1-9)

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

An appraisal was conducted by Jerry Sherrill of Sherrill & Associates and dated February 27, 2002. The Appraiser’s estimates appear to be well reasoned and acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Eastland is located in northern Texas, approximately 45 miles east from Abilene in Eastland County. The site is a rectangularly-shaped parcel located in the southwest area of Eastland, approximately one-half mile from the central business district. The site is situated on the south side of West Sadosa Street.

Population: The estimated 2002 population of Eastland County was 18,287 and is expected not to increase by 2004. Within the primary market area there were estimated to be 7,321 households in 2002.

Adjacent Land Uses: The existing project is essentially surrounded by single family homes of modest value and generally well maintained.

Site Access: Access to the property is from the north or south from West Sadosa Street. The project has one main entry from the east. Access to Interstate Highway 20 is two miles south, which provides connections to Abilene to the west where there are malls and large department stores, or east to Fort Worth.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within three-quarters of a mile to a Brookshire supermarket and three-quarters of a mile from Main Street where there are convenience stores. Schools, churches, and hospitals are located within a short driving distance from the site.

Site Inspection Findings: The site was inspected by a TDHCA staff member on April 18, 2002 and found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report but are required to adhere to all environmental rules for federally funded developments.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are higher than the maximum rents allowed under TxRD guidelines (the basic rents). At the time of application, the Applicant did not use the existing basic rents in the rent schedule. The basic rents from the last formal USDA document are \$240 and \$239 for the one-bedroom units and \$297 and \$283 for the two-bedroom units. However a more recent rent roll reflects higher basic rents that were used in this analysis. Typically only a single rent is allowed per bedroom size, but since this development represents the combination of two existing properties, two basic rents for each bedroom size

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

exists. The Applicant proposes to increase the basic rents to \$265 and \$280 for the one-bedroom units and to \$317 and \$325 for the two-bedroom units. Tax credit rules allow the total rent collected to exceed the maximum tax credit rent for a unit as long as the tenant still income qualifies for the unit and is not paying over the maximum tax credit rent and the source of the higher rent collected is a federal project based rental subsidy. HOME rules also allow the low HOME rents to exceed the 50% rent limit in a similar manner but the high HOME rents collected cannot be exceeded even with a project based subsidy. Since the USDA requires that only one rent be charged per bedroom size and some of both bedroom sizes will be designated as high HOME units, the high HOME rent provides a maximum rent that can be collected. The FMR net rent is \$304 for one-bedroom units and \$364 for two-bedroom units. These rents are higher than the current USDA basic rents for the property based upon a February 2002 rent roll. The one-bedroom basic rent is \$251 for units in phase I and \$266 for units in phase II. The basic rents exceed the maximum 30% or 40% tax credit rent for 35 of the units but as long as these units are the designated rental assistance (project base USDA rent subsidy) this is acceptable. Since the basic rents are less than the remaining LIHTC and HOME rents the basic rents from the rent roll were used by the Underwriter to establish the rent schedule. As a result, the Underwriter has used rents of \$251 for the eight one-bedroom units in phase I and \$266 for the 16 units in phase II. The Underwriter used \$301 for the two-bedroom units in phase I and \$309 for the 28 two-bedroom units in phase II. This resulted in a \$12K over estimate of the potential gross rent by the Applicant based on the higher proposed rents. The Applicant provided no documentation that these rents have been proposed or accepted by USDA and they will review any such proposal along with the Applicant's revised budget. Should the proposed rents be approved this analysis and the conclusions herein should be re-evaluated. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$2,428 per unit is \$4K or 2% lower than the TDHCA database-derived estimate of \$2,483 per unit for comparably-sized projects. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the Underwriter's estimate, particularly: general and administrative (\$13.5K lower), and repairs and maintenance (\$9.9K higher).

Conclusion: The Applicant's estimated income 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 estimate will be used to evaluate the development's debt service capacity.

The Underwriter's estimated debt coverage ratio (DCR) of 1.25 is within the program guidelines of 1.10 to 1.25. However if the HOME loan is reduced the interest rate on the HOME loan may need to be adjusted upward to reduce the DCR to not more than 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The land cost of \$20K included in the Applicant's cost breakdown is low compared to the appraised value of \$57,900. The tax assessed value for the land-only was \$40,670. The indicated total acquisition price of \$506,000 is also low compared to the appraised value of \$1,064,000 and low even compared to the tax-assessed value of \$533,610. However the sales contract indicates that the sales price will be based upon the lesser of the current outstanding loan amount or the appraised value in order to comply with USDA regulations when new loan terms are being considered. According to the USDA documentation provided, approximately \$493,103.59 remains to be paid-off on the two existing loans. Therefore this amount was used by the Underwriter to establish the acquisition price. The full appraised value of the land was reduced from this amount by the Underwriter to determine a slightly lower eligible basis from acquisition.

Sitework Cost: The Applicant's claimed sitework costs of \$3,326 per unit are low due to the fact that this is a multifamily rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$5,882 per unit suggests a minimal rehabilitation but combined with the sitework cost is above the minimum acceptable level. However, the Applicant's work write up was provided by Mr. Chamy through the contractor which he is the 100% owner, while the QAP requires such a work write-up to be provided by a third party. Therefore receipt, review and acceptance of a work write up for the development signed by a third-party engineer, architect or general contractor is a condition of this report.

Ineligible Costs: The Applicant incorrectly included \$2,000 in marketing, as an eligible cost; the Underwriter moved this fee to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

basis.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are below the maximums allowed by TDHCA guidelines for the rehabilitation portion of the eligible basis. However, with the reduction in eligible acquisition cost the developer fee for this activity exceeds the 15% limit slightly and must be reduced.

Conclusion: In a rehabilitation development the extent of the Underwriter's ability to verify lost is a comparison of the Applicant provided work write-up and the Applicant provided project cost schedule. Therefore, the differences between the Underwriter's total cost estimate/eligible basis and the Applicant's are general only adjustments to the Applicant's estimate due to misallocation. Thus even though the Applicant's costs are within 5% of the Underwriter's estimate the Underwriter's estimate will be used as it is the same as the Applicant's adjusted estimate. The result is that the annual tax credit recommended is \$1,095 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.50% rather than the 3.67% underwriting rate used for developments which made application in the 2002 funding cycle.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: two existing TxRD loans that they anticipate assuming, a HOME loan, syndicated LIHTC equity, and deferred developer's fees.

Permanent Financing: The Applicant has requested permanent mortgage financing from TDHCA/Home Funds in the form of a 30-year term loan of \$703,420 at an interest rate of 1%. Due to the limited amount of HOME funds available, the Executive Director, with concurrence from the Executive Award and Review Advisory Committee, has reduced HOME application awards by 10%. The total funds requested is \$2.2 million, however, only \$2 million is available to award. Therefore, a 10% reduction will be applied to all HOME application awards. In this case the HOME award will be reduced to \$633,078. The Applicant's home loan request is within the HUD 221(d)(3) HOME subsidy limit of \$3,145,032. The Applicant requested a 1% rate over a 30-year term and amortization. Due to the reduction in the loan amount the DCR exceeds 1.25 at the requested interest rate. Therefore the Underwriter recommends the rate be adjusted upward to not less than 1.95%.

The second form of permanent financing will be provided by assuming two existing TxRD loans at approximately \$493,103.59 combined at an interest rate of 6.125% subsidized to 1% with a remaining term of 30 years.

LIHTC Syndication: Texas Housing Finance Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$384,360 based on a syndication factor of 74%. This is less than the minimum syndication rate guideline for this application cycle of 75% and therefore should be adjusted upward to reflect a more realistic rate. The funds would be disbursed in a six-phased pay-in schedule:

1. 25% upon closing;
2. 30% upon during construction;
3. 25% upon construction completion;
4. 15% upon stabilization;
5. 3% upon receipt of 8609;
6. 2% upon receipt of K-1.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$9,165 amount to 5% of the total proposed fees. However, as a result of the 10% reduction in the requested HOME funds somewhat offset by the higher minimum syndication rate the Applicant would need to defer \$54,263 in developer fees. This is \$45,098 more than originally estimated by the Applicant but represents only 28% of the eligible developer fee. This deferred developer fee appears to be repayable within 5 years of the stabilized operations.

Financing Conclusions: Based on the Underwriter's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$53,565 annually for ten years, resulting in syndication proceeds of approximately \$401,700. The Applicant initially anticipated the need to defer \$9,165 in developer fee, but based on the Underwriter's analysis, it is anticipated that this will be increased by \$45,098. The development can support the proposed first lien debt and a decreased HOME loan of \$633,078 at an interest rate increased

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

to 1.75% and a 30 year amortization and still provide a 1.25 debt coverage ratio (DCR). The HOME award amount is well below the 221(d)(3) limits for this development.

Return on Equity: Since the Applicant is projected to use LIHTC equity funds for this development a cash-on-cash rate of return on equity is misleading. Subsidy layering in this case is addressed through debt coverage limitations and will effectively be monitored through USDA by their limitations or owners return.

REVIEW of ARCHITECTURAL DESIGN

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

IDENTITIES of INTEREST

Mr. Joe Chamy the 42% owner of the managing general partner, SumTex Partners, Inc. also owns the developer, general contractor and management agent. These are common relationships for LIHTC funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, SumTex Partners, Inc., submitted an unaudited financial statement as of February 18, 2002 reporting total assets of \$168K consisting of \$28K in cash and \$140K in real property with no liabilities, resulting in a net worth of \$168K.
- The Developer, Valcrest Investments, Inc., submitted an unaudited financial statement as of February 18, 2002 reporting total assets of \$2.4M and consisting of \$59K in cash, \$75 in receivables and \$2.2M in real property. Liabilities totaled \$2M, resulting in a net worth of \$400K.
- The Contractor, Compass Point Development Company Inc., submitted an unaudited financial statement as of February 18, 2002 reporting total assets of \$29K consisting of cash with no liabilities, resulting in a net worth of \$29K.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner and Developer/Contractor, Mr. Joe Chamy, has completed 17 LIHTC/affordable housing projects totaling 532 units since 1984.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- 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 \$53,565 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$633,078, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1.75% INTEREST, SUBJECT TO CONDITIONS.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of a revised permanent loan commitment from TxRD reflecting a unpaid principal balance of \$136,911 on Colony Park I and \$356,160 on Colony Park II with a restructured amortization period and loan term of 30 years at a rate of 1%;
3. Receipt, review and acceptance of an approved USDA/RD complete budget for the property;
4. Receipt, review, and acceptance of a third party scope of rehabilitation scope of work/needs assessment;
5. Receipt, review and acceptance of a floodplain map with the site clearly identified; and
6. Should the USDA/RD budget or loan form be different than those used in the Underwriting analysis a re-evaluation of the conditions and recommendations above should be conducted by the Underwriter.

Associate Underwriter:	<hr/> <i>Carl Hoover</i>	Date: <u>June 10, 2002</u>
Credit Underwriting Supervisor:	<hr/> <i>Lisa Vecchietti</i>	Date: <u>June 10, 2002</u>
Director of Credit Underwriting:	<hr/> <i>Tom Gouris</i>	Date: <u>June 10, 2002</u>

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Colony Park Apartments I & II, Eastland, LIHTC #02046

Type of Unit*	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC (30%)	8	1	1	642	\$203	\$251	\$2,008	\$0.39	\$30.00	\$9.00
>TC (30%)	2	1	1	642	203	266	532	0.41	30.00	9.00
>TC (40%)	3	1	1	642	271	266	798	0.41	30.00	9.00
<TC (50%)/LH	9	1	1	642	334	266	2,394	0.41	30.00	9.00
<TC (60%)/HH	2	1	1	642	334	266	532	0.41	30.00	9.00
>TC (30%)	16	2	1	796	243	301	4,816	0.38	38.00	10.00
>TC (30%)	2	2	1	796	243	309	618	0.39	38.00	10.00
>TC (40%)	4	2	1	796	325	309	1,236	0.39	38.00	10.00
<TC (50%)/LH	15	2	1	796	402	309	4,635	0.39	38.00	10.00
<TC (50%)	4	2	1	796	406	309	1,236	0.39	38.00	10.00
<TC (60%)/HH	3	2	1	796	402	309	927	0.39	38.00	10.00
TOTAL:	68		AVERAGE:	742	\$310	\$290	\$19,732	\$0.39	\$35.18	\$9.65

*If all units are HOME units 14 must be Low HOME, Gross rent limits based upon FMR, however only those listed above were indicated in the application as HOME units
 The existing Basic USDA rents are \$251 and \$266 for the one-bedroom units and \$301 and \$309 for Phase I and II respectively per the current rent roll. The project has 39 rental assistance

INCOME Total Net Rentable Sq Ft: **50,432**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00
 Other Support Income: Vending

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	8.74%	\$291	\$0.39
Management	9.67%	322	0.43
Payroll & Payroll Tax	14.59%	486	0.66
Repairs & Maintenance	10.89%	363	0.49
Utilities	3.23%	108	0.15
Water, Sewer, & Trash	7.23%	241	0.32
Property Insurance	4.45%	148	0.20
Property Tax 2.68582	5.84%	195	0.26
Reserve for Replacements	9.00%	300	0.40
Other Expenses: Compl. Fee/Supp. Ser	0.89%	30	0.04
TOTAL EXPENSES	74.53%	\$2,483	\$3.35
NET OPERATING INC	25.47%	\$849	\$1.14

DEBT SERVICE

Texas Rural Development-USDA	8.40%	\$280	\$0.38
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00
TDHCA-Home	11.98%	\$399	\$0.54
NET CASH FLOW	5.08%	\$169	\$0.23

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		31.17%	\$7,252	\$9.78
Off-Sites		0.00%	0	0.00
Sitework		14.29%	3,326	4.48
Direct Construction		25.28%	5,882	7.93
Contingency	3.99%	1.58%	368	0.50
General Requireme	5.48%	2.17%	504	0.68
Contractor's G & .	1.83%	0.72%	168	0.23
Contractor's Prof	5.48%	2.17%	504	0.68
Indirect Construction		5.92%	1,378	1.86
Ineligible Expenses		0.61%	143	0.19
Developer's G & A	2.00%	1.60%	373	0.50
Developer's Profit	13.00%	10.43%	2,426	3.27
Interim Financing		0.58%	134	0.18
Reserves		3.48%	809	1.09
TOTAL COST		100.00%	\$23,267	\$31.37

Recap-Hard Construction Costs 46.21% **\$10,752** **\$14.50**

SOURCES OF FUNDS

Texas Rural Development-USDA	31.16%	\$7,251	\$9.78
LIHTC Syndication Proceeds	24.29%	\$5,652	\$7.62
TDHCA-Home	44.46%	\$10,344	\$13.95
Deferred Developer Fees	0.58%	\$135	\$0.18
Additional (excess) Funds Require	-0.50%	(\$116)	(\$0.16)
TOTAL SOURCES			

	TDHCA	APPLICANT			
	\$236,784	\$249,264			
	8,160	8,160	\$10.00	Per Unit Per Month	
	0				
	\$244,944	\$257,424			
	(18,371)	(19,308)	-7.50%	of Potential Gross Rent	
	0				
	\$226,573	\$238,116			
			PER SQ FT	PER UNIT	% OF EGI
	\$19,804	\$6,300	\$0.12	\$93	2.65%
	21,912	22,889	0.45	337	9.61%
	33,046	31,552	0.63	464	13.25%
	24,665	34,631	0.69	509	14.54%
	7,320	6,000	0.12	88	2.52%
	16,385	15,075	0.30	222	6.33%
	10,086	11,893	0.24	175	4.99%
	13,239	14,328	0.28	211	6.02%
	20,400	20,400	0.40	300	8.57%
	2,015	2,015	0.04	30	0.85%
	\$168,872	\$165,083	\$3.27	\$2,428	69.33%
	\$57,701	\$73,033	\$1.45	\$1,074	30.67%
	\$19,031	\$59,036	\$1.17	\$868	24.79%
	0		\$0.00	\$0	0.00%
	27,150		\$0.00	\$0	0.00%
	\$11,520	\$13,997	\$0.28	\$206	5.88%
	1.25	1.24			
	1.25				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$493,106	\$506,000	\$10.03	\$7,441	31.69%
	0	0	0.00	0	0.00%
	226,135	226,135	4.48	3,326	14.16%
	400,000	400,000	7.93	5,882	25.05%
	25,000	25,000	0.50	368	1.57%
	34,300	34,300	0.68	504	2.15%
	11,430	11,430	0.23	168	0.72%
	34,300	34,300	0.68	504	2.15%
	93,700	93,700	1.86	1,378	5.87%
	9,700	9,700	0.19	143	0.61%
	25,383		0.00	0	0.00%
	164,992	192,280	3.81	2,828	12.04%
	9,100	9,100	0.18	134	0.57%
	55,000	55,000	1.09	809	3.44%
	\$1,582,146	\$1,596,945	\$31.67	\$23,484	100.00%

	TDHCA	APPLICANT	RECOMMENDED
	\$493,071	\$493,071	\$493,106
	384,360	384,360	401,700
	703,420	703,420	633,078
	9,165	9,165	54,263
	(7,870)	6,929	0
	\$1,582,146	\$1,596,945	\$1,582,146

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Colony Park Apartments I & II, Eastland, LIHTC #02046

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook

PAYMENT COMPUTATION

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

Primary	\$493,071	Term	360
Int Rate	1.00%	DCR	3.03

Secondary		Term	
Int Rate		Subtotal DCR	3.03

Additional	\$703,420	Term	360
Int Rate	1.00%	Aggregate DCR	1.25

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	\$19,032
Secondary Debt Service	0
Additional Debt Service	27,140
NET CASH FLOW	\$11,529

Primary	\$493,106	Term	360
Int Rate	1.00%	DCR	3.03

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	3.03

Additional	\$633,078	Term	360
Int Rate	1.75%	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	\$236,784	\$243,888	\$251,204	\$258,740	\$266,502	\$308,949	\$358,157	\$415,202	\$557,997
Secondary Income	8,160	8,405	8,657	8,917	9,184	10,647	12,343	14,309	19,230
Other Support Income: Vendi	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	244,944	252,292	259,861	267,657	275,687	319,596	370,500	429,511	577,227
Vacancy & Collection Loss	(18,371)	(18,922)	(19,490)	(20,074)	(20,676)	(23,970)	(27,787)	(32,213)	(43,292)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$226,573	\$233,370	\$240,372	\$247,583	\$255,010	\$295,627	\$342,712	\$397,297	\$533,935
EXPENSES at 4.00%									
General & Administrative	\$19,804	\$20,596	\$21,420	\$22,276	\$23,167	\$28,187	\$34,294	\$41,723	\$61,761
Management	21,912	22,569	23,246	23,944	24,662	28,590	33,144	38,423	51,637
Payroll & Payroll Tax	33,046	34,368	35,743	37,172	38,659	47,035	57,225	69,623	103,060
Repairs & Maintenance	24,665	25,652	26,678	27,745	28,855	35,106	42,712	51,966	76,922
Utilities	7,320	7,612	7,917	8,233	8,563	10,418	12,675	15,421	22,827
Water, Sewer & Trash	16,385	17,040	17,722	18,431	19,168	23,321	28,373	34,521	51,099
Insurance	10,086	10,490	10,909	11,346	11,800	14,356	17,466	21,251	31,456
Property Tax	13,239	13,769	14,320	14,893	15,488	18,844	22,926	27,894	41,289
Reserve for Replacements	20,400	21,216	22,065	22,947	23,865	29,036	35,326	42,980	63,620
Other	2,015	2,096	2,179	2,267	2,357	2,868	3,489	4,245	6,284
TOTAL EXPENSES	\$168,872	\$175,408	\$182,199	\$189,254	\$196,585	\$237,760	\$287,631	\$348,046	\$509,955
NET OPERATING INCOME	\$57,701	\$57,962	\$58,173	\$58,329	\$58,425	\$57,866	\$55,081	\$49,252	\$23,980
DEBT SERVICE									
First Lien Financing	\$19,032	\$19,032	\$19,032	\$19,032	\$19,032	\$19,032	\$19,032	\$19,032	\$19,032
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	27,140	27,140	27,140	27,140	27,140	27,140	27,140	27,140	27,140
NET CASH FLOW	\$11,529	\$11,791	\$12,001	\$12,157	\$12,254	\$11,694	\$8,909	\$3,080	(\$22,192)
DEBT COVERAGE RATIO	1.25	1.26	1.26	1.26	1.27	1.25	1.19	1.07	0.52
						11,974	10,302	5,995	-9,556

LIHTC Allocation Calculation - Colony Park Apartments I & II, Eastland, LIHTC #02046

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$26,000	\$57,900				
Purchase of buildings	\$480,000	\$435,206	\$480,000	\$435,206		
(2) Rehabilitation/New Construction Cost						
On-site work	\$226,135	\$226,135			\$226,135	\$226,135
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	\$400,000	\$400,000			\$400,000	\$400,000
(4) Contractor Fees & General Requirements						
Contractor overhead	\$11,430	\$11,430			\$11,430	\$11,430
Contractor profit	\$34,300	\$34,300			\$34,300	\$34,300
General requirements	\$34,300	\$34,300			\$34,300	\$34,300
(5) Contingencies	\$25,000	\$25,000			\$25,000	\$25,000
(6) Eligible Indirect Fees	\$93,700	\$93,700			\$93,700	\$93,700
(7) Eligible Financing Fees	\$9,100	\$9,100			\$9,100	\$9,100
(8) All Ineligible Costs	\$9,700	\$9,700				
(9) Developer Fees			\$72,000	\$65,281		
Developer overhead		\$25,383				\$25,383
Developer fee	\$192,280	\$164,992			\$120,280	\$99,711
(10) Development Reserves	\$55,000	\$55,000				
TOTAL DEVELOPMENT COSTS	\$1,596,945	\$1,582,146	\$552,000	\$500,486	\$954,245	\$959,060

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$552,000	\$500,486	\$954,245	\$959,060
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$552,000	\$500,486	\$954,245	\$959,060
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$552,000	\$500,486	\$954,245	\$959,060
Applicable Percentage			3.67%	3.67%	3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			\$20,258	\$18,368	\$35,021	\$35,197

Syndication Proceeds	0.7499	\$151,923	\$137,745	\$262,630	\$263,955
Total Credits			\$55,279	\$53,565	
Total Proceeds			\$414,552	\$401,700	

TDHCA #

02047

Region 2

**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: **Walnut Hills Apartments**TDHCA #: **02047****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 2 LIHTC Primary Set Aside: R
 Site Address: 433 Walnut Hill Dr. Additional Elderly Set Aside
 City: Baird Purpose / Activity: ACQ/R
 County: Callahan Development Type: Family
 Zip Code: 79504 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: Baird Rental Housing Services, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
SumTex Partners, Inc.	W. Joseph Chamy	42 %
SumTex Partners, Inc.	Judy Chamy	58 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$21,842** Allocation over 10 Years: \$218,420
 Credits Requested: \$22,152 Eligible Basis Amount: \$21,842 Equity/Gap Amount: \$26,250

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	2	8	0	0	0	10
40%	0	3	5	0	0	0	8
50%	0	3	3	0	0	0	6
60%	0	0	0	0	0	0	0
MR	0	0	0	0	0	0	0
Total	0	8	16	0	0	0	

Total LI Units: 24
 Owner/Employee Units: 0
 Total Project Units: 24
 Applicable Fraction: 100.00

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

BUILDING INFORMATION

Total Development Cost: **\$649,205**
 Gross Building Square Feet: 19,123
 Total NRA SF: 17,872
 Gross/Net Rentable: 1.07
 Average Square Feet/Unit: 745
 Cost Per Net Rentable Square Foot: \$36.33
 Credits per Low Income Unit: \$910

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$83,383
 Total Expenses: \$59,253
 Net Operating Income: \$24,130
 Estimated 1st Year Debt Coverage Ratio: 1.20

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Valcrest Investments, Inc.	Market Analyst: Ipser & Associates
Housing GC: Compass Point Development Co.	Originator/UW: NA
Infrastructure GC: NA	Appraiser: Foster & Company
Cost Estimator: Compass Point Development Co.	Attorney: Nick Acuff
Architect: Vaughn Architects Plus	Supp Services: NA
Property Manager: J.A.C. Inc. dba Integra-Peak Mgmt.	Accountant: Baggett, Drews & Adams
Engineer: Soil Tech Engineering	
Syndicator: Texas Housing Finance Corporation	Permanent Lender: Texas Rural Development-USDA

DEPARTMENT EVALUATION

Points Awarded: 153 Site Review: Acceptable Underwriting Finding: AC

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

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official:	
TX Rep.: Jim Keffer, Dist. 60	
TX Sen.: Troy Fraser, Dist. 24	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a work write up for the development signed by a third-party engineer, architect or general contractor is a condition of this report.

Receipt, review, and acceptance of an approved USDA/RD complete budget for the property.

Receipt, review, and acceptance of a revised permanent loan commitment from TxRD reflecting an unpaid balance of \$170,000 on the existing loan with a restructured amortization period and loan term of 30 years at a rate of 2%, or an alternative financing structure acceptable to the Department.

Should the USDA/RD budget loan terms be different than those used in the Underwriting analysis a re-evaluation of the conditions and recommendations above should be conducted by the Underwriter.

Alternate Recommendation:

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

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

Comment: This development is in the TxRD Set Aside. Because the TxRD Set Aside is undersubscribed it is necessary that all TxRD Developments recommended by Underwriting be recommended to the Board. This development was also one of the higher scoring developments in the Rural Set Aside statewide.

_____ 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:

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

Compliance Status Summary

Project ID #: 02047

LIHTC 9% LIHTC 4%

Project Name: Walnut Hills Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

reviewed 12 # not yet monitored or pending review 1

of projects grouped by score 0-9: 12 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/15/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 04/29/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments: 536263- Review not applicable, program closed
538622- Monitoring Review pending
539099- Reviewed, no issues
536288- Reviewed, no issues

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

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by 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
CREDIT UNDERWRITING ANALYSIS**

DESCRIPTION of IMPROVEMENTS

Total Units: 24 **# Rental Buildings:** 6 **# Common Area Bldgs:** 1 **# of Floors:** 1 **Age:** 24 yrs **Vacant:** 3 at 11/ 01/ 2001

Number	Bedrooms	Bathroom	Size in SF
8	1	1	642
16	2	1	796

Net Rentable SF: 17,872 **Av Un SF:** 745 **Common Area SF:** 1,251 **Gross Bldg SF** 19,123

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 60% masonry/brick veneer/40% plywood siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, fiberglass tub/shower, laminated counter tops, individual water heaters, high speed internet access

ON-SITE AMENITIES

1,251 SF community building with community room, management offices, laundry facilities, kitchen, restrooms, equipped children's play area.

Uncovered Parking: 38 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

Source: Texas Rural Development-USDA **Contact:** Gene Pavlat

Principal Amount: \$170,000 **Interest Rate:** 8.0% subsidized to 2%

Additional Information: Existing Loan to be Assumed; Originally \$ 362,900 in 1978

Amortization: 50 yrs **Term:** 50 yrs **Commitment:** None Firm Conditional

Annual Payment: \$11,028 **Lien Priority:** 1st

LIHTC SYNDICATION

Source: Texas Housing Finance Corporation **Contact:** Janna Cormier

Address: 1145 West 5th Street, Suite 100 **City:** Austin

State: TX **Zip:** 78703 **Phone:** (512) 469-9059 **Fax:** (512) 469-9864

Net Proceeds: \$154,330 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 74¢

Commitment None Firm Conditional **Date:** 2/ 20/ 2002

Additional Information: Commitment Letter reflects proceeds of \$154,330 based on credits of \$210,690

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

annual fee for the services was indicated in the contract.

Schedule: The Applicant anticipates construction to begin in January of 2003, to be completed in December of 2003, to be placed in service in December of 2003, and to be substantially leased-up in December 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. 24 units (100% of the total) will be reserved for low-income tenants. 10 units (42%) will be reserved for households earning 30% or less of AMGI, 8 units (33%) will be reserved for households earning 40% or less of AMGI, and 6 units (25%) will be reserved for households earning 50% or less of AMGI. In addition, two units will be designated as low HOME units and five units will be designated as high HOME units. All of the units also have rents restrictions under the USDA-RD program.

Special Needs Set-Asides: Two units (8%) 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 2002 and prepared by Ipser & Associates, Inc. highlighted the following findings:

Definition of Market/Submarket: “The market area for the proposed project in the City of Baird is considered to be all of Callahan County” (p. 1-7)

Total Regional Market Demand for Rental Units: “I&A estimates a conservative need for rental assisted housing in the range of 50 to 60 units based on waiting lists and existing needs in the county.” (p. 1-8)

ANNUAL INCOME-ELIGIBLE (\$11,040 to \$21,500) SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	1	3%
Resident Turnover	25	86%
Other Sources	3	10%
TOTAL ANNUAL DEMAND	29	100%

Ref: EXHIBIT 1-14

Capture Rate: The Underwriter calculated a concentration capture rate of 82% based upon total demand of 29 units. This is within the 100% limit for rural developments. Moreover as this is a rehabilitation transaction with a limited number of vacant units, its absorption impact is minimal and therefore concentration is not a relevant risk.

Local Housing Authority Waiting List Information: “Overall, waiting lists were reported at 10 of the 13 multi-family apartment complexes, for a total of 68 names” (p. 1-8)

Market Rent Comparables: The market analyst surveyed two comparable apartment developments totaling 76 units in the market area. (p. 5-1)

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

RENT ANALYSIS (net tenant-paid rents)							
Unit Type (% AMI)	Proposed	Basic*	Dif.	Prgm. Max	Dif.	Mkt.	Dif.
1-Bedroom (30%)	\$277	\$263	+\$14	\$184	+\$93	\$314	-\$37
1-Bedroom (40%)	\$277	\$263	+\$14	\$265	+\$12	\$314	-\$37
1-Bedroom (40%)	\$265	\$263	+\$2	\$265	0	\$314	-\$37
1-Bedroom (50%)	\$277	\$263	+\$14	LH/HH \$277	0	\$314	-\$37
2-Bedroom (30%)	\$339	\$323	+\$16	\$227	+\$112	\$393	-\$54
2-Bedroom (40%)	\$339	\$323	+\$16	\$324	+\$15	\$393	-\$54
2-Bedroom (50%)	\$339	\$323	+\$16	HH \$339	0	\$393	-\$54

*Maximum basic rents approved by the USDA Rural Development effective February 1, 2002.

(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)

Vacancy Rates: “The subject currently is 87.5% leased, with 3 vacancies in 24 units. There is no waiting list currently. As improvements are made at the subject, it is expected that tenants will be drawn to the complex.” (p. 1-8)

Absorption Projections: “The absorption rate is conservatively estimated at 6 to 8 units per month indicating a lease-up period about 3 months if the entire project were vacated.” (p. 1-9)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. An appraisal was conducted by Jerry Sherrill of Sherrill & Associates and dated April 23, 2002. The Appraiser provided an “as is” value of \$421,000 and a land value of \$12,800, and both appeared to be well reserved evaluations.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Baird is located in northern Texas, approximately 20 miles east of Abilene in Callahan County. The site is a rectangular-shaped parcel located in the northeast area of Baird, approximately less than a mile from the central business district. The site is situated on the east side of Walnut Street.

Population: The estimated 2000 population of Callahan County was 12,905 and is expected to increase by 2.5% to approximately 13,225 by 2005. Within the primary market area there were estimated to be 5,061 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly vacant land, older single family and apartment complexes. Adjacent land uses include:

- **North:** Vacant land
- **South:** Residential homes
- **East:** Two blocks east is U.S. 283
- **West:** Scattered housing and commercial, including city hall two blocks west

Site Access: Access to the property is from the north or south from Walnut Street. The project has one main entry from the west from Walnut Street. Access to U.S. 283 is two miles east, which provides connections to all other major roads serving the Baird area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Baird has only a small number of retail shops and restaurants. Bill’s Superette is located less than three-fourths of a mile southwest at 6th and Cowhill. A convenience store is located at the U.S. 283 and IH-20 interchange. A pharmacy is located about 0.8 miles south, near the first National Bank. For more extensive shopping, residents commute to Abilene where there are malls and large department stores.

Site Inspection Findings: TDHCA staff performed a site inspection on April 18, 2002 and found the location to be acceptable for the proposed development.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are slightly higher than the current maximum TxRD basic rents. The rents proposed are also higher than the 30% and 40% LIHTC rents as allowed so long as sufficient project based rental assistance is available for those units. The Applicant limited the proposed rents to not more than the HOME high rent limit since it cannot be exceeded even with project based subsidy. Since the proposed \$14 to \$16 increase has not been presented or approved by USDA the Underwriter utilized the current basic rents approved effective February 2002 in this analysis. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$2,417 per unit is within 1% of the TDHCA database-derived estimate of \$2,469 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 (\$3.2K lower), and repairs and maintenance (\$2.8K higher).

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

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$10K included in the submitted cost breakdown is higher than the tax assessed value for the land-only of \$4,070 but less than the \$12,800 appraised value and used by the Underwriter. The Applicant also included \$25,000 in closing costs which will reduce the eligible acquisition base further. The indicated total acquisition price of \$172,500 is low compared to the tax-assessed value of \$205,500; however, only approximately \$170,000 remains to be paid-off on the existing loan and this USDA transfer will be at the lesser of loan balance or appraised value. The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$1,458 per unit are low due to the fact that this is a multifamily rehabilitation development.

Direct Construction Cost: Although the submitted work write-up is comparable to the proposed direct construction costs (E102), it does not provide substantiation of the rehabilitation budget as it is not signed by a third party. Therefore, receipt, review and acceptance of a work write up for the development signed by a third-party engineer, architect or general contractor is a condition of this report.

Ineligible Costs: The Applicant incorrectly included \$3,000 in marketing, as an eligible cost; the Underwriter moved this fee to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines based on the submitted budget. Because the proposed development is an acquisition/rehabilitation development, the Underwriter has assumed a contingency cost of 10% rather than the 5% guideline for new construction developments. Despite this allowance, the Applicant's developer fee estimate exceeds 15% of eligible costs based on these adjusted estimates; therefore, the eligible portion of the fees was reduced by \$600.

Conclusion: As is typically the case with rehabilitation transactions, the Applicant's total development cost is within 5% of the Underwriter's costs since they are derived primarily from only the Applicant's information adjustments are made primarily only for misallocated basis and thus the Underwriter's estimate is primarily the Applicant's adjusted basis and is used to calculate eligible basis for the recommendation. As a result an eligible basis of \$595,141 is used to determine an annual credit allocation of \$21,842 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: an existing TxRD loan that they anticipate assuming, a HOME loan, syndicated LIHTC equity, and deferred developer's fees.

Permanent Financing: The Applicant has requested permanent mortgage financing to be provided by TDHCA/HOME in the form of a 30-year term loan of \$313,728 at an interest rate of 2%. The Applicant's HOME loan request is within the HUD 221(d)(3) HOME subsidy limit of \$1,114,136. Due to the limited amount of HOME funds available, the Executive Director, with concurrence from the Executive Award and Review Advisory Committee, has reduced HOME application awards by 10%. The total funds requested is \$2.2 million, however, only \$2 million is available to award. Therefore, a 10% reduction will be applied to all HOME application awards. In this case the HOME award will be reduced to \$282,355.

The second form of permanent financing will be provided by assuming an existing TxRD loan of approximately \$170,000 at an interest rate of 8.0% subsidized to 2% with a remaining term of 30 years.

LIHTC Syndication: Texas Housing Finance Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$154,330 based on a syndication factor of 74%. This is less than the minimum syndication rate guideline of 75% for this application cycle and therefore should be adjusted upward to reflect a more realistic minimum rate. The funds would be disbursed in a six-phased pay-in schedule:

1. 25% upon closing;
2. 30% upon during construction;
3. 25% upon construction completion;
4. 15% upon stabilization;
5. 3% upon receipt of 8609;
6. 2% upon receipt of K-1.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$11,810 amount to 15% of the total proposed fees. However, as a result of the 10% reduction in the requested HOME funds somewhat offset by the higher syndication rate, the Applicant would need to defer \$32,166 in developer fees. This is \$20,356 more than originally estimated by the Applicant. The recommended developer fee appears to be repayable in 5 years.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$21,842 annually for ten years, resulting in syndication proceeds of approximately \$164,684. The development can support both the existing USDA-RD loan under proposed terms and a reduced HOME loan of \$282,355 at 2% interest with a term of 30 years, while maintaining a DCR of 1.20. The HOME award amount is well below the 221(d)(3) limits for this development. The Applicant initially anticipated the need to defer \$11,810 in developer fee, but based on the Underwriter's analysis, it is anticipated that this will be increased to \$32,166.

Return on Equity: Since the Applicant is projected to use LIHTC equity funds for this development, a cash-on-cash rate of return on equity is misleading. Subsidy layering in this case is addressed through the debt coverage limitations and will effectively be monitored through USDA by their limitations on owners return.

REVIEW of ARCHITECTURAL DESIGN

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

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

IDENTITIES of INTEREST

Mr. Joe Chamy the 42% owner of the managing general partner, SumTex Partners, Inc. also owns the developer, general contractor, cost estimator and management agent. These are common relationships for LIHTC funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, SumTex Partners, Inc., submitted an unaudited financial statement as of February 27, 2002 reporting total assets of \$168K consisting of \$28K in cash and \$140K in real property with no liabilities, resulting in a net worth of \$168K.
- The Developer, Valcrest Investments, Inc., submitted an unaudited financial statement as of February 27, 2002 reporting total assets of \$2.4M and consisting of \$59K in cash, \$75 in receivables and \$2.2M in real property. Liabilities totaled \$2M, resulting in a net worth of \$400K.
- The Contractor, Compass Point Development Company Inc., submitted an unaudited financial statement as of February 27, 2002 reporting total assets of \$29K consisting of cash with no liabilities, resulting in a net worth of \$29K.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner and Developer/Contractor, Mr. Joe Chamy, has completed 17 LIHTC/affordable housing projects totaling 532 units since 1984.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- 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 \$21,842 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$282,355, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2.0% INTEREST, SUBJECT TO CONDITIONS.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONDITIONS

1. Receipt, review, and acceptance of a work write up for the development signed by a third-party engineer, architect or general contractor is a condition of this report;
2. Receipt, review and acceptance of an approved USDA/RD complete budget for the property;
3. Receipt, review, and acceptance of a revised permanent loan commitment from TxRD reflecting an unpaid balance of \$170,000 on the existing loan with a restructured amortization period and loan term of 30 years at a rate of 2%.
4. Should the USDA/RD budget loan terms be different than those used in the Underwriting analysis a re-evaluation of the conditions and recommendations above should be conducted by the Underwriter.

Underwriter:

Carl Hoover

Date: June 10, 2002

Credit Underwriting Supervisor:

Lisa Vecchietti

Date: June 10, 2002

Director of Credit Underwriting:

Tom Gouris

Date: June 10, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Walnut Hills Apartments, Baird, LIHTC #02047

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, Trash
>TC(30%)	2	1	1	642	\$241	\$263	\$526	\$0.41	\$57.00	\$20.00
<TC(40%)	2	1	1	642	322	263	526	0.41	57.00	20.00
<TC(40%) <LH	1	1	1	642	322	263	263	0.41	57.00	20.00
<TC(50%) <LH	1	1	1	642	334	263	263	0.41	57.00	20.00
<TC(50%) <HH	2	1	1	642	334	263	526	0.41	57.00	20.00
>TC(30%)	8	2	1	796	290	323	2,584	0.41	63.00	25.00
<TC(40%)	5	2	1	796	387	323	1,615	0.41	63.00	25.00
<TC(50%) <HH	3	2	1	796	402	323	969	0.41	63.00	25.00
TOTAL:	24		AVERAGE:	745	\$330	\$303	\$7,272	\$0.41	\$61.00	\$23.33

INCOME				Total Net Rentable Sq Ft: 17,872		TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$87,264	\$91,536			
Secondary Income		Per Unit Per Month:	\$10.00			2,880	2,880	\$10.00	Per Unit Per Month	
Other Support Income: (describe)						0				
POTENTIAL GROSS INCOME						\$90,144	\$94,416			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(6,761)	(7,080)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$83,383	\$87,336			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.68%	\$232	\$0.31		\$5,569	\$2,340	\$0.13	\$98	2.68%
Management		9.29%	323	0.43		7,749	7,982	0.45	333	9.14%
Payroll & Payroll Tax		12.36%	429	0.58		10,303	8,398	0.47	350	9.62%
Repairs & Maintenance		9.57%	332	0.45		7,978	10,808	0.60	450	12.38%
Utilities		1.56%	54	0.07		1,300	1,500	0.08	63	1.72%
Water, Sewer, & Trash		12.36%	429	0.58		10,307	9,300	0.52	388	10.65%
Property Insurance		4.29%	149	0.20		3,574	5,200	0.29	217	5.95%
Property Tax	2.344	5.89%	205	0.27		4,912	4,913	0.27	205	5.63%
Reserve for Replacements		8.63%	300	0.40		7,200	7,200	0.40	300	8.24%
Other Expenses: Compliance Fee		0.43%	15	0.02		360	360	0.02	15	0.41%
TOTAL EXPENSES		71.06%	\$2,469	\$3.32		\$59,253	\$58,001	\$3.25	\$2,417	66.41%
NET OPERATING INC		28.94%	\$1,005	\$1.35		\$24,130	\$29,335	\$1.64	\$1,222	33.59%
DEBT SERVICE										
Texas Rural Development-USDA		9.04%	\$314	\$0.42		\$7,540	\$11,028	\$0.62	\$460	12.63%
LIHTC Syndication Proceeds		0.00%	\$0	\$0.00		0		\$0.00	\$0	0.00%
TDHCA-Home		16.69%	\$580	\$0.78		13,915	13,914	\$0.78	\$580	15.93%
NET CASH FLOW		3.21%	\$111	\$0.15		\$2,675	\$4,393	\$0.25	\$183	5.03%
AGGREGATE DEBT COVERAGE RATIO						1.12	1.18			
ALTERNATIVE DEBT COVERAGE RATIO						1.20				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		26.57%	\$7,188	\$9.65	\$172,500	\$172,500	\$9.65	\$7,188	26.54%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.39%	1,458	1.96	34,996	35,000	1.96	1,458	5.39%
Direct Construction		32.96%	8,917	11.97	213,998	214,000	11.97	8,917	32.93%
Contingency	10.00%	3.08%	833	1.12	20,000	20,000	1.12	833	3.08%
General Requirements	5.98%	2.29%	620	0.83	14,880	14,880	0.83	620	2.29%
Contractor's G & A	1.99%	0.76%	207	0.28	4,960	4,960	0.28	207	0.76%
Contractor's Profit	5.98%	2.29%	620	0.83	14,880	14,880	0.83	620	2.29%
Indirect Construction		7.93%	2,146	2.88	51,500	51,500	2.88	2,146	7.92%
Ineligible Expenses		1.29%	350	0.47	8,400	8,400	0.47	350	1.29%
Developer's G & A	2.00%	1.59%	431	0.58	10,350	0	0.00	0	0.00%
Developer's Profit	13.00%	10.42%	2,818	3.78	67,641	78,648	4.40	3,277	12.10%
Interim Financing		0.79%	213	0.29	5,100	5,100	0.29	213	0.78%
Reserves		4.62%	1,250	1.68	30,000	30,000	1.68	1,250	4.62%
TOTAL COST		100.00%	\$27,050	\$36.33	\$649,205	\$649,868	\$36.36	\$27,078	100.00%
Recap-Hard Construction Costs		46.78%	\$12,655	\$16.99	\$303,714	\$303,720	\$16.99	\$12,655	46.74%
SOURCES OF FUNDS							RECOMMENDED		
Texas Rural Development-USDA		26.19%	\$7,083	\$9.51	\$170,000	\$170,000	\$170,000		
LIHTC Syndication Proceeds		23.77%	\$6,430	\$8.64	154,330	154,330	164,684		
TDHCA-Home		48.32%	\$13,072	\$17.55	313,728	313,728	282,355		
Deferred Developer Fees		1.82%	\$492	\$0.66	11,810	11,810	32,166		
Additional (excess) Funds Required		-0.10%	(\$28)	(\$0.04)	(663)	0	0		
TOTAL SOURCES					\$649,205	\$649,868	\$649,205		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Walnut Hills Apartments, Baird, LIHTC #02047

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

PAYMENT COMPUTATION

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

Primary	\$170,000	Term	360
Int Rate	2.00%	DCR	3.20

Secondary	\$154,330	Term	
Int Rate	0.00%	Subtotal DCR	3.20

Additional	\$313,728	Term	360
Int Rate	2.00%	Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$7,540
Secondary Debt Service	0
Additional Debt Service	12,524
NET CASH FLOW	\$4,066

Primary	\$170,000	Term	360
Int Rate	2.00%	DCR	3.20

Secondary	\$158,545	Term	0
Int Rate	0.00%	Subtotal DCR	3.20

Additional	\$282,355	Term	360
Int Rate	2.00%	Aggregate DCR	1.20

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	\$87,264	\$89,882	\$92,578	\$95,356	\$98,216	\$113,860	\$131,995	\$153,018	\$205,643
Secondary Income	2,880	2,966	3,055	3,147	3,241	3,758	4,356	5,050	6,787
Other Support Income: (describe)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	90,144	92,848	95,634	98,503	101,458	117,617	136,351	158,068	212,430
Vacancy & Collection Loss	(6,761)	(6,964)	(7,173)	(7,388)	(7,609)	(8,821)	(10,226)	(11,855)	(15,932)
Employee or Other Non-Rental Un	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$83,383	\$85,885	\$88,461	\$91,115	\$93,849	\$108,796	\$126,125	\$146,213	\$196,498
EXPENSES at 4.00%									
General & Administrative	\$5,569	\$5,791	\$6,023	\$6,264	\$6,515	\$7,926	\$9,643	\$11,732	\$17,367
Management	7,749	7,982	8,221	8,468	8,722	10,111	11,722	13,588	18,262
Payroll & Payroll Tax	10,303	10,715	11,144	11,589	12,053	14,664	17,841	21,707	32,131
Repairs & Maintenance	7,978	8,297	8,629	8,974	9,333	11,355	13,815	16,809	24,881
Utilities	1,300	1,352	1,406	1,462	1,521	1,850	2,251	2,739	4,054
Water, Sewer & Trash	10,307	10,719	11,148	11,594	12,058	14,670	17,848	21,715	32,144
Insurance	3,574	3,717	3,866	4,021	4,182	5,087	6,190	7,531	11,147
Property Tax	4,912	5,109	5,313	5,526	5,747	6,992	8,506	10,349	15,320
Reserve for Replacements	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	360	374	389	405	421	512	623	758	1,123
TOTAL EXPENSES	\$59,253	\$61,545	\$63,927	\$66,402	\$68,974	\$83,417	\$100,909	\$122,099	\$178,883
NET OPERATING INCOME	\$24,130	\$24,339	\$24,534	\$24,713	\$24,875	\$25,380	\$25,216	\$24,114	\$17,615
DEBT SERVICE									
First Lien Financing	\$7,540	\$7,540	\$7,540	\$7,540	\$7,540	\$7,540	\$7,540	\$7,540	\$7,540
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	12,524	12,524	12,524	12,524	12,524	12,524	12,524	12,524	12,524
NET CASH FLOW	\$4,066	\$4,275	\$4,470	\$4,649	\$4,811	\$5,316	\$5,152	\$4,050	(\$2,449)
DEBT COVERAGE RATIO	1.20	1.21	1.22	1.23	1.24	1.26	1.26	1.20	0.88
Cumulative Cash Flow	4,066	8,342	12,812	17,461	22,271	47,588	73,756	96,761	104,767

LIHTC Allocation Calculation - Walnut Hills Apartments, Baird, LIHTC #02047

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$12,500	\$15,300				
Purchase of buildings	\$160,000	\$157,200	\$160,000	\$157,200		
(2) Rehabilitation/New Construction Cost						
On-site work	\$35,000	\$34,996			\$35,000	\$34,996
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	\$214,000	\$213,998			\$214,000	\$213,998
(4) Contractor Fees & General Requirements						
Contractor overhead	\$4,960	\$4,960			\$4,960	\$4,960
Contractor profit	\$14,880	\$14,880			\$14,880	\$14,880
General requirements	\$14,880	\$14,880			\$14,880	\$14,880
(5) Contingencies	\$20,000	\$20,000			\$20,000	\$20,000
(6) Eligible Indirect Fees	\$51,500	\$51,500			\$51,500	\$51,500
(7) Eligible Financing Fees	\$5,100	\$5,100			\$5,100	\$5,100
(8) All Ineligible Costs	\$8,400	\$8,400				
(9) Developer Fees			\$24,000	\$23,580	\$54,048	\$54,047
Developer overhead		\$10,350				
Developer fee	\$78,648	\$67,641				
(10) Development Reserves	\$30,000	\$30,000				
TOTAL DEVELOPMENT COSTS	\$649,868	\$649,205	\$184,000	\$180,780	\$414,368	\$414,361

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$184,000	\$180,780	\$414,368	\$414,361
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$184,000	\$180,780	\$414,368	\$414,361
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$184,000	\$180,780	\$414,368	\$414,361
Applicable Percentage			3.67%	3.67%	3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			\$6,753	\$6,635	\$15,207	\$15,207
Syndication Proceeds	0.7499		\$50,641	\$49,755	\$114,043	\$114,041
				Total Tax Credits	\$21,960	\$21,842
				Total Syndication Proceeds	\$164,684	\$163,796

TDHCA #

02148

Region 2

**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: **Windmill Point Apartments**

TDHCA #: **02148**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 2 LIHTC Primary Set Aside: R
 Site Address: 1050 block of El Paso Additional Elderly Set Aside
 City: Merkel Purpose / Activity: NC
 County: Taylor Development Type: Family
 Zip Code: 79536 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 Disabled/Other-Hearing/Visually Impaired

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Windmill Point, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Picerne Windmill Point, LP	Kurt P. Kehoe	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$562,502** Allocation over 10 Years: \$5,625,020
 Credits Requested: \$545,899 Eligible Basis Amount: \$562,502 Equity/Gap Amount: \$587,938

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	0	0	0	0
50%	0	0	10	11	0	0	21
60%	0	0	24	23	0	0	47
MR	0	0	4	4	0	0	8
Total	0	0	38	38	0	0	

BUILDING INFORMATION

Total Development Cost: **\$6,193,865**
 Gross Building Square Feet: 85,706
 Total NRA SF: 82,802
 Gross/Net Rentable: 1.04
 Average Square Feet/Unit: 1,090
 Cost Per Net Rentable Square Foot: \$74.80
 Credits per Low Income Unit: \$8,272

Total LI Units: 68
 Owner/Employee Units: 0
 Total Project Units: 76
 Applicable Fraction: 89.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$411,934
 Total Expenses: \$264,581
 Net Operating Income: \$147,353
 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: Picerne Affordable Development Market Analyst: Real Property Research Group
 Housing GC: Picerne Construction Corporation Originator/UW: NA
 Infrastructure GC: NA Appraiser: NA
 Cost Estimator: NA Attorney: Gray, Harris & Robinson
 Architect: Architectura, Inc. Supp Services: Picerne Management Corporation
 Property Manager: Picerne Management Corporation Accountant: Reznick, Fedder & Silverman
 Engineer: Kimley-Horn & Associates, Inc.
 Syndicator: Columbia Housing Partners, LP Permanent Lender: PNC Real Estate Finance

DEPARTMENT EVALUATION

Points Awarded: 123 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Windmill Point Apartments

Project Number: 02148

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: Jackie L.Cannon, Mayor, S	Cloy A. Richards, City Manager, S
TX Rep.: Bob Hunter, Dist. 71 S	
TX Sen.: Troy Fraser, Dist. 24 S	
US Rep.:	
US Sen.:	

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a supplement to the submitted ESA I providing a recommendation for resolving the recognized environmental condition described as a petroleum release from a neighboring facility that has impacted ground water on the proposed site. Receipt, review, and acceptance of permanent financing commitments resulting in total annual debt service of no more than \$133,869. Receipt, review, and acceptance of a financial statement from Ronald RS Picerne.

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 higher scoring developments in the Rural Set Aside statewide and is needed to meet the Rural Set Aside.

_____ 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:

_____ Michael E. Jones, Chairman of the Board	_____ Date
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Developer Evaluation

Compliance Status Summary

Project ID #: 02148

LIHTC 9% LIHTC 4%

Project Name: Windmill Point Apartments

HOME HTF

Project City: Merkel

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 6 # not yet monitored or pending review 3

of projects grouped by score 0-9: 6 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 05/29/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments:

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Executive Director: Edwina Carrington **Date Signed:** June 17, 2002

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

DATE: June 12, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02148

DEVELOPMENT NAME

Windmill Point

APPLICANT

Name: Windmill Point LP **Type:** For Profit Non-Profit Municipal Other
Address: 247 N Westmonte Drive **City:** Altamonte Springs **State:** FL
Zip: 32714 **Contact:** Kurt P Kehoe **Phone:** (407) 772-0200 **Fax:** (407) 772-0220

PRINCIPALS of the APPLICANT

Name: Picerne Windmill Point, LLC **(%):** 0.01 **Title:** Managing General Partner
Name: Columbia Housing **(%):** 99.99 **Title:** Limited Partner
Name: Robert M Picerne **(%):** N/A **Title:** 51% owner GP
Name: Picerne Investment Corporation (PIC) **(%):** N/A **Title:** 49% owner GP
Name: Ronald RS Picerne **(%):** N/A **Title:** 100% owner of PIC

GENERAL PARTNER

Name: Picerne Windmill Point, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 247 N Westmonte Drive **City:** Altamonte Springs **State:** FL
Zip: 32714 **Contact:** Kurt P Kehoe **Phone:** (407) 772-0200 **Fax:** (407) 772-0220

PROPERTY LOCATION

Location: 1050 block El Paso (CR 402) **QCT** **DDA**
City: Merkel **County:** Taylor **Zip:** 79536

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$545,899	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 type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 28* acres 1,219,680 square feet **Zoning/ Permitted Uses:** Multifamily & Commercial
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

* Only 8 plus 1.95 acres used for proposed development; 18 acres to remain vacant

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

DESCRIPTION of IMPROVEMENTS

Total Units: 76 **# Rental Buildings:** 5 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** N/A yrs **Vacant:** N/A

Number	Bedrooms	Bathroom	Size in SF
38	2	2	990
38	3	2	1,189

Net Rentable SF: 82,802 **Av Un SF:** 1,090 **Common Area SF:** 2,904 **Gross Bldng SF:** 85,706

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 77% masonry/brick veneer/23% Vinyl 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, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, cable hookups, individual water heaters

ON-SITE AMENITIES

Community room, management offices, fitness & laundry facilities, restrooms, central mailroom, swimming pool, equipped children's play area, picnic area

Uncovered Parking: 152 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: PNC Real Estate Finance **Contact:** Robert G Courtney
Principal Amount: \$1,738,100 **Interest Rate:** Lender determined; estimated at 8% as of commitment
Additional Information: 2 year construction period
Amortization: 30 yrs **Term:** 18 yrs **Commitment:** None Firm Conditional
Annual Payment: \$153,043 **Lien Priority:** 1st **Commitment Date:** 01/ 18/ 2002

LIHTC SYNDICATION

Source: Columbia Housing **Contact:** Robert G Courtney
Address: 115 SW 5th Avenue, Suite 3200 **City:** Portland
State: OR **Zip:** 97204 **Phone:** (502) 581-3260 **Fax:** (502) 581-3209
Net Proceeds: \$4,339,463 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 79.5¢
Commitment: LOI Firm Conditional **Date:** 01/ 18/ 2002
Additional Information: _____

APPLICANT EQUITY

Amount: \$116,302 **Source:** Deffered Developer Fee

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

VALUATION INFORMATION

ASSESSED VALUE

Land: 29 acres	<u>\$27,915</u>	Assessment for the Year of:	<u>2001</u>
Tax Rate:	<u>2.4517</u>	Valuation by:	<u>Taylor County Appraisal District</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract (28 acres)

Contract Expiration Date: 11/ 15/ 2002 **Anticipated Closing Date:** 11/ 15/ 2002

Acquisition Cost: \$ 227,000 **Other Terms/Conditions:** \$5K earnest money

Seller: Mid-Tex Resources **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Windmill Point is a proposed new construction development of 76 units of mixed income housing located in north Merkel, Taylor County. The development is comprised of 5 residential buildings as follows:

- Four Building Type 1 with eight two-bedroom units and eight three-bedroom units; and
- One Building Type 2 with six two-bedroom units and six three-bedroom units.

Based on the site plan, the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the entrance to the site. The 2,764-square foot community building plan includes a large lease-area, meeting room and kitchenette as well as two offices and a work room for the manager/leasing agents and an exercise facility, restrooms and laundry room for tenant use. There is also to be a 140-square foot maintenance building located at the north end of the site.

It should be noted that the submitted site plan indicates the proposed development will be located on only an eight acre parcel of the 25 acre subject site, with the 1.95 acre outparcel used for signage. According to a letter dated May 28, 2002 and signed by Kurt P Kehoe, it is the Applicant's intent to leave the remaining 18 acres vacant. Should the proposed development receive a LIHTC allocation in this cycle, any analysis for subsequent requests for funding through the Department for the remaining 18 acres of the subject site should not consider a site acquisition cost, but only holding costs.

Supportive Services: The Applicant has contracted with the Latino Education Development to provide the following supportive services to tenants: resident activities, after school youth program, health care, resident support group meetings, community resources and literacy classes. These services will be provided at no cost to tenants. The contract requires \$316.65 per month for these support services. Picerne Management Corporation, an affiliate of the general partner, will also provide resident activities, after school youth programs, health care and resident support group meetings. Their monthly fee is also \$316.65. The total annual fee for the proposed supportive services is \$7,600, yet the Applicant included only \$3,800 (50%) in their operating expense estimate. Both providers are listed as development team members and an executed support service contract for each was submitted.

Schedule: The Applicant anticipates construction to begin in February of 2003, to be completed in January of 2004, to be placed in service in February of 2004, and to be substantially leased-up 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. Sixty-eight of the units (90% of the total) will be reserved for low-income tenants. Twenty-one units (28%) will be reserved for households earning 50% or less of AMGI, 47 of the units (84%) will be reserved for households earning 60% or less of AMGI and the remaining eight units will be offered at market rents.

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

Special Needs Set-Asides: Four units (5%) will be handicapped-accessible and two units 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 February 2002 was prepared by Real Property Research Group and highlighted the following findings:

Definition of Market/Submarket: “The Primary Market Area for Windmill Point consists of the census tracts in the northwest portion of Taylor County. The approximate borders of this market area are Jones County to the north (2.76 miles), near US Highway 83 to the east (13.9 miles), western edge of Abilene, Census Tract 0136 boundary to the south (15.10 miles) and Nolan County to the west.” (p. 17)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	65	68%	9	1%
Resident Turnover	0	0%	682	99%
Other Sources: demolished units	29	31%	0	0%
TOTAL ANNUAL DEMAND	94	100%	691	100%

Ref: p. 52

Capture Rate: “To fully lease up, the 68 tax credit units would need to capture 3.0 percent of the income-qualified households in the market.” (p. 53) The Underwriter calculated a concentration capture rate of 11% based upon a supply of only the subject 76 units divided by a revised demand of 691.

Market Rent Comparables: The market analyst surveyed 17 comparable apartment projects totaling 2,436 units in the market area. (p. 39)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$375	\$375	\$0	\$604	-\$229
2-Bedroom (60%)	\$468	\$468	\$0	\$604	-\$136
2-Bedroom (MR)	\$492	N/A		\$604	-\$112
3-Bedroom (50%)	\$431	\$432	-\$1	\$709	-\$278
3-Bedroom (60%)	\$538	\$539	-\$1	\$709	-\$171
3-Bedroom (MR)	\$565	N/A		\$709	-\$144

(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: “Of the 2,436 units in stabilized communities that reported vacancy rates, 151 units were reported available, a rate of 6.2%. This overall vacancy rate is inflated due to five properties with vacancy rates higher than 8 percent.” (p. 39)

Absorption Projections: “this development should be able to lease at a minimum rate of 10 units per month. At this rate, the development should be able to attain 95 percent occupancy within approximately seven months time.” (p. 59)

Known Planned Development: “According to the Merkel, Abilene, and Taylor County planning officials, there are no multifamily rental properties proposed within the borders of the primary market area.” (p. 45)

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 site is located on County Road 402, El Paso Street, in the northern portion of the City of Merkel. Merkel is located in Taylor County, 13 miles west of Abilene.

Population: The estimated 2000 population of the Primary Market Area was 41,070 and is expected to increase by 4.4% to approximately 42,888 by 2006. Projections show that the PMA's household count is expected to increase by an additional 837 or 5.4 percent between 2000 and 2006, or an average annual increase of 140 households a year. The estimated 2000 population of Taylor County was 126,555 and is expected to increase by 0.4% to approximately 127,061 by 2006.

Adjacent Land Uses:

- **North:** single family homes
- **South:** Interstate 20 and its access road
- **East:** Kent Street and vacant land
- **West:** El Paso Street, a construction company and industrial business

Site Access: Access to the property is from the north or south from El Paso Street. The site is located in close proximity to Interstate 20, Kent Street and North 1st Street.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Local thoroughfares provide tenants with convenient access to shopping, school, medical facilities, and employment centers. Retail, education and medical facilities are all available within less than one mile of the site. The elementary is located 0.9 miles from the site, the intermediate school is 0.8 miles, the middle school is 1.8 miles and the high school is also 1.8 miles. Taylor County is home to Abilene Christian University, Hardin-Simmons University and McMurry University.

Site Inspection Findings: TDHCA staff performed a site inspection on April 18, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 15, 2002 was prepared by Professional Service Industries, Inc. and contained the following findings:

“This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property except the following: Skinny's 27 Fina (located on the south adjoining property beyond IH-20) incurred a release of petroleum products. Results of the subsurface investigation indicated elevated levels of TPH and BTEX above TNRCC corrective action levels in groundwater samples collected. Additionally, NAPL was discovered in several installed groundwater monitor wells...Currently, TNRCC is unsure that the extent of the plume has been fully delineated. Therefore based on the facility's proximity to the subject property, the reported hydraulic gradient and the undetermined extent of the plume, the release at the Skinny's facility represents evidence of a recognized environmental condition in connection with the subject property.” (p. 25)

The submitted ESA I did not provide a recommended action. Receipt, review and acceptance of a supplement to the submitted ESA I providing a recommendation for resolving the recognized environmental condition described as a petroleum release from a neighboring facility that has impacted groundwater on the proposed site and any recommended follow-up there after is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's potential gross rent, secondary income and vacancy assumptions are inline with the Underwriter's estimates.

Expenses: The Applicant's total operating expense figure is \$32K, or 12% lower, than the Underwriter's TDHCA database-derived estimate. In addition, several of the Applicant's line-item expense figures differ by more than 15% or \$4K as compared to the Underwriter's line-item estimates. These include: general and administrative (\$9K lower), repairs and maintenance (\$10K lower), utilities (\$14K lower), property insurance (\$5K lower), property tax (\$8K higher), and reserves (\$4K higher). As described above, the total annual fee for the proposed supportive services is \$7,600, yet the Applicant included only \$3,800 (50%) in their operating expense estimate.

Conclusion: Overall, the Applicant's net operating income is \$31K or 21% higher than the Underwriter's estimate. Because this difference is greater than 5%, the Underwriter's net operating income estimate will be

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

used to determine the development's debt service capacity. The Underwriter's proforma and the proposed permanent financing structure result in a debt coverage ratio (DCR) that is below the Department's minimum DCR guideline of 1.10. In order to meet the minimum DCR requirement, the development's total annual debt service can be no more than \$133,869.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price is assumed be reasonable since the acquisition is an arm's-length transaction. As stated above, the submitted site plan indicates the proposed development will be located on only an eight acre parcel of the 25 acre subject site, with the 1.95 acre outparcel used for signage. According to a letter dated May 28, 2002 and signed by Kurt P Kehoe, it is the Applicant's intent to leave the remaining 18 acres vacant. Should the proposed development receive a LIHTC allocation in this cycle, any analysis for subsequent requests for funding through the Department for the remaining 18 acres of the subject site should not consider a site acquisition cost, but only holding costs.

Sitework Cost: The Applicant's claimed sitework costs of \$6,265 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

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

Fees: The Applicant included an additional \$25K in soft cost contingency as an eligible indirect construction cost; the Underwriter added this cost to total contingency, which caused the total to exceed 5% of sitework and direct construction costs. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$3,749.

Conclusion: The Applicant's total development cost figure is within 5% of the Underwriter's estimate; therefore, the Applicant's cost, adjusted for overstated contingency cost and developer fees, will be used to determine the development's eligible basis of \$5,729,844 and total funding need.

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 PNC Real Estate Finance in the amount of \$1,738,100 during both the interim and permanent periods. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent. The permanent loan will amortize over 30 years at a fixed interest rate determined by the lender. At commitment, the lender had estimated an interest rate of 8.0%, which was used in this analysis.

LIHTC Syndication: Columbia Housing has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,339,463 based on a syndication factor of 79.5%. The funds would be disbursed in a two-phased pay-in schedule:

1. 85% upon meeting several conditions including admission to the partnership, closing of the construction loan and commitment for permanent financing; and
2. 15% upon meeting several conditions including construction completion, 100% initial occupancy of LIHTC units, receipt of Forms 8609 and six full months of 1.15 debt service coverage.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$116,302 amount to 15% of the total proposed fees.

Financing Conclusions: As stated above, the Applicant's total development cost, adjusted for overstated contingency and developer fees, was used to determine the development's eligible basis of \$5,729,844 and recommended annual tax credit allocation of \$562,502. The Underwriter's proforma also indicates the development's annual debt service must be limited to \$133,869 in order to provide a debt coverage ratio at the Department's minimum guideline of 1.10. The proposed permanent loan terms would result in a loan of \$1,520,343, which is \$217,757 less than anticipated. Due to the Applicant's use of an understated applicable percentage, the recommended tax credit allocation may provide for \$131,929 more in syndication proceeds than anticipated. Although this somewhat offsets the reduction in the permanent loan amount, the total deferred developer still must increase by \$85,778. Total deferred developer fees of \$202,080 are repayable from development cashflow in just under 10 years of stabilized operation.

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

NOTE: It has been noted that the Developer has another application under consideration in this allocation cycle. Both developments have been underwritten and the recommendation is an increase in credits due to an understated applicable percentage. If both are approved as underwritten, however, the LIHTC allocations to the Developer would exceed the \$1.6 million limit stated in Section 49.7(g) of the 2002 QAP. Therefore, it is a condition of this report that, if both the subject development and application #02149, Madison Point Apartments are approved, the allocation should not exceed their initial actual request to avoid violation of the maximum allocation limit.

REVIEW of ARCHITECTURAL DESIGN

The individual unit plans indicate adequate storage including walk-in closets and kitchen pantries and even coat and linen closets in some units. Every unit will have a utility room with room for full size appliances and a private balcony/patio with an exterior storage closet. The combination brick and vinyl siding residential building exteriors are attractive with varied rooflines. The lease office will include limited tenant accessible areas. Its exterior is similar to the residential building exteriors.

IDENTITIES of INTEREST

The Applicant, developer, general contractor, property manager, and support services provider 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 and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 49% owner of the General Partner, Picerne Development, is a subsidiary of Picerne Investment Corporation. An unaudited financial statement dated March 31, 2001 for the consolidated companies of Picerne Investment Corporation, was submitted reporting total assets of \$633M and consisting of \$94M in cash, \$76M in receivables, \$439M in real property and construction in progress, and \$23M in other assets. Liabilities totaled \$628M, resulting in a net worth of \$5M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Picerne Development Corporation, the Developer, General Contractor, Property Manager, and 51% owner of the General Partner, listed participation as general partner, developer, contractor, and/or manager on 54 affordable housing projects totaling 7,035 units since 1985.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- 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 \$562,502 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a supplement to the submitted ESA I providing a recommendation for resolving the recognized environmental condition described as a petroleum

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

- release from a neighboring facility that has impacted groundwater on the proposed site;
2. Receipt, review, and acceptance of permanent financing commitments resulting in total annual debt service of no more than \$133,869;
 3. Receipt, review, and acceptance of a financial statement from Ronald R.S. Picerne; and
 4. If the Developer's other application, #02149, Madison Point Apartments, is also approved, that the LIHTC allocation to this development not exceed the originally requested \$545,899 to avoid violating the \$1.6 million maximum LIHTC limitation.

Credit Underwriting Supervisor: _____

Lisa Vecchietti

Date: June 12, 2002

Director of Credit Underwriting: _____

Tom Gouris

Date: June 12, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Windmill Point, Merkel, LIHTC 02148

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	10	2	2	990	\$463	\$375	\$3,752	\$0.38	\$87.78	\$38.32
TC 60%	24	2	2	990	556	468	11,237	0.47	87.78	38.32
MR	4	2	2	990		492	1,968	0.50	87.78	38.32
TC 50%	11	3	2	1,189	535	432	4,747	0.36	103.45	39.53
TC 60%	23	3	2	1,189	642	539	12,387	0.45	103.45	39.53
MR	4	3	2	1,189		565	2,260	0.48	\$103.45	\$39.53
TOTAL:	76		AVERAGE:	1,090	\$508	\$478	\$36,351	\$0.44	\$95.62	\$38.93

INCOME Total Net Rentable Sq Ft: **82,802**

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

	TDHCA	APPLICANT		
	\$436,214	\$435,900		
	9,120	9,120	\$10.00	Per Unit Per Month
	0	0		
	\$445,334	\$445,020		
	(33,400)	(33,372)	-7.50%	of Potential Gross Rent
	0	0		
	\$411,934	\$411,648		

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.84%	\$316	\$0.29
Management	5.00%	271	0.25
Payroll & Payroll Tax	15.37%	833	0.76
Repairs & Maintenance	6.75%	366	0.34
Utilities	5.40%	293	0.27
Water, Sewer, & Trash	5.44%	295	0.27
Property Insurance	3.08%	167	0.15
Property Tax 2.4517	11.40%	618	0.57
Reserve for Replacements	3.69%	200	0.18
Supportive Services, Compliance	2.26%	122	0.11
TOTAL EXPENSES	64.23%	\$3,481	\$3.20
NET OPERATING INC	35.77%	\$1,939	\$1.78

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	\$24,052	\$15,000	\$0.18	\$197	3.64%
	20,597	20,582	0.25	271	5.00%
	63,308	61,060	0.74	803	14.83%
	27,826	17,600	0.21	232	4.28%
	22,236	8,000	0.10	105	1.94%
	22,410	22,800	0.28	300	5.54%
	12,680	8,360	0.10	110	2.03%
	46,972	55,100	0.67	725	13.39%
	15,200	19,000	0.23	250	4.62%
	9,300	5,500	0.07	72	1.34%
	\$264,581	\$233,002	\$2.81	\$3,066	56.60%
	\$147,353	\$178,646	\$2.16	\$2,351	43.40%

DEBT SERVICE

First Lien Mortgage	37.15%	\$2,014	\$1.85
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	-1.38%	(\$75)	(\$0.07)

	TDHCA	APPLICANT		
	\$153,043	\$153,043	\$1.85	\$2,014
	0	0	\$0.00	\$0
	0	0	\$0.00	\$0
	(\$5,690)	\$25,603	\$0.31	\$337

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

	0.96	1.17
	1.10	

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.58%	\$2,987	\$2.74
Off-Sites		0.00%	0	0.00
Sitework		7.52%	6,265	5.75
Direct Construction		50.89%	42,403	38.92
Contingency	5.00%	2.92%	2,433	2.23
General Requirem	5.84%	3.41%	2,844	2.61
Contractor's G &	1.95%	1.14%	948	0.87
Contractor's Pro	5.84%	3.41%	2,844	2.61
Indirect Construction		7.07%	5,894	5.41
Ineligible Costs		3.29%	2,740	2.52
Developer's G & A	3.69%	2.97%	2,471	2.27
Developer's Profit	11.08%	8.90%	7,412	6.80
Interim Financing		3.92%	3,267	3.00
Reserves		0.98%	814	0.75
TOTAL COST		100.00%	\$83,321	\$76.48
Recap-Hard Construction Costs		69.29%	\$57,736	\$52.99

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$227,000	\$227,000	\$2.74	\$2,987	3.66%
	0	0	0.00	0	0.00%
	476,112	476,112	5.75	6,265	7.69%
	3,222,593	3,125,776	37.75	41,129	50.47%
	184,935	205,094	2.48	2,699	3.31%
	216,113	216,113	2.61	2,844	3.49%
	72,037	72,037	0.87	948	1.16%
	216,113	216,113	2.61	2,844	3.49%
	447,925	447,925	5.41	5,894	7.23%
	208,272	208,272	2.52	2,740	3.36%
	187,780	187,780	2.27	2,471	3.03%
	563,340	563,340	6.80	7,412	9.10%
	248,303	248,303	3.00	3,267	4.01%
	61,840	0	0.00	0	0.00%
	\$6,332,363	\$6,193,865	\$74.80	\$81,498	100.00%
	\$4,387,903	\$4,311,245	\$52.07	\$56,727	69.61%

SOURCES OF FUNDS

First Lien Mortgage	27.45%	\$22,870	\$20.99
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	68.53%	\$57,098	\$52.41
Deferred Developer Fees	1.84%	\$1,530	\$1.40
Additional (excess) Funds Requi	2.19%	\$1,822	\$1.67
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED
	\$1,738,100	\$1,738,100	\$1,520,343
	0	0	0
	4,339,463	4,339,463	4,471,442
	116,302	116,302	202,080
	138,498	0	0
	\$6,332,363	\$6,193,865	\$6,193,865

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Windmill Point, Merkel, LIHTC 02148

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$39.75	\$3,291,311
Adjustments				
Exterior Wall Finis	6.39%		\$2.54	\$210,315
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(81,146)
Floor Cover			1.82	150,700
Porches/Balconies	\$28.10	4,800	1.63	134,880
Plumbing	\$585	228	1.61	133,380
Built-In Appliances	\$1,550	76	1.42	117,800
Exterior Stairs	\$1,350	20	0.33	27,000
Floor Insulation			0.00	0
Heating/Cooling			1.41	116,751
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$56.86	2,904	1.99	165,127
Other:			0.00	0
SUBTOTAL			51.52	4,266,118
Current Cost Multiplier	1.04		2.06	170,645
Local Multiplier	0.89		(5.67)	(469,273)
TOTAL DIRECT CONSTRUCTION COSTS			\$47.92	\$3,967,489
Plans, specs, survy, bl	3.90%		(\$1.87)	(\$154,732)
Interim Construction In	3.38%		(1.62)	(133,903)
Contractor's OH & Profi	11.50%		(5.51)	(456,261)
NET DIRECT CONSTRUCTION COSTS			\$38.92	\$3,222,593

PAYMENT COMPUTATION

Primary	\$1,738,100	Term	360
Int Rate	8.00%	DCR	0.96

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	0.96

Additional	\$4,339,463	Term	
Int Rate		Aggregate DCR	0.96

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$133,869
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$13,484

Primary	\$1,520,343	Term	360
Int Rate	8.00%	DCR	1.10

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$4,339,463	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	\$436,214	\$449,301	\$462,780	\$476,663	\$490,963	\$569,161	\$659,813	\$764,904	\$1,027,967
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income: (de)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	445,334	458,694	472,455	486,629	501,228	581,060	673,608	780,896	1,049,459
Vacancy & Collection Loss	(33,400)	(34,402)	(35,434)	(36,497)	(37,592)	(43,580)	(50,521)	(58,567)	(78,709)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$411,934	\$424,292	\$437,021	\$450,132	\$463,635	\$537,481	\$623,087	\$722,329	\$970,750
EXPENSES at 4.00%									
General & Administrative	\$24,052	\$25,014	\$26,014	\$27,055	\$28,137	\$34,233	\$41,650	\$50,673	\$75,009
Management	20,597	21,215	21,851	22,507	23,182	26,874	31,154	36,116	48,537
Payroll & Payroll Tax	63,308	65,840	68,474	71,213	74,061	90,107	109,629	133,380	197,436
Repairs & Maintenance	27,826	28,939	30,096	31,300	32,552	39,604	48,185	58,624	86,778
Utilities	22,236	23,126	24,051	25,013	26,013	31,649	38,506	46,848	69,347
Water, Sewer & Trash	22,410	23,307	24,239	25,209	26,217	31,897	38,807	47,215	69,890
Insurance	12,680	13,188	13,715	14,264	14,834	18,048	21,958	26,716	39,546
Property Tax	46,972	48,851	50,805	52,838	54,951	66,857	81,341	98,964	146,491
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	9,300	9,672	10,059	10,461	10,880	13,237	16,105	19,594	29,003
TOTAL EXPENSES	\$264,581	\$274,959	\$285,745	\$296,956	\$308,609	\$374,140	\$453,657	\$550,155	\$809,441
NET OPERATING INCOME	\$147,353	\$149,333	\$151,276	\$153,175	\$155,026	\$163,340	\$169,430	\$172,174	\$161,309
DEBT SERVICE									
First Lien Financing	\$133,869	\$133,869	\$133,869	\$133,869	\$133,869	\$133,869	\$133,869	\$133,869	\$133,869
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$13,484	\$15,465	\$17,407	\$19,307	\$21,157	\$29,472	\$35,562	\$38,305	\$27,440
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.14	1.16	1.22	1.27	1.29	1.20

TDHCA #

02152

Region 2

**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: **Cordell Apartments**TDHCA #: **02152****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 2 LIHTC Primary Set Aside: R
 Site Address: Southeast Corner of Cordell and Coleman Additional Elderly Set Aside
 City: Brownwood Purpose / Activity: NC
 County: Brown Development Type: Family
 Zip Code: 76801 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: HVM Brownwood, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
HVM Housing, LLC	Dixie Hoover	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$70,780** Allocation over 10 Years: \$707,800
 Credits Requested: \$70,969 Eligible Basis Amount: \$70,780 Equity/Gap Amount: \$70,962

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	0	0	0	0
50%	0	0	0	0	0	0	0
60%	0	10	16	4	0	0	30
MR	0	0	0	0	0	0	0
Total	0	10	16	4	0	0	

BUILDING INFORMATION

Total Development Cost: **\$1,546,406**
 Gross Building Square Feet: 23,900
 Total NRA SF: 23,356
 Gross/Net Rentable: 1.02
 Average Square Feet/Unit: 779
 Cost Per Net Rentable Square Foot: \$66.21
 Credits per Low Income Unit: \$2,359

Total LI Units: 30
 Owner/Employee Units: 0
 Total Project Units: 30
 Applicable Fraction: 100.00

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$117,194
 Total Expenses: \$87,639
 Net Operating Income: \$29,555
 Estimated 1st Year Debt Coverage Ratio: 1.16

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: Dixie Hoover Farmer Market Analyst: Ipser & Associates
 Housing GC: Hoover Construction Company, Inc. Originator/UW: NA
 Infrastructure GC: NA Appraiser: NA
 Cost Estimator: Hoover Construction Company, Inc. Attorney: Alvin Nored
 Architect: AG Associates Architects Supp Services: NA
 Property Manager: Hamilton Valley Management, Inc. Accountant: Lou Ann Montey & Associates
 Engineer: NA
 Syndicator: Raymond James Tax Credit Funds Permanent Lender: USDA

DEPARTMENT EVALUATION

Points Awarded: 48 Site Review: Acceptable Underwriting Finding: AC

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

2002 Development Profile and Board Summary (Continued)

Project Name: Cordell Apartments

Project Number: 02152

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

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

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

Local/State/Federal Officials w/ Jurisdiction:

Comment from Other Public Official

Local Official: Bert V. Massey, Mayor, S

James R. Campbell, Director of Economic Development, S

TX Rep.: Bob Turner, Dist. 73 S

TX Sen.: Troy Fraser, Dist. 24

US Rep.:

US Sen.:

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a final USDA commitment for a \$1,000,000 permanent loan amortized at 1% over 50 years.

Alternate Recommendation:

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

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

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

Brooke Boston, Acting LIHTC Co-Manager

Date

David Burrell, Director of Housing Programs

Date

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

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

Edwina Carrington, Executive Director

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 #: 02152

LIHTC 9% LIHTC 4%

Project Name: Cordell Apartments

HOME HTF

Project City: Brownwood

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 48 # not yet monitored or pending review 9

of projects grouped by score 0-9: 45 10-19: 2 20-29: 1

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 04/17/2002

Single Audit

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

single audit not applicable no outstanding issues outstanding issues

Comments: No outstanding issues on 530001 only.

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: monitoring review not applicable to 535003
3 monitoring review pending - 530727, 530001, 530737

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

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments: _____

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments: _____

Completed by _____ **Completed on** _____

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments: _____

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

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

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments: _____

Completed by _____ **Completed on** _____

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

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

DATE: May 13, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02152

DEVELOPMENT NAME

Cordell Apartments

APPLICANT

Name: HVM Brownwood, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 209 South West Street **City:** Burnet **State:** Texas
Zip: 78611 **Contact:** Dennis Hoover **Phone:** (512) 756-6209 **Fax:** (512) 756-9885

PRINCIPALS of the APPLICANT

Name: HVM Housing, LLC **(%):** 5% **Title:** Managing General Partner
Name: Dennis Hoover **(%):** 95% **Title:** Initial 24.5% G.P. Owner
Name: Dixie Farmer **(%):** N/A **Title:** Initial 51% G.P. Owner
Name: Danna Hoover **(%):** N/A **Title:** Initial 24.5% G.P. Owner

GENERAL PARTNER

Name: HVM Housing, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 209 South West Street **City:** Burnet **State:** Texas
Zip: 78611 **Contact:** Dennis Hoover **Phone:** (512) 756-6209 **Fax:** (512) 756-9885

PROPERTY LOCATION

Location: Southeast corner of intersection of Cordell & Coleman Streets QCT DDA
City: Brownwood **County:** Brown **Zip:** 76801

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$70,969	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 type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

SITE DESCRIPTION

Size: 3.48 acres 151,589 square feet **Zoning/ Permitted Uses:** M-1, multifamily permitted
Flood Zone Designation: Zone C, outside the 100-year floodplain **Status of Off-Sites:** Raw Land

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

DESCRIPTION of IMPROVEMENTS

Total Units: 30 **# Rental Buildings:** 7 **# Common Area Bldgs:** 1 **# of Floors:** 1 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
10	1	1	634
16	2	1	826
4	3	2	950

Net Rentable SF: 23,356 **Av Un SF:** 779 **Common Area SF:** 544 **Gross Bldng SF:** 23,900

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on slab on grade, 33% masonry/brick veneer, 67% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, laminated counter tops in kitchen, fiberglass tub/shower, washer & dryer connections, individual water heaters

ON-SITE AMENITIES

544 SF community building with management office, laundry facilities & restrooms & an equipped children's play area.

Uncovered Parking: 69 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: First State Bank **Contact:** Cary Johnson

Principal Amount: \$1,000,000 **Interest Rate:** 7.50%

Additional Information: Loan up to 80% of appraised value

Amortization: N/A yrs **Term:** 1 yrs **Commitment:** None Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: USDA loan **Contact:** Bryan Daniel

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

Additional Information: The interest rate is conditioned upon rents not exceeding Basic Rent as set by USDA.

Amortization: 50 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional

Annual Payment: \$25,423 **Lien Priority:** 1st **Commitment Date:** 2/ 27/ 2002

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

LIHTC SYNDICATION

Source: Raymond James Tax Credit Funds **Contact:** Sam Shupe
Address: 880 Carillon Parkway **City:** St. Petersburg
State: FL **Zip:** 33716 **Phone:** (800) 438-8088 **Fax:** (727) 573-8455
Net Proceeds: \$546,406 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 77¢
Commitment None Firm Conditional **Date:** 2/ 26/ 2002
Additional Information: _____

APPLICANT EQUITY

Amount: \$0 **Source:** N/A

VALUATION INFORMATION

ASSESSED VALUE

Land: 3.48 out of 41.228 **Assessment for the Year of:** 2001
Building: N/A **Valuation by:** Brown County Appraisal District
Total Assessed Value: \$40,770 for 41.228 acres Based on the tax assessment for the entire block, 3.48 acres would be assessed at \$3,441.34.

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Option to Purchase
Contract Expiration Date: 10/ 18/ 2002 **Anticipated Closing Date:** 10/ 18/ 2002
Acquisition Cost: \$ 26,100 **Other Terms/Conditions:** _____
Seller: Don Johnson Rentals **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cordell Apartments is a proposed new construction development of 30 units of affordable housing located in northwest Brownwood. The development is comprised of seven residential buildings as follows:

- (1) Building Type A with four one-bedroom units
- (1) Building Type B with six one-bedroom units,
- (4) Building Type C with four two-bedroom units,
- (1) Building Type D with four three-bedroom units,

Based on the site plan the apartment buildings are distributed evenly throughout the site with the 544 SF community building located near the center of the site and a playground located near the back of the site.

Existing Subsidies: The Applicant has also applied for funding under USDA Rural Development Section 515 program and will be subject to income and rent restrictions under that program.

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

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

POPULATIONS TARGETED

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

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

set-aside

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

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

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

Definition of Market/Submarket: “Brown County, defined as the market area, encompasses several small towns and a number of unincorporated communities.” (p. 1-1)

Total Regional Market Demand for Rental Units: The market analyst projects a net housing demand of 130 units between 2002 and 2004, or 65 annually. This is based on the sum of household growth, vacancy allowance, substandard units, and replacement. For Brown County there is a total demand of 366 units, or 183 a year. (p. 3-4 and 1-13) The analyst estimates a total potential demand for affordable rental units to be 193 in Brown County. This is based on a household growth of six eligible renters, and demand of 170 from existing households and 18 units based on replacement. (p. 1-14)

ANNUAL INCOME-ELIGIBLE MARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	6	3%	10	1%
Resident Turnover	170	88%	895	99%
Other Sources: Replacement	18	9%	0	0%
TOTAL ANNUAL DEMAND	194	100%	905	100%

Ref: p. 1-14

Capture Rate: “A capture rate based on the estimated potential demand from income qualified households in the county (factoring projected growth, income limits and turnover for the next two years) is 15.5% for RD-USDA units at basic rents...” (p. 5-1) The Underwriter projects a capture rate of 3%, based on 2002 household demand and turnover. In either case, this is well below the Department limits. It should be noted that there is a second development proposed in Brownwood in this application cycle; however, it is an elderly project and would not be considered a direct competitor and therefore is not involved in the capture rate calculations.

Local Housing Authority Waiting List Information: “The existing Section 8 Program is administered by the Brownwood Housing Authority....indicated that 76.5% of the 489 Section 8 Vouchers are issued for families, and 85% of the 20 names on the waiting list are families.” (p. 4-6) According to the analyst, 115 tenants in Brownwood receive Section 8 Vouchers, including 73 tenants at LIHTC properties and 13 tenants at Oakwood, the RD-USDA family project. (p. 4-6)

Market Rent Comparables: The market analyst surveyed 22 comparable apartment projects totaling 1,210 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$288	\$352	-\$64	\$352	-\$64
2-Bedroom (60%)	\$365	\$423	-\$58	\$453	-\$88
3-Bedroom (60%)	\$422	\$485	-\$63	\$460	-\$38

(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: In 2000, the overall occupancy rate in Brownwood was 87.0% and in Brown County it was 80%. (p. 4-1)

Absorption Projections: “The absorption rate is estimated at 18 to 20 units per month indicating a lease-up

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

period of less than two months to achieve 92.5% occupancy of the 30 units.” (p. 5-5)

Other Relevant Information: “Brownwood gained 426 residences between 1990 and 2000, resulting in an annual growth of 0.2%, while the number of households increased by 137, or 0.2%. This level of growth is projected throughout the decade. (p. 3-2) According to the analyst, 53% of all renters moved into their current unit within the last 10 years. The city had a total of 2,648 renter units, or 37.2% of all housing units, in 2000, with 185 units opening up in the 1990’s. The analyst indicated three complexes corresponded to permits issued in 1990, 1997 and 1999. A 44-unit RD-USDA project opened in 1991 in Vickburg, Brownwood I, an LIHTC project opened 50 units in 1998 and in 2001, Brownwood II added an additional 72 LIHTC units. In 2000 the overall occupancy increased to 87% in Brownwood, 87.2% in the (Brownwood) CCD and 80% in the county. “Waiting lists for all types of multi-family housing total 281 names, with 175 listed at Brownwood I & II LIHTC complexes, 82.9% of which are families (145 names).” (p. 4-5) The market analyst indicated the need for 104 replacement units in the next two years and did not indicate any proposed housing in the future. According to 1990 census data, technical sales, & administrative support accounted for 27.8% of the entire city labor force, with services being 20.1% and operators, fabricators and laborers at 20.0% of the labor force. The 2002-2003 Texas Almanac describes Brown County’s economy as including “manufacturing plants, distribution center, government services and agribusiness.” (p. 2-1). Brown County’s weekly wage was \$501.58 in 2000, lower than the state average of \$707.31. The rate of change in wage rates shows that the city is not keeping up with the rest of the state. (p. 2-2) The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Brownwood is located in the center of the state, approximately 127 miles southwest of Fort Worth in Brown County. The site is an irregularly-shaped parcel located in the northwest area of Brownwood, approximately 1.5 miles from the central business district. The site is situated on the east side of Cordell Street and the north side of Coleman Street.

Population: The estimated 2000 population of Brown County was 37,674 and is expected to be 38,074 in 2002, an increase of 1.0%. The estimated 2000 population of the City of Brownwood was 18,813 and is expected to be 18,888 in 2002, an increase of 0.40%. Within the county the estimated number of households in 2002 is 14,475, in Brownwood the estimate is 7,138.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with vacant land, single family multi-family and a school. Adjacent land uses include:

- **North:** Immediate is land with single family homes beyond that.
- **South:** Immediate is land with a correction facility and Texas Youth Council beyond that.
- **East:** Immediate is land with single family homes beyond that.
- **West:** Two LIHTC family complexes. An elementary school is also located west of the site.

Site Access: Access to the property is from north and south along Coleman Street just south of Highway 67. The project has two main entries, one from Cordell Street and the other from Coleman Street.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 1.5 miles of Commerce Square and the Village Shopping Center. Commerce Center contains First Foods Supermarket and Dollar. A Wal-Mart is located about one mile northeast. Kroger and Eckerd Drug are located two miles east. A community center is located one mile northeast of the site, an elementary school across the street, a middle school 1.5 miles east and a high school about three miles southeast. Brownwood Regional Hospital is about three miles south of the site. City Hall, the police station, fire department, public library, and the county courthouse are all located within two miles of the site in the downtown district.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

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

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are \$58 to \$64 lower than the maximum rents allowed under LIHTC guidelines for all the units in the property. If the Applicant were able to charge the higher rents, an additional \$21,840 in annual income could be achieved. The Applicant's proposed rents are based upon the proposed USDA basic rents for the development. USDA strictly monitors these rents to ensure that a return to the owner does not exceed 8%. The Applicant projected secondary income at \$1.00 per unit per month, while the Underwriter estimated \$5.00 per unit per month. Both the Applicant and Underwriter projected a vacancy and collection loss of 7.5% of potential gross rent.

Expenses: The Applicant's estimate of total operating expense is 2% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. Individual differences reflect the Applicant's lower property tax amount by almost \$4K compared to the Underwriter and the Applicant's higher repairs and maintenance cost of \$4K and utilities by \$4K compared to the Underwriter. The projected reserves are based on the USDA requirement that 1% of the loan amount be established as an annual reserve. The Underwriter's property taxes were based on a partial tax abatement anticipated to be provided by the city. The Department is currently reviewing another transaction in Brownwood which includes a letter from the city reflecting this standard tax abatement offer for affordable housing development. Therefore, the Underwriter is indicating that the abatement would be 50% of city taxes in the first year, 40% abated in the second year and a 10% reduction in the abatement in each subsequent year until the abatement is completely removed at the end of the fifth year.

Conclusion: The Applicant's estimated income is based on the proposed USDA based rents, and is acceptable as proposed. The Applicant's total operating expenses are within 5% of the Underwriter's database-derived estimate and net income is also consistent with the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. Both the Applicant's and Underwriter's NOI estimates provide a debt coverage ratio within an acceptable 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The subject's land cost is \$26,100, or \$7,500 per acre. According to the market analyst, the sales price appears reasonable. Moreover, this is an arm's-length sale.

Sitework Cost Sitework Cost: The Applicant's claimed sitework costs of \$5,989 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$64,220 less than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, representing a difference of 7%, therefore the Applicant's direct construction costs appear to be understated.

Ineligible Costs: The Applicant included \$3,439 in tax credit fees as eligible costs when these fees paid to the Department are not considered eligible.

Interim Financing Fees: The Applicant's interim financing fees, to include estimated interest, are within an acceptable range.

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. Due to the overstatement of eligible tax credit fees, the Applicant's eligible developer fees exceed the 15% limit by \$516 and eligible basis must be reduced by an equal amount.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$1,483,551 is used to determine a credit allocation of \$70,780 from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with financing from three sources: a conventional loan from First State Bank, a USDA/TXRD loan, and syndicated LIHTC equity.

Construction Financing: The Applicant intends to use First State Bank for an interim construction loan of \$1,000,000 and to fund the remainder of the construction phase with \$546,406 in LIHTC syndication. The interest rate on the interim loan will be 7.5% with a term of one year.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Permanent Financing: Permanent mortgage financing will be provided by the United States Department of Agriculture, Rural Development in the form of a 30-year term loan of \$1,000,000. The interest rate will be set at a market rate but effectively reduced to 1% as long as rents do not exceed the basic rate which can be reset annually. The loan is said to amortize over a 50-year period. A final commitment for this loan detailing the terms has not been provided and receipt, review, and acceptance of such commitment is a condition of this report.

LIHTC Syndication: Raymond James Tax Credit Funds has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$546,406 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:

1. 60% upon construction closing;
2. 20% upon completion of construction;
3. 20% upon 100% of units becoming tax credit-qualified.

It should be noted that the initial partnership will need to be revised to increase the limited partnership interest to meet the terms of the syndication agreement.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$70,780 annually for ten years, resulting in syndication proceeds of approximately \$544,953. The permanent financing estimate provided by the Applicant of \$1,000,000 appears to be reasonable but the final terms still need to be conformed by USDA. USDA is waiting for an appraisal to support their total debt amount. Based on the minor adjustment to the eligible basis and thus the tax credit amount, the Applicant will need to defer \$1,453 in developer fees which should be repayable in the first year of stabilized operations.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies/small outdoor storage closets/utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry that is shared with another unit. The units are in one-story townhouse structures with mixed brick masonry and Hardiboard exterior finish and pitched roofs. Each unit will share a front and back porch with an adjacent unit.

IDENTITIES of INTEREST

The developer, property manager and general contractor (as originally proposed in the application) are related entities, as is the initial limited partner. These are common identities of interest for LIHTC developments.

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

Financial Highlights:

- The Applicant, HMV Brownwood, Ltd., submitted an unaudited financial statement as of February 25, 2002 reporting total assets of \$78,960 with all the funds in receivables. A related party is listed as a debtor owing \$75,012, while the General Partner owes \$3,948. There were no listed liabilities, resulting in a net worth of \$78,960.
- The General Partner, HVM Housing, LLC, submitted an unaudited financial statement as of February 25, 2002 reporting total assets of \$29,563.06 and consisting of \$20,969.92 in cash and \$8,593.14 in real property. Liabilities totaled \$14,666, resulting in a net worth of \$14,897.06.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed 16 LIHTC/affordable housing developments totaling 552 units since 1997.
- Dixie Farmer is the President of the General Partner. Ms. Farmer has completed 3 projects involving 88 units since 2001.
- Dennis Hoover is the Vice-President of the General Partner. Mr. Hoover has completed 15 projects involving 483 units since 1984.
- Danna Hoover is the Vice-President of the General Partner. Mr. Hoover has completed 6 projects involving 222 units since 1990.

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

SUMMARY OF SALIENT RISKS AND ISSUES

- 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.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$70,780 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 a final USDA commitment for a \$1,000,000 permanent loan amortized at 1% over 50 years.

Underwriter:

Mark Fugina

Date: 6/14/02

Credit Underwriting Supervisor:

Jim Anderson

Date: 6/14/02

Director of Credit Underwriting:

Tom Gouris

Date: 6/14/02

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Cordell Apartments, Brownwood, LIHTC #02152

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
<TC60%	10	1	1	634	\$406	\$288	\$2,880	\$0.45	\$53.75	\$14.06
<TC60%	16	2	1	826	487	365	5,840	0.44	63.93	15.43
<TC60%	4	3	2	950	563	422	1,688	0.44	77.70	16.14
TOTAL:	30		AVERAGE:	779	\$470	\$347	\$10,408	\$0.45	\$62.37	\$15.07

INCOME				Total Net Rentable Sq Ft: 23,356		TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$124,896	\$124,896			
Secondary Income		Per Unit Per Month:	\$5.00			1,800	360	\$1.00	Per Unit Per Month	
Other Support Income: (describe)						0				
POTENTIAL GROSS INCOME						\$126,696	\$125,256			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(9,502)	(9,396)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$117,194	\$115,860			
EXPENSES								PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.02%	PER UNIT	\$235	PER SQ FT	\$0.30	\$7,058	\$4,652	\$0.20	\$155	4.02%
Management	8.45%		330		0.42	9,907	10,800	0.46	360	9.32%
Payroll & Payroll Tax	11.81%		461		0.59	13,841	13,829	0.59	461	11.94%
Repairs & Maintenance	8.70%		340		0.44	10,200	14,207	0.61	474	12.26%
Utilities	3.83%		150		0.19	4,491	7,877	0.34	263	6.80%
Water, Sewer, & Trash	13.82%		540		0.69	16,199	14,178	0.61	473	12.24%
Property Insurance	3.46%		135		0.17	4,059	2,381	0.10	79	2.06%
Property Tax	2.4739%		371		0.48	11,133	7,254	0.31	242	6.26%
Reserve for Replacements	8.53%		333		0.43	10,000	10,000	0.43	333	8.63%
Other Expenses: Compliance	0.64%		25		0.03	750	755	0.03	25	0.65%
TOTAL EXPENSES	74.78%		\$2,921		\$3.75	\$87,639	\$85,933	\$3.68	\$2,864	74.17%
NET OPERATING INC	25.22%		\$985		\$1.27	\$29,555	\$29,927	\$1.28	\$998	25.83%
DEBT SERVICE										
USDA Rural Development	21.69%		\$847		\$1.09	\$25,423	\$25,423	\$1.09	\$847	21.94%
Additional Financing	0.00%		\$0		\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%		\$0		\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	3.53%		\$138		\$0.18	\$4,132	\$4,504	\$0.19	\$150	3.89%
AGGREGATE DEBT COVERAGE RATIO						1.16	1.18			
ALTERNATIVE DEBT COVERAGE RATIO							1.18			

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$26,250	\$26,250	\$1.12	\$875	1.70%
Acquisition Cost (site or bldg)		1.63%	\$875	\$1.12	0	0	0.00	0	0.00%
Off-Sites		0.00%	0	0.00	179,672	179,672	7.69	5,989	11.62%
Sitework		11.16%	5,989	7.69	928,302	864,082	37.00	28,803	55.88%
Direct Construction		57.64%	30,943	39.75	0	0	0.00	0	0.00%
Contingency	0.00%	0.00%	0	0.00	62,625	62,625	2.68	2,088	4.05%
General Requirements	5.65%	3.89%	2,088	2.68	20,875	20,875	0.89	696	1.35%
Contractor's G & A	1.88%	1.30%	696	0.89	62,625	62,625	2.68	2,088	4.05%
Contractor's Profit	5.65%	3.89%	2,088	2.68	72,865	72,865	3.12	2,429	4.71%
Indirect Construction		4.52%	2,429	3.12	9,739	9,739	0.42	325	0.63%
Ineligible Expenses		0.60%	325	0.42	17,969	17,969	0.77	599	1.12%
Developer's G & A	1.33%	1.12%	599	0.77	176,054	194,023	8.31	6,467	12.55%
Developer's Profit	13.00%	10.93%	5,868	7.54	27,300	27,300	1.17	910	1.77%
Interim Financing		1.69%	910	1.17	26,350	26,350	1.13	878	1.70%
Reserves		1.64%	878	1.13	\$1,610,626	\$1,546,406	\$66.21	\$51,547	100.00%
TOTAL COST		100.00%	\$53,688	\$68.96	\$1,254,099	\$1,189,879	\$50.95	\$39,663	76.94%
Recap-Hard Construction Costs									
					\$1,000,000	\$1,000,000	\$1,000,000		
SOURCES OF FUNDS					546,406	546,406	544,953		
USDA Rural Development	62.09%		\$33,333	\$42.82	0	0	0		
LIHTC Syndication Proceeds	33.93%		\$18,214	\$23.39	0	0	1,453		
Additional Financing	0.00%		\$0	\$0.00	64,220	0	0		
Deferred Developer Fees	0.00%		\$0	\$0.00	\$1,610,626	\$1,546,406	\$1,546,406		
Additional (excess) Funds Required	3.99%		\$2,141	\$2.75					
TOTAL SOURCES									

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Cordell Apartments, Brownwood, LIHTC #02152

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.92	\$1,002,371
Adjustments				
Exterior Wall Finish	3.31%		\$1.42	\$33,178
Elderly	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(45,778)
Floor Cover			1.82	42,508
Porches/Balconies	\$30.71	2413.84	3.17	74,129
Plumbing	\$585	8	0.20	4,680
Built-In Appliances	\$1,550	30	1.99	46,500
Stairs/Fireplaces	\$0	0	0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	32,932
Garages/Carports	\$0.00	0	0.00	0
Comm &/or Aux Bldgs	\$70.55	544	1.64	38,380
Other:			0.00	0
SUBTOTAL			52.62	1,228,900
Current Cost Multiplier	1.04		2.10	49,156
Local Multiplier	0.89		(5.79)	(135,179)
TOTAL DIRECT CONSTRUCTION COSTS			\$48.93	\$1,142,877
Plans, specs, survy, bld	3.90%		(\$1.91)	(\$44,572)
Interim Construction Inte	3.38%		(1.65)	(38,572)
Contractor's OH & Profit	11.50%		(5.63)	(131,431)
NET DIRECT CONSTRUCTION COSTS			\$39.75	\$928,302

PAYMENT COMPUTATION

Primary	\$1,000,000	Term	600
Int Rate	1.00%	DCR	1.16

Secondary	\$546,406	Term	
Int Rate	0.00%	Subtotal DCR	1.16

Additional	\$0	Term	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$25,423
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$4,132

Primary	\$1,000,000	Term	600
Int Rate	1.00%	DCR	1.18

Secondary	\$1,253,373	Term	0
Int Rate	0.00%	Subtotal DCR	1.18

Additional	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.18

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
INCOME										
POTENTIAL GROSS RENT		\$124,896	\$128,643	\$132,502	\$136,477	\$140,572	\$162,961	\$188,916	\$219,006	\$294,326
Secondary Income		1,800	1,854	1,910	1,967	2,026	2,349	2,723	3,156	4,242
Other Support Income: (desc)		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		126,696	130,497	134,412	138,444	142,597	165,310	191,639	222,162	298,567
Vacancy & Collection Loss		(9,502)	(9,787)	(10,081)	(10,383)	(10,695)	(12,398)	(14,373)	(16,662)	(22,393)
Employee or Other Non-Renta		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$117,194	\$120,710	\$124,331	\$128,061	\$131,903	\$152,911	\$177,266	\$205,500	\$276,175
EXPENSES	at 4.00%									
General & Administrative		\$7,058	\$7,340	\$7,634	\$7,939	\$8,257	\$10,045	\$12,222	\$14,870	\$22,011
Management		9,907	10,205	10,511	10,826	11,151	12,927	14,986	17,373	23,347
Payroll & Payroll Tax		13,841	14,395	14,971	15,569	16,192	19,700	23,968	29,161	43,166
Repairs & Maintenance		10,200	10,608	11,032	11,474	11,933	14,518	17,663	21,490	31,811
Utilities		4,491	4,670	4,857	5,052	5,254	6,392	7,777	9,462	14,005
Water, Sewer & Trash		16,199	16,847	17,521	18,222	18,951	23,057	28,052	34,130	50,520
Insurance		4,059	4,222	4,391	4,566	4,749	5,778	7,030	8,553	12,660
Property Tax		11,133	11,950	12,814	13,729	14,131	18,390	22,374	27,221	40,294
Reserve for Replacements		10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068	31,187
Other		750	780	811	844	877	1,067	1,299	1,580	2,339
TOTAL EXPENSES		\$87,639	\$91,417	\$95,358	\$99,470	\$103,193	\$126,107	\$152,687	\$184,907	\$271,340
NET OPERATING INCOME		\$29,555	\$29,293	\$28,973	\$28,591	\$28,709	\$26,804	\$24,579	\$20,593	\$4,835
DEBT SERVICE										
First Lien Financing		\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
NET CASH FLOW		\$4,132	\$3,870	\$3,549	\$3,168	\$3,286	\$1,381	(\$844)	(\$4,830)	(\$20,588)
DEBT COVERAGE RATIO		1.16	1.15	1.14	1.12	1.13	1.05	0.97	0.81	0.19

LIHTC Allocation Calculation - Cordell Apartments, Brownwood, LIHTC #021

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$26,250	\$26,250		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$179,672	\$179,672	\$179,672	\$179,672
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$864,082	\$928,302	\$864,082	\$928,302
(4) Contractor Fees & General Requirements				
Contractor overhead	\$20,875	\$20,875	\$20,875	\$20,875
Contractor profit	\$62,625	\$62,625	\$62,625	\$62,625
General requirements	\$62,625	\$62,625	\$62,625	\$62,625
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$72,865	\$72,865	\$72,865	\$72,865
(7) Eligible Financing Fees				
	\$27,300	\$27,300	\$27,300	\$27,300
(8) All Ineligible Costs				
	\$9,739	\$9,739		
(9) Developer Fees				
			\$193,507	
Developer overhead		\$17,969		\$17,969
Developer fee	\$194,023	\$176,054		\$176,054
(10) Development Reserves				
	\$26,350	\$26,350		
TOTAL DEVELOPMENT COSTS	\$1,546,406	\$1,610,626	\$1,483,551	\$1,548,287

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$1,483,551	\$1,548,287
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$1,928,616	\$2,012,773
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$1,928,616	\$2,012,773
Applicable Percentage			3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			\$70,780	\$73,869
Syndication Proceeds		0.7699	\$544,953	\$568,733