TDHCA

02112

Region 5

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: **Cardinal Village** TDHCA #: **02112**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5
Site Address: Cardinal Street, Lot 10b, Block 54
City: Nacogdoches
County: Nacogdoches
Zip Code: 75961

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

LIHTC Primary Set Aside: G
Additional Elderly Set Aside ☐
Purpose / Activity: NC
Development Type: Family
☐ TTC ☐ DDA ☑ QCT

Special Needs: 5 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Finlay Interests 40, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Finlay Interests GP40, LLC	Jeffrey S. Spicer	100 %
Finlay Holdings, Inc.	Christopher Finlay	0 %
Finlay GP Holdings, Ltd.	Jeffrey Spicer	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$762,000** Allocation over 10 Years: $7,620,000
Credits Requested: $799,990 Eligible Basis Amount: $762,000 Equity/Gap Amount: $806,391

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	1	0	0	0	1
50%	0	0	18	21	0	0	39
60%	0	0	28	27	0	0	55
MR	0	0	0	0	0	0	0
Total	0	0	47	48	0	0	

Total LI Units:	95
Owner/Employee Units:	0
Total Project Units:	96
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:	**$7,842,088**
Gross Building Square Feet:	110,684
Total NRA SF:	107,136
Gross/Net Rentable:	1.03
Average Square Feet/Unit:	1,116
Cost Per Net Rentable Square Foot:	$73.20
Credits per Low Income Unit	$8,021

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	$513,297
Total Expenses:	$334,374
Net Operating Income:	$178,923
Estimated 1st Year Debt Coverage Ratio:	1.13

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Finlay Development, LLC	Market Analyst:	Apartment Market Data Research
Housing GC:	Finlay Construction, LLC	Originator/UW:	NA
Infrastructure GC:	NA	Appraiser:	NA
Cost Estimator:	Finlay Construction, LLC	Attorney:	Broad & Cassel
Architect:	Parker & Associates	Supp Services:	Texas Inter-Faith Housing Corp.
Property Manager:	Finlay Real Estate Services, Inc.	Accountant:	Novogradac & Company, LLP
Engineer:	NA		
Syndicator:	Simpson Housing Solutions, LLC	Permanent Lender:	Red Capital Group

DEPARTMENT EVALUATION

Points Awarded: 125 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Cardinal Village | Project Number: 02112

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: **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:	Roy Blake, Jr., Mayor, S	Taurus Freeman, City of Nacogdoches Asst. City Planner, S
TX Rep.:	Wayne Christian, Dist. 9 S	Billy Huddleston, Jr., City of Nacogdoches Commissioner,
TX Sen.:	Todd Staples, Dist. 3 S	J. Bradley Reynolds, City of Nacogdoches Commissioner,
US Rep.:		Jeff Cupit, Director of Urban Development, City of Nacogdoches, S
US Sen.:		J. C. Hughes, Nacogdoches City Manager , S

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation of the removal and proper disposal of the debris as indicated in the Phase I ESA.

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 the 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: If only the higher scoring General development and the Rural development in Region 5 had been awarded, there would have been a shortfall in the region equal to 27% of its entire regional allocation. This is the highest shortfall among all regions statewide, so this development, as the next highest scoring development in the region not in violation of the $1.6 million cap per Applicant, is recommended.

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

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

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

Edwina Carrington, Executive Director | 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

Developer Evaluation

Compliance Status Summary

Project ID #: 02112 LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Cardinal Village Apartments HOME ☐ HTF ☐

Project City: Nacogdoches BOND ☐ SECO ☐

Housing Compliance Review

Project(s) in material non-compliance ☐

No previous participation ☐

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

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 3

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

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received Yes

Non-Compliance Reported No

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

Single Audit

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

single audit not applicable ☑ no outstanding issues ☐ outstanding issues ☐

Comments:

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

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

Community Affairs

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

Housing Finance

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

Housing Programs

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☑ reviewed; unresolved issues found ☐

Comments:

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

Multifamily Finance

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☐ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

Completed by ____________ **Completed on** ____________

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

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

DATE: June 11, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02112

DEVELOPMENT NAME

Cardinal Village

APPLICANT

Name:	Finlay Interests 40, Ltd.	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	4300 Marsh Landing Blvd., Ste. 101	**City:**	Jacksonville Beach **State:** FL
Zip:	32250 **Contact:** Jeffrey S. Spicer	**Phone:**	(904) 280-1000 **Fax:** (904) 280-9993

PRINCIPALS of the APPLICANT

Name	(%)	Title
Finlay Interests GP 40, LLC	.01	Managing General Partner
Simpson Housing Solutions	99.99	Initial Limited Partner
Finlay GP Holdings, Ltd.	n/a	Owner of Finlay Interests GP
Finlay Holdings, Inc.	n/a	Owner of Finlay GP Holdings
Christopher C. Finlay	n/a	Owner of Finlay Holdings, Inc

GENERAL PARTNER

Name:	Finlay Interests GP 40, LLC	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	4300 Marsh Landing Blvd., Ste. 101	**City:**	Jacksonville Beach **State:** Fl
Zip:	32250 **Contact:** Jeffrey S. Spicer	**Phone:**	(904) 280-1000 **Fax:** (904) 280-9993

PROPERTY LOCATION

Location: Cardinal Street, Lot 10b, Block 54 ☒ **QCT** ☐ **DDA**

City: Nacogdoches **County:** Nacogdoches **Zip:** 75961

REQUEST

Amount	Interest Rate	Amortization	Term
$799,990	n/a	n/a	n/a

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 7.5 acres 326,700 square feet **Zoning/ Permitted Uses:** B-2

Flood Zone Designation: Zone C **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 96 **# Rental Buildings** 6 **# Common Area Bldngs** 2 **# of Floors** 2 **Age:** n/a yrs **Vacant:** ______ at / /

Number	Bedrooms	Bathroom	Size in SF
48	2	2	1,017
48	3	2	1,215

Net Rentable SF: 107,136 **Av Un SF:** 1,116 **Common Area SF:** 3,548 **Gross Bldng SF** 110,684

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a slab on grade, 25% brick veneer/75% vinyl siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community building with club room, management offices, fitness room, kitchen, restrooms, computer center, central mailroom, swimming pool, equipped children's play area, volleyball court, perimeter fencing with limited access gate

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

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Red Capital Group **Contact:** R. Barth Kallmerten

Principal Amount: $2,674,374 **Interest Rate:** 7.5%

Additional Information:

Amortization: 2 yrs **Term:** 2 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: Red Capital Group **Contact:** R. Barth Kallmerten

Principal Amount: $2,047,000 **Interest Rate:** 8.25%

Additional Information:

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

Annual Payment: $184,541 **Lien Priority:** 1st **Commitment Date** 02/ 21/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: Simpson Housing Solutions **Contact:** Mike Sugrue

Address: 720 E. Park Blvd., Suite 100 **City:** Plano

State: TX **Zip:** 75074 **Phone:** (972) 422-4343 **Fax:** (972) 422-0224

Net Proceeds: $5,999,325 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 75¢

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

Additional Information:

APPLICANT EQUITY

Amount: $266,828 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	$82,500	**Assessment for the Year of:**	2001
Building:	n/a	**Valuation by:**	Nacogdoches County Appraisal District
Total Assessed Value:	$82,500	**Tax Rate:**	2.682

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved Property Contract

Contract Expiration Date: 08/ 15/ 2002 **Anticipated Closing Date:** 08/ 15/ 2002

Acquisition Cost: $ 411,400 **Other Terms/Conditions:** $1,000 earnest money deposit

Seller: Mike Perry **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cardinal Village is a proposed new construction development of 96 units of affordable housing located in east Nacogdoches. The development is comprised of six residential buildings as follows:

- (6) Building Type I with eight 2-bedroom units and eight 3- 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. The 3,548-square foot community building plan includes the management office, a club room, fitness room, computer room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: personal growth opportunities program, family skills development program, education program, fun and freedom activities program, neighborhood advancement program, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000 plus $8.56/unit per month for these support services. The Applicant has reflected this expense amount in their operating budget.

Schedule: The Applicant anticipates construction to begin in October of 2002, to be completed in September of 2003, to be placed in service in February of 2004, and to be substantially leased-up in January 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. 95 of the units will be reserved for low-income tenants and one unit will be employee-occupied. One of the units (1%) will be reserved for households earning 40% or less of AMGI, 39 units (41%) will be reserved for households earning 50% or less of AMGI and 55 (57%) units will be reserved for households earning 60% or less of AMGI.
Special Needs Set-Asides: Five 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 February 19, 2002 was prepared by Apartment Market Data Research Services and highlighted the following findings:
Definition of Market/Submarket: "For this analysis, we defined the "Trade Area" as Nacogdoches County, Texas. This area was utilized as it was felt that the county defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing." (p. 30)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	24-41	3.5%
Turnover Demand	609	52.5%
Pent-up Demand	520	44.4%
TOTAL ANNUAL DEMAND	**1,170**	**100%**

Ref: p. 41

Capture Rate: The analyst calculated a capture rate of 14.7% based upon the subject's low income units plus other previous low income units in the market area and divided by the total units of income qualified demand as calculated by the analyst. (p. 41-42).
Market Rent Comparables: The market analyst surveyed six comparable apartment projects totaling 740 units in the market area. (p. 83)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed***	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (40%)	$303	$275	+$28	$591	-$288
2-Bedroom (50%)	$400	$372	+$28	$591	-$191
2-Bedroom (60%)	$498	$470	+$28	$591	-$93
3-Bedroom (50%)	$457	$451	+$6	$711	-$254
3-Bedroom (60%)	$569	$563	+$6	$711	-$142

(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 estimated lower utility allowances than the Underwriter, which makes up the difference between the proposed rent and the program maximum rent allowed.
Submarket Vacancy Rates: "The current occupancy of the market area for projects built since 1970 is 96.8%, as a result of ever increasing demand." (p. 8)
Absorption Projections: "Absorption in the Trade Area has been limited by minimal supply over the last decade, averaging 82+ units per year. Today, the PMA occupancy rate is in excess of 95%. Based on the occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units." (p. 8)
Known Planned Development: "Since the 1990 census, there have been minimal new projects developed in the Trade Area with 297 units built, and another 226 currently under construction and/or in lease-up. Today, the overall occupancy rate is in excess of 95% (excluding older projects and projects in lease-up status). This

alone is indicative of the demand for affordable housing in Nacogdoches." (p. 8)

The Underwriter found the market study to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Nacogdoches is located in east Texas, approximately 130 miles north of Houston in Nacogdoches County. The site is an irregularly-shaped parcel located in the east area of Nacogdoches, approximately one mile from Business 59, which provides easy access to downtown Nacogdoches. The site contains 150 feet of frontage to the west that adjoins Cardinal Street.

Population: The estimated 2001 population of the trade area was 59,405 and is expected to increase by 4.8% to approximately 62,283 by 2006. Within the primary trade area there were estimated to be 22,045 households in 2001.

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

- **North:** FM 1878, apartment complex
- **South:** vacant wooded area
- **East:** vacant wooded area
- **West:** Cardinal Street

Site Access: Access to the property is from the west along Cardinal Street. The development is to have one main entry, from the west from Cardinal Street. Access to University Drive is 0.2 miles west, which provides connections to all other major roads serving the Nacogdoches area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 0.2 miles of 2 major grocery stores and within 0.3 miles of a shopping mall. A variety of other retail establishments and restaurants, schools, churches, hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: 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 21, 2002 was prepared by APEX Geoscience, Inc. and contained the following findings and recommendations:

Findings: "A small pile of metal debris is present on the property. The debris includes two (2) rusty 55 gallon drums that visually appear to be empty. No stained soils or unusual odors were observed to be associated with the aforementioned area of debris. This debris should be removed from the property and properly disposed or recycled. Otherwise, no adverse environmental conditions as defined by ASTM Practice E 15727-97 were noted during the course of this study." (p. 16)

Receipt, review and acceptance of documentation of the removal and proper disposal of the debris indicated in the Phase I ESA is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines for all of the units except one, which will be employee-occupied. The Applicant also used an old utility allowance estimate which understated utilities considerably. It should be noted however that the newer allowances are somewhat dubious in that the allowance for the three-bedroom is less than the allowance for the two-bedroom, though both are on average $17 higher than the allowances used by the Applicant. This results in an overstatement of gross rent by $19K or 4%. Estimates of secondary income are estimated at $15/unit, which is the TDHCA maximum and consistent with the Underwriter's estimate. Vacancy and collection loss estimates are in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project in addition to typical utilities, and rents and expenses were calculated accordingly.

Expenses: The Underwriter used the TDHCA database, recent utility allowances, IREM Region 6 database expenses, and other local expense information to develop an estimate of expenses. Management fees were set a flat 5% of effective gross income. The Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's estimates, particularly general and administrative ($11K lower), payroll ($11K lower), repairs and maintenance ($9K higher), utilities ($21K lower), insurance ($7K higher) and property tax ($13K higher).

Conclusion: The Applicant's estimate of total operating expenses is within 5% of the Underwriter's estimate. However, the Applicant's NOI is $16K or 19% higher than the Underwriter's. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. Due primarily to the differences in income and operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.97 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project to reach a minimum 1.10 DCR, should be limited to $158,049. This can be by a reduction in the permanent loan amount and a reduction in the interest rate.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant submitted an Unimproved Property Contract wherein the purchaser, Finlay Properties, Inc. is buying the land from Mike Perry, the seller. The original contract indicated a sales price of $374,000. However, an addendum to the property contract indicates that the buyer and seller agree to increase the purchase price for the property from $374,000 to $411,400, an increase of $37,400 in order to pay an additional broker fee to Finlay Real Estate services. While the acquisition appears to be an arm's length transaction the additional brokerage fee does not and was removed from the Underwriter's estimated acquisition costs..

Sitework Cost: The Applicant's claimed sitework costs of $4,667 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% different 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 overstated.

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 $44K. The Applicant's developer fees are within 15% of the Applicant's eligible basis.

Conclusion: The Underwriter regards the Applicant's total costs to be overstated by $434K or 5.5%. 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. As a result, a credit allocation of $762,000 annually is derived from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount. This is $37,990 less than initially requested though the Applicant used a lower applicable percentage of 8.34% rather than 8.44%.

FINANCING STRUCTURE ANALYSIS

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

Conventional Permanent Loan: There is a commitment letter from Red Capital Group for a permanent loan in the amount of $2,047,000. The loan term is 18 years with an amortization of 30 years. The interest rate is fixed at 8.25%. This rate is higher than the maximum rate of 8% being used during this application cycle for Underwriting.

Construction Financing: The Applicant intends to use Red Capital Group for an interim construction loan of $2,674,374. The term for this loan is 24 months and the interest rate is 7.50%.

LIHTC Syndication: Simpson Housing Solutions has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,999,325 based on a syndication factor of 75%. The funds would be disbursed in a four-phased pay-in schedule:

1. Initial Contribution: 20% of its aggregate capital contribution ("Initial Contribution") shall be made available to draw upon as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, execution of the Partnership Agreement, closing of the Construction Loan and receipt of a commitment for a "Permanent Loan" (as herein defined) acceptable to Limited Partner;
2. Second Contribution: 35% of its aggregate capital contribution ("Second Contribution") shall be made

available to draw upon during the construction phase of the Development as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which amount shall be funded on a parri passu basis with the construction loan and or bridge loan; provided, however, the initial disbursement of any portion of the Second Contribution shall be contingent upon the construction lender having funded an initial amount under the construction loan of not less than the amount of the Initial Contribution made by the Limited Partner;

3. Third Contribution: (25%) of its aggregate capital contribution ("Third Contribution") shall be made available to draw upon as requested by the General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, final completion of construction and receipt of final certificates of occupancy for all residential units;
4. Final Contribution: the balance of its capital contribution ("Final Contribution") shall be made available to draw upon as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, among other things, closing of the Permanent Loan, the occurrence of "Rental Achievement" and receipt of IRS Form 8609 with respect to the Development.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $266,828 amount to 29% of the total fees. However, based on the Underwriter's total development cost estimate and the revised syndication proceeds, the developer would have to defer $332,696 in fees, which is $66,141 more than originally anticipated and does not include the additional brokerage fee added to the acquisition.

Financing Conclusions: Based on the Underwriter's estimate of eligible basis, the LIHTC allocation should not exceed $762,000 annually for ten years, resulting in syndication proceeds of approximately $5,714,432. Based on the Underwriter's proforma, the debt coverage ratio (DCR) would be 0.97 which is lower than the minimum standard. In order to raise the DCR to a minimum of 1.10, the debt service for this project should be limited to $158,049 by a reduction in the permanent loan amount and a reduction in the interest rate from 8.25% to 8%. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $332,696

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry that is off an interior breezeway that is shared with three other units. The units are in two-story, fourplex structures with mixed brick veneer/vinyl siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

Christopher C. Finlay is the owner of the Applicant, Finlay Interests 18, Ltd., and is also a managing member of the Developer and General Contractor. It is also believed that there is an identity of interest between the additional buyer's broker handling the purchase of the property for the Applicant and receiving a fee of $37,400 from the Seller's proceeds. Therefore, this amount was reduced from the acquisition cost.

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 principal of the Applicant, Christopher C. Finlay, submitted an unaudited financial statement as of February 14, 2002.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Developer, Finlay Development, LLC, has completed 15 LIHTC and affordable housing developments totaling 1,367 units since 1993.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside the Underwriter's verifiable range.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.

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

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $762,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and approval of documentation of the removal and proper disposal of the debris as indicated in the Phase I ESA.
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 11, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	June 11, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Cardinal Village, Nacogdoches, LIHTC #02112

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash
TC 40%	1	2	2	1,017	$390	$275	$275	$0.27	$115.00	$13.00
TC 50%	18	2	2	1,017	487	$372	6,696	0.37	115.00	13.00
TC 60%	28	2	2	1,017	585	$470	13,160	0.46	115.00	13.00
EO	1	2	2	1,017	0	$0	0	0.00	115.00	13.00
TC 50%	21	3	2	1,215	563	$451	9,471	0.37	112.00	13.00
TC 60%	27	3	2	1,215	675	$563	15,201	0.46	112.00	13.00
TOTAL:	96		**AVERAGE:**	1,116	$579	$467	$44,803	$0.42	$113.50	$13.00

INCOME	Total Net Rentable Sq Ft:	107,136	TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$537,636	$556,884		
Secondary Income	Per Unit Per Month:	$15.00	17,280	17,280	$15.00	Per Unit Per Month
Other Support Income: (describe)			0	0		
POTENTIAL GROSS INCOME			$554,916	$574,164		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(41,619)	(43,068)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$513,297	$531,096		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.68%	$304	$0.27	$29,142	$17,800	$0.17	$185	3.35%
Management		5.00%	267	0.24	25,665	26,555	0.25	277	5.00%
Payroll & Payroll Tax		15.58%	833	0.75	79,968	69,000	0.64	719	12.99%
Repairs & Maintenance		7.95%	425	0.38	40,791	49,740	0.46	518	9.37%
Utilities		4.66%	249	0.22	23,941	3,000	0.03	31	0.56%
Water, Sewer, & Trash		4.35%	233	0.21	22,349	20,100	0.19	209	3.78%
Property Insurance		3.34%	179	0.16	17,142	24,106	0.23	251	4.54%
Property Tax	2.682	12.54%	671	0.60	64,368	77,554	0.72	808	14.60%
Reserve for Replacements		3.74%	200	0.18	19,200	19,200	0.18	200	3.62%
Other Expenses: Compliance & Supp Sv		2.30%	123	0.11	11,808	11,808	0.11	123	2.22%
TOTAL EXPENSES		65.14%	$3,483	$3.12	$334,374	$318,863	$2.98	$3,321	60.04%
NET OPERATING INC		34.86%	$1,864	$1.67	$178,923	$212,233	$1.98	$2,211	39.96%
DEBT SERVICE									
Red Capital Group		35.95%	$1,922	$1.72	$184,541	$184,541	$1.72	$1,922	34.75%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		-1.09%	($59)	($0.05)	($5,618)	$27,692	$0.26	$288	5.21%
AGGREGATE DEBT COVERAGE RATIO					0.97	1.15			
ALTERNATIVE DEBT COVERAGE RATIO					1.13				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.77%	$3,896	$3.49	$374,000	$411,400	$3.84	$4,285	4.95%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.71%	4,667	4.18	447,985	447,985	4.18	4,667	5.39%
Direct Construction		52.81%	43,143	38.66	4,141,759	4,452,088	41.56	46,376	53.55%
Contingency	5.00%	2.93%	2,390	2.14	229,487	289,125	2.70	3,012	3.48%
General Requireme	6.00%	3.51%	2,869	2.57	275,385	294,004	2.74	3,063	3.54%
Contractor's G &	2.00%	1.17%	956	0.86	91,795	98,001	0.91	1,021	1.18%
Contractor's Prof	6.00%	3.51%	2,869	2.57	275,385	294,004	2.74	3,063	3.54%
Indirect Construction		3.81%	3,114	2.79	298,919	298,919	2.79	3,114	3.60%
Ineligible Costs		4.53%	3,701	3.32	355,327	355,327	3.32	3,701	4.27%
Developer's G & A	4.78%	3.68%	3,005	2.69	288,451	308,706	2.88	3,216	3.71%
Developer's Profit	10.22%	7.87%	6,431	5.76	617,413	617,413	5.76	6,431	7.43%
Interim Financing		3.55%	2,900	2.60	278,376	278,376	2.60	2,900	3.35%
Reserves		2.14%	1,748	1.57	167,806	167,806	1.57	1,748	2.02%
TOTAL COST		100.00%	$81,688	$73.20	$7,842,088	$8,313,154	$77.59	$86,595	100.00%
Recap-Hard Construction Costs		*69.65%*	***$56,894***	***$50.98***	***$5,461,796***	***$5,875,207***	***$54.84***	***$61,200***	*70.67%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
Red Capital Group	26.10%	$21,323	$19.11	$2,047,000	$2,047,000	$1,794,960
LIHTC Syndication Proceeds	76.50%	$62,493	$56.00	5,999,325	5,999,325	5,714,432
Deferred Developer Fees	3.40%	$2,779	$2.49	266,828	266,828	332,696
Additional (excess) Funds Require	-6.01%	($4,907)	($4.40)	(471,065)	1	0
TOTAL SOURCES				$7,842,088	$8,313,154	$7,842,088

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Cardinal Village, Nacogdoches, LIHTC #02112

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$39.53	$4,235,395
Adjustments				
Exterior Wall Finish	2.75%		$1.09	$116,473
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(104,993)
Floor Cover			1.82	194,988
Porches/Balconies	$28.10	8074	2.12	226,879
Plumbing	$585	288	1.57	168,480
Built-In Appliances	$1,550	96	1.39	148,800
Stairs/Fireplaces	$1,350	24	0.30	32,400
Floor Insulation			0.00	0
Heating/Cooling			1.41	151,062
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$55.81	3,548	1.85	198,010
Other:			0.00	0
SUBTOTAL			50.10	5,367,494
Current Cost Multiplier	1.04		2.00	214,700
Local Multiplier	0.91		(4.51)	(483,074)
TOTAL DIRECT CONSTRUCTION COSTS			$47.59	$5,099,119
Plans, specs, survy, bld	3.90%		($1.86)	($198,866)
Interim Construction Int	3.38%		(1.61)	(172,095)
Contractor's OH & Profit	11.50%		(5.47)	(586,399)
NET DIRECT CONSTRUCTION COSTS			$38.66	$4,141,759

PAYMENT COMPUTATION

Primary	$2,047,000	Term	360
Int Rate	8.25%	DCR	0.97
Secondary		Term	
Int Rate	0.00%	Subtotal DCR	0.97
Additional		Term	
Int Rate		Aggregate DCR	0.97

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$158,049
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$20,874

Primary	$1,794,960	Term	360
Int Rate	8.00%	DCR	1.13
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.13
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.13

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME a 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$537,636	$553,765	$570,378	$587,489	$605,114	$701,493	$813,223	$942,748	$1,266,974
Secondary Income	17,280	17,798	18,332	18,882	19,449	22,546	26,138	30,301	40,721
Other Support Income: (desc	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	554,916	571,563	588,710	606,372	624,563	724,040	839,360	973,049	1,307,696
Vacancy & Collection Loss	(41,619)	(42,867)	(44,153)	(45,478)	(46,842)	(54,303)	(62,952)	(72,979)	(98,077)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$513,297	$528,696	$544,557	$560,894	$577,721	$669,737	$776,408	$900,070	$1,209,619
EXPENSES at 4.00%									
General & Administrative	$29,142	$30,308	$31,520	$32,781	$34,092	$41,478	$50,465	$61,398	$90,884
Management	25,665	26,435	27,228	28,045	28,886	33,487	38,820	45,003	60,481
Payroll & Payroll Tax	79,968	83,167	86,493	89,953	93,551	113,819	138,479	168,481	249,392
Repairs & Maintenance	40,791	42,423	44,120	45,884	47,720	58,058	70,637	85,940	127,213
Utilities	23,941	24,899	25,895	26,931	28,008	34,076	41,459	50,441	74,665
Water, Sewer & Trash	22,349	23,243	24,172	25,139	26,145	31,809	38,701	47,086	69,698
Insurance	17,142	17,827	18,541	19,282	20,053	24,398	29,684	36,115	53,459
Property Tax	64,368	66,943	69,620	72,405	75,301	91,616	111,465	135,614	200,741
Reserve for Replacements	19,200	19,968	20,767	21,597	22,461	27,328	33,248	40,452	59,878
Other	11,808	12,280	12,772	13,282	13,814	16,806	20,448	24,878	36,825
TOTAL EXPENSES	$334,374	$347,492	$361,128	$375,300	$390,032	$472,876	$573,405	$695,407	$1,023,237
NET OPERATING INCOME	$178,923	$181,204	$183,429	$185,593	$187,689	$196,860	$203,003	$204,663	$186,382
DEBT SERVICE									
First Lien Financing	$158,049	$158,049	$158,049	$158,049	$158,049	$158,049	$158,049	$158,049	$158,049
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$20,874	$23,155	$25,380	$27,544	$29,639	$38,811	$44,954	$46,613	$28,332
DEBT COVERAGE RATIO	1.13	1.15	1.16	1.17	1.19	1.25	1.28	1.29	1.18
						34,225	41,883	45,784	37,473

LIHTC Allocation Calculation - Cardinal Village, Nacogdoches, LIHTC #0211

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$411,400	$374,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$447,985	$447,985	$447,985	$447,985
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$4,452,088	$4,141,759	$4,452,088	$4,141,759
(4) Contractor Fees & General Requirements				
Contractor overhead	$98,001	$91,795	$98,001	$91,795
Contractor profit	$294,004	$275,385	$294,004	$275,385
General requirements	$294,004	$275,385	$294,004	$275,385
(5) Contingencies	$289,125	$229,487	$245,004	$229,487
(6) Eligible Indirect Fees	$298,919	$298,919	$298,919	$298,919
(7) Eligible Financing Fees	$278,376	$278,376	$278,376	$278,376
(8) All Ineligible Costs	$355,327	$355,327		
(9) Developer Fees				
Developer overhead	$308,706	$288,451	$308,706	$288,451
Developer fee	$617,413	$617,413	$617,413	$617,413
(10) Development Reserves	$167,806	$167,806		
TOTAL DEVELOPMENT COSTS	$8,313,154	$7,842,088	$7,334,500	$6,944,955

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$7,334,500	$6,944,955
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			$9,534,850	$9,028,441
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$9,534,850	$9,028,441
Applicable Percentage			8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			$804,741	$762,000
	Syndication Proceeds	**0.7499**	**$6,034,956**	**$5,714,432**

TDHCA

02174

Region 5

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: **Gateway Village Seniors** TDHCA #: **02174**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5
Site Address: 2600 S. 12th (NE crnr of 12th & Terrell Avenue)
City: Beaumont
County: Jefferson
Zip Code: 77701

LIHTC Primary Set Aside: G
Additional Elderly Set Aside: ☑
Purpose / Activity: NC
Development Type: Elderly
☐ TTC ☐ DDA ☑ QCT

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

Special Needs: 16 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Gateway Senior Housing, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Gateway Senior Housing I, LLC	David Hendricks	89 %
Oaklake Community Housing Development Corporation	Mr. Thomas Wolff	11 %
NA	NA	0 %
NA	NA	%
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$719,168** Allocation over 10 Years: $7,191,680

Credits Requested: $760,790 Eligible Basis Amount: $719,168 Equity/Gap Amount: $722,102

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	1	0	0	0	2
40%	0	19	14	0	0	0	33
50%	0	25	19	0	0	0	44
60%	0	20	11	0	0	0	31
MR	0	3	3	0	0	0	6
Total	0	68	48	0	0	0	

Total LI Units: 110
Owner/Employee Units: 0
Total Project Units: 116
Applicable Fraction: 95.00

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

BUILDING INFORMATION

Total Development Cost:	**$7,930,884**
Gross Building Square Feet:	89,888
Total NRA SF:	86,136
Gross/Net Rentable:	1.04
Average Square Feet/Unit:	743
Cost Per Net Rentable Square Foot:	$92.07
Credits per Low Income Unit	$6,538

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	$579,054
Total Expenses:	$361,590
Net Operating Income:	$217,464
Estimated 1st Year Debt Coverage Ratio:	1.11

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Gateway Senior Housing Development, LLC
Housing GC: Camden Building, Inc.
Infrastructure GC: Camden Building, Inc.
Cost Estimator: Camden Building, Inc.
Architect: Hoff Architects
Property Manager: Greystar Management Services
Engineer: Brown & Gay Engineering
Syndicator: Related Capital

Market Analyst: Lewis & Howard
Originator/UW: NA
Appraiser: NA
Attorney: Steven Charnquist
Supp Services: Texas Inter-Faith Housing Corp.
Accountant: Novogradac & Company, LLP
Permanent Lender: American Mortgage Acceptance Co.

DEPARTMENT EVALUATION

Points Awarded: 136 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Gateway Village Seniors   Project Number: 02174

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: **0**

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

Local/State/Federal Officials w/ Jurisdiction:		Comment from Other Public Official
Local Official:	David W. Moore, Mayor, S	Kyle Hayes, Beaumont Economic Dev. Director, S
TX Rep.:	Joe Deshotel, Dist. 22 S	James E. Rich, Beaumont Chamber Of Commerce President, S
TX Sen.:	David Bernsen, Dist. 4 S	Stephen J. Bonczek, Beaumont City Manager, S
US Rep.:	Nick Lampson, US Representative, District 9, S	Allan B. Ritter, State Representative, District 21, S
US Sen.:		Carl R. Griffith, Jr., County Judge, S

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of certified 2001 financial statements for the Oak lake Community Housing Development Corporation.

Receipt, review, and acceptance of a confirmed grant of CDBG funds in the amount of $15, 000 from the City of Beaumont.

Receipt, review, and acceptance of evidence of rezoning of the site to permit the proposed development.

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 5.

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 #: **02174** LIHTC 9% ☑ LIHTC 4% ☐

Project Name: **Gateway Village Seniors** HOME ☐ HTF ☐

Project City: **Beaumont** 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 1

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 N/A

Non-Compliance Reported

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

Single Audit

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

single audit not applicable ☑ no outstanding issues ☐ outstanding issues ☐

Comments:

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☐

reviewed; no unresolved issues ☐ reviewed; unresolved issues found ☐

Comments:

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

Community Affairs	Status of Findings (any unresolved issues are listed below)
monitoring review not applicable ☑	monitoring review pending ☐
reviewed; no unresolved issues ☐	reviewed; unresolved issues found ☐

Comments:

Completed by EEF **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 5, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02174

DEVELOPMENT NAME

Gateway Village Seniors Apartments

APPLICANT

Name: Gateway Senior Housing, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 31626 Huffsmith Dobbins Road **City:** Magnolia **State:** TX

Zip: 77354 **Contact:** David Hendricks **Phone:** (281) 580-1247 **Fax:** (281) 893-6528

PRINCIPALS of the APPLICANT

Name	(%)	Title
Gateway Senior Housing I, L.L.C.	.0089	Managing General Partner
Related Capital Company	99.99	Initial Limited Partner
One Oaklake III, LLC	.0011	Co-General Partner
David Hendricks	N/A	Manager of M.G.P.
Thomas Wolff	N/A	Representative of Co-G.P.

MANAGING GENERAL PARTNER

Name: Gateway Senior Housing I, L.L.C. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 31626 Huffsmith Dobbin Road **City:** Magnolia **State:** TX

Zip: 77354 **Contact:** David Hendricks **Phone:** (281) 580-1247 **Fax:** (281) 893-6528

CO-GENERAL PARTNER

Name: One Oaklake III, LLC **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 3131 West Alabama, Suite 525 **City:** Magnolia **State:** TX

Zip: 77354 **Contact:** Thomas Wolff **Phone:** (281) 580-1247 **Fax:** (281) 893-6528

PROPERTY LOCATION

Location: 2600 S. 12th Street (NE corner of intersection of 12th Street & Terrell Avenue) ☒ **QCT** ☐ **DDA**

City: Beaumont **County:** Jefferson **Zip:** 77701

REQUEST

Amount	Interest Rate	Amortization	Term
$760,790	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

SITE DESCRIPTION

Size: 10.687 acres 465,526 square feet **Zoning/ Permitted Uses:** LI, Light Industrial (non-conforming use), rezoning change request submitted

Flood Zone Designation: Zone C **Status of Off-Sites:** Partially Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 116 **# Rental Buildings** 29 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
68	1	1	654
48	2	2	868

Net Rentable SF: 86,136 **Av Un SF:** 743 **Common Area SF:** 3,419 **Gross Bldng SF** 89,888

Property Type: ☒ Multifamily ☐ SFR Rental ☒ Elderly ☒ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 80% stucco/20% cement 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, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops,high-speed internet access, individual water heaters

ON-SITE AMENITIES

3,419-SF community building with activity, crafts, & recreation rooms, management offices, laundry facilities????, kitchen, restrooms, central mailroom, swimming pool, perimeter fencing with limited access gate

Uncovered Parking: 215 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: American Mortgage Acceptance Company **Contact:** Justin Ginsberg

Principal Amount: $2,500,000 **Interest Rate:** 319 basis points over ten-year U.S. Treasury rate (estimated & underwritten at 8.06%)

Additional Information: Interest-only payments, rate fixed at construction loan closing

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

LONG TERM/PERMANENT FINANCING

Source: American Mortgage Acceptance Company **Contact:** Justin Ginsberg

Principal Amount: $2,227,000 **Interest Rate:** 289 basis points over ten-year U.S. Treasury rate, estimated & underwritten at 8%

Additional Information: Rate fixed at construction loan closing

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

Annual Payment: $196,091 **Lien Priority:** 1st **Commitment Date** 2/ 22/ 2002

ADDITIONAL LONG TERM FINANCING

Source: City of Beaumont **Contact:** Janett Brunt

Principal Amount: $15,000 **Interest Rate:** Grant

Additional Information: Application submitted and acknowledged 3/1/02. Written confirmation of approval of award pending, expected by 6/14/02.

LIHTC SYNDICATION

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

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

State: NY **Zip:** 10022 **Phone:** (212) 588-1765 **Fax:** (212) 751-3546

Net Proceeds: $6,009,640 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 79¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 22/ 2002

Additional Information:

APPLICANT EQUITY

Amount: $211,695 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: $206,852 **Assessment for the Year of:** 2001

Building: N/A **Valuation by:** Jefferson County Appraisal District

Total Assessed Value: $206,852

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Two earnest money contracts

Contract Expiration Date: 9/ 16/ 2002 **Anticipated Closing Date:** 9/ 15/ 2002

Acquisition Cost: $ 547,506 **Other Terms/Conditions:**

Seller: 8.869-acre tract: Corley Freeway, Ltd.
1.818-acre tract: Sam C. Parigi & Frank L. Dover

Related to Development Team Member: No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Gateway Village Seniors Apartments is a proposed new construction development of 116 units of mixed income elderly housing located in southwest Beaumont. The development is comprised of 29 one-story fourplex residential buildings as follows:

- Seventeen Building Type 1 with four one-bedroom units; and
- Twelve Building Type 2 with four two-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 3,419-square foot community building plan includes the management offices, four community rooms, a kitchen, restrooms, and laundry facilities. There are also to be four gazebos with seating and two walking trails located throughout the site.

Supportive Services*:* The Applicant has contracted with the 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 sand freedom activities, and neighborhood advancement, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The contract requires the Applicant to provide and furnish facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000 plus $7.88/unit/month ($10,969/year) for these support services.

Schedule: The Applicant anticipates construction to begin in January of 2003, to be completed in March of 2004, to be placed in service in April of 2004, and to be substantially leased-up in June 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. 110 of the units (95% of the total) will be reserved for low-income elderly tenants. Two of the units (2%) will be reserved for households earning 30% or less of AMGI, 33 units (29%) will be reserved for households earning 40% or less of AMGI, 44 units (38%) will be reserved for households earning 50% or less of AMGI, 31 units (27%) will be reserved for households earning 60% or less of AMGI, and the remaining six units will be offered at market rents.

Special Needs Set-Asides: Sixteen units (14%) will be reserved for handicapped or developmentally-disabled tenants.

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

MARKET HIGHLIGHTS

A market feasibility study dated March 25, 2002 was prepared by Lewis & Howard and highlighted the following findings:

Definition of Market/Submarket: "The market area for the proposed subject property has been determined to be the general area comprising the city of Beaumont, Texas." (cover letter) "The subject property is included within the Beaumont/Port Arthur MSA and has been considered as part of the general Beaumont area in demand analysis for low-income housing." (p. 6) "…it is our opinion that the market area from which the subject property draws is probably within a five-mile radius." (p. 39)

Total Regional Market Demand for Rental Units: "The industrial base of the Golden Triangle is integral to the demand for housing and the overall economic condition of the area. Oil refining has been the staple of the industrial base and is expected to remain so in the foreseeable future. The recent fluctuation in oil prices is not considered to have been a material factor impacting the area economy, but has influenced the oil-related industries of the region. The demand for housing is expected to continue to grow as is the need for low-income housing." (p. 21)

Total Local/Submarket Demand for Rental Units: "There is current sufficient demand for the absorption, over the planned construction period, of the 110 low-income and six market units in the subject's market area." (p. 61)

ANNUAL INCOME-ELIGIBLE AGE TARGETED SUBMARKET DEMAND SUMMARY

Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	0	0%	18	2%
Resident Turnover	0	0%	1,094	98%
Other Sources: Existing Qualified Renters	2,127*	100%	0	0%
TOTAL ANNUAL DEMAND	**2,127***	**100%**	**1,112**	**100%**

Ref: p. 42

*Individuals, not households

Capture Rate: The analyst calculated a capture rate of 13.16% but did not use TDHCA methodology in that he divided the estimated number of tenants (280) into the estimated demand in individuals (2,127) rather than dividing the number of proposed and unstabilized affordable units into the estimated demand in households. (p. 42). The Underwriter therefore calculated a concentration capture rate of 10% based upon a revised supply of unstabilized comparable units of 116 divided by a revised demand of 1,112 households. Another 140 units are currently under construction in the submarket but these were not included in the supply calculation because they are not oriented to seniors only.

Local Housing Authority Waiting List Information: "There are…several HUD and Section 8 properties [in the city of Beaumont] which, according to the City of Beaumont Housing Department, are all operating at 100% occupancy, with more than 500 families on waiting lists." (p. 39) "…the City of Beaumont Housing Department has indicated that there is a significant demand for senior [housing], based on the waiting lists for Section 8 housing." (p. 42)

Market Rent Comparables: The market analyst surveyed eight comparable apartment projects totaling 1,177 units in the market area. "The subject property will be at the lower end of the market in regards to rental rates…Although there are few available low-income housing products in the neighborhood, those existing are generally older properties that have not been well maintained. The subject property will be a superior product to these properties." (p. 61)

The analyst presented conflicting information on comparable elderly projects: "Currently, there are no senior apartment projects in the Beaumont area." (p. 42) "An elderly LIHTC project, the Villas of Sunnyside, absorbed 143 units in approximately 18 months…Further, this project is at 100% occupancy currently, with a substantial waiting list according to the leasing agent." (p. 58) The analyst used this development as a comparable in comparing unit sizes and amenities and in estimating the market rental rates.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$230	$230	$0	$639	-$409
1-Bedroom (40%)	$318	$318	$0	$639	-$321
1-Bedroom (50%)	$405	$405	$0	$639	-$234
1-Bedroom (60%)	$493	$493	$0	$639	-$146
1-Bedroom (MR)	$545	$545	$0	$639	-$94
2-Bedroom (30%)	$272	$272	$0	$765	-$493
2-Bedroom (40%)	$377	$377	$0	$765	-$388
2-Bedroom (50%)	$482	$482	$0	$765	-$283
2-Bedroom (60%)	$587	$587	$0	$765	-$178
2-Bedroom (MR)	$650	$650	$0	$765	-$115

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

Submarket Vacancy Rates: The analyst did not provide a specific vacancy rate for the submarket, but stated that the occupancy rate for the eight comparable projects was 99%. "Existing high occupancy rates in the subject's submarket are at levels that indicate a need for additional housing. A projection of occupancy rates at the time the proposed subject units go into service in approximately 12 to 18 months is expected to be in the low to mid 90% range in all projects." (p. 58)

Absorption Projections: "…it is our opinion that the subject project's units will likely be absorbed within a 12-month period of the completion of the improvements." (p. 61)

Known Planned Development: "…there are 140 units that are currently under construction within the area that are LIHTC units. The developer of this project has indicated that although the units are not yet complete, the demand is excellent, and they have pre-leased almost 50% of the units. These units have not been included in…demand…as they are standard units not oriented toward the senior market." (p. 42) (Note: this development will have 105 affordable units.)

Effect on Existing Housing Stock: "It is our opinion that the influx of the subject's 116 units will not

significantly impact the occupancy in the immediate area." (p. 61)
Other Relevant Information: "As indicated in the demographic profile, the [total] population is anticipated to slightly decrease over the next five years." (p. 41) The demographic data provided, however, forecasts a small increase of 1,473 persons (6.3%) aged 55+, which presumably indicates an exodus of younger persons and an aging in place of older persons (the targeted population).

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Beaumont is located in southeast Texas, approximately 75 miles east of Houston on the Louisiana border in Jefferson County. The site is an irregularly-shaped parcel located in the southwest area of the city, approximately two miles from the central business district. The site is situated on the east side of 12th Street.
Population: The estimated 2000 elderly population of the primary market area was 23,567 and is expected to increase by 6.3% to approximately 25,040 by 2005. Within the primary market area there were estimated to be 16,694 elderly households in 2000, based on the Underwriter's estimated elderly household size of 1.5 persons..
Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, light industrial/manufacturing, and retail and commercial uses. Adjacent land uses include:

- **North:** Vacant land, retail, and a nursing home
- **South:** Terrell Avenue, with vacant land, a drainage canal, and commercial beyond
- **East:** Vacant land, commercial, restaurants, and a church
- **West:** 12th Street, with a warehouse supermarket and auto dealership beyond

Site Access: Access to the property is from the north or south from 12th Street or the east or west along Terrell Avenue. The development is to have one entry, from the west from 12th Street. Access to Interstate Highway 10 is one-quarter mile west, which provides connections to all other major roads serving the Beaumont area as well as Houston and other surrounding communities.
Public Transportation: The availability of public transportation is unknown.
Shopping & Services: The site is within two miles of most of the amenities and facilities of Beaumont, including neighborhood shopping centers, other retail establishments, and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.
Special Adverse Site Characteristics: The site's current zoning does not permit multifamily residential use. The Applicant has applied for a change in zoning, and receipt, review, and acceptance of evidence of rezoning to a conforming use is a condition of this report.
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 26, 2002 was prepared by Law Engineering and Environmental Services, Inc. and contained the following findings and recommendations: "This assessment has not revealed evidence of recognized environmental conditions in connection with the subject property. Additional assessment is not recommended at this time." (p. 19)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.
Expenses: The Applicant's estimate of total operating expense is 3% lower than the Underwriter's adjusted TDHCA database-derived estimate, an acceptable deviation. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($10.6K higher), payroll ($14.4K lower), water, sewer, and trash ($13.6K lower), and property tax ($11.6K higher). The Applicant understated replacement reserves by $5.8K by using $150/unit annually, although both the permanent lender and LIHTC syndicator require $200/unit. The syndicator is

also limiting the management fee to 4% of net rental income, and the Underwriter used this factor in estimating the fee.

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: The site cost of $547,506 ($1.18/SF or $51.3K/acre), although 265% of the tax assessed value, is assumed be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,116 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $108K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant incorrectly included $30K in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $38,606 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent adjustment to the Applicant's eligible basis estimate.

Fees: The Applicant's 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 by $157.8K. The Applicant's contingency allowance also exceeds the TDHCA 5% guideline by $19.8K. Consequently the Applicant's eligible fees in these areas have been reduced, 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 potion of the Applicant's developer fee must be reduced by $206.5K.

Grant Funds: The Applicant and Underwriter reduced eligible basis by the amount of the City CDBG grant ($15,000) described in the financing structure analysis section below.

Conclusion: Due to the Applicant's overstated developer's and contractor's fees, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $6,921,474 is used to determine a credit allocation of $719,168 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.

FINANCING STRUCTURE ANALYSIS

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

Predevelopment Loan: The equity provider will make a predevelopment loan to the Applicant in the amount of $600,000 upon an LIHTC allocation, to be used to pay predevelopment costs required to meet the 10% carryover test. The loan will be made prior to the construction loan closing and will be paid off by either the construction loan or equity.

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through American Mortgage Acceptance Company in the amount of up to $2,500,000 during both the interim period and conversion to permanent. The commitment letter indicated a term of 12 months for the construction portion, with two three-month extensions available, and 18 years for the permanent, with a 30-year amortization schedule. The construction loan interest rate will be fixed at 30 basis points over the permanent loan rate, which will be approximately 289 basis points over the ten-year U.S. Treasury rate. The commitment letter stated that this rate was 7.76% at the time of the commitment (February 2002), but the

Applicant used an estimate of 8% and the Underwriter has used this rate in this analysis. Both loan rates will be fixed at construction loan closing.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $6,009,640 based on a syndication factor of 79%. The funds would be disbursed in a three-phased pay-in schedule:

1. 50% upon admission to the partnership;
2. 30% upon completion of construction;
3. 20% upon the latest to occur of: final closing of the permanent mortgage loan, receipt of IRS Forms 8609, or achievement of both 93% occupancy and a DCR of 1.15 for three consecutive months.

City CDBG Grant: The Applicant provided evidence of application to the City of Beaumont for a grant of $30,000 in locally administered Community Development Block Grant funds, to be used as a development subsidy for the two 30% AMI units for 15 years. As of the date of this report no commitment has been provided for this grant, and receipt, review, and acceptance of such a commitment is a condition of this report.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $211,695 amount to 19% of the total fees.

Financing Conclusions: Based on the Underwriter's estimate of eligible basis, the LIHTC allocation should not exceed $719,168 annually for ten years, resulting in syndication proceeds of approximately $5,680,856. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to $8,028, which amounts to less than 1% of the eligible fee. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee will be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

The units are in one-story fourplex structures with mixed stucco and cement siding exterior finish and hipped and gabled roofs. All units are of average size for market rate and LIHTC units, and have covered patios with small outdoor storage closets and indoor utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry.

IDENTITIES of INTEREST

David Hendricks is a principal of the Developer, Gateway Senior Housing Development, LLC, and also owns the Managing General Partner. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant, Managing General Partner, and Co-General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Oaklake Community Housing Development Corporation, the parent of the Co-General Partner, submitted an audited financial statement as of December 31, 2000 reporting total assets of $362K and consisting of $66K in cash and advances to a subsidiary, $273K in receivables, $1K in furnishings and equipment, and $21K in partnership interests. No liabilities were reported, resulting in net assets of $362K. The QAP requires that financial statements be no older than 12 months, and receipt, review, and acceptance of certified 2001 financial statements for the Co-General Partner is a condition of this report.

Background & Experience:

- The Applicant, Managing General Partner, and Co-General Partner are new entities formed for the purpose of developing the project.
- The parent of the Co-General Partner listed participation as sponsor or co-general partner on two previous LIHTC housing developments totaling 452 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $719,168 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of certified 2001 financial statements for Oaklake Community Housing Development Corporation;
2. Receipt, review, and acceptance of a confirmed grant of CDBG funds in the amount of $15,000 from the City of Beaumont;
3. Receipt, review, and acceptance of evidence of rezoning of the site to permit the proposed development;
4. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;

Credit Underwriting Supervisor:	______ *Jim Anderson*	**Date:**	June 5, 2002
Director of Credit Underwriting:	______ *Tom Gouris*	**Date:**	June 5, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Gateway Village Seniors Apartments, 9% LIHTC #02174

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%)	1	1	1	654	$263	$230	$230	$0.35	$32.68	$25.24
TC (40%)	19	1	1	654	351	318	6,042	0.49	32.68	25.24
TC (50%)	25	1	1	654	438	405	10,125	0.62	32.68	25.24
TC (60%)	20	1	1	654	526	493	9,860	0.75	32.68	25.24
MR	3	1	1	654		545	1,635	0.83	32.68	25.24
TC (30%)	1	2	2	868	316	272	272	0.31	43.34	26.65
TC (40%)	14	2	2	868	421	377	5,278	0.43	43.34	26.65
TC (50%)	19	2	2	868	526	482	9,158	0.56	43.34	26.65
TC (60%)	11	2	2	868	631	587	6,457	0.68	43.34	26.65
MR	3	2	2	868		650	1,950	0.75	43.34	26.65
TOTAL:	116		AVERAGE:	743	$444	$440	$51,007	$0.59	$37.09	$25.82

INCOME	Total Net Rentable Sq Ft: 86,136		TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$612,084	$612,084		
Secondary Income	Per Unit Per Month:	$10.00	13,920	13,920	$10.00	Per Unit Per Month
Other Support Income:			0	0		
POTENTIAL GROSS INCOME			$626,004	$626,004		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(46,950)	(46,740)	-7.47%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$579,054	$579,264		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.88%	$294	$0.40	$34,066	$44,617	$0.52	$385	7.70%
Management		4.00%	200	0.27	23,162	24,930	0.29	215	4.30%
Payroll & Payroll Tax		16.00%	799	1.08	92,674	78,300	0.91	675	13.52%
Repairs & Maintenance		6.89%	344	0.46	39,901	41,581	0.48	358	7.18%
Utilities		2.27%	113	0.15	13,166	12,130	0.14	105	2.09%
Water, Sewer, & Trash		6.21%	310	0.42	35,946	22,360	0.26	193	3.86%
Property Insurance		2.75%	137	0.18	15,929	14,500	0.17	125	2.50%
Property Tax	2.85344	12.00%	599	0.81	69,510	81,068	0.94	699	14.00%
Reserve for Replacements		4.01%	200	0.27	23,200	17,400	0.20	150	3.00%
Other: compl. fees, spt svcs		2.42%	121	0.16	14,036	14,036	0.16	121	2.42%
TOTAL EXPENSES		62.45%	$3,117	$4.20	$361,590	$350,922	$4.07	$3,025	60.58%
NET OPERATING INC		37.55%	$1,875	$2.52	$217,463	$228,342	$2.65	$1,968	39.42%
DEBT SERVICE									
First Lien Mortgage		33.86%	$1,690	$2.28	$196,091	$196,091	$2.28	$1,690	33.85%
City of Beaumont		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
City of Beaumont		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		3.69%	$184	$0.25	$21,372	$32,251	$0.37	$278	5.57%
AGGREGATE DEBT COVERAGE RATIO					1.11	1.16			
ALTERNATIVE DEBT COVERAGE RATIO					1.11				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		7.09%	$4,849	$6.53	$562,506	$562,506	$6.53	$4,849	6.65%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.95%	6,116	8.24	709,454	709,454	8.24	6,116	8.38%
Direct Construction		46.08%	31,507	42.43	3,654,812	3,763,255	43.69	32,442	44.47%
Contingency	5.00%	2.75%	1,881	2.53	218,213	243,407	2.83	2,098	2.88%
General Requiremen	6.00%	3.30%	2,257	3.04	261,856	271,035	3.15	2,337	3.20%
Contractor's G & A	2.00%	1.10%	752	1.01	87,285	241,870	2.81	2,085	2.86%
Contractor's Profi	6.00%	3.30%	2,257	3.04	261,856	271,035	3.15	2,337	3.20%
Indirect Construction		5.51%	3,766	5.07	436,900	436,900	5.07	3,766	5.16%
Ineligible Costs		3.88%	2,655	3.58	307,942	307,942	3.58	2,655	3.64%
Developer's G & A	2.00%	1.52%	1,040	1.40	120,634	282,607	3.28	2,436	3.34%
Developer's Profit	13.00%	9.89%	6,760	9.10	784,123	848,022	9.85	7,311	10.02%
Interim Financing		5.06%	3,460	4.66	401,340	401,340	4.66	3,460	4.74%
Reserves		1.56%	1,069	1.44	123,962	123,962	1.44	1,069	1.46%
TOTAL COST		100.00%	$68,370	$92.07	$7,930,884	$8,463,335	$98.26	$72,960	100.00%
Recap-Hard Construction Costs		*65.48%*	***$44,771***	***$60.29***	***$5,193,476***	***$5,500,056***	***$63.85***	***$47,414***	*64.99%*

SOURCES OF FUNDS			$44,547.00			RECOMMENDED
First Lien Mortgage	28.08%	$19,198	$25.85	$2,227,000	$2,227,000	$2,227,000
City of Beaumont	0.19%	$129	$0.17	15,000	15,000	15,000
LIHTC Syndication Proceeds	75.78%	$51,807	$69.77	6,009,640	6,009,640	5,680,856
Deferred Developer Fees	2.67%	$1,825	$2.46	211,695	211,695	8,028
Additional (excess) Funds Require	-6.71%	($4,590)	($6.18)	(532,451)	0	(0)
TOTAL SOURCES				$7,930,884	$8,463,335	$7,930,884

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Gateway Village Seniors Apartments, 9% LIHTC #02174

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$43.56	$3,752,063
Adjustments				
Exterior Wall Finish	0.20%		$0.09	$7,504
Elderly	5.00%		2.18	187,603
Roofing			0.00	0
Subfloor			(1.96)	(168,827)
Floor Cover			1.82	156,768
Porches/Balconies	$28.10	7,741	2.53	217,522
Plumbing	$585	144	0.98	84,240
Built-In Appliances	$1,550	116	2.09	179,800
Stairs/Fireplaces	$2,100	1	0.02	2,100
Floor Insulation			0.00	0
Heating/Cooling			1.41	121,452
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$57.39	3,419	2.28	196,211
Other:			0.00	0
SUBTOTAL			54.99	4,736,436
Current Cost Multiplier	1.04		2.20	189,457
Local Multiplier	0.91		(4.95)	(426,279)
TOTAL DIRECT CONSTRUCTION COSTS			$52.24	$4,499,615
Plans, specs, survy, bld	3.90%		($2.04)	($175,485)
Interim Construction Inte	3.38%		(1.76)	(151,862)
Contractor's OH & Profit	11.50%		(6.01)	(517,456)
NET DIRECT CONSTRUCTION COSTS			$42.43	$3,654,812

PAYMENT COMPUTATION

Primary	$2,227,000	Term	360
Int Rate	8.00%	DCR	1.11
Secondary	$15,000	Term	
Int Rate	0.00%	Subtotal DCR	1.11
Additional	$6,009,640	Term	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$196,091
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$21,372

Primary	$2,227,000	Term	360
Int Rate	8.00%	DCR	1.11
Secondary	$15,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.11
Additional	$6,009,640	Term	0
Int Rate	0.00%	Aggregate DCR	1.11

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	$612,084	$630,447	$649,360	$668,841	$688,906	$798,631	$925,832	$1,073,293	$1,442,416
Secondary Income	13,920	14,338	14,768	15,211	15,667	18,162	21,055	24,409	32,803
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	626,004	644,784	664,128	684,051	704,573	816,793	946,887	1,097,702	1,475,219
Vacancy & Collection Loss	(46,950)	(48,359)	(49,810)	(51,304)	(52,843)	(61,259)	(71,017)	(82,328)	(110,641)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$579,054	$596,425	$614,318	$632,748	$651,730	$755,534	$875,871	$1,015,374	$1,364,578
EXPENSES at 4.00%									
General & Administrative	$34,066	$35,429	$36,846	$38,320	$39,853	$48,487	$58,992	$71,772	$106,240
Management	23,162	23,857	24,573	25,310	26,069	30,221	35,035	40,615	54,583
Payroll & Payroll Tax	92,674	96,381	100,236	104,246	108,416	131,904	160,481	195,250	289,018
Repairs & Maintenance	39,901	41,497	43,157	44,884	46,679	56,792	69,096	84,066	124,439
Utilities	13,166	13,692	14,240	14,810	15,402	18,739	22,799	27,738	41,060
Water, Sewer & Trash	35,946	37,384	38,879	40,435	42,052	51,163	62,247	75,733	112,104
Insurance	15,929	16,566	17,228	17,918	18,634	22,671	27,583	33,559	49,676
Property Tax	69,510	72,290	75,182	78,189	81,317	98,934	120,368	146,447	216,777
Reserve for Replacements	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Other	14,036	14,597	15,181	15,789	16,420	19,978	24,306	29,572	43,773
TOTAL EXPENSES	$361,590	$375,822	$390,617	$405,995	$421,982	$511,910	$621,083	$753,632	$1,110,022
NET OPERATING INCOME	$217,463	$220,603	$223,702	$226,752	$229,748	$243,624	$254,788	$261,742	$254,556
DEBT SERVICE									
First Lien Financing	$196,091	$196,091	$196,091	$196,091	$196,091	$196,091	$196,091	$196,091	$196,091
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$21,372	$24,512	$27,610	$30,661	$33,657	$47,532	$58,697	$65,651	$58,464
DEBT COVERAGE RATIO	1.11	1.13	1.14	1.16	1.17	1.24	1.30	1.33	1.30

LIHTC Allocation Calculation - Gateway Village Seniors Apartments, 9% LI

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$562,506	$562,506		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$709,454	$709,454	$709,454	$709,454
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$3,763,255	$3,654,812	$3,763,255	$3,654,812
(4) Contractor Fees & General Requirements				
Contractor overhead	$241,870	$87,285	$89,454	$87,285
Contractor profit	$271,035	$261,856	$268,363	$261,856
General requirements	$271,035	$261,856	$268,363	$261,856
(5) Contingencies	$243,407	$218,213	$223,635	$218,213
(6) Eligible Indirect Fees	$436,900	$436,900	$436,900	$436,900
(7) Eligible Financing Fees	$401,340	$401,340	$401,340	$401,340
(8) All Ineligible Costs	$307,942	$307,942		
(9) Developer Fees			$924,115	
Developer overhead	$282,607	$120,634		$120,634
Developer fee	$848,022	$784,123		$784,123
(10) Development Reserves	$123,962	$123,962		
TOTAL DEVELOPMENT COSTS	$8,463,335	$7,930,884	$7,084,878	$6,936,474

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		$15,000	$15,000
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$7,069,878	$6,921,474
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$9,190,842	$8,997,916
Applicable Fraction		94.70%	94.70%
TOTAL QUALIFIED BASIS		$8,703,643	$8,520,944
Applicable Percentage		8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS		$734,587	$719,168
Syndication Proceeds	**0.7899**	**$5,802,660**	**$5,680,856**

TDHCA

02175

Region 5

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: **Creekside Estates, Phase II** TDHCA #: **02175**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5
Site Address: 1825 Sayers St.
City: Lufkin
County: Angelina
Zip Code: 75901

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

LIHTC Primary Set Aside: R
Additional Elderly Set Aside ☐
Purpose / Activity: NC
Development Type: Family
☐ TTC ☐ DDA ☑ QCT

Special Needs: 3 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Lufkin Creekside Apartments II, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Partners for Effective Development, Inc.	Carol C. Moore	100 %
Carol C. Moore	Carol C. Moore	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$473,198** Allocation over 10 Years: $4,731,980
Credits Requested: $539,182 Eligible Basis Amount: $496,128 Equity/Gap Amount: $473,198

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	1	0	0	0	1
40%	0	0	1	0	0	0	1
50%	0	8	8	8	0	0	24
60%	0	12	10	12	0	0	34
MR	0	0	0	0	0	0	0
Total	0	20	20	20	0	0	

Total LI Units: 60
Owner/Employee Units: 0
Total Project Units: 60
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:	**$4,662,107**
Gross Building Square Feet:	66,746
Total NRA SF:	59,760
Gross/Net Rentable:	1.12
Average Square Feet/Unit:	996
Cost Per Net Rentable Square Foot:	$78.01
Credits per Low Income Unit	$7,887

INCOME AND EXPENSE INFORMATION

Effective Gross Income:	$303,672
Total Expenses:	$199,098
Net Operating Income:	$104,574
Estimated 1st Year Debt Coverage Ratio:	1.14

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: First MT Development
Housing GC: Moore Building Associates, LLP
Infrastructure GC: NA
Cost Estimator: Moore Building Associates, LLP
Architect: Duane Meyers AIA
Property Manager: Quest Asset Management, Inc.
Engineer: Pax-Sun, Inc.
Syndicator: SunAmerica Affordable Housing Partners

Market Analyst: Mark Temple
Originator/UW: NA
Appraiser: William J. Lyon & Associates
Attorney: John D. Stover
Supp Services: Buckner Children and Family Services
Accountant: Novogradac & Company, LLP
Permanent Lender: Sun America Affordable Housing Partners

DEPARTMENT EVALUATION

Points Awarded: 112 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Creekside Estates, Phase II   Project Number: 02175

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

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

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

Local/State/Federal Officials w/ Jurisdiction:				Comment from Other Public Official
Local Official:			NC	
TX Rep.:	Jim McReynolds,	Dist. 17	S	
TX Sen.:	Todd Staples,	Dist. 3	S	
US Rep.:				
US Sen.:				

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of documentation granting a right of way through Phase I and right of access to amenities present at Phase I for Phase II.

Receipt, review and acceptance of an engineer or architect's certification that all streets, parking and buildings are not located in the 100-year flood plain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs.

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

Should the rates or terms of the proposed debt or syndication be altered, the previous recommendations and conditions should be re-evaluated by the Underwriter.

Alternate Recommendation:

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

☑ Score   ☑ Meeting Required Set Aside   ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits

☐ To serve a greater number of lower income families for a longer period of time

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan

☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development was one of the higher scoring developments in the Rural Set Aside statewide and is needed to meet the Rural Set Aside.

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

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

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

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

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

Approved Credit Amount: ____   Date of Determination: ____

Michael E. Jones, Chairman of the Board   Date

Compliance Status Summary

Project ID #: 02175 — LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Lufkin Creekside Apartments — HOME ☐ HTF ☐

Project City: Lufkin — 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 Jo En Taylor **Completed on** 05/08/2002

Single Audit

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

single audit not applicable ☐ no outstanding issues ☑ outstanding issues ☐

Comments: FY 12-31-01 Single Audit due 6-30-2002

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: 539113 Monitoring Review Pending

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 EEF **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 14, 2002

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

DATE: June 14, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02175

DEVELOPMENT NAME

Creekside Estates, Phase II

APPLICANT

Name: Lufkin Creekside Apartments II, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 1609 S Chestnut Street, Suite 203 **City:** Lufkin **State:** TX

Zip: 75901 **Contact:** Carol C Moore **Phone:** (936) 699-2960 **Fax:** (936) 699-2962

PRINCIPALS of the APPLICANT

Name	(%)	Title
Partners for Effective Development, Inc.	0.01	Managing General Partner
SunAmerica Affordable Housing Partners, Inc.	99.99	Limited Partner
Carol C Moore	N/A	100% owner of GP

GENERAL PARTNER

Name: Partners for Effective Development, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: PO Box 154432 **City:** Lufkin **State:** TX

Zip: 75915 **Contact:** Carol C Moore **Phone:** (936) 699-2960 **Fax:** (936) 699-2962

PROPERTY LOCATION

Location: 1825 Sayers Street ☒ **QCT** ☐ **DDA**

City: Lufkin **County:** Angelina **Zip:** 75901

REQUEST

Amount	Interest Rate	Amortization	Term
$539,182	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction **Set-Aside:** ☐ General ☒ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 9.2 acres 400,752 square feet **Zoning/ Permitted Uses:** Commercial

Flood Zone Designation: Portions in 100-year Floodplain* **Status of Off-Sites:** Raw Land

* The market analyst states, “According to the sponsor, a portion of the land on the west side is in a floodplain. None of the streets, parking, or buildings will be constructed in the floodway.” (p. I-11)

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 60 **# Rental Buildings** 15 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A

Number	Bedrooms	Bathroom	Size in SF
20	1	1	808
20	2	1	980
20	3	2	1,200

Net Rentable SF: 59,760 **Av Un SF:** 996 **Common Area SF:** 6,986 **Gross Bldng SF** 66,746

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on concrete slab on grade beams, 77% masonry/brick veneer/23% 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, cable, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Daycare facility, equipped children's play area perimeter fencing, other amenities are available at adjacent Phase I

Uncovered Parking: 128 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Barry Ephraim

Principal Amount: $1,042,500 **Interest Rate:** greater of 15 year interpolated US Treasury rate + 275 bps or 8.0%

Additional Information: Length of interim period not indicated

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

Annual Payment: $91,794 **Lien Priority:** 1st **Commitment Date** 02/ 27/ 2002

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Barry Ephraim

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

Net Proceeds: $4,124,742 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 76.5¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 02/ 27/ 2002

Additional Information:

APPLICANT EQUITY

Amount: $144,778 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: $138,000 **Date of Valuation:** 03/ 15/ 2001*

Appraiser: William J Lyon **City:** Lufkin **Phone:** (936) 632-7763

* Updated February 25, 2002

ASSESSED VALUE

Land: 24.4590 acres	$48,920	**Assessment for the Year of:**	2001
1 acre:	$2,000	**Valuation by:**	Angelina County Appraisal District
Prorated Value: 9.2 acres	$18,400	**Tax Rate:**	2.5508

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract (9.206 acres)

Contract Expiration Date: 09/ 01/ 2002 **Anticipated Closing Date:** 08/ 31/ 2002

Acquisition Cost: $ 138,000 **Other Terms/Conditions:** $500 earnest money

Seller: Jerry D Moore and HJ Trout, Jr. **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports. However, Phase I of the development was awarded tax credits in 1997. The property includes 72 units with 100% rent restricted.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Creekside Estates, Phase II is a proposed new construction development of 60 units of affordable housing located in Lufkin, Angelina County. The development is comprised of 15 residential buildings as follows:

- Five Building Type A with four one-bedroom units;
- Five Building Type B with four two-bedroom units; and
- Five Building Type C with four three-bedroom units.

Based on the site plan, the apartment buildings and parking are distributed evenly throughout the portion of the site outside of the 100-year floodplain. The floodway is identified as running along the western portion of the site, while a 6,986-square foot daycare building is located at the northeast end and a picnic area is located at the south end. The proposed site does not have frontage along a public road; therefore, access will be through the existing Phase I. In addition, many of the amenities claimed in the application are those currently existing for use by Phase I residents. These include a community building with community room and kitchen, a laundry facility, swimming pool, basketball court, and limited access gate. Receipt, review and acceptance of documentation granting a right of way through Phase I and right of access to amenities present at Phase I for Phase II residents is a condition of this report.

Supportive Services: The Applicant has contracted with Buckner Children and Family Services, Inc. (BCFS) to provide management, staff, materials and all other supplies for an onsite daycare center licensed by the State of Texas for up to 125 children up to age 12 years. BCFS will also pay the utilities and janitorial costs for the center. Tenants will be required to pay an unspecified “copay” for CCMS for the service. The contract requires the Applicant to provide the initial furnishings to include tables and chairs for children, shelving, office furniture for two offices, two computers, a laminator and copy machine, dishwasher, refrigerator, freezer, washer and dryer, kitchen equipment, toys and educational equipment, and playground equipment. The Applicant must also maintain facilities in the community building for provision of the services. A monthly fee is not mentioned in the contract for the daycare services. BCFS will also provide life skills classes at a monthly cost of $300, or $3,600 per year. However, the Applicant’s operating expense budget includes only $2,400 annually for supportive services.

Schedule: The Applicant anticipates construction to begin in December of 2002, to be completed in March of

2004, to be placed in service in July of 2004, and to be substantially leased-up in May of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. One of the units (2%) will be reserved for households earning 30% or less of AMGI, one unit (2%) will be reserved for households earning 40% or less of AMGI, 24 of the units (40%) will be reserved for households earning 50% or less of AMGI, and 34 units (56%) will be reserved for households earning 60% or less of AMGI.

The Applicant did not provide a subsidy for the unit set-aside at 30% of AMGI; therefore, any scoring points awarded for the unit set-aside at 30% of AMGI should be reviewed prior to allocation.

Special Needs Set-Asides: Three units (5%) will be reserved 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 29, 2002 was prepared by Mark C Temple and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market area for the Creekside Estates Phase II Apartments is considered Angelina County which includes the City of Lufkin…In addition, it is viewed a very strong secondary market exists dues to the proposed site's proximity to the remaining East Texas Regional Area." (p. I-1)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	38	2%
Resident Turnover	2,019	98%
Other Sources [Vacancy 2.1%]	(5)	0%
TOTAL ANNUAL DEMAND	**2,052**	**100%**

Ref: p. IV-4

Capture Rate: "Based upon the income banding methodology, the 60 Low Income Housing Tax Credit (LIHTC) units of the apartment development represents a 2.9 percent capture rate of all income appropriate rental households within the market area depending on management's criteria for qualifying potential renters." (p. IV-3)

Market Rent Comparables: The market analyst surveyed seven apartment projects totaling 897 units in the market area. (p. III-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$329	$333	-$4	$465	-$136
1-Bedroom (60%)	$405	$409	-$4	$465	-$60
2-Bedroom (30%)	$214	$219	-$5	$624	-$410
2-Bedroom (40%)	$306	$311	-$5	$624	-$318
2-Bedroom (50%)	$398	$403	-$5	$624	-$226
2-Bedroom (60%)	$490	$495	-$5	$624	-$134
3-Bedroom (50%)	$459	$463	-$4	$785	-$326
3-Bedroom (60%)	$566	$570	-$4	$785	-$219

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

Submarket Vacancy Rates: "The occupancy level of the market area is presently 97.9 percent." (p. III-1)

Absorption Projections: "According to the Lufkin/Angelina County Economic Development Partnership and Claritas/National Planning Data Corporation present absorption trends of apartment projects located in the Lufkin Market Area range from 10 to 15 units per month…it is estimated that a 95+ percent occupancy level can be achieved in a 4 to 6 month time frame." (p. IV-7)
Known Planned Development: Not discussed in market study. To the best of the Underwriter's knowledge, no new affordable housing developments are planned for the market area indicated in the market study.

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site for the proposed apartment is located in the north area of the City of Lufkin, just south of Texas State Highway 287 at 1825 Sayers Street. Lufkin is the county seat of Angelina County in east central Texas.
Population: The estimated 2001 population of Angelina County was 80,899 and is expected to increase by 5% to approximately 84,544 by 2006. Within the primary market area there were estimated to be 29,967 households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are commercial, single family residential, multifamily residential and vacant land. Adjacent land uses include:

- **North:** vacant land
- **South:** Creekside Estates I Apartments
- **East:** vacant land, Lufkin Country Club
- **West:** vacant land

Site Access: Access to the property is through Phase I from Sayers Street. The apartment site is located within the major thoroughfares of Texas State Highway 287 to the north, US Highway Business 69 or Kurth Drive to the south, US Highway Business 59 or North Timberland Drive to the east and Texas State Highway 287 and US Highway Business 69 or Kurth Drive to the west.
Public Transportation: Public transportation services are not available in the City of Lufkin.
Shopping & Services: Discount shopping and other retail centers are located within 6 miles of the site, while two grocery stores are located within two miles. The area is served by the Lufkin Independent School District with an elementary (0.5 miles), intermediate (0.8 miles), junior high (2.5 miles), and high school (3.1 miles). The Angelina Community College is located 6.0 miles south of the site. Two parks are located within 1 mile and Sam Rayburn Lake is 30 miles east. Memorial Hospital is 2.6 miles southwest.
Special Adverse Site Characteristics: The market analyst states, "According to the sponsor, a portion of the land on the west side is in a floodplain. None of the streets, parking, or buildings will be constructed in the floodway." (p. I-11) Receipt, review and acceptance of an engineer's certification that all streets, parking and buildings are not located in the floodplain is a condition of this report.
Site Inspection Findings: TDHCA staff performed a site inspection on April 1, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 26, 2002 was prepared by Unovate Environmental Services, Inc. and contained the following findings and recommendations:

> "Based on the site reconnaissance, no recognized environmental conditions were discovered. UES performed the ESA in conformance with the scope and limitations of the ASTM Standard Practice for Site Assessments: Phase I Environmental Site Assessment Process (E 1527). Based on the site information gathered herein, the assessment revealed no significant evidence of environmental concerns in connection with the subject property. Therefore, no additional studies are recommended at this time."

OPERATING PROFORMA ANALYSIS

Income: The Applicant utilized the 2002 LIHTC gross rent limits less an overstated utility allowance that includes range and refrigerator allowances in calculating net rents. As a result, the Applicant's potential gross rent figure is understated by $3K as compared to the Underwriter's estimate. The Applicant's secondary income and vacancy assumptions, however, are in line with underwriting guidelines. The application indicates one employee occupied unit, but it was not shown on the rent schedule. Therefore it is assumed that the employee will be income-qualified and charged the maximum rent level under program rules. The Applicant's effective gross rent figure is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total operating expense figure is within 5% of the Underwriter's TDHCA database-derived estimate, adjusted based on historical operation of the adjacent Phase I development. The Applicant's line-item expenses, however, differ by a significant amount as compared to the Underwriter's estimates. These include: general and administrative ($2K lower), payroll ($6K lower), repairs and maintenance ($8K higher), utilities ($2K lower), property insurance ($3K higher), and property taxes ($3K lower). The submitted supportive services contract indicates a monthly cost of $300, or $3,600 per year. However, the Applicant's operating expense budget includes only $2,400 annually for supportive services.

Conclusion: Overall, the Applicant's net operating income figure is within 5% of the Underwriter's estimate; therefore, the Applicant's proforma should be used to determine the development's ability to service debt. However, although the Applicant's proforma results in a debt coverage ratio (DCR) that is below the Department's DCR minimum guideline of 1.10, indicating a need to restructure the proposed permanent financing, the Underwriter's proforma results in an acceptable DCR. Furthermore, it appears that the Applicant may have overestimated annual debt service based on the proposed terms directly contributing to an understated DCR. Using the Underwriter's calculated debt service results in acceptable 1.14 DCR. Therefore, the current financing structure is deemed to be acceptable as is.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The sellers, Jerry D Moore and HJ Trout, Junior, are owners of the developer and acquired the site as part of a larger 24.459 acre parcel in 1997 at a cost of $10,368. This amounts to a prorated cost of $424 per acre or $3,865 for the subject 9.602 acres. The assessed value for the entire 24.459 acres is $2,000 per acre and a submitted appraisal indicates a value at the proposed acquisition price of $138,000, based on land sales the appraiser indicates are not comparable, but the best available at this time. However, the Applicant provided no other documentation of holding costs or improvements made to the site that would provide justification for a higher non-arm's-length sale. Therefore, the Underwriter used a proration of the original purchase price as the appropriate transfer price to ensure that a windfall profit or excess developer fee is not provided to the developer as a result of the potential TDHCA funding for the project.

Sitework Cost: The Applicant's claimed sitework costs of $6,487 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are overstated.

Ineligible Costs: The Applicant incorrectly included $1,000 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Underwriter added $12,500 in housing consultant fees to already overstated total developer fees. As a result, the Applicant's total fees exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion must be reduced by $45,286.

Conclusion: Due to the overstated land acquisition cost and differences in direct construction costs, the Applicant's total development cost figure is more than 5% higher than the Underwriter's estimate. Therefore, the Underwriter's estimate for total development cost will be used to determine eligible basis of $4,521,764 and tax credits of $496,128 from this method.

FINANCING STRUCTURE ANALYSIS

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

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through SunAmerica Affordable Housing Partners in the amount of $1,042,500 during both the interim and permanent periods. The commitment letter did not indicate a term for the construction portion, but showed 18 years for the permanent and a 30 year amortization schedule. The interest rate will be the greater of the interpolated 15 year US Treasury rate plus 275 basis points or 8% at rate lock. Eight percent was used in this analysis.

LIHTC Syndication: SunAmerica Affordable Housing Partners has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,124,742 based on a syndication factor of 76.5%. A pay-in schedule for the proceeds was not provided; therefore, receipt, review and acceptance of a pay-in schedule for the anticipated syndication proceeds is a condition of this report.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $144,778 amount to 21% of the total proposed fees.

Financing Conclusions: As stated above, the Underwriter's estimate for total development cost was used to determine eligible basis of $4,521,764, which would result in tax credits of $496,128 annually. However, based on the Underwriter's total development cost estimate less the proposed permanent loan amount, there is a gap in need of only $3,619,606. Syndication proceeds in this amount and the terms presented in the SunAmerica proposal indicate a gap-driven recommended LIHTC allocation of $473,198, or $65,984 per year less than requested. Under this scenario, there would be no need for the developer to defer fees. Should the actual development costs equal the Applicant's estimated direct costs, there are sufficient developer fees to fund the difference of up to $590K if necessary.

REVIEW of ARCHITECTURAL DESIGN

The residential building elevation indicates simple combination brick and siding exteriors. The individual unit floorplans offer adequate storage and washer/dryer closets. The Daycare center will have separate classrooms for each age level up to 5 years and a large multipurpose room. In addition, the building will have several observation rooms, restrooms, a kitchen and offices.

IDENTITIES of INTEREST

The Applicant, developer, general contractor, cost estimator, and property manager are related entities. These are common identities of interest for LIHTC-funded developments. The seller of the land is also related to the owner of the General Partner of the Applicant. This is discussed in more detail in the Construction Cost Estimate Evaluation section of this report and was mitigated by reducing the transfer price to the prorate portion of the original acquisition amount.

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, Partners for effective Development, Inc., submitted compiled financial statements as of November 30, 2001 reporting total assets of $85K consisting of cash, prepaid taxes, due form stockholders and property and equipment. Liabilities totaled $29K, resulting in stockholder's equity of $56K.
- The developer, First MT Development, Inc., submitted compiled financial statements as of November 30, 2001 reporting total assets of $434K consisting of cash, due from Lufkin Creekside Apartments, Ltd., equity investment in Lufkin Creekside Apartments, Ltd., development fee receivable ($430K) and other assets. Liabilities totaled $19K, resulting in stockholder equity of $414K.
- HJ Trout, Jr., Jerry D Moore and Carol C Moore also submitted personal financial statements.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- As of July of 2002, the General Partner will have completed one LIHTC housing developments totaling 112 units, Pemberton Place (#00038).
- Jerry D Moore, principal of the developer, has participated in five affordable housing developments totaling 382 units since 1989.

- HJ Trout, Jr. has participated in one LIHTC-funded development, Lufkin Creekside Estates (#97120).

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant environmental/locational risk exists regarding floodplain onsite.
- The seller of the property has an identity of interest with the Applicant.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $473,198 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of documentation granting a right of way through Phase I and right of access to amenities present at Phase I for Phase II residents;
2. The Applicant did not provide a subsidy for the unit set-aside at 30% of AMGI; therefore, any scoring points awarded for the unit set-aside at 30% of AMGI should be reviewed prior to allocation;
3. Receipt, review, and acceptance of an engineer or architect's certification that all streets, parking and buildings are not located in the 100-year flood plain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs; and
4. Receipt, review and acceptance of a pay-in schedule for the anticipated syndication proceeds.
5. Should the rates or terms of the proposed debt or syndication be altered, the previous recommendations and conditions should be re-evaluated by the Underwriter.

Credit Underwriting Supervisor: ______________________ **Date:** June 14, 2002
Lisa Vecchietti

Director of Credit Underwriting: ______________________ **Date:** June 14, 2002
Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Creekside Estate, Phase II, Lufkin LIHTC #02175

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Util	Wtr, Swr, Trsh
TC 50%	8	1	1	808	$383	$333	$2,666	$0.41	$37.34	$18.86
TC60%	12	1	1	808	459	409	4,912	0.51	37.34	18.86
TC 30%	1	2	1	980	276	219	219	0.22	45.08	18.86
TC 40%	1	2	1	980	368	311	311	0.32	45.08	18.86
TC 50%	8	2	1	980	460	403	3,220	0.41	45.08	18.86
TC60%	10	2	1	980	552	495	4,946	0.50	$45.08	18.86
TC 50%	8	3	2	1,200	531	463	3,707	0.39	55.24	18.86
TC60%	12	3	2	1,200	638	570	6,845	0.48	55.24	18.86
TOTAL:	60		AVERAGE:	996	$505	$447	$26,825	$0.45	$45.89	$18.86

INCOME	'otal Net Rentable Sq Ft	59,760		TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$321,902	$318,936			
Secondary Income		Per Unit Per Month:	$13.00	9,360	9,360	$13.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$331,262	$328,296			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(24,845)	(24,624)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$306,418	$303,672			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.30%	$271	$0.27	$16,239	$14,280	$0.24	$238	4.70%
Management	5.00%	255	0.26	15,321	15,389	0.26	256	5.07%
Payroll & Payroll Tax	18.20%	929	0.93	55,766	49,404	0.83	823	16.27%
Repairs & Maintenance	13.59%	694	0.70	41,656	50,100	0.84	835	16.50%
Utilities	2.75%	140	0.14	8,425	6,600	0.11	110	2.17%
Water, Sewer, & Trash	1.13%	58	0.06	3,463	3,900	0.07	65	1.28%
Property Insurance	3.90%	199	0.20	11,952	15,060	0.25	251	4.96%
Property Tax 2.5508	9.99%	510	0.51	30,610	27,765	0.46	463	9.14%
Reserve for Replacements	3.92%	200	0.20	12,000	12,000	0.20	200	3.95%
Supp.Serv./Comp/Security	1.89%	97	0.10	5,800	4,600	0.08	77	1.51%
TOTAL EXPENSES	65.67%	$3,354	$3.37	$201,231	$199,098	$3.33	$3,318	65.56%
NET OPERATING INC	34.33%	$1,753	$1.76	$105,187	$104,574	$1.75	$1,743	34.44%
DEBT SERVICE								
First Lien Mortgage	29.96%	$1,530	$1.54	$91,794	$96,857	$1.62	$1,614	31.90%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	4.37%	$223	$0.22	$13,393	$7,717	$0.13	$129	2.54%
AGGREGATE DEBT COVERAGE RATIO				1.15	1.08			
RECOMMENDED DEBT COVERAGE RATIO				1.15	1.14			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl(		0.08%	$64	$0.06	$3,865	$142,000	$2.38	$2,367	2.67%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.35%	6,487	6.51	389,222	389,222	6.51	6,487	7.33%
Direct Construction		55.86%	43,406	43.58	2,604,375	2,945,255	49.28	49,088	55.45%
Contingency	5.00%	3.21%	2,495	2.50	149,680	166,723	2.79	2,779	3.14%
General Reqts	6.00%	3.85%	2,994	3.01	179,616	200,068	3.35	3,334	3.77%
Contractor's G &	2.00%	1.28%	998	1.00	59,872	66,689	1.12	1,111	1.26%
Contractor's Pr(	6.00%	3.85%	2,994	3.01	179,616	200,068	3.35	3,334	3.77%
Indirect Construction		4.80%	3,733	3.75	223,950	223,950	3.75	3,733	4.22%
Ineligible Costs		1.37%	1,068	1.07	64,078	64,078	1.07	1,068	1.21%
Developer's G & A	2.00%	1.69%	1,311	1.32	78,639	136,685	2.29	2,278	2.57%
Developer's Profit	13.00%	10.96%	8,519	8.55	511,156	559,243	9.36	9,321	10.53%
Interim Financing		3.12%	2,427	2.44	145,638	145,638	2.44	2,427	2.74%
Reserves		1.55%	1,207	1.21	72,400	72,400	1.21	1,207	1.36%
TOTAL COST		100.00%	$77,702	$78.01	$4,662,107	$5,312,019	$88.89	$88,534	100.00%
Recap-Hard Construction Costs		*76.41%*	***$59,373***	***$59.61***	***$3,562,381***	***$3,968,025***	***$66.40***	***$66,134***	*74.70%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	22.36%	$17,375	$17.44	$1,042,500	$1,042,500	$1,042,500
Additional Financing	0.00%	$0	$0.00	0	0	0
LIHTC Syndication Proceeds	88.47%	$68,746	$69.02	4,124,742	4,124,742	3,619,606
Deferred Developer Fees	3.11%	$2,413	$2.42	144,778	144,778	0
Additional (excess) Funds Req	-13.94%	($10,832)	($10.88)	(649,913)	(1)	0
TOTAL SOURCES				$4,662,107	$5,312,019	$4,662,107

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Creekside Estate, Phase II, Lufkin LIHTC #02175

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.96	$2,447,946
Adjustments				
Exterior Wall Finis	6.39%		$2.62	$156,424
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.31)	(78,086)
Floor Cover			1.82	108,763
Porches/Balconies	$28.10	5472	2.57	153,763
Plumbing	$585	60	0.59	35,100
Built-In Appliances	$1,550	60	1.56	93,000
Exterior Stairs	$1,350	10	0.23	13,500
Floor Insulation			0.00	0
Heating/Cooling			1.41	84,262
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$51.60	6,986	6.03	360,457
Other:			0.00	0
SUBTOTAL			56.48	3,375,128
Current Cost Multiplier	1.04		2.26	135,005
Local Multiplier	0.91		(5.08)	(303,762)
TOTAL DIRECT CONSTRUCTION COSTS			$53.65	$3,206,372
Plans, specs, survy, bl	3.90%		($2.09)	($125,048)
Interim Construction In	3.38%		(1.81)	(108,215)
Contractor's OH & Profi	11.50%		(6.17)	(368,733)
NET DIRECT CONSTRUCTION COSTS			$43.58	$2,604,375

PAYMENT COMPUTATION

Primary	$1,042,500	Term	360
Int Rate	8.00%	DCR	1.15

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$4,124,742	Term	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$91,794
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$13,393

Primary	$1,042,500	Term	360
Int Rate	8.00%	DCR	1.14

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.14

Additional	$4,124,742	Term	0
Int Rate	0.00%	Aggregate DCR	1.14

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	$318,936	$328,504	$338,359	$348,510	$358,965	$416,139	$482,419	$559,256	$751,594
Secondary Income	9,360	9,641	9,930	10,228	10,535	12,213	14,158	16,413	22,057
Other Support Income: (d	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	328,296	338,145	348,289	358,738	369,500	428,352	496,577	575,669	773,651
Vacancy & Collection Los	(24,624)	(25,361)	(26,122)	(26,905)	(27,713)	(32,126)	(37,243)	(43,175)	(58,024)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$303,672	$312,784	$322,168	$331,833	$341,788	$396,225	$459,334	$532,494	$715,627
EXPENSES at 4.00%									
General & Administrative	14,280	$14,851	$15,445	$16,063	$16,706	$20,325	$24,728	$30,086	$44,534
Management	15,389	15,639	16,108	16,592	17,089	19,811	22,967	26,625	35,781
Payroll & Payroll Tax	49,404	51,380	53,435	55,573	57,796	70,317	85,552	104,087	154,074
Repairs & Maintenance	50,100	52,104	54,188	56,356	58,610	71,308	86,757	105,553	156,244
Utilities	6,600	6,864	7,139	7,424	7,721	9,394	11,429	13,905	20,583
Water, Sewer & Trash	3,900	4,056	4,218	4,387	4,562	5,551	6,754	8,217	12,163
Insurance	15,060	15,662	16,289	16,940	17,618	21,435	26,079	31,729	46,967
Property Tax	27,765	28,875	30,030	31,231	32,481	39,518	48,079	58,496	86,588
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	4,600	4,784	4,975	5,174	5,381	6,547	7,966	9,692	14,346
TOTAL EXPENSES	$199,098	$206,696	$214,808	$223,239	$232,002	$281,286	$341,091	$413,671	$608,704
NET OPERATING INCOME	$104,574	$106,088	$107,360	$108,594	$109,785	$114,940	$118,243	$118,823	$106,923
DEBT SERVICE									
First Lien Financing	$91,794	$91,794	$91,794	$91,794	$91,794	$91,794	$91,794	$91,794	$91,794
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$12,780	$14,294	$15,566	$16,800	$17,991	$23,146	$26,449	$27,029	$15,129
DEBT COVERAGE RATIO	1.14	1.16	1.17	1.18	1.20	1.25	1.29	1.29	1.16

LIHTC Allocation Calculation - Creekside Estate, Phase II, Lufkin LIHTC

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$142,000	$3,865		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$389,222	$389,222	$389,222	$389,222
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$2,945,255	$2,604,375	$2,945,255	$2,604,375
(4) Contractor Fees & General Requirements				
Contractor overhead	$66,689	$59,872	$66,689	$59,872
Contractor profit	$200,068	$179,616	$200,068	$179,616
General requirements	$200,068	$179,616	$200,068	$179,616
(5) Contingencies	$166,723	$149,680	$166,723	$149,680
(6) Eligible Indirect Fees	$223,950	$223,950	$223,950	$223,950
(7) Eligible Financing Fees	$145,638	$145,638	$145,638	$145,638
(8) All Ineligible Costs	$64,078	$64,078		
(9) Developer Fees			$650,642	
Developer overhead	$136,685	$78,639		$78,639
Developer fee	$559,243	$511,156		$511,156
(10) Development Reserves	$72,400	$72,400		
TOTAL DEVELOPMENT COSTS	$5,312,019	$4,662,107	$4,988,255	$4,521,764

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$4,988,255	$4,521,764
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			$6,484,731	$5,878,293
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$6,484,731	$5,878,293
Applicable Percentage			8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			$547,311	$496,128
	Syndication Proceeds	**0.7649**	**$4,186,513**	**$3,794,999**
			Actual Gap of Need	**$3,619,606**
			Gap-Driven Allocation	**$473,198**