

**TDHCA #**

**02034**

**Region 3**

**Non Profit  
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: **Terrell Senior Terraces, Phase II**TDHCA #: **02034****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 LIHTC Primary Set Aside: NP  
 Site Address: 100 Windsor Court Additional Elderly Set Aside   
 City: Terrell Purpose / Activity: NC  
 County: Kaufman Development Type: Elderly  
 Zip Code: 75160  TTC  DDA  QCT

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

Special Needs: 9 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: LRI X, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
LRI Terrell Senior Terraces II, LLC	Barry Halla	90 %
Axis Properties, Inc.	Tadd Tellepsen	10 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$781,495** Allocation over 10 Years: \$7,814,950  
 Credits Requested: \$764,357 Eligible Basis Amount: \$781,495 Equity/Gap Amount: \$814,778

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	36	36	0	0	0	72
50%	0	36	36	0	0	0	72
60%	0	0	0	0	0	0	0
MR	0	18	18	0	0	0	36
Total	0	90	90	0	0	0	

**BUILDING INFORMATION**

Total Development Cost:	<b>\$10,841,833</b>
Gross Building Square Feet:	130,940
Total NRA SF:	127,620
Gross/Net Rentable:	1.03
Average Square Feet/Unit:	709
Cost Per Net Rentable Square Foot:	\$84.95
Credits per Low Income Unit	\$5,427

Total LI Units: 144  
 Owner/Employee Units: 0  
 Total Project Units: 180  
 Applicable Fraction: 80.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$1,155,843
Total Expenses:	\$636,844
Net Operating Income:	\$518,999
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:	Life Rebuilders, Inc.	Market Analyst:	Ipser & Associates
Housing GC:	Tellepsen Builders, LP	Originator/UW:	Midland Mortgage Investment Corp.
Infrastructure GC:	Tellepsen Builders, LP	Appraiser:	Henry S. Miller Commercial
Cost Estimator:	Tellepsen Builders, LP	Attorney:	Holland & Knight, LLP
Architect:	Kastendieck & Associates, Inc.	Supp Services:	Kaufman County Senior Service Ctr.
Property Manager:	Alpha-Barnes Real Estate Services	Accountant:	Novogradac & Company, LLP
Engineer:	Schlimgen Land Development Services, LLC		
Syndicator:	Midland Equity Corporation	Permanent Lender:	Midland Mortgage Investments Corp.

**DEPARTMENT EVALUATION**

Points Awarded: 143 Site Review: Acceptable Underwriting Finding: AC

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

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **8** 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: Henry C. Madgwick, Sr., Mayor, S	Gordon C. Pierce, City Manager, S
TX Rep.: Betty Brown, Dist. 4 S	Wayne Gent, County Judge, S
TX Sen.: David H. Cain, Dist. 2 S	Frances R. Anderson, Mayor Pro Tem, S
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a revised site plan to reflect the location of the cabana.

Should the actual cost of the development be established through a fixed price contract or at cost certification to be lower than the underwriter's estimate or the rates, terms, and amounts of the permanent financing or syndication change a re-evaluation of the recommendations and conditions in this report should be conducted.

**Alternate Recommendation:**

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

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

Comment: This development was one of the highest scoring developments in the Nonprofit Set Aside statewide.

\_\_\_\_\_  
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 #:** 02034

LIHTC 9%  LIHTC 4%

**Project Name:** Terrell Senior Terraces, Phase II

HOME  HTF

**Project City:** Terrell

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 2 # not yet monitored or pending review 4

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Sara Carr Newsom **Completed on** 05/13/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments: 538095, 538096 ( No draws)

**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: Monitoring review pending 538095

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

**Completed by** C.Hudson                      **Completed on** 06/06/2002

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

DATE: June 6, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02034

**DEVELOPMENT NAME**

Terrell Senior Terraces, Phase II

**APPLICANT**

**Name:** LRI X, LTD.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 800 West Airport Freeway, Ste. 1100      **City:** Irving      **State:** TX  
**Zip:** 75062    **Contact:** Barry Halla      **Phone:** (480) 837-3000    **Fax:** (480) 837-0566

**PRINCIPALS of the APPLICANT**

**Name:** LRI Terrell Senior Terraces II, LLC      **(%):** .009      **Title:** Managing General Partner  
**Name:** Axis Properties, Inc.      **(%):** .001      **Title:** Other General Partner  
**Name:** Midland Equity Corporation      **(%):** 99.99      **Title:** Limited Partner

**GENERAL PARTNER**

**Name:** LRI Terrell Senior Terraces II, LLC      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 800 W. Airport Frwy, Ste. 1100      **City:** Irving      **State:** TX  
**Zip:** 75062    **Contact:** Barry Halla      **Phone:** (480) 837-3000    **Fax:** (480) 837-0566

**PROPERTY LOCATION**

**Location:** 100 Windsor Court       **QCT**     **DDA**  
**City:** Terrell      **County:** Kaufman      **Zip:** 75160

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$764,357	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 16.863 acres    734,552 square feet    **Zoning/ Permitted Uses:** PD-planned unit development  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Fully Improved

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CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 180    **# Rental Buildings:** 45    **# Common Area Bldgs:** 2    **# of Floors:** 1    **Age:** n/a yrs

Number	Bedrooms	Bathroom	Size in SF
90	1	1	614
90	2	1	804

**Net Rentable SF:** 127,620    **Av Un SF:** 709    **Common Area SF:** 3,320    **Gross Bldg SF:** 130,940

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 76% brick veneer/22% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, cable, individual water heaters, firplaces, central heat and AC

**ON-SITE AMENITIES**

3,085 SF community building with senior center, furnished community room, management offices, laundry facilities, kitchen, restrooms, central mailroom, swimming pool, equipped children's play area, picnic area, public telephones

**Uncovered Parking:** 284 spaces    **Carports:** n/a spaces    **Garages:** n/a spaces

**OTHER SOURCES of FUNDS**

**CONSTRUCTION FINANCING**

**Source:** Midland Mortgage Investment Corporation    **Contact:** Daniel Flick

**Principal Amount:** \$4,731,000    **Interest Rate:** 6.00%

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

**Amortization:** 30 yrs    **Term:** 2 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$340,376    **Lien Priority:** n/a    **Commitment Date**    01/    02/    2002

**PERMANENT FINANCING**

**Source:** Midland Mortgage Investment Corporation    **Contact:** Daniel Flick

**Principal Amount:** \$4,731,000    **Interest Rate:** 8.125%

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

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

**Annual Payment:** \$421,530    **Lien Priority:** 1<sup>st</sup>    **Commitment Date**    01/    02/    2002

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

**LIHTC SYNDICATION**

<b>Source:</b> <u>Midland Equity Corporation</u>	<b>Contact:</b> <u>Mark George</u>
<b>Address:</b> <u>33 North Garden Avenue, Suite 1200</u>	<b>City:</b> <u>Clearwater</u>
<b>State:</b> <u>Florida</u> <b>Zip:</b> <u>33755</u> <b>Phone:</b> <u>(727) 461-4801</u> <b>Fax:</b> <u>(727) 443-6067</u>	
<b>Net Proceeds:</b> <u>\$5,420,359</u>	<b>Net Syndication Rate</b> (per \$1.00 of 10-yr LIHTC) <u>75¢</u>
<b>Commitment</b> <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	<b>Date:</b> <u>01/ 02/ 2002</u>
<b>Additional Information:</b> _____	

**APPLICANT EQUITY**

<b>Amount:</b> <u>\$918</u>	<b>Source:</b> <u>Deferred developer fee</u>
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**VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only:</b> <u>\$279,000</u>	<b>Date of Valuation:</b> <u>02/ 21/ 2002</u>
<b>Appraiser:</b> <u>Henry S. Miller Consulting Group</u>	<b>City:</b> <u>Dallas</u> <b>Phone:</b> <u>(972) 419-4000</u>

**ASSESSED VALUE**

<b>Land:</b> <u>\$171,190</u>	<b>Assessment for the Year of:</b> <u>2002-Proposed</u>
<b>Building:</b> <u>n/a</u>	<b>Valuation by:</b> <u>Kaufman County Appraisal District</u>
<b>Total Assessed Value:</b> <u>\$171,190</u>	<b>Tax Rate:</b> <u>2.5525</u>

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b> <u>Contract of sale and two amendments</u>
<b>Contract Expiration Date:</b> <u>12/ 31/ 2002</u> <b>Anticipated Closing Date:</b> <u>10/ 01/ 2002</u>
<b>Acquisition Cost:</b> \$ <u>\$257,000</u> <b>Other Terms/Conditions:</b> <u>Original contract indicates \$1,245 sales price. See discussion in land cost below.</u>
<b>Seller:</b> <u>Life Rebuilders, Inc.</u> <b>Related to Development Team Member:</b> <u>Yes</u>

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Windsor Senior Terraces, aka Terrell Senior Terraces Phase I, was submitted and underwritten in the 1998 LIHTC cycle. The underwriting analysis recommended the project be approved to the following conditions:

- The Tax Credit Allocation is reduced to not more than \$220,772 per annum.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Terrell Senior Terraces, Phase II is a proposed new construction development of 144 affordable housing units and 36 market rate units located in south Terrell. The development is comprised of 45 residential buildings as follows:

- (9) Building Type I with four 1-bedroom units;
- (9) Building Type II with four 2- bedroom units;
- (27) Building Type III with two 1- bedroom units and two 2- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, equipped play area, picnic area and swimming pool located near the entrance to the site. The building plans submitted indicates the 3,085 square foot community building includes the management office,

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a multi-purpose room, kitchen, restrooms, laundry facilities and maintenance room. The Applicant provided a floor plan for a 235 square foot cabana but this building is not reflected in the site plan. Receipt, review and acceptance of a revised site plan reflecting the cabana is condition of this report.

**Supportive Services:** The Applicant has contracted with Kaufman County Senior Citizens Services, Inc. to provide the following supportive services to tenants: transportation, tenant counseling services, health screening services, meal services, health and nutritional courses and basic adult education. 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. The Applicant's annual expenses reflect \$8,100 for supportive service contract fees.

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 144 of the units will be reserved for elderly tenants and 36 units will be set at market rents. 72 of the units (40%) will be reserved for households earning 40% or less of AMGI, 72 units (40%) will be reserved for households earning 50% or less of AMGI, and the remaining 36 (20%) units will be offered at market rents.

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

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 11, 2002 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** "The primary market area is considered to be Kaufman County." (p. 2.5)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
New Elderly Household Growth	73	7%
Existing Elderly Households	587	48%
10% Demand from Other Sources	66	6%
Demand from HH w/Persons Age 55 to 64	455	39%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,180</b>	<b>100%</b>

Ref: p. 3-5

"It is apparent that some of Kaufman County's growth is coming from outside the county, with a number of newcomers moving from Dallas County. I&A therefore added the estimated demand for elderly housing from Rowlett, Garland and Mesquite, the 3 largest cities in eastern Dallas County, to the demand indicated for Kaufman County. Combining the 3 cities with Kaufman County in the demand analysis reflects the migration component of population growth." (p. 3-4)

**Capture Rate:** The Underwriter calculated a concentration capture rate of 24% based upon a recalculated supply of unstabilized comparable affordable units of 180 divided by a recalculated demand of 745.

**Local Housing Authority Waiting List Information:** "Terrell does not have public housing units, but the Terrell Housing Authority administers the Section 8 Existing Program for Kaufman County. Currently, all 458 Section 8 Vouchers are distributed, and of these 458 vouchers, approximately 142 are elderly/disabled persons (31%). The waiting list for the Section 8 Existing Program contains 636 names, 70 of which are elderly/disabled applicants (11%)." (p. 2-20)

**Market Rent Comparables:** "The comparable market data used in this report consists of the 7 projects in Terrell containing 864 units, supplemented with 6 properties in Kaufman with 246 units (a total of 1,110 units)." (p. 2-19)

**RENT ANALYSIS (net tenant-paid rents)**

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Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (40%)	\$393	\$419	-\$26	\$728	-\$335
1-Bedroom (50%)	\$469	\$543	-\$74	\$728	-\$259
1-Bedroom (MR)	\$675	\$675	\$0	\$728	-\$53
2-Bedroom (40%)	\$507	\$502	+\$5	\$854	-\$347
2-Bedroom (50%)	\$606	\$651	-\$45	\$854	-\$248
2-Bedroom (MR)	\$780	\$780	\$0	\$854	-\$74

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

pg. 2-22

**Submarket Vacancy Rates:** “According to the 2000 Census, occupancy in a total of 1,930 renter-occupied units was 91.5%...The current survey found an overall occupancy rate of 92.3% in a total of 1,110 units located in Terrell and in Kaufman.” (p. 3-2)

**Absorption Projections:** “Average absorption for the subject is estimated at 12 to 15 units per month.” (p. 3-5)

**Known Planned Development:** “Since 2000, three new LIHTC projects have been added to the Terrell market: Terrell Senior Terraces I (January 2000), Heather Lane (March 2000), and Tiffany Square (December 2001)...Based on building permit data, a total of 313 multi-family units were issued permits in 1998, 1999, with an additional 96 in 2001 (Tiffany Square).” (p. 3-2) Only Terrell Seniors is an elderly development and it has been stabilized for at least 12 months. Tiffany Square and Heather Lane are family developments and therefore do not compete directly with the subject and were not considered in the capture rate. Another now-LIHTC development, Colonial Lodge Retirement Center (53 units), has just opened but it is an assisted living center with meals, housekeeping, laundry included in rent and a full-time nursing staff, therefore these units were also excluded from the concentration capture rate.

**Effect on Existing Housing Stock:** “...the addition of 180 units for householders aged 55 and over is not expected to have any significant long-term impact on the existing rental market” (p. 3-3)

The Underwriter found the market study to provide sufficient information to make an informed recommendation..

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Terrell is located in northeast Texas, approximately 32 miles east from Dallas in Kaufman County. The site is a rectangularly-shaped parcel located in the southern area of Terrell, approximately 2 miles from the central business district. “The site is situated on the north side of FM 2578 and west of State Hwy. 34. The site’s frontage will be on Windsor Avenue, a new street, yet to be constructed linking with FM 2578 on the south and Rockwall St. on the north.” (p. 2-2)

**Population:** The estimated 2000 population of Kaufman County was 71,313 and is expected to increase by 2.7% to approximately 80,763 by 2005. Within the primary market area there were estimated to be 24,367 households in 2000.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed with vacant land and multifamily residential. Adjacent land uses include:

- **North:** new single family subdivision, vacant land
- **South:** existing Terrell Senior Terraces, nursing home, vacant land
- **East:** Assisted living facility (under construction), vacant land
- **West:** vacant land

**Site Access:** Access to the property is from the north or south from Windsor Avenue. The development is to have 1 main entry, from the north or south from Windsor Avenue. The subject lies to west of State Hwy. 34, which provides connections to all other major roads serving the Terrell area.

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

**Shopping & Services:** The site is within 3 miles of 1 major grocery/supermarket, within 1.5 miles of shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

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**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 January 31, 2001 was prepared by Professional Service Industries, Inc. (PSI) and contained the following findings and recommendations:

**Findings:** "This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property." (p. 2)

**Recommendations:** "No further assessment of recognized environmental conditions appears warranted." (p. 23)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are lower than the maximum rents allowed under LIHTC guidelines. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Underwriter used recent utility allowance information provided by the City of Terrell Housing Authority, which was higher than the Applicant originally estimated. As a net result of the lower rent projections utilized by the Applicant, however, the Applicant's effective gross income estimate is 5% lower than the Underwriter's estimate.

**Expenses:** The Applicant's estimate of total operating expense of \$3,336 per unit is 6% lower than the Underwriter's TDHCA database-derived estimate. The Applicant submitted historical operating statements for Phase I of Terrell Senior Terraces, which reflect \$3,620 per unit in expenses. The Underwriter compared these historical expenses to the Applicant's estimates and adjusted the database derived estimates to take this historical information into account and conclude with \$3,538 per unit. The Underwriter adjusted the management expense by setting the factor to 4% and water, sewer and trash was adjusted to reflect the historical cost of Terrell Senior Terraces Phase I. The Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's final estimates, particularly general and administrative (\$5K lower), utilities (\$30K lower), water, sewer, and trash (\$13K lower), and insurance (\$22K higher).

**Conclusion:** The Applicant's net operating income is \$20K or 4% lower than the Underwriter's estimate. However, since the Applicant's total operating expenses are over 5% higher than the Underwriter's, the Underwriter's NOI will be used to evaluate debt service capacity. Based on the proposed financing structure and the Underwriter's proforma, the development would have a debt coverage ratio (DCR) of 1.23, which is within the acceptable range of 1.10 to 1.25. The Underwriter has limited the permanent debt by using an 8% interest rate rather than the proposed 8.125% interest rate and this still provides an acceptable 1.25 DCR.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The Applicant submitted a Contract of Sale wherein the General Partner, LRI Terrell Senior Terraces II, LLC is purchasing the land for the sales price of \$1,245. Two amendments to the property contract were also submitted by the Applicant. The second amendment to the contract reflects a revised purchase price of \$257,000. In a letter to the Underwriter dated May 24, 2002 the Applicant explained that the acquisition cost presented in the original contract of sale was originally drafted for an alternative financing plan in May of 2001. The Applicant further explains that "The First Amendment of the original contract was drafted and acknowledged on December 6, 2001. The date was prior to the receipt of the appraisal on February 28, 2002, in which the appraised value is shown to be \$257,000. This amendment for the LIHTC final application updated the applicable dates but failed to update the purchase price. The correct purchase price is the appraised value of the land, which Life Rebuilders, Inc has owned since August 13, 1998." After review of this information, the Underwriter notified the Applicant that since there is an identity of interest with regards to the purchase of the land, the appraisal would not be sufficient to support the site acquisition cost of \$257,000. The Applicant was also notified that he would have to submit the original acquisition price of the land plus any holding costs associated with that property. The Applicant replied to the Underwriter's request in a letter dated May 30, 2002 which states that the subject land was part of a larger parcel purchased by Life Rebuilders in August of 1998. The Applicant further explained that he believed the acquisition of the subject property by the General Partner for the Partnership at \$257,000 is reasonable and warranted. The Underwriter included no cost for site acquisition cost due to the fact that the property is an

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**CREDIT UNDERWRITING ANALYSIS**

identity of interest transaction. The Applicant failed to provide documentation required under the QAP to substantiate the original acquisition and holding costs. Due to the Underwriter's significantly high anticipated total development costs the effect on the development is negotiable and will ensure that gap credits are not available to fund a land transfer profit.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects as they are equal to the maximum threshold guideline.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$951K or 17% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This suggests that the Applicant's total hard costs of \$53.86 per net rentable square foot, or \$38,183 per unit for seniors four-plex construction, are significantly understated.

**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. Contingency fees were overstated by \$52K. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$8K.

**Conclusion:** The Underwriter regards the Applicant's total costs to be understated by \$690K or 6.4%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development. The QAP limits the Department to provide the least of the requested amount, the eligible basis amount, or the gap amount. In this case the requested amount as adjusted for eligible basis errors is used. As a result, a credit allocation of \$781,495 annually is derived from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount. The credit amount is \$17K more than initially requested due to the Applicant's use of a lower applicable percentage of 8.20% rather than the 8.44% current underwriting rate.

**FINANCING STRUCTURE ANALYSIS**

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

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Midland Mortgage Investment Corporation in the amount of \$4,731,000. The commitment letter indicated a term of 15 years with an amortization term of 30 years. The proposed interest rate is 8.125%.

**Construction Financing:** There is a commitment for construction financing through Midland Mortgage Investment Corporation in the amount of \$4,731,000. The commitment letter indicated a term of 2 years with an interest rate of 6%.

**LIHTC Syndication:** Midland Equity Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,420,359 based on a syndication factor of 75%. The funds would be disbursed in a three-phased pay-in schedule:

1. (\$4,203,780) First Installment: At the later of: (i) admission of the Investment Partnership to the Operating Partnership; or (ii) closing of the construction loan, issuance of the bonds and Project land acquisition;
2. (\$403,525) Second Installment: Within thirty days if the later of: (i) completion of the Project; or (ii) receipt by the Investment Partnership of the cost and credit certification from the independent accountants;
3. (\$813,054) Third Installment: Within thirty days of the later of: (i) conversion and amortization of the bond financing; or (ii) receipt of the Form 8609; or (iii) 90% physical occupancy for three (3) consecutive calendar months; or (iv) 1.10 Debt Service Coverage for ninety (90) days.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$918 amount to .08% of the total fees. However, based on the Applicant's total development cost estimate, the developer would have to defer \$250,206 in fees, which is \$249,288 more than originally anticipated. This developer fee can be repaid within 5 years.

**Financing Conclusions:** The Applicant's total development cost estimate, adjusted for overstated fees and contingency, was used to determine the development's eligible basis and recommended tax credit allocation

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

of \$781,495 annually for ten years, resulting in syndication proceeds of approximately \$5,860,627. Based on the Applicant's total development cost estimate, the developer would need to defer \$250,206 in fees. The deferred fee appears to be repayable from development cashflow within 5 years. Also should a lower interest rate on the permanent loan be achieved, the development could support additional debt that could go toward reducing the deferral of developer fees. If the Applicant's lower costs are realized with a lower interest rate a reduction in the credit amount may be warranted. Should the Board choose to limit the credit amount to not more than the unadjusted requested amount the development would still have sufficient cashflow to repay the resulting additional deferral of developer fees in less than 10 years.

**REVIEW of ARCHITECTURAL DESIGN**

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

**IDENTITIES of INTEREST**

The sole member of the Managing GP, Life Rebuilders, Inc. is also the Developer. The 100% owner of the Co-GP, Tadd Tellepsen, is also the son of the General Contractor.

**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 sole member of the Managing GP, Life Rebuilders, Inc. submitted an audited financial statement as of February 28, 2002 reporting total assets of \$2.4M and consisting of \$175K in cash, \$1.3M in receivables, \$15K in investments and advances to limited partnerships, \$176K in related party receivables, \$728K in construction in progress and \$553 in fixed assets. Liabilities totaled \$899K, resulting in a net worth of \$1.5M.
- The principal of the Co-GP, Tadd Tellepsen, submitted an unaudited financial statement as of February 27, 2002.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The sole member of the Managing GP and Developer, Life Rebuilders, Inc. has completed 3 LIHTC housing developments totaling 264 units since 1996.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$781,495 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 site plan to reflect the location of the cabana;
3. Should the actual cost of the development be established through a fixed price contract or at cost certification to be lower than the underwriter's estimate or the rates, terms, and amounts of the permanent financing or syndication change a re-evaluation of the recommendations and conditions in this report should be conducted.

**Associate Underwriter:**

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

**Date:** June 6, 2002

\_\_\_\_\_

**Director of Credit Underwriting:**

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

**Date:** June 6, 2002

\_\_\_\_\_

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Terrell Senior Terraces, Phase II, LIHTC #02034**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trst
TC40%	36	1	1	614	\$499	\$419	\$15,084	\$0.68	\$80.00	\$30.00
TC50%	36	1	1	614	\$623	\$543	19,548	0.88	80.00	30.00
MR	18	1	1	614	\$755	\$675	12,150	1.10	80.00	30.00
TC40%	36	2	1	804	\$599	\$502	18,072	0.62	97.00	42.00
TC50%	36	2	1	804	\$748	\$651	23,436	0.81	97.00	42.00
MR	18	2	1	804	\$877	\$780	14,040	0.97	97.00	42.00
<b>TOTAL:</b>	<b>180</b>		<b>AVERAGE:</b>	<b>709</b>	<b>\$657</b>	<b>\$569</b>	<b>\$102,330</b>	<b>\$0.80</b>	<b>\$88.50</b>	<b>\$36.00</b>

**INCOME** Total Net Rentable Sq Ft: 127,620

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			
POTENTIAL GROSS RENT	\$1,227,960	\$1,167,480			
Secondary Income	21,600	21,600	\$10.00	Per Unit Per Month	
Other Support Income	0				
POTENTIAL GROSS INCOME	\$1,249,560	\$1,189,080			
Vacancy & Collection Loss	(93,717)	(89,184)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions	0	0			
EFFECTIVE GROSS INCOME	\$1,155,843	\$1,099,896			
<b>EXPENSES</b>					
			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	\$54,881	\$49,500	\$0.39	\$275	4.50%
Management	46,234	43,996	0.34	244	4.00%
Payroll & Payroll Tax	140,694	137,500	1.08	764	12.50%
Repairs & Maintenance	74,194	75,000	0.59	417	6.82%
Utilities	48,746	18,500	0.14	103	1.68%
Water, Sewer, & Trash	74,805	61,780	0.48	343	5.62%
Property Insurance	29,880	49,500	0.39	275	4.50%
Property Tax 2.5525	119,710	116,999	0.92	650	10.64%
Reserve for Replacements	36,000	36,000	0.28	200	3.27%
Other Expenses: Compliance & Supp	11,700	11,700	0.09	65	1.06%
<b>TOTAL EXPENSES</b>	<b>\$636,844</b>	<b>\$600,475</b>	<b>\$4.71</b>	<b>\$3,336</b>	<b>54.59%</b>
NET OPERATING INC	\$518,999	\$499,421	\$3.91	\$2,775	45.41%
<b>DEBT SERVICE</b>					
Midland Mortgage Investment Co	\$421,530	\$421,530	\$3.30	\$2,342	38.32%
	0	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	\$97,469	\$77,891	\$0.61	\$433	7.08%
AGGREGATE DEBT COVERAGE RATIO	1.23	1.18			
ALTERNATIVE DEBT COVERAGE RATIO	1.25				

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.75%	\$305	\$0.43
Management	4.00%	257	0.36
Payroll & Payroll Tax	12.17%	782	1.10
Repairs & Maintenance	6.42%	412	0.58
Utilities	4.22%	271	0.38
Water, Sewer, & Trash	6.47%	416	0.59
Property Insurance	2.59%	166	0.23
Property Tax 2.5525	10.36%	665	0.94
Reserve for Replacements	3.11%	200	0.28
Other Expenses: Compliance & Supp	1.01%	65	0.09
<b>TOTAL EXPENSES</b>	<b>55.10%</b>	<b>\$3,538</b>	<b>\$4.99</b>
NET OPERATING INC	44.90%	\$2,883	\$4.07

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		0.00%	\$0	\$0.00
Off-Sites		0.00%	0	0.00
Sitework		10.79%	6,500	9.17
Direct Construction		50.85%	30,627	43.20
Contingency 5.00%		3.08%	1,856	2.62
General Require		3.17%	1,911	2.69
Contractor's G & A 1.72%		1.06%	637	0.90
Contractor's Pro 5.15%		3.17%	1,911	2.69
Indirect Construction		5.01%	3,020	4.26
Ineligible Expenses		4.38%	2,640	3.72
Developer's G & A 2.68%		2.16%	1,299	1.83
Developer's Profit 10.70%		8.63%	5,196	7.33
Interim Financing		3.48%	2,096	2.96
Reserves		4.22%	2,540	3.58
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$60,232</b>	<b>\$84.95</b>
<b>Recap-Hard Construction Costs</b>		<b>72.12%</b>	<b>\$43,442</b>	<b>\$61.27</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost	\$0	\$257,000	\$2.01	\$1,428	2.53%
Off-Sites	0	0	0.00	0	0.00%
Sitework	1,170,000	1,170,000	9.17	6,500	11.52%
Direct Construction	5,512,908	4,562,054	35.75	25,345	44.94%
Contingency	334,145	338,445	2.65	1,880	3.33%
General Require	343,923	343,923	2.69	1,911	3.39%
Contractor's G & A	114,641	114,641	0.90	637	1.13%
Contractor's Pro	343,923	343,923	2.69	1,911	3.39%
Indirect Construction	543,641	543,641	4.26	3,020	5.35%
Ineligible Expenses	475,133	475,133	3.72	2,640	4.68%
Developer's G & A	233,815	233,815	1.83	1,299	2.30%
Developer's Profit	935,260	935,260	7.33	5,196	9.21%
Interim Financing	377,205	377,205	2.96	2,096	3.72%
Reserves	457,238	457,238	3.58	2,540	4.50%
<b>TOTAL COST</b>	<b>\$10,841,833</b>	<b>\$10,152,278</b>	<b>\$79.55</b>	<b>\$56,402</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$7,819,541</b>	<b>\$6,872,986</b>	<b>\$53.86</b>	<b>\$38,183</b>	<b>67.70%</b>

**SOURCES OF FUNDS**

Midland Mortgage Investment Co	43.64%	\$26,283	\$37.07
LIHTC Syndication Proceeds	49.99%	\$30,113	\$42.47
Deferred Developer Fees	0.01%	\$5	\$0.01
Additional (excess) Funds Requ	6.36%	\$3,831	\$5.40
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED
Midland Mortgage Investment Co	\$4,731,000	\$4,731,000	\$4,731,000
LIHTC Syndication Proceeds	5,420,360	5,420,360	5,860,627
Deferred Developer Fees	918	918	250,206
Additional (excess) Funds Requ	689,555	0	0
<b>TOTAL SOURCES</b>	<b>\$10,841,833</b>	<b>\$10,152,278</b>	<b>\$10,841,833</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Terrell Senior Terraces, Phase II, LIHTC #02034**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.08	\$5,625,524
<b>Adjustments</b>				
Exterior Wall Fini	6.32%		\$2.79	\$355,533
Elderly	5.00%		2.20	281,276
Roofing			0.00	0
Subfloor			(1.96)	(250,135)
Floor Cover			1.82	232,268
Porches/Balconies	\$12.73	15,273	1.52	194,425
Plumbing	\$585	0	0.00	0
Built-In Appliance	\$1,550	180	2.19	279,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	179,944
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$55.81	3,085	1.35	172,171
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.40</b>	<b>7,070,007</b>
Current Cost Multiplier	1.04		2.22	282,800
Local Multiplier	0.92		(4.43)	(565,601)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$53.18</b>	<b>\$6,787,207</b>
Plans, specs, survy, b	3.90%		(2.07)	(264,701)
Interim Construction I	3.38%		(1.79)	(229,068)
Contractor's OH & Prof	11.50%		(6.12)	(780,529)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.20</b>	<b>\$5,512,908</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,731,000	Term	360
Int Rate	8.125%	DCR	1.23
<b>Secondary</b>		Term	
Int Rate	0.00%	Subtotal DCR	1.23
<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.23

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$416,573
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$102,427</b>

<b>Primary</b>	\$4,731,000	Term	360
Int Rate	8.00%	DCR	1.25
<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.25
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.25

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

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME</b> at 3.00%									
POTENTIAL GROSS RENT	\$1,227,960	\$1,264,799	\$1,302,743	\$1,341,825	\$1,382,080	\$1,602,209	\$1,857,400	\$2,153,235	\$2,893,768
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,249,560	1,287,047	1,325,658	1,365,428	1,406,391	1,630,392	1,890,072	2,191,111	2,944,670
Vacancy & Collection Los	(93,717)	(96,529)	(99,424)	(102,407)	(105,479)	(122,279)	(141,755)	(164,333)	(220,850)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,155,843</b>	<b>\$1,190,518</b>	<b>\$1,226,234</b>	<b>\$1,263,021</b>	<b>\$1,300,911</b>	<b>\$1,508,113</b>	<b>\$1,748,316</b>	<b>\$2,026,778</b>	<b>\$2,723,820</b>
<b>EXPENSES</b> at 4.00%									
General & Administrative	\$54,881	\$57,076	\$59,359	\$61,734	\$64,203	\$78,113	\$95,036	\$115,626	\$171,155
Management	46,234	47,621	49,049	50,521	52,036	60,325	69,933	81,071	108,953
Payroll & Payroll Tax	140,694	146,322	152,175	158,262	164,592	200,252	243,637	296,422	438,776
Repairs & Maintenance	74,194	77,161	80,248	83,458	86,796	105,601	128,479	156,315	231,384
Utilities	48,746	50,696	52,723	54,832	57,026	69,380	84,412	102,700	152,021
Water, Sewer & Trash	74,805	77,797	80,909	84,145	87,511	106,471	129,538	157,603	233,290
Insurance	29,880	31,075	32,318	33,611	34,955	42,529	51,742	62,953	93,185
Property Tax	119,710	124,499	129,479	134,658	140,044	170,385	207,300	252,212	373,335
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	11,700	12,168	12,655	13,161	13,687	16,653	20,261	24,650	36,488
<b>TOTAL EXPENSES</b>	<b>\$636,844</b>	<b>\$661,855</b>	<b>\$687,853</b>	<b>\$714,877</b>	<b>\$742,967</b>	<b>\$900,947</b>	<b>\$1,092,678</b>	<b>\$1,325,397</b>	<b>\$1,950,859</b>
<b>NET OPERATING INCOME</b>	<b>\$518,999</b>	<b>\$528,663</b>	<b>\$538,381</b>	<b>\$548,144</b>	<b>\$557,945</b>	<b>\$607,166</b>	<b>\$655,638</b>	<b>\$701,381</b>	<b>\$772,961</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$416,573	\$416,573	\$416,573	\$416,573	\$416,573	\$416,573	\$416,573	\$416,573	\$416,573
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$102,427</b>	<b>\$112,090</b>	<b>\$121,808</b>	<b>\$131,571</b>	<b>\$141,372</b>	<b>\$190,594</b>	<b>\$239,066</b>	<b>\$284,808</b>	<b>\$356,388</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.25</b>	<b>1.27</b>	<b>1.29</b>	<b>1.32</b>	<b>1.34</b>	<b>1.46</b>	<b>1.57</b>	<b>1.68</b>	<b>1.86</b>

**LIHTC Allocation Calculation - Terrell Senior Terraces, Phase II, LIHTC**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$257,000			
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,170,000	\$1,170,000	\$1,170,000	\$1,170,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$4,562,054	\$5,512,908	\$4,562,054	\$5,512,908
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$114,641	\$114,641	\$114,641	\$114,641
Contractor profit	\$343,923	\$343,923	\$343,923	\$343,923
General requirements	\$343,923	\$343,923	\$343,923	\$343,923
<b>(5) Contingencies</b>	\$338,445	\$334,145	\$286,603	\$334,145
<b>(6) Eligible Indirect Fees</b>	\$543,641	\$543,641	\$543,641	\$543,641
<b>(7) Eligible Financing Fees</b>	\$377,205	\$377,205	\$377,205	\$377,205
<b>(8) All Ineligible Costs</b>	\$475,133	\$475,133		
<b>(9) Developer Fees</b>			\$1,161,298	
Developer overhead	\$233,815	\$233,815		\$233,815
Developer fee	\$935,260	\$935,260		\$935,260
<b>(10) Development Reserves</b>	\$457,238	\$457,238		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$10,152,278</b>	<b>\$10,841,833</b>	<b>\$8,903,288</b>	<b>\$9,909,462</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$8,903,288	\$9,909,462
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$11,574,275	\$12,882,300
Applicable Fraction			80%	80%
<b>TOTAL QUALIFIED BASIS</b>			\$9,259,420	\$10,305,840
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$781,495	\$869,813

Syndication Proceeds                      0.7499                      \$5,860,627                      \$6,522,945

**TDHCA #**

**02083**

**Region 3**

**General  
Set-Aside**



**LOW INCOME HOUSING TAX CREDIT PROGRAM**

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Villas of Lancaster**

TDHCA #: **02083**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region:	3	LIHTC Primary Set Aside:	G	
Site Address:	2531 W. Pleasant Run Rd.	Additional Elderly Set Aside:	<input checked="" type="checkbox"/>	
City:	Lancaster	Purpose / Activity:	NC	
County:	Dallas	Development Type:	Elderly	
Zip Code:	75146	<input type="checkbox"/> TTC	<input type="checkbox"/> DDA	<input type="checkbox"/> QCT

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

Special Needs: 11 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Villas of Lancaster Limited Partnership

Principal Names:	Principal Contact:	Percentage Ownership:
Hearthside Development Corporation	Deborah Griffin	100 %
Deborah Griffin	Deborah Griffin	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation:	<b>\$679,272</b>	Allocation over 10 Years:	\$6,792,720
Credits Requested:	\$680,510	Eligible Basis Amount:	\$679,705
		Equity/Gap Amount:	\$679,272

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	8	7	0	0	0	15
40%	0	38	19	0	0	0	57
50%	0	23	34	0	0	0	57
60%	0	2	11	0	0	0	13
MR	0	0	0	0	0	0	0
Total	0	71	71	0	0	0	

Total LI Units: 142  
 Owner/Employee Units: 2  
 Total Project Units: 144  
 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:	<b>\$9,579,795</b>
Gross Building Square Feet:	112,986
Total NRA SF:	108,072
Gross/Net Rentable:	1.05
Average Square Feet/Unit:	751
Cost Per Net Rentable Square Foot:	\$88.64
Credits per Low Income Unit	\$4,784

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$900,648
Total Expenses:	\$474,351
Net Operating Income:	\$426,297
Estimated 1st Year Debt Coverage Ratio:	1.15

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Hearthside Development Corporation	Market Analyst:	The Jack Poe Company, Inc.
Housing GC:	Rainier Company, Ltd.	Originator/UW:	NA
Infrastructure GC:	Rainier Company, Ltd.	Appraiser:	The Jack Poe Company, Inc.
Cost Estimator:	Rainier Company, Ltd.	Attorney:	Locke Liddell & Sapp, LLP
Architect:	Gary Garmon Architects	Supp Services:	American Agape Foundation
Property Manager:	Quest Asset Management, Inc.	Accountant:	Reznick, Fedder & Silverman
Engineer:	Carson-Salcedo-McWilliams, Inc.		
Syndicator:	SunAmerica Affordable Housing Partners, Inc.	Permanent Lender:	PNC Bank

**DEPARTMENT EVALUATION**

Points Awarded: 154      Site Review: Acceptable      Underwriting Finding: AC

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

Project Name: Villas of Lancaster

Project Number: 02083

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **4** Opposition: **5**

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: Joe Tillotson, Mayor, S	James O'Neal, Mayor Pro Tem, S
TX Rep.: Helen Giddings, Dist. 109 S	
TX Sen.: Royce West, Dist. 23 S	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Should the market rate of the permanent loan decrease or the syndication rate increase the recommended credit amount should be reduced.

**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 was one of the highest scoring developments in Region 3.

_____ 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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<b>Community Affairs</b>	Status of Findings (any unresolved issues are listed below)
monitoring review not applicable <input type="checkbox"/>	monitoring review pending <input type="checkbox"/>
reviewed; no unresolved issues <input type="checkbox"/>	reviewed; unresolved issues found <input type="checkbox"/>
Comments:	
<b>Completed by</b> _____	<b>Completed on</b> _____

<b>Housing Finance</b>	Status of Findings (any unresolved issues are listed below)
monitoring review not applicable <input type="checkbox"/>	monitoring review pending <input type="checkbox"/>
reviewed; no unresolved issues <input type="checkbox"/>	reviewed; unresolved issues found <input type="checkbox"/>
Comments:	
<b>Completed by</b> _____	<b>Completed on</b> _____

<b>Housing Programs</b>	Status of Findings (any unresolved issues are listed below)
monitoring review not applicable <input type="checkbox"/>	monitoring review pending <input type="checkbox"/>
reviewed; no unresolved issues <input checked="" type="checkbox"/>	reviewed; unresolved issues found <input type="checkbox"/>
Comments:	
<b>Completed by</b> <u>Emily Weilbaecher</u>	<b>Completed on</b> <u>06/14/2002</u>

<b>Multifamily Finance</b>	Status of Findings (any unresolved issues are listed below)
monitoring review not applicable <input type="checkbox"/>	monitoring review pending <input type="checkbox"/>
reviewed; no unresolved issues <input type="checkbox"/>	reviewed; unresolved issues found <input type="checkbox"/>
Comments:	
<b>Completed by</b> _____	<b>Completed on</b> _____

**Executive Director:** Edwina Carrington      **Date Signed:** June 14, 2002

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

DATE: June 14, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02083

**DEVELOPMENT NAME**

Villas of Lancaster

**APPLICANT**

**Name:** Villas of Lancaster Limited Partnership      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5757 W. Lovers Lane, Ste 360      **City:** Dallas      **State:** TX  
**Zip:** 75209      **Contact:** Deborah A. Griffin      **Phone:** (214) 350-8822      **Fax:** (214) 350-8483

**PRINCIPALS of the APPLICANT**

**Name:** Hearthside Development Corporation      **(%):** .01      **Title:** General Partner  
**Name:** SunAmerica      **(%):** 99.99      **Title:** Initial Limited Partner  
**Name:** Deborah A. Griffin      **(%):** n/a      **Title:** 100% owner of GP

**GENERAL PARTNER**

**Name:** Hearthside Development Corporation      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5757 W. Lovers Lane, Ste. 360      **City:** Dallas      **State:** TX  
**Zip:** 75209      **Contact:** Deborah A. Griffin      **Phone:** (214) 350-8822      **Fax:** (214) 350-8483

**PROPERTY LOCATION**

**Location:** 2531 W. Pleasant Run Road       QCT     DDA  
**City:** Lancaster      **County:** Dallas      **Zip:** 75146

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$680,510	n/a	n/a	n/a
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New Construction <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 15 acres      653,400 square feet      **Zoning/ Permitted Uses:** MF  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Fully Improved

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

**DESCRIPTION of IMPROVEMENTS**

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

Number	Bedrooms	Bathroom	Size in SF
72	1	1	648
72	2	1	853

**Net Rentable SF:** 108,072    **Av Un SF:** 751    **Common Area SF:** 4,914    **Gross Bldng SF:** 112,986

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 55% brick veneer/45% 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

**ON-SITE AMENITIES**

4000-SF community building with reception area, television room, management offices, exercise room, library, craft room, beauty salon, kitchen, restrooms, storage room, swimming pool, picnic area, community garden/walk trail, perimeter fencing, limited access gate

**Uncovered Parking:** 89 spaces    **Carports:** 144 spaces    **Garages:** n/a spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** PNC Bank    **Contact:** Robert E. Walton, Jr.

**Principal Amount:** \$4,282,000    **Interest Rate:** 7.8% fixed (15 year swar rate + 180bp)

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

**Amortization:** 0 yrs    **Term:** 2 yrs    **Commitment:**     None     Firm     Conditional

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** SunAmerica Affordable Housing Partners    **Contact:** Denise Fazio

**Principal Amount:** \$4,491,695    **Interest Rate:** Prime + 1

**Additional Information:** Bridge Loan for syndication

**Amortization:** 0 yrs    **Term:** 2 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$    **Lien Priority:** \_\_\_\_\_    **Commitment Date:** 02/ 26/ 2002

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

**LONG TERM/PERMANENT FINANCING**

**Source:** PNC Bank **Contact:** Robert E. Walton, Jr.  
**Principal Amount:** \$4,282,000 **Interest Rate:** 7.8% fixed  
**Additional Information:** \_\_\_\_\_  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** \$369,898 **Lien Priority:** 1st **Commitment Date** 01/ 02/ 2002

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners **Contact:** Denise Fazio  
**Address:** 1526 East Parham Rd. **City:** Richmond  
**State:** VA **Zip:** 23228 **Phone:** (877) 892-0500 **Fax:** (804) 261-2400  
**Net Proceeds:** \$5,302,695 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 78¢  
**Commitment**  None  Firm  Conditional **Date:** 02/ 26/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

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

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land (28 acres) :** \$199,330 **Assessment for the Year of:** 2001  
**Value per acre:** \$7,119 **Valuation by:** Dallas County Appraisal District  
**Total Assessed Value (15 acres):** \$106,784 **Tax Rate:** 2.8517

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest Money Contract  
**Contract Expiration Date:** 08/ 31/ 2002 **Anticipated Closing Date:** 08/ 31/ 2002  
**Acquisition Cost:** \$ 1,200,000 **Other Terms/Conditions:** \$5,000 earnest money deposit  
**Seller:** MSC-I, Ltd. **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Villas of Lancaster is a proposed new construction development of 144 units of affordable elderly housing located in east/central Lancaster. The development is comprised of 36 residential buildings as follows:

- (18) Building Type A with four one-bedroom units; and
- (18) Building Type B with four two- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. A 914-square foot laundry and maintenance building is to be located near the rear of the site. The 4,000-square foot community building

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

plan includes the management office, a television room, reception area, exercise room, craft room, library, beauty salon, kitchen, restrooms and a storage room.

**Supportive Services:** The Applicant has contracted with American Agape Foundation, Inc. to provide the following supportive services to tenants: GED classes, adult and computer time, nutrition classes, substance abuse presentations, including drug and alcohol prevention, personal safety presentation, health screenings, including blood pressure, women’s support groups, recreational and leisure activities, exercise classes, holiday luncheons, coordination of transportation and on-site community gardens. 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 \$800 per month for these support services.

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 142 of the units (99% of the total) will be reserved for low-income, elderly tenants. Fifteen of the units (10%) will be reserved for households earning 30% or less of AMGI, fifty-seven units (40%) will be reserved for households earning 40% or less of AMGI, fifty-seven units (40%) will be reserved for households earning 50% or less of AMGI, thirteen units (9%) will be reserved for households earning 60% or less of AMGI and the remaining two (1%) units will be employee-occupied.

**Special Needs Set-Asides:** Eleven units (7.6%) 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 20, 2002 was prepared by The Jack Poe Company, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** “Lancaster is a suburban community of Dallas that is in the growth stage of its life cycle. Its access to the CBD of Dallas is via IH-35 which forms its western boundary...IH-35 also forms the eastern boundary for the City of DeSoto...Lancaster and DeSoto form the core of the subject’s Primary Market which includes the population within a 5.5-mile radius of the subject’s site. Due to interaction between the cities involved and the lack of significant boundaries for these interactions a radius was used to determine the primary market. The Primary Market also includes small portions of southern Dallas, Duncanville and Cedar Hill.” (p. 28)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	91	5%
Resident Turnover	1,783	95%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,874</b>	<b>100%</b>

Ref: p. 30-31

**Capture Rate:** “The concentration capture rate differs from the simple capture rate in that it accounts for newly constructed units that have not reached stabilized occupancy, and it also includes planned units...Primrose Park at Rolling Hills is a 250 unit senior apartment complex that is 66% occupied. Since 164 of these units are occupied the total number of units planned but not yet leased is 228 (86 at Primrose and 142 at the subject) and the concentration capture rate is 12.2% (228/1,874 income qualified senior renter households).” (p. 33) If the full number of Primrose Park is combined with the proposed units the capture rate would still be an acceptable 21%.

**Market Rent Comparables:** The market analyst surveyed 9 comparable apartment projects totaling 1,872 units in the market area. (p. 50)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential

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**CREDIT UNDERWRITING ANALYSIS**

<b>1-Bedroom (30%)</b>	\$316	\$328	-\$12	\$670	-\$354
<b>1-Bedroom (40%)</b>	\$437	\$454	-\$17	\$670	-\$233
<b>1-Bedroom (50%)</b>	\$558	\$578	-\$20	\$670	-\$112
<b>1-Bedroom (60%)</b>	\$679	\$703	-\$24	\$670	-\$9
<b>2-Bedroom (30%)</b>	\$378	\$391	-\$13	\$840	-\$462
<b>2-Bedroom (40%)</b>	\$523	\$542	-\$19	\$840	-\$317
<b>2-Bedroom (50%)</b>	\$668	\$691	-\$23	\$840	-\$172
<b>2-Bedroom (60%)</b>	\$813	\$841	-\$28	\$840	-\$27

(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 Applicant utilized the 2001 maximum LIHTC rents while the Underwriter used the current (2002) rents.

**Submarket Vacancy Rates:** “According to the *D/FW Apartment Report, 4<sup>th</sup> Quarter 2001* published by M/PF Research, Inc., the Duncanville/DeSoto/Cedar Hill/Lancaster submarket has an overall vacancy of 6.4%, and apartments constructed after 1990 have a 6.5% vacancy.” (p. 61)

**Absorption Projections:** “...new LIHTC apartments in Texas are leasing between 20 and 36 units per month in the lease up stage of their life cycle...Based on this analysis, we project that the subject will be 20% occupied (28 units) once construction is completed, and that it will take approximately six months to lease the remaining units and reach a stabilized occupancy of 95.0%.” (p. 67)

**Known Planned Development:** “The City of Lancaster has only one LIHTC apartment complex (approximately 2.5 miles from the subject) and it is in relatively poor condition. There is no affordable housing restricted to elderly residents within the city limits of Lancaster and new residential development has targeted middle to upper income residents.” (p. 35)

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Lancaster is located in the south central portion of Dallas in Dallas County. The site is an irregularly-shaped parcel located in the east/central area of Lancaster, approximately 12 miles from the central business district. The site is situated on the north side of W. Pleasant Run Road.

**Population:** The estimated 2001 population of the Primary Market was 126,446, of which 21,749 was the senior population. Total population is expected to increase by 6.3% to approximately 134,428 by 2006, of which 25,945 will be the senior population. Within the primary market area there were estimated to be 44,630 total households in 2001, of which 13,184 were senior households.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly mixed, with agricultural land, assisted living and nursing home, apartment complex, medical offices and retail. Adjacent land uses include:

- **North:** agricultural land
- **South:** Medical Center at Lancaster, single family development under construction ¼ mile south of site
- **East:** multifamily apartment complex
- **West:** senior complex (Windsor Court), single family residential and retail further west

**Site Access:** Access to the property is from the east or west from Pleasant Run Road and the development is to have one main entry from this major east/west artery. IH-35, a major north/south highway forms the subject’s western boundary, which provides connections to all other major roads serving the Dallas area. W. Pleasant Run Road is a major east/west artery that serves Lancaster, DeSoto and Cedar Hill.

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

**Shopping & Services:** To the east of the subject within 1 mile is a Winn Dixie Grocery and other retailers. To the west of the subject there is a neighborhood shopping center and an Albertson’s. “The closest regional shopping mall (Red Bird Mall) is approximately five miles to the northwest of the subject at the intersection of I-20 and Highway 67.” (p. 34)

**Site Inspection Findings:** The site was inspected by a TDHCA staff member on May 6, 2002 and found 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 dated March 22, 2002 was prepared by ATC Associates Inc. and contained the following findings and recommendations:

**Findings:** “ATC has performed a Phase I ESA of the Site in general accordance with the scope and limitations of ASTM Practice E 1527-00. This Phase I ESA included a Site reconnaissance, a review of readily available regulatory environmental databases and related agency information for the Site and surrounding properties, interviews, and a review of prior land use records, aerial photographs, published geologic information, and other related items. This information was used to evaluate existing or potential environmental impairment of the Site due to current or past land use disclosed by this study. No obvious indications of RECs associated with previous site usage were identified through a review of historical information. No “de minimus” environmental conditions, HRECS, or notable findings were identified as a result of this assessment.” (p. 11)

**Recommendations:** “No Recognized Environmental Conditions were identified in connection with the Site or the surrounding areas. Based on these findings, ATC recommends no further investigation.” (p. 11)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are slightly lower than the maximum rents allowed under LIHTC guidelines due to the fact that the Applicant used the 2001 rent limits while the Underwriter estimated potential income based on the current LIHTC maximum rents. The maximum rents for the 60% units appear to exceed the market rent as indicated in the market study and were reduced accordingly. Estimates of secondary income are in line with TDHCA underwriting guidelines. The Applicant estimated vacancy and collection losses at 5%, which is slightly lower than the TDHCA guideline of 7.50%.

**Expenses:** The Applicant’s estimate of total operating expense is \$3,294 per unit or 3% lower than the Underwriter’s TDHCA database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$4K lower), payroll (\$17K lower), repairs and maintenance (\$12K lower), utilities (\$6K lower), insurance (\$5K higher), and property tax (\$18K higher).

**Conclusion:** The Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant’s NOI should be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** A contract of sale was submitted with the application wherein the Applicant is purchasing the subject property at a cost of \$1,200,000, or \$1.84 per square foot. According to the market analyst, the contract price is reasonable based on comparable sales in the market. The assessment of the land is \$199,330 for 28 acres; however, the Applicant is only purchasing 15 acres of the land. This would place the assessment at a lower value of \$106,784. Since this is an arm’s-length transaction, no further justification of the contract price is required.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$6,458 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s costs are more than 10% lower than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant’s additional justifications were considered. This would suggest that the Applicant’s direct construction costs are understated.

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

**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 is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$8,053,375 is used to determine a credit allocation of \$679,705 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 five types of financing from three sources: a conventional interim to permanent loan, a bridge loan, syndicated LIHTC equity, and the Applicant's cash equity.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through PNC Bank in the amount of \$4,282,000 during the interim period and \$4,282,000 at conversion to permanent. The commitment letter indicated a term of 2 years for the construction portion and 18 years for the permanent loan with an amortization of 30 years. The interest on the construction and permanent loans will be 7.8%.

**LIHTC Syndication:** SunAmerica Affordable Housing Partners will provide equity payments in the form of bridge loans and capital contributions. The commitment letter shows net proceeds are anticipated to be \$5,302,695 based on a syndication factor of 78%. The funds would be disbursed in a four-phased pay-in schedule:

1. (Initial Capital Contribution) \$83,000 upon admission to the partnership;
2. (1<sup>st</sup> Additional Capital Contribution) \$4,159,157 upon completion of construction;
3. (2<sup>nd</sup> Additional Capital Contribution) \$530,269 upon final closing of the permanent mortgage loan;
4. (3<sup>rd</sup> Additional Capital Contribution) \$530,269 upon attainment of breakeven operating status.

An initial bridge loan in the amount of \$3,711,870 will be paid as costs are incurred after admission. The commitment letter also indicates an additional bridge gap loan of \$779,825. A bridge loan fee of \$68,000 will be charged and the loan is to be repaid in full upon payment of the First Additional Capital Contribution.

**Financing Conclusions:** Since the Applicant's total development costs were approximately 5% less than the Underwriter's estimate, the Applicant's development costs were used to determine eligible basis. The applicable percentage rate was adjusted in order to reflect the current underwriting rate of 8.44%. This adjustment decreased the recommended tax credit allocation to \$679,705 per year, resulting in syndication proceeds of approximately \$5,301,168. However, this is \$3,373 more than the gap requirement based on the Underwriter's analysis. Therefore, the maximum potential tax credit allocation for this project should be reduced to not more than \$679,272 or \$1,238 less than requested.

**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. Each unit has a private exterior entry. The units are in one-story, fourplex structures with mixed brick veneer/Hardiplank siding exterior finish and gabled roofs.

**IDENTITIES of INTEREST**

The Developer, Hearthside Development Corporation, is also the General Partner and affiliate of the Management Company. These relationships are common for LIHTC developments.

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

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Hearthside Development Corporation, submitted an unaudited financial statement as of February 27, 2002 reporting total assets of \$3M and consisting of \$242K in cash, \$450K in receivables, \$1.9M in other current assets, and \$29K in other assets. Liabilities totaled \$1.7M, resulting in a net worth of \$1.3M.
- The owner of the General Partner, Deborah A. Griffin, submitted an unaudited financial statement as of February 27, 2002.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed five LIHTC housing developments totaling 692 units since 1995.

**SUMMARY OF SALIENT RISKS AND ISSUES**

None noted.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$679,272 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

Should the market rate of the permanent loan decrease or the syndication rate increase the recommended credit amount should be reduced.

**Associate Underwriter:**

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

**Date:** June 14, 2002

**Director of Credit Underwriting:**

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

**Date:** June 14, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Villas of Lancaster, Lancaster, LIHTC #02083**

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	648	\$373	\$328	\$2,624	\$0.51	\$45.00	\$24.00
TC 40%	38	1	1	648	499	\$454	17,252	0.70	45.00	24.00
TC 50%	23	1	1	648	623	\$578	13,294	0.89	45.00	24.00
<TC 60%	2	1	1	648	748	\$670	1,340	1.03	45.00	24.00
EO	1	1	1	648	0	\$0	0	0.00	45.00	24.00
TC 30%	7	2	1	853	448	\$391	2,737	0.46	57.00	35.00
TC 40%	19	2	1	853	599	\$542	10,298	0.64	57.00	35.00
TC 50%	34	2	1	853	748	\$691	23,494	0.81	57.00	35.00
<TC 60%	11	2	1	853	898	\$840	9,240	0.98	57.00	35.00
EO	1	2	1	853	0	\$0	0	0.00	57.00	35.00
<b>TOTAL:</b>	<b>144</b>		<b>AVERAGE:</b>	<b>751</b>	<b>\$608</b>	<b>\$557</b>	<b>\$80,279</b>	<b>\$0.74</b>	<b>\$50.60</b>	<b>\$29.26</b>

INCOME				TDHCA	APPLICANT				
Total Net Rentable Sq Ft				108,072					
<b>POTENTIAL GROSS RENT</b>				\$963,348	\$930,768				
Secondary Income	Per Unit Per Month:	\$10.00		17,280	17,280	\$10.00	Per Unit Per Month		
Other Support Income: (describe)				0	0				
<b>POTENTIAL GROSS INCOME</b>				\$980,628	\$948,048				
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(73,547)	(47,400)	-5.00%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions				0	0				
<b>EFFECTIVE GROSS INCOME</b>				\$907,081	\$900,648				
<b>EXPENSES</b>				PER SQ FT	PER UNIT	PER SQ FT	PER UNIT	% OF RGI	
General & Administrative	4.69%	\$295	\$0.39	\$42,498	\$38,400	\$0.36	\$267	4.26%	
Management	5.00%	315	0.42	45,354	45,032	0.42	313	5.00%	
Payroll & Payroll Tax	12.75%	803	1.07	115,633	98,200	0.91	682	10.90%	
Repairs & Maintenance	5.49%	346	0.46	49,781	38,000	0.35	264	4.22%	
Utilities	2.46%	155	0.21	22,298	16,000	0.15	111	1.78%	
Water, Sewer, & Trash	5.57%	351	0.47	50,556	51,600	0.48	358	5.73%	
Property Insurance	2.19%	138	0.18	19,871	24,850	0.23	173	2.76%	
Property Tax	2.8517	11.32%	713	102,661	120,319	1.11	836	13.36%	
Reserve for Replacements	3.18%	200	0.27	28,800	28,800	0.27	200	3.20%	
Other Expenses: Sup. Ser. & Comp.	1.45%	91	0.12	13,150	13,150	0.12	91	1.46%	
<b>TOTAL EXPENSES</b>	<b>54.09%</b>	<b>\$3,407</b>	<b>\$4.54</b>	<b>\$490,602</b>	<b>\$474,351</b>	<b>\$4.39</b>	<b>\$3,294</b>	<b>52.67%</b>	
<b>NET OPERATING INC</b>	<b>45.91%</b>	<b>\$2,892</b>	<b>\$3.85</b>	<b>\$416,479</b>	<b>\$426,297</b>	<b>\$3.94</b>	<b>\$2,960</b>	<b>47.33%</b>	
<b>DEBT SERVICE</b>									
First Lien Mortgage	40.78%	\$2,569	\$3.42	\$369,898	\$369,898	\$3.42	\$2,569	41.07%	
	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>	<b>5.14%</b>	<b>\$323</b>	<b>\$0.43</b>	<b>\$46,581</b>	<b>\$56,399</b>	<b>\$0.52</b>	<b>\$392</b>	<b>6.26%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>				1.13	1.15				
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>					1.15				

<b>CONSTRUCTION COST</b>					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$1,204,000	\$1,204,000	\$11.14	\$8,361	12.57%
Acquisition Cost (site or bl)	12.01%		\$8,361	\$11.14	0	0	0.00	0	0.00%
Off-Sites	0.00%		0	0.00	930,000	930,000	8.61	6,458	9.71%
Sitework	9.27%		6,458	8.61	4,646,194	4,198,500	38.85	29,156	43.83%
Direct Construction	46.33%		32,265	42.99	229,000	229,000	2.12	1,590	2.39%
Contingency	4.11%	2.28%	1,590	2.12	253,675	253,675	2.35	1,762	2.65%
General Reqts	4.55%	2.53%	1,762	2.35	101,470	101,470	0.94	705	1.06%
Contractor's G	1.82%	1.01%	705	0.94	304,410	304,410	2.82	2,114	3.18%
Contractor's Pr	5.46%	3.04%	2,114	2.82	387,500	387,500	3.59	2,691	4.04%
Indirect Construction	3.86%		2,691	3.59	89,420	89,420	0.83	621	0.93%
Ineligible Costs	0.89%		621	0.83	312,000	312,000	2.89	2,167	3.26%
Developer's G & A	4.18%	3.11%	2,167	2.89	728,000	728,000	6.74	5,056	7.60%
Developer's Profi	9.76%	7.26%	5,056	6.74	608,820	608,820	5.63	4,228	6.36%
Interim Financing	6.07%		4,228	5.63	233,000	233,000	2.16	1,618	2.43%
Reserves	2.32%		1,618	2.16	<b>\$10,027,489</b>	<b>\$9,579,795</b>	<b>\$88.64</b>	<b>\$66,526</b>	<b>100.00%</b>
<b>TOTAL COST</b>	<b>100.00%</b>		<b>\$69,635</b>	<b>\$92.79</b>	<b>\$6,464,749</b>	<b>\$6,017,055</b>	<b>\$55.68</b>	<b>\$41,785</b>	<b>62.81%</b>
<b>Recap-Hard Construction Costs</b>									
	64.47%		<b>\$44,894</b>	<b>\$59.82</b>					

<b>SOURCES OF FUNDS</b>				TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	42.70%	\$29,736	\$39.62	\$4,282,000	\$4,282,000	\$4,282,000
LIHTC Syndication Proceeds	52.88%	\$36,824	\$49.07	5,302,695	5,302,695	5,297,795
Cash Equity	0.00%	\$1	\$0.00	100	100	
Additional (excess) Funds Req	4.41%	\$3,074	\$4.10	442,694	(5,000)	0
<b>TOTAL SOURCES</b>				<b>\$10,027,489</b>	<b>\$9,579,795</b>	<b>\$9,579,795</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Villas of Lancaster, Lancaster, LIHTC #02083**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.46	\$4,696,752
<b>Adjustments</b>				
Exterior Wall Finish	4.85%		\$2.11	\$227,792
Elderly	5.00%		2.17	234,838
Roofing			0.00	0
Subfloor			(1.96)	(211,821)
Floor Cover			1.82	196,691
Porches/Balconies	\$11.91	4,608	0.51	54,881
Plumbing	\$585		0.00	0
Built-In Appliances	\$1,550	144	2.07	223,200
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	152,382
Garages/Carports	\$7.53	21,600	1.50	162,648
Comm &/or Aux Bldg	\$55.28	4,000	2.05	221,130
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.13</b>	<b>5,958,493</b>
Current Cost Multiplier	1.04		2.21	238,340
Local Multiplier	0.92		(4.41)	(476,679)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.93</b>	<b>\$5,720,153</b>
Plans, specs, survey, b	3.90%		(\$2.06)	(\$223,086)
Interim Construction I	3.38%		(1.79)	(193,055)
Contractor's OH & Prof	11.50%		(6.09)	(657,818)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.99</b>	<b>\$4,646,194</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,282,000	Term	360
Int Rate	7.80%	DCR	1.13
<b>Secondary</b>			
Int Rate	0.00%	Subtotal DCR	1.13
<b>Additional</b>			
Int Rate		Aggregate DCR	1.13

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$369,898
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$46,581</b>

<b>Primary</b>	\$4,282,000	Term	360
Int Rate	7.80%	DCR	1.15
<b>Secondary</b>			
Int Rate	\$0	Subtotal DCR	0
Int Rate	0.00%	Aggregate DCR	1.15

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$930,768	\$958,691	\$987,452	\$1,017,075	\$1,047,588	\$1,214,441	\$1,407,870	\$1,632,107	\$2,193,416
Secondary Income	17,280	17,798	18,332	18,882	19,449	22,546	26,138	30,301	40,721
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	948,048	976,489	1,005,784	1,035,958	1,067,036	1,236,988	1,434,008	1,662,408	2,234,137
Vacancy & Collection Loss:	(47,400)	(48,822)	(50,287)	(51,795)	(53,349)	(61,846)	(71,697)	(83,116)	(111,701)
Employee or Other Non-Ret	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$900,648</b>	<b>\$927,667</b>	<b>\$955,497</b>	<b>\$984,162</b>	<b>\$1,013,687</b>	<b>\$1,175,141</b>	<b>\$1,362,311</b>	<b>\$1,579,292</b>	<b>\$2,122,436</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	38,400	\$39,936	\$41,533	\$43,195	\$44,923	\$54,655	\$66,496	\$80,903	\$119,756
Management	45,032	\$46,833	47,775	49,208	50,684	58,757	68,116	78,965	106,122
Payroll & Payroll Tax	98,200	102,128	106,213	110,462	114,880	139,769	170,051	206,893	306,252
Repairs & Maintenance	38,000	39,520	41,101	42,745	44,455	54,086	65,804	80,060	118,509
Utilities	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Water, Sewer & Trash	51,600	53,664	55,811	58,043	60,365	73,443	89,355	108,713	160,922
Insurance	24,850	25,844	26,878	27,953	29,071	35,369	43,032	52,355	77,498
Property Tax	120,319	125,132	130,137	135,342	140,756	171,251	208,353	253,494	375,233
Reserve for Replacements	28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Other	13,150	13,676	14,223	14,792	15,384	18,717	22,772	27,705	41,010
<b>TOTAL EXPENSES</b>	<b>\$474,351</b>	<b>\$493,325</b>	<b>\$512,126</b>	<b>\$532,134</b>	<b>\$552,927</b>	<b>\$669,812</b>	<b>\$811,557</b>	<b>\$983,475</b>	<b>\$1,445,018</b>
<b>NET OPERATING INCOME</b>	<b>\$426,297</b>	<b>\$434,342</b>	<b>\$443,371</b>	<b>\$452,029</b>	<b>\$460,760</b>	<b>\$505,330</b>	<b>\$550,754</b>	<b>\$595,817</b>	<b>\$677,418</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$369,898	\$369,898	\$369,898	\$369,898	\$369,898	\$369,898	\$369,898	\$369,898	\$369,898
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$56,399</b>	<b>\$64,444</b>	<b>\$73,473</b>	<b>\$82,131</b>	<b>\$90,862</b>	<b>\$135,431</b>	<b>\$180,856</b>	<b>\$225,919</b>	<b>\$307,520</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.15</b>	<b>1.17</b>	<b>1.20</b>	<b>1.22</b>	<b>1.25</b>	<b>1.37</b>	<b>1.49</b>	<b>1.61</b>	<b>1.83</b>

**LIHTC Allocation Calculation - Villas of Lancaster, Lancaster, LIHTC #0208**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$1,204,000	\$1,204,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$930,000	\$930,000	\$930,000	\$930,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$4,198,500	\$4,646,194	\$4,198,500	\$4,646,194
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$101,470	\$101,470	\$101,470	\$101,470
Contractor profit	\$304,410	\$304,410	\$304,410	\$304,410
General requirements	\$253,675	\$253,675	\$253,675	\$253,675
<b>(5) Contingencies</b>	\$229,000	\$229,000	\$229,000	\$229,000
<b>(6) Eligible Indirect Fees</b>	\$387,500	\$387,500	\$387,500	\$387,500
<b>(7) Eligible Financing Fees</b>	\$608,820	\$608,820	\$608,820	\$608,820
<b>(8) All Ineligible Costs</b>	\$89,420	\$89,420		
<b>(9) Developer Fees</b>				
Developer overhead	\$312,000	\$312,000	\$312,000	\$312,000
Developer fee	\$728,000	\$728,000	\$728,000	\$728,000
<b>(10) Development Reserves</b>	\$233,000	\$233,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$9,579,795</b>	<b>\$10,027,489</b>	<b>\$8,053,375</b>	<b>\$8,501,069</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		\$8,053,375	\$8,501,069
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$8,053,375	\$8,501,069
Applicable Fraction		100%	100%
<b>TOTAL QUALIFIED BASIS</b>		\$8,053,375	\$8,501,069
Applicable Percentage		8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		\$679,705	\$717,490

Syndication Proceeds	0.7799	\$5,301,168	\$5,595,864
Actual Gap of Need		\$5,297,795	
Gap-Driven Allocation		\$679,272	

**TDHCA #**

**02091**

**Region 3**

**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: **Riverwalk Townhomes**TDHCA #: **02091****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 LIHTC Primary Set Aside: R  
 Site Address: 1001 East Washington Street Additional Elderly Set Aside   
 City: Stephenville Purpose / Activity: NC  
 County: Erath Development Type: Family  
 Zip Code: 76401  TTC  DDA  QCT

Set Asides: AR=At Risk, NP=Nonprofit, G=General, R=Rural

Purposes: N=New Construction, A=Acquisition, R=Rehabilitation

Special Needs: 4 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Augusta Hills Limited Partnership

Principal Names:	Principal Contact:	Percentage Ownership:
Augusta Hills LP	R.J. Collins	100 %
Tejas Housing II, Inc.	R.J. Collins	90 %
Valentine Realtors, Inc.	Ronnie Hodges	10 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$544,106** Allocation over 10 Years: \$5,441,060  
 Credits Requested: \$542,766 Eligible Basis Amount: \$544,106 Equity/Gap Amount: \$619,728

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	1	1	1	0	3
40%	0	0	0	3	2	0	5
50%	0	0	3	11	9	0	23
60%	0	0	6	23	16	0	45
MR	0	0	0	0	0	0	0
Total	0	0	10	38	28	0	

**BUILDING INFORMATION**

Total Development Cost: **\$6,895,229**  
 Gross Building Square Feet: 100,100  
 Total NRA SF: 97,100  
 Gross/Net Rentable: 1.03  
 Average Square Feet/Unit: 1,278  
 Cost Per Net Rentable Square Foot: \$71.01  
 Credits per Low Income Unit: \$7,159

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$462,604  
 Total Expenses: \$257,489  
 Net Operating Income: \$205,115  
 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: Tejas Housing & Development, Inc. Market Analyst: Butler-Burger, Inc.  
 Housing GC: Charter Builders Originator/UW: NA  
 Infrastructure GC: NA Appraiser: NA  
 Cost Estimator: NA Attorney: Kuperman, Orr, Mouer & Albers, N.C.  
 Architect: L.K. Travis & Associates Supp Services: Texas Inter-Faith Management Corporation  
 Property Manager: Orion Real Estate Services, Inc. Accountant: Novogradac & Company, LLP  
 Engineer: NA Permanent Lender: PNC Bank  
 Syndicator: Columbia Housing Partners, LP

**DEPARTMENT EVALUATION**

Points Awarded: 122 Site Review: Acceptable Underwriting Finding: AC

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



## Compliance Status Summary

**Project ID #:** 02091

LIHTC 9%  LIHTC 4%

**Project Name:** Riverwalk 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 0 # not yet monitored or pending review 0

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Jo En Taylor **Completed on** 05/09/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 05/17/2002

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

**Completed by** 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  
CREDIT UNDERWRITING ANALYSIS**

SITE DESCRIPTION			
<b>Size:</b> <u>13.621</u> acres	<u>593,331</u> square feet	<b>Zoning/ Permitted Uses:</b>	<u>R-3, Multiple Family Residential District</u>
<b>Flood Zone Designation:</b>	<u>Zone X</u>	<b>Status of Off-Sites:</b>	<u>Partially Improved</u>

DESCRIPTION of IMPROVEMENTS			
<b>Total Units:</b> <u>76</u>	<b># Rental Buildings:</b> <u>19</u>	<b># Common Area Bldgs:</b> <u>1</u>	<b># of Floors:</b> <u>2</u>
<b>Age:</b> <u>0</u> yrs	<b>Vacant:</b> <u>N/A</u> at		

Number	Bedrooms	Bathroom	Size in SF
10	2	2	980
38	3	2	1,268
28	4	2	1,397

**Net Rentable SF:** 97,100    **Av Un SF:** 1,278    **Common Area SF:** 3,000    **Gross Bldg SF** 100,100

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

CONSTRUCTION SPECIFICATIONS
<b>STRUCTURAL MATERIALS</b>
Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing
<b>APPLIANCES AND INTERIOR FEATURES</b>
Carpeting & ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters, high-speed Internet access
<b>ON-SITE AMENITIES</b>
3,000-SF community building with activity room, management & social services offices, fitness & laundry facilities, kitchen, restrooms, computer center, daycare facility, central mailroom, swimming pool, equipped children's play area, sports court, perimeter fencing
<b>Uncovered Parking:</b> <u>90</u> spaces <b>Carports:</b> <u>0</u> spaces <b>Garages:</b> <u>76</u> spaces

OTHER SOURCES of FUNDS	
<b>INTERIM CONSTRUCTION or GAP FINANCING</b>	
<b>Source:</b> <u>PNC Bank</u>	<b>Contact:</b> <u>Robert Courtney</u>
<b>Principal Amount:</b> <u>\$2,000,000</u>	<b>Interest Rate:</b> <u>Estimated at 7.9%, fixed, determined by lender</u>
<b>Additional Information:</b> <u>Rate locked at simultaneous closing of construction &amp; permanent loans</u>	
<b>Amortization:</b> <u>N/A</u> yrs	<b>Term:</b> <u>2</u> yrs <b>Commitment:</b> <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>LONG TERM/PERMANENT FINANCING</b>	
<b>Source:</b> <u>PNC Bank</u>	<b>Contact:</b> <u>Robert Courtney</u>
<b>Principal Amount:</b> <u>\$2,000,000</u>	<b>Interest Rate:</b> <u>Estimated at 7.9%, fixed, determined by lender</u>
<b>Additional Information:</b> <u>Rate locked at simultaneous closing of construction &amp; permanent loans</u>	
<b>Amortization:</b> <u>30</u> yrs	<b>Term:</b> <u>18</u> yrs <b>Commitment:</b> <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b> <u>\$174,433</u>	<b>Lien Priority:</b> <u>1st</u> <b>Commitment Date</b> <u>2/ 22/ 2002</u>

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

**LIHTC SYNDICATION**

**Source:** Columbia Housing Partners Limited Partnership      **Contact:** Robert Courtney  
**Address:** 500 W. Jefferson Street, Suite 400      **City:** Louisville  
**State:** KY      **Zip:** 40202      **Phone:** (502) 581-3262      **Fax:** (502) 581-2602  
**Net Proceeds:** \$4,287,422      **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 79¢  
**Commitment**       None       Firm       Conditional      **Date:** 2/ 22/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$151,207      **Source:** Deferred developer fee

**VALUATION INFORMATION  
ASSESSED VALUE**

**Land:** \$111,479      **Assessment for the Year of:** 2001  
**Building:** \$1,510      **Valuation by:** Erath County Appraisal District  
**Total Assessed Value:** \$112,990

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest money contract  
**Contract Expiration Date:** 10/ 15/ 2002      **Anticipated Closing Date:** 10/ 15/ 2002  
**Acquisition Cost:** \$ 195,778      **Other Terms/Conditions:** \$100 earnest money  
**Seller:** Myrtle V. Bailey Charitable Remainder Unitrust      **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Riverwalk Townhomes is a proposed new construction development of 76 units of affordable housing located in eastern Stephenville. The development is comprised of 19 residential buildings as follows:

- Five Building Type 1 with two two-bedroom flat units and two three-bedroom townhouse units;
- Four Building Type 2 with two three-bedroom flat units and two three-bedroom townhouse units;
- Four Building Type 3 with two four-bedroom flat units and two four-bedroom townhouse units;
- Six Building Type 4 with two three-bedroom townhouse units and two four-bedroom townhouse units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,000-square foot community building plan includes the management and supportive services offices, a 1,037-square foot community room, exercise and computer rooms, kitchen, restrooms, and laundry and maintenance facilities.

**Supportive Services:** The Applicant has contracted with Texas Inter-Faith Management Corporation, dba Good Neighbor, to provide the following supportive services programs to tenants: personal growth opportunities, family skills development, education, fun and freedom activities, and neighborhood advancement. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-

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time startup fee of \$1,000, plus \$10.39/unit/month (\$9,476/year) for these support services.

**Schedule:** The Applicant anticipates construction to begin in January of 2003, to be completed and placed in service in November of 2003, and to be substantially leased-up in February 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 tenants. Three of the units (4%) will be reserved for households earning 30% or less of AMGI, five units (7%) will be reserved for households earning 40% or less of AMGI, 23 units (31%) will be reserved for households earning 50% or less of AMGI, and the remaining 45 units (60%) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Four units (6%) will be reserved for handicapped or developmentally disabled tenants and two units will be reserved for elderly tenants.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 12, 2002 was prepared by Butler-Burgher, LLC and highlighted the following findings:

**Definition of Market/Submarket:** The Analyst defined the “subject neighborhood” as the northeast quadrant of Spheenville (p. 8) but used demographic data from a five-mile radius of the site when calculating demand and capture rate (p. 22, 24).

**Total Regional Market Demand for Rental Units:** “For its size, the Stephenville area has minimal affordable multifamily housing (no LIHTC units) and the properties are generally at full occupancy with waiting lists.” (p. 3)

**Total Local/Submarket Demand for Rental Units:** “Overall, the subject neighborhood is characterized as being in a growth stage. As a result, population and household growth should continue to occur, especially in the three- and five mile radii.” (p. 9)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	32	13%	11	2%
Resident Turnover	0	0%	967	0%
Other Sources: 10 yrs pent-up demand	200	87%	0	98%
<b>TOTAL ANNUAL DEMAND</b>	<b>232</b>	<b>100%</b>	<b>978</b>	<b>100%</b>

Ref: p. 24

**Capture Rate:** The analyst calculated a capture rate of 43.1% but this calculation used a project size of 100 units instead of 76. The Underwriter calculated a concentration capture rate of 33% based upon the analyst’s methodology and the correct number of proposed units, and 6% using the TDHCA methodology. All are acceptable rates as Stephenville is a rural market.

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment complexes totaling 721 units in the market area. “The unit and project amenities will be similar, or superior, to the existing units in the submarket and competitive to the direct competition in the adjoining submarkets.” (p. 3)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$230	\$230	\$0	\$600	-\$370
<b>2-Bedroom (50%)</b>	\$418	\$418	\$0	\$600	-\$182
<b>2-Bedroom (60%)</b>	\$512	\$512	\$0	\$600	-\$88

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<b>3-Bedroom (30%)</b>	\$260	\$260	\$0	\$710	-\$450
<b>3-Bedroom (40%)</b>	\$369	\$369	\$0	\$710	-\$341
<b>3-Bedroom (50%)</b>	\$478	\$478	\$0	\$710	-\$232
<b>3-Bedroom (60%)</b>	\$586	\$586	\$0	\$710	-\$124
<b>4-Bedroom (30%)</b>	\$279	\$279	\$0	\$835	-\$556
<b>4-Bedroom (40%)</b>	\$401	\$401	\$0	\$835	-\$434
<b>4-Bedroom (50%)</b>	\$522	\$522	\$0	\$835	-\$313
<b>4-Bedroom (60%)</b>	\$643	\$643	\$0	\$835	-\$192

Ref: p. 32

(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:** “Our review of other multifamily complexes indicates a current average occupancy of 95%.” (p. 24)

**Absorption Projection and Effect on Existing Housing Stock:** “Due to the fact that the subject should be quickly absorbed to full occupancy (estimated at six months), no long-term impact on area vacancy rates is anticipated.” (p. 2)

**Known Planned Development:** “The only known proposed complex is a 55-unit senior housing property [Bunker Hill Senior Village, 2001 9% LIHTC/HTF #01106, 44 units] that will be located on the west side of Stephenville away from the subject.” (p. 11)

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Stephenville is located in north central Texas, approximately 60 miles southwest of Fort Worth in Erath County. The site is an irregularly-shaped parcel located in the eastern area of the city, approximately one mile from the central business district. The site is situated on the northwest corner of the intersection of East Washington Street and U.S. Highway 281.

**Population:** The estimated 2000 population of Stephenville was 15,487 and is expected to increase by 2.5% to approximately 15,868 by 2005. Within the primary market area there were estimated to be 7,711 households in 2001.

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

- **North:** Vacant land with a golf course and commercial HVAC facility beyond
- **South:** Commercial buildings with East Washington Street and more commercial beyond
- **East:** Vacant land and U.S. Highway 281, with commercial beyond
- **West:** Clark Lane with single-family residential beyond

**Site Access:** Access to the property is from the north or south from U.S. Highway 281 (Morgan Mill Road) or from the east or west from East Washington Street (State Highway 195). Clark Lane also borders the site on the west. The development is to have two entries, one from the east from East Washington Street/Highway 195/Highway 281 and one from the west from Clark Lane. Highway 195 provides connections to all other major roads serving the Stephenville as well as Fort Worth and other surrounding communities.

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

**Shopping & Services:** The site is within three miles of all the facilities and services available in Stephenville.

**Special Adverse Site Characteristics:** The market analyst referred to an “adjacent railroad line” as a possible hazard or nuisance (p. 14), but the nearest rail line appears to be approximately 0.4 miles northeast according to the topographical map and neither the environmental analyst nor the TDHCA site inspector noted an adjacent rail line.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 17, 2002 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated April 19, 2001 and an asbestos-containing materials addendum dated February 25, 2002 were prepared by Handex of Texas, Inc. and contained the following findings and recommendations:

**Findings:** “Visual observations and interviews indicate the site was previously developed with a gasoline service station.” (p. 11)

**Recommendations:** “Since the site was previously developed with a gasoline service station, Handex recommends that the [underground storage tanks], associated piping, and dispenser islands be removed from the site by a licensed professional in compliance with all federal and state rules and regulations.” (p. 12) It is a condition of this report that the Applicant provide evidence of compliance with this recommendation, as well as an opinion from a qualified environmental analyst that the site, following removal of the service station infrastructure, is free of recognized environmental conditions.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and should be achievable according to the market analyst. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of \$3,304 per unit is within 2.5% of an adjusted TDHCA database-derived estimate of \$3,388 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly utilities (\$6.1K lower) and property tax (\$15.5K lower).

**Conclusion:** The Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses is within 5% of the database-derived estimate. Therefore, the Applicant’s NOI should be used to evaluate debt service capacity. Due primarily to the difference in estimated operating 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 \$187,017 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$195,778 (\$0.33/SF or \$14.4K/acre), although 73% higher than the tax assessed value, is assumed to be reasonable since the acquisition is an arm’s-length transaction.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$6,500 per unit are the maximum allowable under TDHCA underwriting guidelines without third party substantiation.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is \$194K or 4.8% lower than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Indirect Construction Costs:** The Applicant understated eligible indirect construction costs by \$600 due to an addition error; the Underwriter corrected this error, resulting in an equivalent increase 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 set at the maximums allowed by TDHCA guidelines.

**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 \$6,446,757 is used to determine a credit allocation of \$544,106 from this method. This is \$1,340 more than initially requested due to the Applicant’s addition error and use of a lower applicable percentage of 8.42% rather than the 8.44% underwriting rate used for developments being presented to the Board in June 2002.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan, the Housing Trust Fund loan, syndicated LIHTC equity, and

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deferred developer's fees.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through PNC Bank in the amount of \$2,000,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of two years for the construction portion and 18 years for the permanent loan, with a 30-year amortization schedule for the permanent loan. The fixed interest rate for both loans will be determined by the lender, and is estimated and underwritten at 7.9%. The rate will be locked at the simultaneous closing of both loans.

**Housing Trust Fund (HTF) Loan:** The Applicant has requested a loan of \$456,000 from the HTF to subsidize the development's three 30% AMI units. The Applicant requested a 0% interest rate and a term of 30 years, and the Underwriter used those terms in this analysis. The HTF application appears to meet the program's threshold requirements but as of the date of this report, it is unknown if its score will be high enough to recommend it for funding.

**LIHTC Syndication:** Columbia Housing Partners Limited Partnership has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,287,422 based on a syndication factor of 79%. The funds would be disbursed in a -phased pay-in schedule:

1. 18% upon admission to the partnership;
2. 70% upon commencement of construction (funded as monthly draws);
3. 12% upon the latest of: completion of construction, cost certification, 100% initial occupancy, final closing of the permanent mortgage loan, or achievement of a 1.15 DCR for six consecutive months.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$151,207 amount to 18% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$544,106 annually for ten years. This is \$1,340 more than the requested amount due to the Applicant's use of a lower 8.42% applicable percentage rather than the 8.44% underwriting rate as of the application submission date, along with an addition error which understated eligible basis. The resulting syndication proceeds of approximately \$4,298,009 are \$10,587 more than the Applicant included in their sources of funds. Due to the difference in estimated net operating income, 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 \$187,017 by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. The Applicant's HTF request is in compliance with programmatic threshold requirements and may score high enough to be funded, but these funds are not required for the feasibility of the development as sufficient developer fee exists for deferral to substitute for this source. If HTF program staff elects to award the funds in the amount requested, the HTF loan should bear an interest rate of 0% and have a term and amortization schedule of 30 years. With the HTF funds, the Applicant's deferred developer fee will be reduced to \$171,220, which amounts to approximately 20% of available fees and should be repayable within ten years. Alternatively, without the HTF funds the deferred developer fee would increase to approximately \$597,220 or 71% of the available fees, which would be repayable within 10 years. However, if the HTF award is not made, LIHTC selection points for deep skewed rents should be re-evaluated.

**REVIEW of ARCHITECTURAL DESIGN**

The units are in mixed one- and two-story fourplex structures with brick veneer and cement siding exterior finish and pitched roofs. The exterior elevations are simple and functional. All units are of average size for market rate and LIHTC units, and have patios and/or porches and utility closets with hookups for full-size appliances. Both townhouse designs feature a bedroom and a full bathroom downstairs. Each unit has a one-car garage and a private exterior entry.

**IDENTITIES of INTEREST**

R.J. Collins owns the 90% Co-General Partner, the Developer, and the General Contractor. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant and the 90% Co-General Partner are single-purpose entities created for the purpose of

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receiving assistance from TDHCA and therefore have no material financial statements.

- The 10% Co-General Partner, Valentine Realtors, Inc., submitted an unaudited financial statement as of December 15, 2001 reporting total assets of \$159K and consisting of \$27K in cash, \$103K in work in progress, and \$29K in equipment and furniture. Liabilities totaled \$64K, resulting in a net worth of \$95K.
- The Developer, Tejas Housing and Development, Inc., submitted an unaudited financial statement as of December 31, 2001 reporting total assets of \$2,500, consisting entirely of cash. No liabilities were listed, resulting in a net worth of \$2,500.

**Background & Experience:**

- The Applicant and 90% Co-General Partner are new entities formed for the purpose of developing the project.
- The General Contractor, Charter Builders, submitted a TDHCA certificate of experience for the development of residential or comparable commercial property.
- R.J. Collins, owner of the 90% Co-General Partner, Developer, and General Contractor, listed participation as general partner and general contractor on six affordable and conventional housing developments totaling 1,174 units since 1973.
- Ronni Hodges, owner of the 10% Co-General Partner, listed participation as owner, realtor, and/or developer of three conventional single-family and duplex developments totaling 25 units since 1994.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Significant environmental risks exist regarding the existing gasoline service station infrastructure on the site which requires removal
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATIONS**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$544,106 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
  
- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$456,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS, AT 0% INTEREST, SUBJECT TO CONDITIONS.

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**CONDITIONS**

1. Receipt, review, and acceptance of evidence of removal and proper disposal of the abandoned gasoline service station infrastructure, as well as an opinion from a qualified environmental analyst that the site, following removal of the service station infrastructure, is free of recognized environmental conditions, prior to cost certification per the Phase I ESA;
2. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a maximum debt service amount, in combination with any Housing Trust Fund debt service, of \$187,017;
3. Should the HTF funds not be allocated to this development the remaining recommendations and conditions will remain unchanged, however LIHTC selection points for deep skewed rents must be re-evaluated as the deferred developer fee will exceed 50%.
4. Should the terms of the proposed debt be altered, the recommendations and conditions herein should be re-evaluated.

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

*Jim Anderson*

**Date:** June 4, 2002

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

*Tom Gouris*

**Date:** June 4, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Riverwalk Townhomes, 9% LIHTC #02091**

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 Fd Util	Trash Only
TC (30%)	1	2	2	980	\$282	\$230	\$230	\$0.23	\$52.00	\$5.00
TC (50%)	3	2	2	980	470	418	1,254	0.43	52.00	5.00
TC (60%)	6	2	2	980	564	512	3,072	0.52	52.00	5.00
TC (30%)	1	3	2	1,268	326	260	260	0.21	65.00	6.00
TC (40%)	3	3	2	1,268	434	369	1,107	0.29	65.00	6.00
TC (50%)	11	3	2	1,268	543	478	5,258	0.38	65.00	6.00
TC (60%)	23	3	2	1,268	651	586	13,478	0.46	65.00	6.00
TC (30%)	1	4	2	1,397	363	279	279	0.20	84.00	8.00
TC (40%)	2	4	2	1,397	485	401	802	0.29	84.00	8.00
TC (50%)	9	4	2	1,397	606	522	4,698	0.37	84.00	8.00
TC (60%)	16	4	2	1,397	727	643	10,288	0.46	84.00	8.00
<b>TOTAL:</b>	<b>76</b>		<b>AVERAGE:</b>	<b>1,278</b>	<b>\$606</b>	<b>\$536</b>	<b>\$40,726</b>	<b>\$0.42</b>	<b>\$70.29</b>	<b>\$6.61</b>

**INCOME** Total Net Rentable Sq Ft: 97,100

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$12.50

Other Support Income:

**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		
	\$488,712	\$488,712		
	11,400	11,400	\$12.50	Per Unit Per Month
	0	0		
	\$500,112	\$500,112		
	(37,508)	(37,512)	-7.50%	of Potential Gross Rent
	0	0		
	\$462,604	\$462,600		

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.43%	\$391	\$0.31
Management	5.00%	304	0.24
Payroll & Payroll Tax	11.85%	721	0.56
Repairs & Maintenance	7.56%	460	0.36
Utilities	2.81%	171	0.13
Water, Sewer, & Trash	2.03%	123	0.10
Property Insurance	3.78%	230	0.18
Property Tax 2.5191	9.93%	605	0.47
Reserve for Replacements	3.29%	200	0.16
Other: spt svcs, compl. fees, sec	3.00%	183	0.14

	PER SQ FT	PER UNIT	% OF EGI
	\$0.34	\$440	7.24%
	0.24	304	5.00%
	0.60	769	12.64%
	0.40	516	8.48%
	0.07	90	1.48%
	0.14	176	2.89%
	0.18	225	3.70%
	0.31	400	6.57%
	0.16	200	3.29%
	0.14	183	3.00%

**TOTAL EXPENSES** 55.66% \$3,388 \$2.65

**NET OPERATING INC** 44.34% \$2,699 \$2.11

	\$257,489	\$251,089	\$2.59	\$3,304	54.28%
	\$205,114	\$211,511	\$2.18	\$2,783	45.72%

**DEBT SERVICE**

First Lien Mortgage	37.71%	\$2,295	\$1.80
Housing Trust Fund Loan	3.29%	\$200	\$0.16
Housing Trust Fund Loan	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>3.35%</b>	<b>\$204</b>	<b>\$0.16</b>

	\$174,433	\$174,433	\$1.80	\$2,295	37.71%
	15,200	15,200	\$0.16	\$200	3.29%
	0	0	\$0.00	\$0	0.00%
	\$15,481	\$21,878	\$0.23	\$288	4.73%

AGGREGATE DEBT COVERAGE RATIO 1.08

ALTERNATIVE DEBT COVERAGE RATIO 1.10

	1.08	1.12
	1.10	

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		2.76%	\$2,576	\$2.02
Off-Sites		0.00%	0	0.00
Sitework		6.97%	6,500	5.09
Direct Construction		56.71%	52,904	41.41
Contingency	4.79%	3.05%	2,843	2.22
General Requirements	5.74%	3.66%	3,411	2.67
Contractor's G &	1.91%	1.22%	1,137	0.89
Contractor's Prof	5.74%	3.66%	3,411	2.67
Indirect Construction		2.83%	2,642	2.07
Ineligible Costs		2.36%	2,199	1.72
Developer's G & A	3.87%	3.16%	2,950	2.31
Developer's Profit	10.63%	8.70%	8,113	6.35
Interim Financing		3.72%	3,469	2.72
Reserves		1.21%	1,126	0.88
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$93,281</b>	<b>\$73.01</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$195,778	\$195,778	\$2.02	\$2,576	2.84%
	0	0	0.00	0	0.00%
	494,000	494,000	5.09	6,500	7.16%
	4,020,694	3,826,600	39.41	50,350	55.50%
	216,030	216,030	2.22	2,843	3.13%
	259,236	259,236	2.67	3,411	3.76%
	86,412	86,412	0.89	1,137	1.25%
	259,236	259,236	2.67	3,411	3.76%
	200,800	200,800	2.07	2,642	2.91%
	167,094	167,094	1.72	2,199	2.42%
	224,214	224,214	2.31	2,950	3.25%
	616,589	616,589	6.35	8,113	8.94%
	263,640	263,640	2.72	3,469	3.82%
	85,600	85,600	0.88	1,126	1.24%
	\$7,089,323	\$6,895,229	\$71.01	\$90,727	100.00%

**Recap-Hard Construction Costs** 75.26% \$70,205 \$54.95

**\$5,335,608 \$5,141,514 \$52.95 \$67,652 74.57%**

**SOURCES OF FUNDS**

First Lien Mortgage	28.21%	\$26,316	\$20.60
Housing Trust Fund Loan	6.43%	\$6,000	\$4.70
LIHTC Syndication Proceeds	60.48%	\$56,413	\$44.15
Deferred Developer Fees	2.13%	\$1,990	\$1.56
Additional (excess) Funds Required	2.75%	\$2,562	\$2.01
<b>TOTAL SOURCES</b>			

	WITH HTE		WITHOUT HTE	
	\$2,000,000	\$2,000,000	\$1,970,000	\$2,000,000
	456,000	456,000	456,000	0
	4,287,422	4,287,422	4,298,009	4,298,009
	151,207	151,207	171,220	597,220
	194,694	600	0	(0)
	\$7,089,323	\$6,895,229	\$6,895,229	\$6,895,229

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Riverwalk Townhomes, 9% LIHTC #02091**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Townhouse Basis

**PAYMENT COMPUTATION**

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 42.88	\$4,163,733
<b>Adjustments</b>				
Exterior Wall Finish	4.50%		\$1.93	\$187,368
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.78)	(173,226)
Floor Cover			2.43	235,953
Porches/Balconies	\$28.10	6,743	1.95	189,478
Plumbing	\$675	76	0.53	51,300
Built-In Appliances	\$2,000	76	1.57	152,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	177,693
Garages/Carports	\$13.85	20,556	2.93	284,752
Comm &/or Aux Bldgs	\$56.86	3,000	1.76	170,586
Other:			0.00	0
<b>SUBTOTAL</b>			<b>56.02</b>	<b>5,439,637</b>
Current Cost Multiplier	1.04		2.24	217,585
Local Multiplier	0.87		(7.28)	(707,153)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$50.98</b>	<b>\$4,950,070</b>
Plans, specs, survy, bld	3.90%		(\$1.99)	(\$193,053)
Interim Construction Int	3.38%		(1.72)	(167,065)
Contractor's OH & Profit	11.50%		(5.86)	(569,258)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$41.41</b>	<b>\$4,020,694</b>

<b>Primary</b>	\$2,000,000	Term	360
Int Rate	7.90%	DCR	1.18

<b>Secondary</b>	\$456,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.08

<b>Additional</b>	\$4,287,422	Term	
Int Rate		Aggregate DCR	1.08

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$171,817
Secondary Debt Service	15,200
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$18,097</b>

<b>Primary</b>	\$1,970,000	Term	360
Int Rate	7.90%	DCR	1.19

<b>Secondary</b>	\$456,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$4,287,422	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	\$488,712	\$503,373	\$518,475	\$534,029	\$550,050	\$637,658	\$739,221	\$856,959	\$1,151,682
Secondary Income	11,400	11,742	12,094	12,457	12,831	14,874	17,244	19,990	26,865
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	500,112	515,115	530,569	546,486	562,880	652,533	756,464	876,949	1,178,547
Vacancy & Collection Loss	(37,508)	(38,634)	(39,793)	(40,986)	(42,216)	(48,940)	(56,735)	(65,771)	(88,391)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$462,604	\$476,482	\$490,776	\$505,499	\$520,664	\$603,593	\$699,729	\$811,178	\$1,090,156
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$29,737	\$30,926	\$32,163	\$33,450	\$34,788	\$42,324	\$51,494	\$62,650	\$92,738
Management	23,130	23,824	24,539	25,275	26,033	30,180	34,986	40,559	54,508
Payroll & Payroll Tax	54,796	56,988	59,267	61,638	64,104	77,992	94,889	115,447	170,890
Repairs & Maintenance	34,955	36,353	37,807	39,319	40,892	49,752	60,531	73,645	109,012
Utilities	12,987	13,506	14,046	14,608	15,193	18,484	22,489	27,361	40,501
Water, Sewer & Trash	9,384	9,759	10,150	10,556	10,978	13,356	16,250	19,770	29,265
Insurance	17,478	18,177	18,904	19,660	20,447	24,877	30,266	36,824	54,508
Property Tax	45,948	47,786	49,698	51,686	53,753	65,399	79,568	96,806	143,297
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	13,875	14,430	15,007	15,607	16,232	19,748	24,027	29,233	43,271
TOTAL EXPENSES	\$257,489	\$267,558	\$278,022	\$288,897	\$300,200	\$363,746	\$440,821	\$534,319	\$785,393
NET OPERATING INCOME	\$205,114	\$208,924	\$212,754	\$216,602	\$220,464	\$239,847	\$258,908	\$276,860	\$304,763
<b>DEBT SERVICE</b>									
First Lien Financing	\$171,817	\$171,817	\$171,817	\$171,817	\$171,817	\$171,817	\$171,817	\$171,817	\$171,817
Second Lien	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$18,097	\$21,907	\$25,738	\$29,585	\$33,447	\$52,830	\$71,892	\$89,843	\$117,746
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.18	1.28	1.38	1.48	1.63



**TDHCA #**

**02097**

**Region 3**

**At Risk  
Set-Aside**

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Park Manor Apartments**TDHCA #: **02097****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 LIHTC Primary Set Aside: AR  
 Site Address: 200 Park School House Road Additional Elderly Set Aside   
 City: Waxahachie Purpose / Activity: ACQ/R  
 County: Ellis Development Type: Family  
 Zip Code: 75165  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: Waxahachie DMA Housing, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
DMA Community Partners II, Inc.	Diana McIver	100 %
Diana McIver	Diana McIver	%
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$288,644** Allocation over 10 Years: \$2,886,440  
 Credits Requested: \$312,861 Eligible Basis Amount: \$307,599 Equity/Gap Amount: \$288,644

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	0	0	0	0	1
40%	0	2	0	10	0	0	12
50%	0	1	18	5	0	0	24
60%	0	0	18	5	0	0	23
MR	0	0	0	0	0	0	0
Total	0	4	36	20	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$3,305,806**  
 Gross Building Square Feet: 51,176  
 Total NRA SF: 50,248  
 Gross/Net Rentable: 1.02  
 Average Square Feet/Unit: 837  
 Cost Per Net Rentable Square Foot: \$65.79  
 Credits per Low Income Unit: \$4,811

Total LI Units: 60  
 Owner/Employee Units: 0  
 Total Project Units: 60  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$380,730  
 Total Expenses: \$261,060  
 Net Operating Income: \$119,670  
 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: DMA Development Company, LLC Market Analyst: Integra Realty Resources  
 Housing GC: JDP Group, Inc. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: The Gill Companies  
 Cost Estimator: JDP Group Inc. Attorney: Clark Thomas & Winters  
 Architect: Chiles Architects, Inc. Supp Services: NA  
 Property Manager: Alpha-Barnes Real Estate Services Accountant: Novogradac & Company, LLP  
 Engineer: NA  
 Syndicator: Texas Housing Finance Corporation Permanent Lender: TRI Financial

**DEPARTMENT EVALUATION**

Points Awarded: 138 Site Review: Acceptable Underwriting Finding: AC

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



## Compliance Status Summary

**Project ID #:** 02097

LIHTC 9%  LIHTC 4%

**Project Name:** Park Manor Apartments

HOME  HTF

**Project City:** Waxahachie

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 2 # not yet monitored or pending review 4

# of projects grouped by score 0-9: 2 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** 05/09/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

**Completed by** Ralph Hendrickson **Completed on** 05/17/2002

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

DATE: June 11, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02097

**DEVELOPMENT NAME**

Park Manor

**APPLICANT**

**Name:** Waxahachie DMA Housing, LP      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5100 Bee Caves Road      **City:** Austin      **State:** TX  
**Zip:** 78746    **Contact:** Diana McIver      **Phone:** (512) 328-3232    **Fax:** (512) 328-4584

**PRINCIPALS of the APPLICANT**

**Name:** DMA Community Partners II, Inc.      (%): 0.01      **Title:** Managing General Partner  
**Name:** Texas Housing Finance Corporation      (%): 99.99      **Title:** Limited Partner  
**Name:** Diana McIver      (%): N/A      **Title:** 100% owner of GP

**GENERAL PARTNER**

**Name:** DMA Community Partners II, Inc.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5100 Bee Caves Road      **City:** Austin      **State:** TX  
**Zip:** 78746    **Contact:** Diana McIver      **Phone:** (512) 328-3232    **Fax:** (512) 328-4584

**PROPERTY LOCATION**

**Location:** 200 Parks School House Road       **QCT**     **DDA**  
**City:** Waxahachie      **County:** Ellis      **Zip:** 75165

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$312,861	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>Acquisition/Rehab</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> At Risk <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 5.3 acres      230,868 square feet      **Zoning/ Permitted Uses:** Multiple Family -1  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 60    **# Rental Buildings:** 5    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** 32 yrs    **Vacant:** 2 at 02/ 01/ 2002

Number	Bedrooms	Bathroom	Size in SF
4	1	1	637
36	2	1	825
20	3	1	900

**Net Rentable SF:** 50,248    **Av Un SF:** 837    **Common Area SF:** 928    **Gross Bldng SF** 51,176

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 75% masonry/brick veneer/25% wood 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**

Laundry facilities, restrooms, daycare facility, equipped children's play area, picnic areas

**Uncovered Parking:** 107 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**INTERIM to PERMANENT FINANCING**

**Source:** TRI Financial    **Contact:** Mark Ragsdale

**Principal Amount:** \$970,000    **Interest Rate:** Lender estimate of 7.5%

**Additional Information:** HUD 221(d)4 program; 12 month construction period

**Amortization:** 40 yrs    **Term:** 40 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$84,196    **Lien Priority:** 1st    **Commitment Date**    02/ 26/ 2002

**LIHTC SYNDICATION**

**Source:** Texas Housing Finance Corporation    **Contact:** George Schmidt

**Address:** 1145 W 15<sup>th</sup> Street, Suite 100    **City:** Austin

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

**Net Proceeds:** \$2,252,370    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 72¢

**Commitment**     LOI     Firm     Conditional    **Date:** 02/ 25/ 2002

**Additional Information:** This is less than the 75¢ minimum syndication rate required in this application cycle.

**APPLICANT EQUITY**

**Amount:** \$151,069    **Source:** Deferred developer fee

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

VALUATION INFORMATION					
APPRAISED VALUE					
<b>Land Only:</b>	\$118,000	<b>Date of Valuation:</b>	02/	05/	2002
<b>Existing Building: as improved*</b>	\$894,000	<b>Date of Valuation:</b>	02/	05/	2002
<b>Total Market Value:</b>	\$1,012,000	<b>Date of Valuation:</b>	02/	05/	2002
<b>Appraiser:</b> <u>The Gill Companies</u>	<b>City:</b> <u>Dexter</u>	<b>Phone:</b>	(573)	<u>624-6614</u>	
*calculated by Underwriter					
ASSESSED VALUE					
<b>Land:</b>	\$92,400	<b>Assessment for the Year of:</b>	2001		
<b>Building:</b>	\$649,230	<b>Valuation by:</b>	Ellis County Appraisal District		
<b>Total Assessed Value:</b>	\$741,630	<b>Tax Rate:</b>	2.67891		

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Purchase Option

**Contract Expiration Date:** 11/ 13/ 2002 **Anticipated Closing Date:** 10/ 01/ 2002

**Acquisition Cost:** \$ 500,000 **Other Terms/Conditions:** \$100 option price plus \$500 extension fee

**Seller:** Waxahachie, Ltd.\* **Related to Development Team Member:** Yes

\* Diana McIver, 100% owner of the general partner, is also a 10.84% limited partner of the seller. Ms. McIver has stated in writing that, should the development receive a LIHTC allocation, she will relinquish her interests in the seller without compensation.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Park Manor is a proposed acquisition and rehabilitation development of 60 units of affordable housing located in Waxahachie, Ellis County. The development was constructed in 1970 and is comprised of five residential buildings as follows:

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

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the office building/daycare located near the entrance to the site.

**Existing Subsidies:** The development has all 60 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract and intends to renew the contract. It is a condition of this report that the HAP contract be renewed by the Applicant for as long as it is offered or until the Department's LURA expires. The Applicant has also applied for funding under the FHA/HUD 221(d)4 substantial rehabilitation program and will be subject to income and rent restrictions under that program.

**Development Plan:** The buildings are currently 97% occupied and, according to the appraiser and market analyst, in average condition for the area. The submitted work write-up includes: sitework, repair/replacement of concrete, masonry, carpentry, insulation, roofing, electrical fixtures, tubs, toilets, sinks, plumbing fixtures, water heaters, doors, windows, drywall, tile, flooring, cabinets and appliances, installation of HVAC units and a new mail center, and asbestos abatement.

According to the submitted Relocation Plan, "The relocation housing needs of lease-compliant Park Manor families will be determined by interviewing each family...Lease compliant families will receive reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary

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

relocation, including the cost of moving to and from the temporarily occupied housing and any increase in monthly rent/utility costs at such housing. The Waxahachie Housing Authority has offered vacant housing authority units as a relocation resource...rent will be based on family income, [therefore] relocated families should not be charged any rent or utility cost in excess of the charges in the Section 8 program at Park Manor. Because only twelve families will be relocated at any given time, and for approximately one month at a time, the vacancies in the apartments owned by the Waxahachie Housing Authority should be a sufficient relocation resource.” The Applicant has included \$90,000 in relocation costs in the submitted Cost Breakdown (E102).

**Supportive Services:** The application indicates that no supportive services are planned to be provided to tenants.

**Schedule:** The Applicant anticipates construction to begin in January of 2003 and to be completed in October of 2003. The buildings are to be placed in service in October of 2003 with substantial lease-up in November of 2003.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside with all of the units reserved for low-income tenants. One unit will be set-aside for households with incomes at or below 30% of AMGI, 12 units (20% of the total) will be reserved for households earning 40% or less of AMGI, 24 units (40% of the total) will be reserved for households earning 50% or less of AMGI and 23 units (38% of the total) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Five units (8% of the total) will be set-aside for households with handicapped/developmentally-disabled individuals.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 7, 2002 and prepared by Integra realty Resources highlighted the following findings:

**Definition of Market/Submarket:** “We have concluded that an appropriate Primary Market Area (PMA) for the subject is the area within a 6-mile radius of the City of Waxahachie (intersection of Highways 77 and 287).” (p. 16)

**Total Local/Submarket Demand for Rental Units:** “The analysis indicates that there are 1,609 low income rental households in the PMA. Currently, there are only 75 LIHTC units in the submarket. There are additional units that are affordable through Section 8 and other programs, but these are in short supply as well. The data indicates extremely strong demand and need for additional affordable housing in the PMA.” (p. 44) The market study did not provide sufficient information on which to base a calculation of demand specific to this development. However, the subject is currently +90% occupied with Section 8 tenants and the Applicant plans to relocate tenants during the rehabilitation rather than breaking leases.

**Capture Rate:** “The supply for the capture rate will consist of the subject and Bent Tree Townhomes, which are now under construction.” (p. 44) The market analyst calculated a capture rate of 19.2%. However, as noted above, the development is currently +90% occupied with Section 8 tenants and the Applicant plans to relocate tenants during the rehabilitation rather than breaking leases.

**RENT ANALYSIS (net tenant-paid rents)**

Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$328	\$355	-\$27	\$510	-\$182
1-Bedroom (40%)	\$450	\$481	-\$31	\$510	-\$60
1-Bedroom (50%)	\$450	\$605	-\$155	\$510	-\$60
2-Bedroom (50%)	\$550	\$719	-\$169	\$570	-\$20
2-Bedroom (60%)	\$550	\$869	-\$319	\$570	-\$20
3-Bedroom (40%)	\$605	\$655	-\$50	\$620	-\$15
3-Bedroom (50%)	\$605	\$828	-\$223	\$620	-\$15
3-Bedroom (60%)	\$605	\$1,001	-\$396	\$620	-\$15

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

**Submarket Vacancy Rates:** “The average occupancy is 94% on both a weighted and simple average basis.” (p. 34)

**Absorption Projections:** Historical absorption for the period between 1990 and the present has averaged 12 units per year. (p. 35)

**Known Planned Development:** “There is one development currently under construction in the subject’s market area with completion slated for 2002. Bent Tree Townhomes will have 250 LIHTC units upon completion. In addition, Indian Creek has a phase II proposed for an additional 44 units with completion estimated for 2003. The management of Franklin Place Apartments reports an additional 8 one bedroom units to be added within the next 24 months. Thus a total of 302 units are proposed int his market. Note that the subject will not represent new supply, as the subject’s units are now occupied and have been included in the quantification of existing supply.” (p. 35)

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

An appraisal was also provided by Samuel Gill of the Gill companies. The limited scope appraisal is dated February 15, 2002 with an effective date of February 5, 2002. The Appraiser indicated an income approach to value based on the Section 8 rent subsidies/restrictions of \$539,476 using a capitalization rate of 13%. This was based on “actual expenses for 2000 as indicated in Statement Profit and Loss from January 1, 2000 to December 31, 2000.” However, the figures used (NOI of \$70,131) are inconsistent with the audited financial statements for 2000. In fact, backing out depreciation and mortgage expenses from the 1999 and 2001 audited financial results in NOIs of \$63,558 and \$62,912. Moreover, using the December 31, 2001 unaudited financial statement for the year, NOI dropped to \$34,407. Using the cap rate prescribed in the appraisal would result in a value of at most \$488,908 and as little as \$264,669 based on the property’s true NOI. The Appraiser concludes that an unrestricted market value for the property is \$1,012,000.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located in the City of Waxahachie, Ellis County, 35 miles south of the Dallas city limits.

**Population:** The 2000 population for Ellis County, according to the US Census Bureau, was 1,111,360 with 307,020 total households. There were 8,802 renter-occupied households. The population for the City of Waxahachie in 2000, according to the US Census Bureau, was 21,426. There were 7,325 total households with 2,830 renter-occupied households. The population of the Primary Market Area defined by the market analyst was 26,337 in 2001 and is projected to be 28,097 in 2006, an annual change of 1.30%.

**Adjacent Land Uses:** The neighborhood is a mixture of single-family and commercial areas and is approximately 50% built-up. Adjacent land uses include:

- **North:** Residential development
- **South:** Residential development
- **East:** Vacant land
- **West:** Vacant land

**Site Access:** Major highways through the city include IH 20 and IH 30 both running east/west. Running north/south through Dallas are IH 35 and IH 45. Dallas is linked to Houston via IH 45, Austin and San Antonio via IH 35, and the western part of Texas via IH 20.

**Public Transportation:** Dallas Area Rapid transit (DART) operates a mass transit service including buses and light rail in the Dallas area, but does not serve the Waxahachie market. The availability of public transportation in the City of Waxahachie is unknown.

**Shopping & Services:** The subject is located in the Waxahachie Independent School District. The region offers a number of college level education opportunities including the Dallas County Community College, The University of Dallas and Southern Methodist University. According to the market analyst, there are a number of shopping centers prociding goods and services to the residents of the area. The nearest full service hospital is Baylor Medical Center, located less than three miles northwest. Recreational facilities include

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Ellis County museum, 12 parks, one area lake, one theater and six tennis courts.

**Special Adverse Conditions:** The property has asbestos and lead based paint concerns that were observed in the work write-up and the Phase I ESA addresses below.

**Site Inspection Findings:** The site was inspected by a TDHCA staff member, on May 7, 2002. the inspector found the property to be in fair shape but recognized additional concern for exterior trim, stairways, doors, and parking. He also inspected at least one off-line unit that had significant repair needs throughout.

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

A Phase I Environmental Site Assessment report dated February 22, 2002 and prepared by Property Assessment Consultants, Inc. contained the following findings and recommendations:

**Findings:**

**Asbestos-Containing Materials (ACM):** “The inspection of the facility indicated the presence of suspected asbestos-containing materials. Wall and ceiling surfacing materials and flooring were sampled for potential asbestos materials (ACM). The ceiling texture, wall texture and flooring were generally in nonfriable condition, and did not constitute a potential source of fiber release as of the date of the inspection. Based on the presence of asbestos-containing flooring, wall and ceiling surfacing materials in the facility, we recommend that an Operations and Maintenance (O & M) Plan be developed for the facility.” An Asbestos O & M Program, prepared by Property Assessment Consultants, Inc., was submitted and the Applicant’s development cost budget includes \$150,000 for asbestos abatement.

**Lead-Based Paint (LBP):** The results of the survey indicated that lead-based paint is present on some of the exterior doors and thresholds. Based on the results of this inspection, the condition of the exterior doors should be periodically monitored, and the door thresholds should be repainted to encapsulate exposed lead-based paint. Replacement of exterior doors and repair of thresholds is recommended as part of the site renovation plans.” It appears that the submitted work write-up includes plans to replace all of the exterior doors the thresholds were not specifically mentioned. Receipt, review and acceptance of a revised work write-up or documentation clarifying if and where the lead based paint items identified in the Phase I ESA are included in the write-up is a condition of this report.

**Recommendations:** “Recognized Environmental Conditions were not identified for the site in the performance of this investigation, and further investigations of the subject facility do not appear to be warranted at this time.”

**OPERATING PROFORMA ANALYSIS**

**Income:** Although the Applicant’s potential gross income estimate and secondary income assumption are slightly understated as compared to the Underwriter’s estimates, their effective gross income figure is inline with the Underwriter’s projection. Both estimates are based on current rent restrictions under the existing HAP contract.

**Expenses:** The Applicant’s total operating expense estimate is \$23K or 9% higher than the Underwriter’s estimate. Although the Underwriter’s line-item estimates were adjusted to reflect the historical operating expenses of the existing development, several of the Applicant’s estimates differ by more than \$5,000. These include: general & administrative (\$8K lower), repairs & maintenance (\$9K higher), payroll (\$36K higher) and other/security (\$17K lower). Payroll, general and administration and repairs and maintenance were adjusted to reflect the IREM Dallas figures and were also consistent with true operating experience indicated in the Appraisal. In fact, the Appraiser provided three comparable operating expense histories that ranged from \$4,038 to \$4,500 per unit in similar vintage units with similar rent located in Waxahachie and South Dallas. The Appraiser concluded \$4,101 as the subject’s “market” operating expense but did not indicate why the actual rents at the subject are so much higher other than regarding payroll and other operating expenses to be nearly double the amount of the comparables. The Underwriter’s estimate would have been inline with the Appraiser’s estimate except it includes additional other/security expense which the Applicant had indicated would be significantly reduced with the construction of security fencing. Such fencing, however, was not included in the work write-up provided and, therefore, the Underwriter added the property’s historical security expense to other expenses resulting in \$4,351 per unit in total operating expenses.

**Conclusion:** Overall, the Applicant’s net operating income estimate is more than 5% lower than the

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Underwriter's estimate; therefore, the Underwriter's estimate will be used to determine the project's ability to service debt. This results in a debt coverage ratio (DCR) of 1.56, which is well over the Department's DCR guideline of 1.10 to 1.25. In order to limit the DCR to a maximum of 1.25, the development should service debt in the amount of at least \$95,752 annually assuming operating expenses for the property can be brought inline with typical expenses in the area.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Cost:** The sale of the development is not an arm's length transaction. However, Diana McIver, 100% owner of the general partner and 10.84% limited partner of the seller has stated in writing that, should the development receive a LIHTC allocation, she will relinquish her interests in the seller without compensation. The proposed acquisition cost of \$500,000 is less than both the market appraised value of \$1,012,000 and the tax-assessed value of \$741,630. The Appraiser's income approach to value produced a Section 8 restricted value of \$539,476 but this does not appear to be based on actual NOI which would result in a lower value of between \$488,908 to \$264,669 as discussed above. The current note balance on the existing HUD loan is \$381,432. The 2000 year end audited financial statement reflected total liabilities for the property to be \$468,970 and the unaudited 2001 statement indicated this has risen to \$531,345. The Applicant's audited financial statement provides total liabilities to unrelated parties that could be used as a proxy for substantiating a break even value in the identity of interest sale. As such the Underwriter will preliminarily accept the proposed transfer price of \$500,000, subject to confirmation that the final 2001 audited financial statement reflects not less than \$500,000 in total liabilities to unrelated parties and subject to them all being cleared at closing.

The Applicant arbitrarily chose a land value of \$50,000, which is understated compared to both the appraised value of \$118,000 and the assessed value of \$92,400. The Underwriter has utilized the appraised land value of \$118,000 in this analysis to determine the development's preliminary acquisition eligible basis.

**Sitework Cost:** The Applicant's claimed sitework costs of \$2,985 per unit are considered reasonable as this is a rehabilitation development. As mentioned above, they do not include fencing which was referenced elsewhere in the application.

**Direct Construction Cost:** The Underwriter has accepted the Applicant's direct construction cost estimate as it was signed by a third party registered architect, and contractor. It includes \$150,000 for asbestos abatement, but nothing specifically for extraordinary lead based paint abatement.

**Fees:** The Underwriter included a \$30,000 bond listed under other construction costs in the submitted development cost schedule as other indirect costs. The Applicant's contractor's profit exceeds the 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in this have been reduced by \$705 with the overage effectively moved to ineligible costs. The Applicant also included developer fees for acquisition though it would be difficult to substantiate due diligence work in the acquisition, being a partner in the seller entity. Moreover, Ms. McIver indicated she would relinquish her interests in the seller without compensation. Thus, the proposed developer fees exceed 15% of the Applicant's adjusted rehabilitation eligible basis and, therefore, the eligible portion of the Applicant's developer fee must be reduced by \$66,928.

**Conclusion:** Overall, the Applicant's total development cost is identical to the Underwriter's estimate since it is based upon the work write-up which is consistent with the Applicant's property cost schedule. The only differences are those adjustments described above. Therefore, the Underwriter's estimate, adjusted for overstated fees and an understated land value and reflected in the Underwriter's estimate, will be used to calculate the development's eligible basis and total funding need.

**FINANCING STRUCTURE ANALYSIS**

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

**Interim to Permanent Loan:** In accordance with the FHA requirements for Section 221(d)4 substantial rehabilitation mortgages, TRI Capital Company, Inc. will provide construction and permanent financing upon approval from HUD. The requested loan amount is \$970,000 for both the interim and permanent periods. The loan will have an interest only construction period of 12 months plus a 40-year fully amortizing permanent mortgage. The interest rate to be used for the current maximum mortgage calculation is estimated

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by the lender at 7.50% based on market conditions at commitment. The final rate at which the loan will be set prior to initial endorsement is subject to market conditions at the time of issuance of the HUD Firm Commitment to Insure. Based on the Underwriter's proforma and minimum debt service amount, this loan will need to be increased even with a 30 year amortization to \$1,141,190. If the rate and terms differ from 7.5% and 30 years, additional debt and, therefore, fewer tax credits may be finally allocated.

**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 \$2,252,370 based on a syndication factor of 72%. This is less than the 75% rate that has been established as the minimum for this allocation cycle and receipt of a revised syndication rate is a condition of this report. The funds would be disbursed in a five-phased pay-in schedule:

1. 25% at closing;
2. 65% during construction;
3. 5% at stabilization;
4. 3% upon receipt of 8609; and
5. 2% upon receipt of K-1.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$151,069 amount to 36% of the total proposed fees.

**Financing Conclusions:** As stated above, the Underwriter's total development cost estimate was used to calculate the development's eligible basis. Based on this analysis, the development qualifies for a tax credit allocation of \$307,599 annually for ten years, or \$5,262 per year less than requested. This amounts to projected syndication proceeds of \$2,306,761. However, as noted above, the development's debt coverage ratio exceeds the Department's DCR guideline of 1.10 to 1.25. Limiting the DCR to 1.25 would result in a potential increase in the permanent loan to \$1,141,190, eliminating the need for deferred developer fees and reducing the need for syndication proceed to not more than \$2,164,616, thereby reducing the credit amount to a gap based \$288,644. This is \$24,217 less than requested and is primarily a result of the understated land value and request for developer fee on the acquisition portion of the transaction.

**REVIEW of ARCHITECTURAL DESIGN**

The individual units are of average size for the market area and the floorplans include small bedrooms with adequate storage space. The brick/wood siding exterior of the buildings is typical for 1970s construction. It appears from the submitted photographs and work write-up that significant rehabilitation is needed and planned for the development.

**IDENTITIES of INTEREST**

The Applicant and developer are related entities. In addition, the general contractor and cost estimator are related entities. These identities of interest are common for LIHTC-funded developments. Ms. Diana McIver, 100% owner of the general partner, is also a 10.84% limited partner of the seller. Ms. McIver has stated in writing that, should the development receive a LIHTC allocation, she will relinquish her interests in the seller without compensation. This subject is dealt with in more detail in the construction cost estimate evaluation section of this report.

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and, therefore, has no material financial statements.
- The general partner, DMA Community Partners II, Inc., submitted an unaudited financial statement as of December 31, 2001 reporting total assets of \$18K consisting of cash and land purchased. Liabilities totaled \$2K, resulting in total equity of \$16K.
- Diana McIver, 100% owner of the general partner, also provided an unaudited financial statement.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- The general partner has two LIHTC housing developments totaling 104 units currently under construction.

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- Diana McIver, 100% owner of the general partner, has participated in nine LIHTC/HTF developments totaling 454 units since 1998.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- 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.
- Significant environmental risks exist with regard to asbestos and lead based paint.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$288,644 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.**

**CONDITIONS**

1. Receipt, review and acceptance of documentation confirming that the Applicant will renew the HAP contract with HUD as long as it is offered or until the Department's LURA expires;
2. Receipt, review, and acceptance of an audited 2001 financial statement reflecting not less than \$500,000 in total liabilities to unrelated parties or a reduction in the transfer price to reflect only the amount indicated;
3. Receipt, review and acceptance of a revised work write-up or documentation that clarifies that the lead based paint items identified in the Phase I ESA have been addressed;
4. Receipt, review and acceptance of a revised loan commitment reflecting debt service of at least \$95,752;
5. Receipt, review and acceptance of a revised syndication agreement reflecting a syndication rate of at least \$0.75 per \$1 of credit allocated; and
6. Should the terms, rates, or amounts of the permanent loan or syndication change from those considered in the Underwriting report, a re-evaluation and potential reduction in credits should be conducted by the Underwriter.

**Credit Underwriting Supervisor:**

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

**Date:** June 11, 2002

**Director of Credit Underwriting:**

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

**Date:** June 11, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Park Manor, Waxahachie, LIHTC 02097**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Electric	W,S,T
TC 30%	1	1	1	637	\$373	\$450	\$450	\$0.71	\$70.00	\$38.00
TC 40%	2	1	1	637	499	450	900	0.71	70.00	38.00
TC 50%	1	1	1	637	623	450	450	0.71	70.00	38.00
TC 50%	18	2	1	825	748	550	9,900	0.67	98.00	45.00
TC 60%	18	2	1	825	898	550	9,900	0.67	98.00	45.00
TC 40%	10	3	1	900	691	605	6,050	0.67	121.00	67.00
TC 50%	5	3	1	900	864	605	3,025	0.67	121.00	67.00
TC 60%	5	3	1	900	1,037	605	3,025	0.67	121.00	67.00
<b>TOTAL:</b>	<b>60</b>		<b>AVERAGE:</b>	<b>837</b>	<b>\$801</b>	<b>\$562</b>	<b>\$33,700</b>	<b>\$0.67</b>	<b>\$103.80</b>	<b>\$51.87</b>

**INCOME**

Total Net Rentable Sq Ft: 50,248

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.72%	\$363	\$0.43
Management	5.41%	343	0.41
Payroll & Payroll Tax	13.59%	863	1.03
Repairs & Maintenance	6.82%	433	0.52
Electric	5.10%	324	0.39
Water, Sewer & Trash	11.80%	749	0.89
Property Insurance	3.99%	253	0.30
Property Tax 2.67891	5.22%	331	0.40
Reserve for Replacements	4.73%	300	0.36
Compliance, Security	6.18%	392	0.47
<b>TOTAL EXPENSES</b>	<b>68.57%</b>	<b>\$4,351</b>	<b>\$5.20</b>
<b>NET OPERATING INC</b>	<b>31.43%</b>	<b>\$1,995</b>	<b>\$2.38</b>

**DEBT SERVICE**

First Lien Mortgage	20.12%	\$1,277	\$1.52
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>11.31%</b>	<b>\$718</b>	<b>\$0.86</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		15.17%	\$8,358	\$9.98
Off-Sites		0.00%	0	0.00
Sitework		5.42%	2,985	3.56
Direct Construction		42.04%	23,163	27.66
Contingency	7.01%	3.33%	1,833	2.19
General Requiren	5.37%	2.55%	1,404	1.68
Contractor's G &	1.94%	0.92%	506	0.60
Contractor's Prc	6.00%	2.85%	1,569	1.87
Indirect Construction		8.55%	4,708	5.62
Ineligible Expenses		1.91%	1,051	1.26
Developer's G & A	2.00%	1.41%	776	0.93
Developer's Profit	13.00%	9.15%	5,042	6.02
Interim Financing		4.75%	2,617	3.12
Reserves		1.97%	1,083	1.29
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$55,097</b>	<b>\$65.79</b>
<b>Recap-Hard Construction Costs</b>		<b>57.10%</b>	<b>\$31,461</b>	<b>\$37.57</b>

**SOURCES OF FUNDS**

First Lien Mortgage	29.34%	\$16,167	\$19.30
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	68.13%	\$37,540	\$44.83
Deferred Developer Fees	4.57%	\$2,518	\$3.01
Additional (excess) Funds Requ	-2.05%	(\$1,127)	(\$1.35)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
	\$404,400	\$402,936			
	7,200	6,660	\$9.25	Per Unit Per Month	
	0	0			
	\$411,600	\$409,596			
	(30,870)	(30,720)	-7.50%	of Potential Gross Rent	
	0	0			
	\$380,730	\$378,876			
	\$21,792	\$13,600	\$0.27	\$227	3.59%
	20,583	20,480	0.41	341	5.41%
	51,755	87,300	1.74	1,455	23.04%
	25,955	35,300	0.70	588	9.32%
	19,433	19,000	0.38	317	5.01%
	44,943	47,000	0.94	783	12.41%
	15,193	17,000	0.34	283	4.49%
	19,868	23,300	0.46	388	6.15%
	18,000	15,000	0.30	250	3.96%
	23,537	6,500	0.13	108	1.72%
	\$261,060	\$284,480	\$5.66	\$4,741	75.09%
	\$119,670	\$94,396	\$1.88	\$1,573	24.91%
	\$76,599	\$84,196	\$1.68	\$1,403	22.22%
	0	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	\$43,071	\$10,200	\$0.20	\$170	2.69%
	1.56	1.12			
	1.25				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$501,500	\$501,500	\$9.98	\$8,358	14.87%
	0	0	0.00	0	0.00%
	179,108	179,108	3.56	2,985	5.31%
	1,389,776	1,389,776	27.66	23,163	41.20%
	110,000	110,000	2.19	1,833	3.26%
	84,248	84,248	1.68	1,404	2.50%
	30,380	30,380	0.60	506	0.90%
	94,133	94,838	1.89	1,581	2.81%
	282,500	282,500	5.62	4,708	8.37%
	63,089	63,089	1.26	1,051	1.87%
	46,543	83,200	1.66	1,387	2.47%
	302,529	332,800	6.62	5,547	9.87%
	157,000	157,000	3.12	2,617	4.65%
	65,000	65,000	1.29	1,083	1.93%
	\$3,305,806	\$3,373,439	\$67.14	\$56,224	100.00%
	\$1,887,645	\$1,888,350	\$37.58	\$31,473	55.98%
	\$970,000	\$970,000	\$1,141,190		
	0	0	0		
	2,252,370	2,252,370	2,164,616		
	151,069	151,069			
	(67,633)	0	0		
	\$3,305,806	\$3,373,439	\$3,305,806		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Park Manor, Waxahachie, LIHTC 02097*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

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

**PAYMENT COMPUTATION**

<b>Primary</b>	\$970,000	Term	480
Int Rate	7.50%	DCR	1.56

<b>Secondary</b>	\$0	Term	
Int Rate		Subtotal DCR	1.56

<b>Additional</b>	\$2,252,370	Term	
Int Rate		Aggregate DCR	1.56

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$95,752
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$23,918</b>

<b>Primary</b>	\$1,141,190	Term	360
Int Rate	7.50%	DCR	1.25

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

<b>Additional</b>	\$2,252,370	Term	0
Int Rate	0.00%	Aggregate DCR	1.25

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$404,400	\$416,532	\$429,028	\$441,899	\$455,156	\$527,650	\$611,691	\$709,118	\$952,995
Secondary Income	7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income: (de	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>411,600</b>	<b>423,948</b>	<b>436,666</b>	<b>449,766</b>	<b>463,259</b>	<b>537,045</b>	<b>622,582</b>	<b>721,743</b>	<b>969,962</b>
Vacancy & Collection Loss	(30,870)	(31,796)	(32,750)	(33,732)	(34,744)	(40,278)	(46,694)	(54,131)	(72,747)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$380,730</b>	<b>\$392,152</b>	<b>\$403,916</b>	<b>\$416,034</b>	<b>\$428,515</b>	<b>\$496,766</b>	<b>\$575,888</b>	<b>\$667,612</b>	<b>\$897,215</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$21,792	\$22,664	\$23,570	\$24,513	\$25,493	\$31,017	\$37,736	\$45,912	\$67,961
Management	20,583	21,200	21,836	22,491	23,166	26,856	31,133	36,092	48,505
Payroll & Payroll Tax	51,755	53,826	55,979	58,218	60,547	73,664	89,624	109,041	161,407
Repairs & Maintenance	25,955	26,994	28,073	29,196	30,364	36,943	44,946	54,684	80,946
Utilities	19,433	20,210	21,018	21,859	22,733	27,659	33,651	40,941	60,603
Water, Sewer & Trash	44,943	46,741	48,611	50,555	52,578	63,969	77,828	94,689	140,163
Insurance	15,193	15,801	16,433	17,090	17,774	21,625	26,310	32,010	47,383
Property Tax	19,868	20,662	21,489	22,348	23,242	28,278	34,404	41,858	61,960
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	23,537	24,479	25,458	26,476	27,535	33,501	40,759	49,590	73,405
<b>TOTAL EXPENSES</b>	<b>\$261,060</b>	<b>\$271,296</b>	<b>\$281,936</b>	<b>\$292,995</b>	<b>\$304,490</b>	<b>\$369,130</b>	<b>\$447,562</b>	<b>\$542,741</b>	<b>\$798,468</b>
<b>NET OPERATING INCOME</b>	<b>\$119,670</b>	<b>\$120,856</b>	<b>\$121,980</b>	<b>\$123,039</b>	<b>\$124,025</b>	<b>\$127,637</b>	<b>\$128,327</b>	<b>\$124,872</b>	<b>\$98,747</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$95,752	\$95,752	\$95,752	\$95,752	\$95,752	\$95,752	\$95,752	\$95,752	\$95,752
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$23,918</b>	<b>\$25,103</b>	<b>\$26,228</b>	<b>\$27,286</b>	<b>\$28,272</b>	<b>\$31,884</b>	<b>\$32,574</b>	<b>\$29,119</b>	<b>\$2,994</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.25</b>	<b>1.26</b>	<b>1.27</b>	<b>1.28</b>	<b>1.30</b>	<b>1.33</b>	<b>1.34</b>	<b>1.30</b>	<b>1.03</b>



**TDHCA #**

**02149**

**Region 3**

**General  
Set-Aside**

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Madison Point Apartments**TDHCA #: **02149****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 LIHTC Primary Set Aside: G  
 Site Address: 3600 S R L Thornton Freeway Additional Elderly Set Aside   
 City: Dallas Purpose / Activity: NC  
 County: Dallas Development Type: Family  
 Zip Code: 75224  TTC  DDA  QCT

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

Special Needs: 13 Units for Disabled/Other-Hearing/Visually Impaired

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Madison Point L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Picerne Madison Point, LLC	Kurt P. Kehoe	100 %
Robert M. Picerne	NA	0 %
Picerne Investment Corp.	Ronald Picerne	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$1,091,818** Allocation over 10 Years: \$10,918,180  
 Credits Requested: \$1,053,119 Eligible Basis Amount: \$1,152,701 Equity/Gap Amount: \$1,091,818

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	24	24	8	0	56
40%	0	0	24	24	8	0	56
50%	0	0	10	10	8	0	28
60%	0	0	14	14	8	0	36
MR	0	0	0	0	0	0	0
Total	0	0	72	72	32	0	

**BUILDING INFORMATION**

Total Development Cost:	<b>\$15,101,533</b>
Gross Building Square Feet:	208,336
Total NRA SF:	205,432
Gross/Net Rentable:	1.01
Average Square Feet/Unit:	1,167
Cost Per Net Rentable Square Foot:	\$73.51
Credits per Low Income Unit	\$7,799

Total LI Units: 140  
 Owner/Employee Units: 0  
 Total Project Units: 176  
 Applicable Fraction: 79.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$1,277,987
Total Expenses:	\$684,562
Net Operating Income:	\$593,425
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.	Permanent Lender:	PNC Real Estate Finance
Syndicator:	Columbia Housing Partners, LP		

**DEPARTMENT EVALUATION**

Points Awarded: 157 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Madison Point Apartments

Project Number: 02149

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: NC	Jack Ireland, City of Dallas Assistant Director, S
TX Rep.: Jesse Jones, Dist. 110 NC	
TX Sen.: Royce West, Dist. 23 O	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of documentation indicating that an easement over the adjacent property has been granted in the Applicant's name for direct access to the proposed site.

Receipt, review, and acceptance of permanent financing commitments resulting in total annual debt service of no more than \$539,239, or an alternative financing structure acceptable to the department.

Should the rates, terms or amount of debt be different than the Underwriter's assumptions herein, the conditions and recommendations of this report should be re-evaluated and the credit amount may be reduced.

**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 was one of the highest scoring developments in Region 3.

_____ 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 #:** 02149

LIHTC 9%  LIHTC 4%

**Project Name:** Madison Point Apartments

HOME  HTF

**Project City:** Dallas

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** 06/06/2002

### 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** 06/06/2002

### 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** 06/06/2002

**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:** 02149

**DEVELOPMENT NAME**

Madison Point

**APPLICANT**

**Name:** Madison 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 Madison 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 PIC

**GENERAL PARTNER**

**Name:** Picerne Madison 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:** 3600 SRL Thornton Freeway       **QCT**     **DDA**  
**City:** Dallas      **County:** Dallas      **Zip:** 75224

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,053,119	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New Construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 25 acres      1,089,000 square feet      **Zoning/ Permitted Uses:** MF-2A/Multifamily  
**Flood Zone Designation:** Zone X, AE\*      **Status of Off-Sites:** Partially Improved

\* Zone X has been determined to be outside the 500-year floodplain; Zone AE is special floodway hazard areas inundated by the 100-year flood where base flood elevations have been determined

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 176    **# Rental Buildings:** 11    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
72	2	2	1,090
72	3	2	1,189
32	4	2	1,292

**Net Rentable SF:** 205,432    **Av Un SF:** 1,167    **Common Area SF:** 2,904    **Gross Bldg SF** 208,336

**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 with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, management offices, fitness & laundry facilities, restrooms, central mailroom, swimming pool, equipped children's play area, perimeter fencing with limited access gate, picnic area

**Uncovered Parking:** 316 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:** \$6,382,100    **Interest Rate:** Lender determined; 7.75% as of commitment

**Additional Information:** Two year interim period

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

**Annual Payment:** \$548,666    **Lien Priority:** 1<sup>st</sup>    **Commitment Date**    01/ 18/ 2002

**PERMANENT FINANCING**

**Source:** Hou-Dal Affordable Housing Corporation    **Contact:** Hugh Harrison

**Principal Amount:** \$150,000    **Interest Rate:** 5%, fixed

**Additional Information:** Two year interim period

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

**Annual Payment:** Cashflow    **Lien Priority:** 2<sup>nd</sup>    **Commitment Date**    12/ 21/ 2001

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

**LIHTC SYNDICATION**

<b>Source:</b> Columbia Housing	<b>Contact:</b> Robert G Courtney
<b>Address:</b> 115 SW Avenue, Suite 3200	<b>City:</b> Portland
<b>State:</b> OR <b>Zip:</b> 97204 <b>Phone:</b> (502) 581-3260 <b>Fax:</b> (502) 581-3209	
<b>Net Proceeds:</b> \$8,371,459	<b>Net Syndication Rate</b> (per \$1.00 of 10-yr LIHTC) 79.5¢
<b>Commitment</b> <input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	<b>Date:</b> 01/ 18/ 2002
<b>Additional Information:</b> _____	

**APPLICANT EQUITY**

<b>Amount:</b> \$197,974	<b>Source:</b> Deffered Developer Fee
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**VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 30.7209 acres</b>	\$25,250	<b>Assessment for the Year of:</b>	2001
<b>1 acre:</b>	\$822	<b>Valuation by:</b>	Dallas County Appraisal District
<b>Prorated Land: 25 acres</b>	\$20,548	<b>Tax Rate:</b>	2.73056

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b> Earnest Money Contract (25 acres)
<b>Contract Expiration Date:</b> 11/ 15/ 2002 <b>Anticipated Closing Date:</b> 10/ 15/ 2002
<b>Acquisition Cost:</b> \$ 1,300,000 <b>Other Terms/Conditions:</b> \$10K earnest money
<b>Seller:</b> Elizabeth Ali <b>Related to Development Team Member:</b> No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Madison Point is a proposed new construction development of 176 units of mixed income housing located in south Dallas. The development is comprised of 11 residential buildings as follows:

- Two Building Type 1 with eight two-bedroom units and eight four-bedroom units;
- Seven Building Type 2 with eight two-bedroom units and eight three-bedroom units; and
- Two Building Type 3 with eight three-bedroom units and eight four-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 site is currently landlocked. The site plan also indicates a property access easement to the IH 35 frontage road. However, the site control document does not mention this easement and no other documentation evidencing the Applicant's right of access by means of the proposed easement was provided. Therefore, receipt, review and acceptance of documentation indicating that an easement over the adjacent property has been granted in the Applicant's name for direct access to the proposed site is a condition of this report.

**Supportive Services:** The Applicant has contracted with the Latino Education Development to provide the

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

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 \$733.33 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 \$733.33. The total annual fee for the proposed supportive services is \$17,600, yet the Applicant included only \$8,800 (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. One-hundred and forty of the units (79.5% of the total) will be reserved for low-income tenants. Fifty-six of the units (32%) will be reserved for households earning 30% or less of AMGI, 56 units (32%) will be reserved for households earning 40% or less of AMGI, 28 of the units (16%) will be reserved for households earning 50% or less of AMGI, and the remaining 36 units will be offered at market rents.

**Special Needs Set-Asides:** Nine units (5%) will be handicapped-accessible and four 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 Madison Point Apartments consists of the census tracts north of Interstate 20 along Interstate 35W (RL Thornton Freeway). The approximate borders of this market area are 1.66 miles to the north, just north of the merge of RL Thornton Freeway and Marvin D Love Freeway, Highway 342 to the east (1.88 miles), Interstate 20 to the south (3.80 miles), and 3.83 miles to the west.” (p. 16)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	145	61%	13	1%
Resident Turnover	N/A	0%	2,116	99%
Other Sources: 0.25 percent lost units	78	39%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>223</b>	<b>100%</b>	<b>2,130</b>	<b>100%</b>

Ref: p. 51

**Capture Rate:** “Demand by floorplan shows that there is adequate demand to support all proposed floorplans at each income level, including the market rate units. The highest capture rate on a floorplan basis is 2.4 percent for the 30 percent two-bedroom units. The remaining floorplans all have capture rates at or below 2.1 percent with eight floorplans showing capture rates of less than one percent.” (p. 53) The method of calculating demand and concentration by the market analyst is inconsistent with the guidelines provided by the Department and taken at face value would lead to a conclusion of a concentration capture rate in excess of 25%. The Underwriter calculated a concentration capture rate of 13% based upon a revised supply of unstabilized comparable affordable units of 276, including the subject, divided by a revised demand of 2,130.

**Market Rent Comparables:** The market analyst surveyed 17 comparable apartment projects totaling 3,754 units in the market area. (p. 37)

**RENT ANALYSIS (net tenant-paid rents)**

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

Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (30%)	\$380	\$379	+\$1	\$913	-\$533
2-Bedroom (40%)	\$530	\$530	\$0	\$913	-\$383
2-Bedroom (50%)	\$679	\$679	\$0	\$913	-\$234
2-Bedroom (MR)	\$871	N/A	N/A	\$913	-\$42
3-Bedroom (30%)	\$438	\$449	-\$11	\$1,067	-\$629
3-Bedroom (40%)	\$611	\$611	\$0	\$1,067	-\$456
3-Bedroom (50%)	\$784	\$784	\$0	\$1,067	-\$283
3-Bedroom (MR)	\$1,005	N/A	N/A	\$1,067	-\$211
4-Bedroom (30%)	\$482	\$498	-\$16	\$1,216	-\$734
4-Bedroom (40%)	\$675	\$675	\$0	\$1,216	-\$541
4-Bedroom (50%)	\$867	\$867	\$0	\$1,216	-\$349
4-Bedroom (MR)	\$1,113	N/A	N/A	\$1,216	-\$103

(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 3,754 units in stabilized communities that reported vacancy rates, 165 units were reported available, a rate of 4.4 percent. Eight of the properties had vacancy rates lower than three percent. Six of the properties surveyed had vacancy rates above five percent.” (p. 37)

**Absorption Projections:** “This development should be able to lease at a minimum rate of 18 units per month. At this rate, the development should be able to attain 95 percent occupancy within approximately nine months time.” (p. 58)

**Known Planned Development:** “According to the Dallas County Planning and Development Department, there are no multifamily rental properties proposed within the borders of the primary market area.” (p. 43) “No new properties are expected to enter the market prior to 2003. The 176 proposed units at Madison Point Apartments will be the only new rental supply.” (p. 50) The Underwriter has identified two proposed properties in the defined Primary Market Area: Oaks at Hampton is a 250 unit seniors development awarded bonds in 2000 and Timbercreek is a 100 unit family development with 60 LIHTC units awarded tax credits in 2001.

While the market study calculated demand and concentration in a manner inconsistent with the Department’s guidelines, the Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject site is located just west of RL Thornton Freeway, less than one mile east of Highway 67, in the southern portion of Dallas.

**Population:** The estimated 2000 population of the Primary Market Area was 92,401 and is expected to increase by 2% to approximately 94,253 by 2006. Projections show that the PMA’s household count is expected to increase by an additional 879 or 2.8 percent between 2000 and 2006, or an average annual increase of 147 households a year. The estimated 2000 population of Dallas County was 2,218,899 and is expected to increase by 7.4% to approximately 2,382,503 by 2006.

**Adjacent Land Uses:**

- **North:** Dallas Power and Light ROW containing overhead electrical transmission lines, mowed vacant land, Faith Family Fellowship Day-care
- **South:** Heavily wooded, undeveloped land
- **East:** American Legion Post 511, Heritage Cablevision, vacant land, RL Thornton Freeway
- **West:** South Crest Apartment complex, vacant land, small residential apartment complex

**Site Access:** The site can be directly accessed via RL Thornton Freeway service road or via E Overton Road. Overton Road, W Kiest Road, Ledbetter Drive, and S Polk Street are local arterials that provide access to local shopping and services.

**Public Transportation:** The Dallas Area Rapid Transit serves the Dallas area with bus, light rail, paratransit,

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HOV lanes and vanpool services. The proposed site is served by several local routes including Route 405 and Route 441 which both have stops within walking distance.

**Shopping & Services:** Schools serving the site include: McMillan Elementary School (0.1 mile), Storey Middle School (0.8 mile) and South Oak Cliff High School (0.6 mile). The Dallas area is home to many institutes of higher education. The closest shopping is located east of the site along Saner Avenue, Bleckly Avenue and West Kiest Boulevard. Several small groceries are located within one mile. Hospitals and medical centers in close proximity to the subject include Veterans Affairs Medical Center (1.9 miles) and Dallas Southwest Medical Center (2.0 miles).

**Special Adverse Site Characteristics:** “According to the FEMA Flood Insurance Rate Map, Dallas County, Texas and Incorporated Areas, Community Panel Number 48113C 0480 J, effective August 23, 2001, the majority of the subject property is located in Zone X (not shaded). Zone X has been determined to be outside the 500-year floodplain. However, areas along and immediately adjacent to Adams Branch Creek were designated Zone AE, special floodway hazard areas inundated by the 100-year flood where base flood elevations have been determined.” (ESA I, p. 31) None of the proposed improvements including drives and parking areas appear to be planned for areas in Zone AE.

**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 Professional Service Industries, Inc. and contained the following findings and recommendations:

“...the subject property appears to contain potential jurisdictional ‘waters of the US’ as defined and regulated by federal authority under 33 CFR Parts 320-330. However, based on the proposed site plans, development will not encroach upon the stream channel or associated riparian corridor. No further assessment of recognized environmental conditions appears warranted.” (p. 32-33)

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant miscalculated gross potential rent by \$4,416 by understating the net rents for the 30% three-bedroom units and four-bedroom units by \$11 and \$16 respectively. The Applicant’s secondary income and vacancy assumptions are inline with the Underwriter’s estimates. As a result, effective gross income is understated by \$4K.

**Expenses:** The Applicant’s total operating expense figure is \$49K, or 7% lower, than the Underwriter’s TDHCA database-derived estimate. In addition, several of the Applicant’s line-item expense figures differ by more than 7% or \$9K as compared to the Underwriter’s line-item estimates. These include: general and administrative (\$24K lower), payroll (\$13K lower), repairs and maintenance (\$10K lower), utilities (\$14K lower), water, sewer and trash (\$9K higher), property insurance (\$9K lower) and reserves (\$12K higher). As described above, the total annual fee for the proposed supportive services is \$17,600, yet the Applicant included only \$8,800 (50%) in their operating expense estimate.

**Conclusion:** Overall, the Applicant’s net operating income is \$45K or 8% higher than the Underwriter’s estimate. Because this difference is greater than 5%, the Underwriter’s net operating income estimate will be 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 \$539,239.

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

**Off-Site Costs:** The Applicant claimed off-site costs of \$38,500 for what may be the cost of constructing a road on the proposed easement discussed in the Proposal and Development Plan Description section and provided sufficient third party certification through a registered architect to justify these costs.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$6,201 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

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Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant incorrectly included \$25K in soft cost contingency as an indirect construction cost; the Underwriter added this cost to contingency, which is restricted to 5% of sitework and direct construction costs. The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$5,389 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$4,847.

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

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with four types of financing: a conventional interim to permanent loan, a second 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 \$6,382,100 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 7.75%, which was used in this analysis.

**Other Permanent Loan:** Hou-Dal Affordable Housing Corporation, a non-profit organization, has offered a firm commitment of funds to assist in the construction of the subject development's 56 units set aside for tenants earning no more than 30% of the area median gross income. The \$150,000 recourse loan will be amortized over a term of 30 years at a fixed interest rate of 5%. However, payments are to be made from available cashflow.

**LIHTC Syndication:** Columbia Housing has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$8,371,459 based on a syndication factor of 79.5%. The funds would be disbursed in a two-phased pay-in schedule:

1. 83.5% upon meeting several conditions including admission to the partnership, closing of the construction loan and commitment for permanent financing; and
2. 16.5% 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 \$197,974 amount to 11% of the total proposed fees.

**Financing Conclusions:** As stated above, the Applicant's total development cost, adjusted for overstated fees, was used to determine the development's eligible basis of \$13,225,302 and qualified tax credits of \$1,152,701. The Underwriter's proforma indicates the development's annual debt service must be limited to \$539,239 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 \$6,272,445, which is \$109,655 less than anticipated. Even with this reduction and no deferred developer fees, the remaining gap in funds is only \$8,679,088, which is less than the \$9,163,060 that would be provided if all eligible basis derived tax credits were awarded. Syndication proceeds in the lower amount result in a gap-driven recommended annual LIHTC allocation of \$1,091,818. This amount is still \$38,699 more than requested due to the Applicant's use of an understated applicable percentage of 7.69%.

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 #02148, Windmill Point Apartments are approved, the allocation should not exceed their initial actual request to avoid violation of the maximum allocation limit.

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CREDIT UNDERWRITING ANALYSIS**

**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.
- Significant locational risk exists regarding site access.
- 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 \$1,091,818 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS**  
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**CONDITIONS**

1. Receipt, review and acceptance of documentation indicating that an easement over the adjacent property has been granted in the Applicant's name for direct access to the proposed site;
2. Receipt, review, and acceptance of an acceptable TDHCA site inspection report;
3. Receipt, review and acceptance of permanent financing commitments resulting in total annual debt service of no more than \$539,239.
4. Should the rates, terms or amount of debt be different than the Underwriter's assumptions herein, the conditions and recommendations of this report should be re-evaluated and the credit amount may be reduced.
5. If the Developer's other application, #02148, Windmill Point Apartments, is also approved, that the LIHTC allocation to this development not exceed the originally requested \$1,053,119 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**

**Madison Point, Dallas, LIHTC 02149**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tot Pd Util	Wtr, Swr, Trsh
TC 30%	24	2	2	1,090	\$448	\$379	\$9,096	\$0.35	\$69.00	\$44.00
TC 40%	24	2	2	1,090	599	\$530	12,720	0.49	69.00	44.00
TC 50%	10	2	2	1,090	748	\$679	6,790	0.62	69.00	44.00
MR	14	2	2	1,090	871	\$871	12,194	0.80	69.00	44.00
TC 30%	24	3	2	1,189	518	\$449	10,776	0.38	80.00	51.00
TC 40%	24	3	2	1,189	691	\$611	14,664	0.51	80.00	51.00
TC 50%	10	3	2	1,189	864	\$784	7,840	0.66	80.00	51.00
MR	14	3	2	1,189	1005	\$1,005	14,070	0.85	80.00	51.00
TC 30%	8	4	2	1,292	578	\$498	3,984	0.39	96.00	63.00
TC 40%	8	4	2	1,292	771	\$675	5,400	0.52	96.00	63.00
TC 50%	8	4	2	1,292	963	\$867	6,936	0.67	96.00	63.00
MR	8	4	2	1,292	1,113	\$1,113	8,904	0.86	96.00	63.00
<b>TOTAL:</b>	<b>176</b>		<b>AVERAGE:</b>	<b>1,167</b>	<b>\$704</b>	<b>\$644</b>	<b>\$113,374</b>	<b>\$0.55</b>	<b>\$78.41</b>	<b>\$50.32</b>

**INCOME**

Total Net Rentable Sq Ft: 205,432

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00  
 Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.49%	\$326	\$0.28
Management	5.00%	363	0.31
Payroll & Payroll Tax	11.49%	834	0.71
Repairs & Maintenance	5.25%	381	0.33
Utilities	3.30%	240	0.21
Water, Sewer, & Trash	3.90%	283	0.24
Property Insurance	2.57%	187	0.16
Property Tax 2.73056	13.16%	956	0.82
Reserve for Replacements	2.75%	200	0.17
Supportive Services, Compliance	1.65%	120	0.10
<b>TOTAL EXPENSES</b>	<b>53.57%</b>	<b>\$3,890</b>	<b>\$3.33</b>
<b>NET OPERATING INC</b>	<b>46.43%</b>	<b>\$3,372</b>	<b>\$2.89</b>

**DEBT SERVICE**

First Lien Mortgage	42.93%	\$3,117	\$2.67
Houston-Dallas Affordable	0.00%	\$0	\$0.00
Houston-Dallas Affordable	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>3.50%</b>	<b>\$254</b>	<b>\$0.22</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		8.38%	\$7,386	\$6.33
Off-Sites		0.25%	219	0.19
Sitework		7.03%	6,201	5.31
Direct Construction		50.03%	44,097	37.78
Contingency	5.00%	2.85%	2,515	2.15
General Requirem	5.86%	3.34%	2,948	2.53
Contractor's G &	1.95%	1.11%	983	0.84
Contractor's Prof	5.86%	3.34%	2,948	2.53
Indirect Construction		4.60%	4,057	3.48
Ineligible Costs		3.23%	2,844	2.44
Developer's G & A	3.68%	2.79%	2,457	2.11
Developer's Profit	11.03%	8.36%	7,372	6.32
Interim Financing		3.48%	3,069	2.63
Reserves		1.19%	1,050	0.90
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$88,146</b>	<b>\$75.52</b>

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

First Lien Mortgage	41.14%	\$36,262	\$31.07
Houston-Dallas Affordable	0.97%	\$852	\$0.73
LIHTC Syndication Proceeds	53.96%	\$47,565	\$40.75
Deferred Developer Fees	1.28%	\$1,125	\$0.96
Additional (excess) Funds Requir	2.66%	\$2,342	\$2.01
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
<b>POTENTIAL GROSS RENT</b>	<b>\$1,360,488</b>	<b>\$1,356,072</b>			
Secondary Income	21,120	21,120	\$10.00	Per Unit Per Month	
Other Support Income	0	0			
<b>POTENTIAL GROSS INCOME</b>	<b>\$1,381,608</b>	<b>\$1,377,192</b>			
Vacancy & Collection Loss	(103,621)	(103,284)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions	0	0			
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,277,987</b>	<b>\$1,273,908</b>			
<b>EXPENSES</b>					
General & Administrative	\$57,407	\$33,100	\$0.16	\$188	2.60%
Management	63,899	63,695	0.31	362	5.00%
Payroll & Payroll Tax	146,784	134,200	0.65	763	10.53%
Repairs & Maintenance	67,064	56,900	0.28	323	4.47%
Utilities	42,228	28,000	0.14	159	2.20%
Water, Sewer, & Trash	49,808	58,800	0.29	334	4.62%
Property Insurance	32,869	24,300	0.12	138	1.91%
Property Tax	168,202	180,400	0.88	1,025	14.16%
Reserve for Replacements	35,200	44,000	0.21	250	3.45%
Supportive Services, Compliance	21,100	12,300	0.06	70	0.97%
<b>TOTAL EXPENSES</b>	<b>\$684,562</b>	<b>\$635,695</b>	<b>\$3.09</b>	<b>\$3,612</b>	<b>49.90%</b>
<b>NET OPERATING INC</b>	<b>\$593,426</b>	<b>\$638,213</b>	<b>\$3.11</b>	<b>\$3,626</b>	<b>50.10%</b>
<b>DEBT SERVICE</b>					
First Lien Mortgage	\$548,666	\$548,666	\$2.67	\$3,117	43.07%
Houston-Dallas Affordable	0	0	\$0.00	\$0	0.00%
Houston-Dallas Affordable	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>\$44,760</b>	<b>\$89,547</b>	<b>\$0.44</b>	<b>\$509</b>	<b>7.03%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>	<b>1.08</b>	<b>1.16</b>			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>	<b>1.10</b>				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
<b>Acquisition Cost (site or bldg)</b>	<b>\$1,300,000</b>	<b>\$1,300,000</b>	<b>\$6.33</b>	<b>\$7,386</b>	<b>8.61%</b>
<b>Off-Sites</b>	<b>38,500</b>	<b>38,500</b>	<b>0.19</b>	<b>219</b>	<b>0.25%</b>
<b>Sitework</b>	<b>1,091,376</b>	<b>1,091,376</b>	<b>5.31</b>	<b>6,201</b>	<b>7.23%</b>
<b>Direct Construction</b>	<b>7,761,032</b>	<b>7,518,811</b>	<b>36.60</b>	<b>42,721</b>	<b>49.79%</b>
Contingency	442,620	457,434	2.23	2,599	3.03%
General Requirem	518,921	518,921	2.53	2,948	3.44%
Contractor's G &	172,973	172,973	0.84	983	1.15%
Contractor's Prof	518,921	518,921	2.53	2,948	3.44%
<b>Indirect Construction</b>	<b>714,050</b>	<b>714,050</b>	<b>3.48</b>	<b>4,057</b>	<b>4.73%</b>
<b>Ineligible Costs</b>	<b>500,571</b>	<b>500,571</b>	<b>2.44</b>	<b>2,844</b>	<b>3.31%</b>
<b>Developer's G &amp; A</b>	<b>432,472</b>	<b>432,472</b>	<b>2.11</b>	<b>2,457</b>	<b>2.86%</b>
<b>Developer's Profit</b>	<b>1,297,414</b>	<b>1,297,414</b>	<b>6.32</b>	<b>7,372</b>	<b>8.59%</b>
<b>Interim Financing</b>	<b>540,090</b>	<b>540,090</b>	<b>2.63</b>	<b>3,069</b>	<b>3.58%</b>
<b>Reserves</b>	<b>184,763</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00%</b>
<b>TOTAL COST</b>	<b>\$15,513,703</b>	<b>\$15,101,533</b>	<b>\$73.51</b>	<b>\$85,804</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$10,505,843</b>	<b>\$10,278,436</b>	<b>\$50.03</b>	<b>\$58,400</b>	<b>68.06%</b>
<b>SOURCES OF FUNDS</b>					
First Lien Mortgage	\$6,382,100	\$6,382,100	\$6,272,445		
Houston-Dallas Affordable	150,000	150,000	150,000		
LIHTC Syndication Proceeds	8,371,459	8,371,459	8,679,088		
Deferred Developer Fees	197,974	197,974	0		
Additional (excess) Funds Requir	412,170	0	0		
<b>TOTAL SOURCES</b>	<b>\$15,513,703</b>	<b>\$15,101,533</b>	<b>\$15,101,533</b>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Madison Point, Dallas, LIHTC 02149**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$39.25	\$8,063,864
<b>Adjustments</b>				
Exterior Wall Finish	6.39%		\$2.51	\$515,281
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(402,647)
Floor Cover			1.82	373,886
Porches/Balconies	\$28.10	10920	1.49	306,852
Plumbing	\$585	528	1.50	308,880
Built-In Appliances	\$1,550	176	1.33	272,800
Exterior Stairs	\$1,350	44	0.29	59,400
Floor Insulation			0.00	0
Heating/Cooling			1.41	289,659
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$56.86	2,904	0.80	165,127
Other:			0.00	0
<b>SUBTOTAL</b>			<b>48.45</b>	<b>9,953,103</b>
Current Cost Multiplier	1.04		1.94	398,124
Local Multiplier	0.92		(3.88)	(796,248)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$46.51</b>	<b>\$9,554,979</b>
Plans, specs, survy, bldg	3.90%		(\$1.81)	(\$372,644)
Interim Construction Int	3.38%		(1.57)	(322,481)
Contractor's OH & Profit	11.50%		(5.35)	(1,098,823)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$37.78</b>	<b>\$7,761,032</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$6,382,100	Term	360
Int Rate	7.75%	DCR	1.08

<b>Secondary</b>	\$150,000	Term	
Int Rate	5.00%	Subtotal DCR	1.08

<b>Additional</b>	\$8,371,459	Term	
Int Rate		Aggregate DCR	1.08

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$539,239
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$54,187</b>

<b>Primary</b>	\$6,272,445	Term	360
Int Rate	7.75%	DCR	1.10

<b>Secondary</b>	\$150,000	Term	0
Int Rate	5.00%	Subtotal DCR	1.10

<b>Additional</b>	\$8,371,459	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
<b>POTENTIAL GROSS RENT</b>		\$1,360,488	\$1,401,303	\$1,443,342	\$1,486,642	\$1,531,241	\$1,775,128	\$2,057,860	\$2,385,624	\$3,206,079
Secondary Income		21,120	21,754	22,406	23,078	23,771	27,557	31,946	37,034	49,771
Other Support Income: (des)		0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>		<b>1,381,608</b>	<b>1,423,056</b>	<b>1,465,748</b>	<b>1,509,720</b>	<b>1,555,012</b>	<b>1,802,685</b>	<b>2,089,806</b>	<b>2,422,658</b>	<b>3,255,850</b>
Vacancy & Collection Loss		(103,621)	(106,729)	(109,931)	(113,229)	(116,626)	(135,201)	(156,735)	(181,699)	(244,189)
Employee or Other Non-Rent		0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>		<b>\$1,277,987</b>	<b>\$1,316,327</b>	<b>\$1,355,817</b>	<b>\$1,396,491</b>	<b>\$1,438,386</b>	<b>\$1,667,484</b>	<b>\$1,933,071</b>	<b>\$2,240,959</b>	<b>\$3,011,661</b>
<b>EXPENSES at 4.00%</b>										
General & Administrative		\$57,407	\$59,703	\$62,091	\$64,575	\$67,158	\$81,708	\$99,410	\$120,948	\$179,032
Management		63,899	65,816	67,791	69,825	71,919	83,374	96,654	112,048	150,583
Payroll & Payroll Tax		146,784	152,655	158,762	165,112	171,717	208,919	254,182	309,252	457,768
Repairs & Maintenance		67,064	69,746	72,536	75,438	78,455	95,453	116,133	141,293	209,149
Utilities		42,228	43,917	45,674	47,501	49,401	60,104	73,125	88,968	131,694
Water, Sewer & Trash		49,808	51,800	53,872	56,027	58,268	70,892	86,251	104,938	155,334
Insurance		32,869	34,184	35,551	36,973	38,452	46,783	56,919	69,250	102,507
Property Tax		168,202	174,931	181,928	189,205	196,773	239,405	291,272	354,377	524,565
Reserve for Replacements		35,200	36,608	38,072	39,595	41,179	50,101	60,955	74,161	109,777
Other		21,100	21,944	22,822	23,735	24,684	30,032	36,538	44,454	65,803
<b>TOTAL EXPENSES</b>		<b>\$684,562</b>	<b>\$711,305</b>	<b>\$739,099</b>	<b>\$767,985</b>	<b>\$798,006</b>	<b>\$966,770</b>	<b>\$1,171,440</b>	<b>\$1,419,690</b>	<b>\$2,086,212</b>
<b>NET OPERATING INCOME</b>		<b>\$593,426</b>	<b>\$605,022</b>	<b>\$616,718</b>	<b>\$628,506</b>	<b>\$640,380</b>	<b>\$700,714</b>	<b>\$761,631</b>	<b>\$821,269</b>	<b>\$925,449</b>
<b>DEBT SERVICE</b>										
First Lien Financing		\$539,239	\$539,239	\$539,239	\$539,239	\$539,239	\$539,239	\$539,239	\$539,239	\$539,239
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>		<b>\$54,187</b>	<b>\$65,783</b>	<b>\$77,479</b>	<b>\$89,267</b>	<b>\$101,141</b>	<b>\$161,475</b>	<b>\$222,392</b>	<b>\$282,030</b>	<b>\$386,210</b>
<b>DEBT COVERAGE RATIO</b>		<b>1.10</b>	<b>1.12</b>	<b>1.14</b>	<b>1.17</b>	<b>1.19</b>	<b>1.30</b>	<b>1.41</b>	<b>1.52</b>	<b>1.72</b>



**TDHCA #**

**02158**

**Region 3**

**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: **Briarwood Apartments**TDHCA #: **02158****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 3 LIHTC Primary Set Aside: R  
 Site Address: 513 E. 6th Street Additional Elderly Set Aside   
 City: Kaufman Purpose / Activity: ACQ/R  
 County: Kaufman Development Type: Family  
 Zip Code: 75142  TTC  DDA  QCT

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

Special Needs: 3 Units for Handicapped/Developmentally Disabled

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

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

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$151,278** Allocation over 10 Years: \$1,512,780  
 Credits Requested: \$151,278 Eligible Basis Amount: \$151,278 Equity/Gap Amount: \$230,240

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	9	10	0	0	0	19
40%	0	1	0	0	0	0	1
50%	0	0	0	0	0	0	0
60%	0	14	13	0	0	0	27
MR	0	0	0	0	0	0	0
Total	0	24	23	0	0	0	

**BUILDING INFORMATION**

Total Development Cost:	<b>\$2,464,597</b>
Gross Building Square Feet:	37,674
Total NRA SF:	36,576
Gross/Net Rentable:	1.03
Average Square Feet/Unit:	778
Cost Per Net Rentable Square Foot:	\$67.38
Credits per Low Income Unit	\$3,219

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$202,068
Total Expenses:	\$141,087
Net Operating Income:	\$60,981
Estimated 1st Year Debt Coverage Ratio:	1.18

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

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

**DEPARTMENT EVALUATION**

Points Awarded: 65 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Briarwood Apartments

Project Number: 02158

**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: Dennis Berry, Mayor of Kaufman, S	Carl Stapp, Councilmember, City of Kaufman, S
TX Rep.: Betty Brown, Dist. 4	Jim Blystone, City Manager, S
TX Sen.: David H. Cain, Dist. 2	Lee E Ayres, Chamber of Commerce, S
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

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

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

**Alternate Recommendation:**

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

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

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

\_\_\_\_\_  
Brooke Boston, Acting LIHTC Co-Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
David Burrell, Director of Housing Programs

\_\_\_\_\_  
Date

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

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

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

\_\_\_\_\_  
Edwina Carrington, Executive Director

\_\_\_\_\_  
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 #:** 02158

LIHTC 9%  LIHTC 4%

**Project Name:** Briarwood Apartments

HOME  HTF

**Project City:**

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 10 # not yet monitored or pending review 9

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

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

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments: For-Profits

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments: 538620 reviewed - no unresolved issues. 3 pending review 530717, 531100, 531101.

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

**DATE:** June 14, 2002      **PROGRAM:** 9% LIHTC HOME      **FILE NUMBER:** 02158

**DEVELOPMENT NAME**

Briarwood Apartments

**APPLICANT**

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

**PRINCIPALS of the APPLICANT**

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

**GENERAL PARTNER**

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

**PROPERTY LOCATION**

**Location:** 513 E. 6<sup>th</sup> Street       QCT       DDA  
**City:** Kaufman      **County:** Kaufman      **Zip:** 75142

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
①\$151,278	n/a	n/a	n/a
②\$600,000	2%	30 yrs	30 yrs

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

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

**SITE DESCRIPTION**

**Size:** 2.743 acres    119,485 square feet    **Zoning/ Permitted Uses:** SFA & MF-1  
**Flood Zone Designation:** C      **Status of Off-Sites:** Fully Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 48    **# Rental Buildings:** 7    **# Common Area Bldgs:** 0    **# of Floors:** 2    **Age:** 17 yrs    **Vacant:** 1 at 12/ 18/ 2001

Number	Bedrooms	Bathroom	Size in SF
24	1	1	654
24	2	1	870

**Net Rentable SF:** 36,576    **Av Un SF:** 762    **Common Area SF:** 1,098    **Gross Bldg SF** 37,674

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community building with management offices & laundry facilities, equipped children's play area, picnic area

**Uncovered Parking:** 71 spaces    **Carports:** n/a spaces    **Garages:** n/a spaces

**OTHER SOURCES of FUNDS**

**LONG TERM/PERMANENT FINANCING**

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

**Principal Amount:** \$718,000    **Interest Rate:** 1%

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

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

**Annual Payment:** \$27,597    **Lien Priority:** 1st    **Commitment Date**    01/ 22/ 2002

**LIHTC SYNDICATION**

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

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

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

**Net Proceeds:** \$1,149,597    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 76¢

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

**Additional Information:** Net proceeds based on an annual LIHTC allocation of \$151,278

**APPLICANT EQUITY**

**Amount:** n/a    **Source:** n/a

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

VALUATION INFORMATION					
APPRAISED VALUE					
Land Only:	\$50,800	Date of Valuation:	02/	21/	2002
Total Value: as is with subsidy	\$715,000	Date of Valuation:	02/	21/	2002
Appraiser:	Jerry Sherrill, SPRA, SRA	City:	Arlington	Phone:	(817) 557-1791
ASSESSED VALUE					
Land:	\$120,220	Assessment for the Year of:	2001		
Building:	\$551,780	Valuation by:	Kaufman County Appraisal District		
Total Assessed Value:	\$672,000*				
* This valuation is a result of the Kaufman Appraisal Review Board hearing of April 9, 2002 in which the 2001 property tax value for Briarwood of Kaufman, Ltd. Was reduced from \$1,272,160 to \$672,000.					

EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	Real Estate Purchase Agreement				
Contract Expiration Date:	12/	15/	2002	Anticipated Closing Date:	08/ 15/ 2002
Acquisition Cost:	\$ 909,000	Other Terms/Conditions:			
Seller:	Briarwood of Kaufman, Ltd.	Related to Development Team Member:	No		

REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION
<p><b>Description:</b> Briarwood Apartments is a proposed acquisition and rehabilitation development of 48 units of affordable housing located in Kaufman. The development was built in 1985 and is comprised of 7 residential buildings as follows:</p> <ul style="list-style-type: none"> <li>• (3) Building Style A with eight 1-bedroom units;</li> <li>• (3) Building Style B with six 2- bedroom units;</li> <li>• (1) Building Style C with six 2- bedroom units and the office, laundry and maintenance rooms;</li> </ul> <p>Based on the site plan the apartment buildings are arranged in two groups separated by parking lots, with the management office, laundry room and maintenance room located near the entrance to the site. The approximate 1,098-square foot community area is attached to one of the residential buildings and contains the management office with maintenance room and laundry facilities</p> <p><b>Existing Subsidies:</b> The project is currently financed with a Texas Rural Development loan through USDA. The Applicant has also applied for an assumption to this Section 515 and will be subject to income and rent restrictions under that program. Furthermore, the project is expected to secure rental assistance for 20 units.</p> <p><b>Development Plan:</b> As of December 18, 2001, there was only one unit vacant. The buildings are currently in a deteriorated state. The architect's scope of work includes: replacement of resilient flooring and carpet, replacement of 46 kitchen countertops and 48 ranges, full rehabilitation of three units to be handicapped (H/C) accessible, replacement of 14 tubs and all medicine cabinets, installation of refrigerators, replacement of AC condensers in 44 units, replacement of damaged interior doors and installation of miniblinds on all windows. Exterior rehabilitation includes: resurface asphalt parking area, installation of new playground equipment, repair/replace fencing, remove and replace 31 exterior doors and re-shingle all buildings adding ridge vents. The Applicant submitted a tenant relocation plan in the LIHTC application, which indicates that there will be no permanent displacement or relocation of existing residents by reason of the rehabilitation of the property. The Applicant also indicates that there may be temporary relocation of some residents off-site, at the expense of the complex, for a period of up to one week. Once the property is acquired, any units that become vacant will not be leased. The renovation will start by first completely renovating the vacant units. Once completed, existing residents will be offered the opportunity to move into the recently renovated units.</p>

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

The complex will pay for all charges associated with the move. Once existing tenants are relocated into the renovated units, the remaining units will be renovated. The Applicant has budgeted \$6,000 for assisting the residents in their move plus pay for the related costs. Also outlined in this plan is the intent of the Applicant to meet with all tenants prior to rehabilitation and coordinate relocation efforts.

**Supportive Services:** No supportive services were indicated to be 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 November of 2003.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All but one of the units will be reserved for low income households. 19 units (39%) will be reserved for households earning 30% or less of AMGI, 1 unit (2%) will be reserved for households earning 40% or less of AMGI, 27 units (56%) will be reserved for households earning 60% or less of AMGI and the remaining unit will be employee occupied. USDA already restricts rents for all of the units. The rent roll as of December 2001 reflects basic rents of \$263 and \$317. It appears the Applicant is anticipating basic rents that are higher than the current basic rents.

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

**Compliance Period Extension:** The Applicant did not indicate whether he has elected to extend the compliance period or not.

**MARKET HIGHLIGHTS**

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

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	41	11%
Resident Turnover	294	80%
10%	33	9%
<b>TOTAL ANNUAL DEMAND</b>	<b>368</b>	<b>100%</b>

Ref: Exhibit 1-14

**Capture Rate:** “A capture rate, based on the estimated potential demand from income qualified households in the county is 13.0% for USDA units at 60% of AMI.” (p. 5-1) This is less than the 100% rural maximum and therefore is acceptable. Moreover, concentration and absorption are of less risk with this transaction since it is rehabilitation and currently has low vacancy.

**Market Rent Comparables:** The market analyst surveyed 13 comparable apartment projects totaling 1,110 units in the market area. “I&A surveyed a total of 13 apartment complexes, 7 in Kaufman and 7 in Terrell...” (p. 1-1)

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market*</b>	<b>Differential</b>
<b>1-Bedroom (30%): LH</b>	\$335	\$311	+\$24	\$485	-\$150
<b>1-Bedroom (40%): LH</b>	\$335	\$437	-\$102	\$485	-\$150
<b>1-Bedroom (60%): HH</b>	\$335	\$569	-\$234	\$485	-\$150
<b>2-Bedroom (30%): LH</b>	\$445	\$364	+\$81	\$636	-\$191
<b>2-Bedroom (60%): LH</b>	\$445	\$664	-\$219	\$636	-\$191

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

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

**Absorption Projections:** "The absorption rate is conservatively estimated at 10 to 12 units per month..." (p. 1-9)

**Known Planned Development:** Known planned development is unknown.

The Underwriter found the market study to be acceptable. An appraisal was performed on February 21, 2002 by Jerry Sherrill of Sherrill & Associates. The Appraiser concluded a total "as is" value of \$715,000. The land only value of 50,800 is supported by comparable sales and is acceptable though the assessed land value is considerably higher.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Kaufman is located in the north central Texas panhandle, approximately 35 miles southeast of Dallas in Kaufman County. The site is a rectangularly-shaped parcel located in the center of the county, within walking distance of the central business district.

**Population:** The estimated 2000 population of Kaufman County was 71,313 and is expected to increase by 23.1% to approximately 88,963 by 2010. Within the primary market area there were estimated to be 24,367 households in 2000.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed. Adjacent land uses include:

- **North:** residential neighborhood, elderly complex, retail shops, police department
- **South:** residential neighborhood, multifamily complex, grocery store, school, church,
- **East:** residential neighborhood, schools
- **West:** residential neighborhood, grocery store, schools, churches

**Site Access:** Access to the property is from the east or west along Hwy 175, from the north or south from Hwy 34, or from the east from Hwy 243. The project has one main entry from the north or south from Royal Street. Kaufman lies at the crossroads of Hwy 175, Hwy 34 and Hwy 243, which provides direct routes to the Dallas area.

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

**Shopping & Services:** The site is within 1 mile of 2 major grocery/pharmacies, within 15 miles of shopping centers and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** The site was inspected by an ORCA staff member on April 15, 2002. The inspector randomly checked several occupied and vacant and verified the need for the items identified in the work write-up. The inspector concluded the site was 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.

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's proposed basic rents are \$72 higher for the one-bedroom units and \$128 higher for the two-bedroom units than the current rents. These rents have been approved by USDA in a letter dated April 30, 2002 to the Applicant. Estimates of secondary income are set at \$9.75/unit, which is slightly lower than the underwriting guideline. Vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant will be receiving project based rental assistance from USDA for 20 units which will allow rents collected for low HOME units to exceed the low HOME rent limit.

**Expenses:** The Applicant's estimate of total operating expense is \$6K or 4.13% lower than the Underwriter's TDHCA database-derived estimate. The Underwriter compared line item expenses to both the database-derived estimate and the development's historical operating expenses. The Underwriter adjusted utilities expense based on a reduced factor of 15% based upon limited common amenities. The Underwriter also adjusted the payroll expense based on the development's historical operating statement and the management expense was adjusted to \$16,243 based on a letter from USDA indicating this change in the budget. The Applicant's budget shows several line item estimates that deviate when compared to the Underwriter's averages particularly, general and administrative (\$4K lower), repairs and maintenance (\$2.9K higher), water, sewer and trash (\$2.7K lower), property tax (\$3K lower), and reserves for replacement (\$4.7K lower).

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of 1.10 to 1.25 as required by LIHTC guidelines.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The Applicant submitted a Real Estate Purchase Agreement wherein the Applicant is purchasing the property for \$909K. The agreement indicates that the Applicant will assume the \$715,000 unpaid principal balance of the Seller's promissory note owed to USDA and pay \$194K in cash. The appraiser concluded that the market value of the entire property, including the FmHA subsidy is \$715,000, which is equal to the USDA assumption but \$194K less than the sales price. USDA representatives have indicated they will allow a property to be sold at a cost that is higher than the appraised value only if the owner/seller can document that the exit tax liability to transfer the property is more than the exit tax liability to foreclose the property, resulting in a higher purchase price. In this case, the owner/seller must have a CPA document that the extra \$194K in the sales price of the property is substantiated by the extra cost that the seller will have to assume in transferring the property to the buyer. Since this is an arms-length transaction the inference that is made by the lower appraised value does not affect the eligibility of the entire acquisition cost less the land value. The Applicant identified a total acquisition cost of \$915,458, including \$6,458 for closing costs and acquisition legal fees. If the USDA restricts the transfer price of this transaction, a re-evaluation at the credit recommendation should be conducted.

**Sitework Cost:** Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of \$3,190 per unit.

**Direct Construction Cost:** The Applicant's scope of work is detailed and consistent with the cost breakdown. Line item costs appear reasonable and thus the direct construction cost of \$812,854 is accepted by the Underwriter.

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

**Conclusion:** As is the case with most rehabilitation transactions the Applicant's total development cost estimate is within 5% of the Underwriter's estimate due to the lack of capacity to independently verify the Applicant's costs. Therefore the Underwriter's costs are in essence the Applicant's costs adjusted for any miscalculated eligible basis. In this case they are identical. Thus the Applicant's cost as adjusted is used to calculate the eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$2,357,242 is used to determine a credit allocation of \$151,278 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit

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

amount. The Underwriter accepted the use of an applicable percentage of 8.44% for the new construction/rehabilitation since no new USDA money is being provided and the Applicant will have at least 40% of the units at 50% or less of AMGI, thus avoiding the federal taint.

**FINANCING STRUCTURE ANALYSIS**

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

**Permanent Financing:** The current USDA loan will be assumed by the Applicant. The existing note carries a balance of \$715,000. The existing note's stated interest rate is unconfirmed as of the date of this report. The effective rate will be 1% as long as USDA affordability requirements are met. In a letter from USDA, the term is stated as 30 years. The effective annual payment, including debt service for the USDA loan, will be fixed at an estimated \$27,597 per year based on the 1% interest rate.

The Applicant has also requested HOME funds in the amount of \$600,000. The requested interest rate for this note is 2%, with an amortization and term of 30 years. Due to the limited amount of HOME funds available and the demonstration program for tax credit developments, the Executive Director, with concurrence from the Executive Award and Review Advisory Committee, has reduced awards for HOME applications by 10%. The total funds requested is \$2.2 million, however, only \$2 million is available to award. Therefore, a 10% reduction was applied to all HOME award applications. In this case, the HOME award will be reduced to \$540,000 with a 2% interest rate and an amortization and term of 30 years.

**LIHTC Syndication:** Boston Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$1,149,597 based on a syndication factor of 76%. The funds would be disbursed in a three-phased pay-in schedule:

1. 75% or \$862,198 upon the latest to occur of (i) Tax Credit Set Aside; (ii) closing of the Construction Mortgage Loan, (iii) receipt of a commitment acceptable to BCP for the Permanent Mortgage Loan, or (iv) Admission;
2. 10% or \$114,959 upon the latest to occur of (i) Construction Completion or (ii) Cost Certification; Updated Insurance Certificates; Updated Title Insurance Policy; receipt of a contractor's payoff letter and Estoppel Letter from each lender;
3. 15% or \$172,440 upon the latest to occur of (i) State Designation, (ii) Permanent Mortgage Commencement, (iii) Initial 100% Occupancy Date; (iv) Breakeven.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$151,278 annually for ten years, resulting in syndication proceeds of approximately \$1,149,599. The Applicant initially did not anticipate the need to defer any developer fees; however, as a result of reducing the HOME award by 10% the Applicant would need to defer \$59,998 in developer fees. These fees appear to be repayable within 5 years from available cashflow.

**REVIEW of ARCHITECTURAL DESIGN**

Briarwood Apartment offers one and two bedroom apartments. The property was built in 1985 and is typical of a USDA funded project of the era. The one bedroom unit floor plans show that you must walk through the bedroom to get to the only bathroom in the unit. The units are in two-story structures with mixed brick veneer/wood siding exterior finish and pitched roofs.

**IDENTITIES of INTEREST**

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

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

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

**Financial Highlights:**

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

The executed agreement of limited partnership identifies the General Partner[s] as comprising 99% of the partnership and the Limited Partner as comprising 1%. This partnership structure will not facilitate syndication of the tax credit allocation for which the Applicant has applied. Therefore, the partnership must be reorganized in order to make use of the allocation requested

**Background & Experience:**

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$151,278 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$540,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 2.0% INTEREST.

**CONDITIONS**

1. Receipt, review and acceptance of documentation from the current owner's CPA to substantiate the purchase price of the property. The documentation must show that the seller will assume a higher exit tax liability cost to transfer the property than it would to foreclose on the property, resulting in a purchase price that is higher than the appraised value, and/or acceptable log USDA of the current proposed sales price;
2. Should a lower sales price be mandated by USDA a re-evaluation of the recommendations herein should be conducted by the Underwriter.

Associate Underwriter:

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

Date: June 10, 2002

Director of Credit Underwriting:

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

Date: June 10, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Briarwood Apartments, Kaufman, LIHTC #02158**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%:< LH	9	1	1	654	\$373	\$335	\$3,015	\$0.51	\$62.00	\$30.00
<TC40%:<LH	1	1	1	654	499	\$335	335	0.51	62.00	30.00
<TC60%: HH	14	1	1	654	631	\$335	4,690	0.51	62.00	30.00
>TC30%: <LH	10	2	1	870	448	\$445	4,450	0.51	84.00	42.00
<TC60%: LH	13	2	1	870	748	\$445	5,785	0.51	84.00	42.00
EO	1	2	1	870	0	0	0	0.00	84.00	42.00
<b>TOTAL:</b>	<b>48</b>		<b>AVERAGE:</b>	<b>762</b>	<b>\$560</b>	<b>\$381</b>	<b>\$18,275</b>	<b>\$0.50</b>	<b>\$73.00</b>	<b>\$36.00</b>

				Total Net Rentable Sq Ft: 36,576		TDHCA		APPLICANT				
<b>INCOME</b>						\$219,300	\$212,832					
POTENTIAL GROSS RENT						5,760	5,616	\$9.75	Per Unit Per Month			
Secondary Income				Per Unit Per Month: \$10.00		0						
Other Support Income: (interest, tenant charges)						\$225,060	\$218,448					
<b>POTENTIAL GROSS INCOME</b>						(16,880)	(16,380)	-7.50%	of Potential Gross Rent			
Vacancy & Collection Loss				% of Potential Gross Income: -7.50%		0	0					
Employee or Other Non-Rental Units or Concessions						\$208,181	\$202,068					
<b>EFFECTIVE GROSS INCOME</b>												
<b>EXPENSES</b>				<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>			<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>	
General & Administrative				5.41%	\$235	\$0.31	\$11,265	\$7,265	\$0.20	\$151	3.60%	
Management				7.80%	338	0.44	16,243	18,048	0.49	376	8.93%	
Payroll & Payroll Tax				17.94%	778	1.02	37,348	40,372	1.10	841	19.98%	
Repairs & Maintenance				7.75%	336	0.44	16,143	19,050	0.52	397	9.43%	
Utilities				3.03%	131	0.17	6,307	5,050	0.14	105	2.50%	
Water, Sewer, & Trash				9.96%	432	0.57	20,736	17,950	0.49	374	8.88%	
Property Insurance				3.09%	134	0.18	6,425	8,497	0.23	177	4.21%	
Property Tax				2.50063	357	0.47	17,128	14,000	0.38	292	6.93%	
Reserve for Replacements				6.92%	300	0.39	14,400	9,680	0.26	202	4.79%	
Other Expenses:				0.56%	24	0.03	1,175	1,175	0.03	24	0.58%	
<b>TOTAL EXPENSES</b>				<b>70.69%</b>	<b>\$3,066</b>	<b>\$4.02</b>	<b>\$147,169</b>	<b>\$141,087</b>	<b>\$3.86</b>	<b>\$2,939</b>	<b>69.82%</b>	
<b>NET OPERATING INC</b>				<b>29.31%</b>	<b>\$1,271</b>	<b>\$1.67</b>	<b>\$61,012</b>	<b>\$60,981</b>	<b>\$1.67</b>	<b>\$1,270</b>	<b>30.18%</b>	
<b>DEBT SERVICE</b>												
Rural Housing Svc- USDA				13.26%	\$575	\$0.75	\$27,597	\$27,597	\$0.75	\$575	13.66%	
HOME Loan				12.78%	\$554	\$0.73	26,613	26,613	\$0.73	\$554	13.17%	
LIHTC Syndication Proceeds				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>				<b>3.27%</b>	<b>\$142</b>	<b>\$0.19</b>	<b>\$6,802</b>	<b>\$6,771</b>	<b>\$0.19</b>	<b>\$141</b>	<b>3.35%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>							1.13	1.12				
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>								1.18				

<b>CONSTRUCTION COST</b>						TDHCA		APPLICANT				
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL			
Acquisition Cost (site or bldg)		37.14%	\$19,072	\$25.03	\$915,458	\$915,458	\$25.03	\$19,072	37.14%			
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%			
Sitework		6.21%	3,190	4.19	153,122	153,122	4.19	3,190	6.21%			
Direct Construction		32.98%	16,934	22.22	812,854	812,854	22.22	16,934	32.98%			
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%			
General Requirements	5.97%	2.34%	1,201	1.58	57,635	57,635	1.58	1,201	2.34%			
Contractor's G & A	1.03%	0.41%	208	0.27	9,982	9,982	0.27	208	0.41%			
Contractor's Profit	6.00%	2.35%	1,207	1.58	57,958	57,958	1.58	1,207	2.35%			
Indirect Construction		3.64%	1,871	2.46	89,825	89,825	2.46	1,871	3.64%			
Ineligible Expenses		0.49%	251	0.33	12,030	12,030	0.33	251	0.49%			
Developer's G & A	4.27%	3.55%	1,822	2.39	87,466	87,466	2.39	1,822	3.55%			
Developer's Profit	10.73%	8.93%	4,583	6.01	220,000	220,000	6.01	4,583	8.93%			
Interim Financing		0.41%	213	0.28	10,200	10,200	0.28	213	0.41%			
Reserves		1.54%	793	1.04	38,067	38,067	1.04	793	1.54%			
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$51,346</b>	<b>\$67.38</b>	<b>\$2,464,597</b>	<b>\$2,464,597</b>	<b>\$67.38</b>	<b>\$51,346</b>	<b>100.00%</b>			
<b>Recap-Hard Construction Costs</b>		<b>44.29%</b>	<b>\$22,741</b>	<b>\$29.84</b>	<b>\$1,091,551</b>	<b>\$1,091,551</b>	<b>\$29.84</b>	<b>\$22,741</b>	<b>44.29%</b>			

<b>SOURCES OF FUNDS</b>						TDHCA		APPLICANT		RECOMMENDED	
Rural Housing Svc- USDA		29.01%	\$14,896	\$19.55	\$715,000	\$715,000	\$19.55	\$14,896	29.01%	\$715,000	\$715,000
HOME Loan		24.34%	\$12,500	\$16.40	600,000	600,000	\$16.40	\$12,500	24.34%	540,000	540,000
LIHTC Syndication Proceeds		46.64%	\$23,950	\$31.43	1,149,597	1,149,597	\$31.43	\$23,950	46.64%	1,149,599	1,149,599
Deferred Developer Fees		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	59,998	59,998
Additional (excess) Funds Required		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	0	0
<b>TOTAL SOURCES</b>					<b>\$2,464,597</b>	<b>\$2,464,597</b>				<b>\$2,464,597</b>	<b>\$2,464,597</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Briarwood Apartments, Kaufman, LIHTC #02158**

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

**PAYMENT COMPUTATION**

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

<b>Primary</b>	\$715,000	Term	360
Int Rate	1.00%	DCR	2.21

<b>Secondary</b>	\$600,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.13

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.13

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

Primary Debt Service	\$27,597
Secondary Debt Service	23,951
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$9,464</b>

<b>Primary</b>	\$715,000	Term	360
Int Rate	1.00%	DCR	2.21

<b>Secondary</b>	\$540,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.18

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.18

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$212,832	\$219,217	\$225,793	\$232,567	\$239,544	\$277,697	\$321,927	\$373,202	\$501,553
Secondary Income	5,616	5,784	5,958	6,137	6,321	7,328	8,495	9,848	13,234
Other Support Income: (interest,	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>218,448</b>	<b>225,001</b>	<b>231,751</b>	<b>238,704</b>	<b>245,865</b>	<b>285,025</b>	<b>330,422</b>	<b>383,050</b>	<b>514,787</b>
Vacancy & Collection Loss	(16,380)	(16,875)	(17,381)	(17,903)	(18,440)	(21,377)	(24,782)	(28,729)	(38,609)
Employee or Other Non-Rental Unit	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$202,068</b>	<b>\$208,126</b>	<b>\$214,370</b>	<b>\$220,801</b>	<b>\$227,425</b>	<b>\$263,648</b>	<b>\$305,641</b>	<b>\$354,321</b>	<b>\$476,178</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	7,265	\$7,556	\$7,858	\$8,172	\$8,499	\$10,340	\$12,581	\$15,306	\$22,657
Management	18,048	16,239	16,726	17,228	17,745	20,571	23,847	27,645	37,153
Payroll & Payroll Tax	40,372	41,987	43,666	45,413	47,230	57,462	69,911	85,058	125,906
Repairs & Maintenance	19,050	19,812	20,604	21,429	22,286	27,114	32,988	40,135	59,410
Utilities	5,050	5,252	5,462	5,681	5,908	7,188	8,745	10,640	15,749
Water, Sewer & Trash	17,950	18,668	19,415	20,191	20,999	25,548	31,084	37,818	55,980
Insurance	8,497	8,837	9,190	9,558	9,940	12,094	14,714	17,902	26,499
Property Tax	14,000	14,560	15,142	15,748	16,378	19,926	24,243	29,496	43,661
Reserve for Replacements	9,680	10,067	10,470	10,889	11,324	13,778	16,763	20,394	30,189
Other	1,175	1,222	1,271	1,322	1,375	1,672	2,035	2,476	3,664
<b>TOTAL EXPENSES</b>	<b>\$141,087</b>	<b>\$144,199</b>	<b>\$149,805</b>	<b>\$155,630</b>	<b>\$161,683</b>	<b>\$195,694</b>	<b>\$236,911</b>	<b>\$286,870</b>	<b>\$420,869</b>
<b>NET OPERATING INCOME</b>	<b>\$60,981</b>	<b>\$63,927</b>	<b>\$64,565</b>	<b>\$65,171</b>	<b>\$65,742</b>	<b>\$67,955</b>	<b>\$68,730</b>	<b>\$67,451</b>	<b>\$55,309</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$27,597	\$27,597	\$27,597	\$27,597	\$27,597	\$27,597	\$27,597	\$27,597	\$27,597
Second Lien	23,951	23,951	23,951	23,951	23,951	23,951	23,951	23,951	23,951
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$9,433</b>	<b>\$12,379</b>	<b>\$13,017</b>	<b>\$13,623</b>	<b>\$14,194</b>	<b>\$16,407</b>	<b>\$17,182</b>	<b>\$15,903</b>	<b>\$3,761</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.18</b>	<b>1.24</b>	<b>1.25</b>	<b>1.26</b>	<b>1.28</b>	<b>1.32</b>	<b>1.33</b>	<b>1.31</b>	<b>1.07</b>

**LIHTC Allocation Calculation - Briarwood Apartments, Kaufman, LIHTC #02158**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>						
Purchase of land	\$57,258	\$57,258				
Purchase of buildings	\$858,200	\$858,200	\$858,200	\$858,200		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$153,122	\$153,122			\$153,122	\$153,122
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation ha	\$812,854	\$812,854			\$812,854	\$812,854
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$9,982	\$9,982			\$9,982	\$9,982
Contractor profit	\$57,958	\$57,958			\$57,958	\$57,958
General requirements	\$57,635	\$57,635			\$57,635	\$57,635
<b>(5) Contingencies</b>						
<b>(6) Eligible Indirect Fees</b>						
	\$89,825	\$89,825	\$10,375	\$10,375	\$79,450	\$79,450
<b>(7) Eligible Financing Fees</b>						
	\$10,200	\$10,200	\$500	\$500	\$9,700	\$9,700
<b>(8) All Ineligible Costs</b>						
	\$12,030	\$12,030				
<b>(9) Developer Fees</b>						
Developer overhead	\$87,466	\$87,466	\$30,361		\$57,105	
Developer fee	\$220,000	\$220,000	\$100,000		\$120,000	
<b>(10) Development Reserves</b>						
	\$38,067	\$38,067				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$2,464,597</b>	<b>\$2,464,597</b>	<b>\$999,436</b>	<b>\$999,436</b>	<b>\$1,357,806</b>	<b>\$1,357,806</b>

<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$999,436</b>	<b>\$999,436</b>	<b>\$1,357,806</b>	<b>\$1,357,806</b>
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$999,436</b>	<b>\$999,436</b>	<b>\$1,357,806</b>	<b>\$1,357,806</b>
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$999,436</b>	<b>\$999,436</b>	<b>\$1,357,806</b>	<b>\$1,357,806</b>
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$36,679</b>	<b>\$36,679</b>	<b>\$114,599</b>	<b>\$114,599</b>
<b>Syndication Proceeds</b>	<b>0.7599</b>		<b>\$278,735</b>	<b>\$278,735</b>	<b>\$870,864</b>	<b>\$870,864</b>
			<b>Total Credit Amount</b>		<b>\$151,278</b>	<b>\$151,278</b>
			<b>Total Syndication Proceeds</b>		<b>\$1,149,599</b>	<b>\$1,149,599</b>